



ANNUAL REPORT 2019



www.kubanenergo.ru

TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

KUBAN POWER AND ELECTRIFICATION
PUBLIC JOINT STOCK COMPANY
KUBANENERGO PJSC

Approved by
Annual General Shareholders Meeting of
Kubanenergo PJSC
(Minutes No. 43 dd. May 29, 2020)

Data reported herein confirmed
by the Auditing Commission
of Kubanenergo PJSC on April 15, 2020
(Minutes No. 3 dd. April 15, 2020)

Director General of Kubanenergo PJSC

S.V. Sergeev

Chief Accountant, Head of the Department
for Accounting, Taxation, and Reporting

I.V. Skiba

Krasnodar, 2020

Herein disclosed the ANNUAL REPORT of the Public Joint-Stock Company of Power Industry and Electrification of Kuban for 2019 as well as some milestones of January 1, 2020 and later on until the preliminary approval of this Report by the Board of Directors (April 28, 2020).

For the purposes hereof, the Kuban Power and Electrification Public Joint Stock Company is also referred to herein as Kubanenergo PJSC, Rosseti Kuban, Kubanenergo, or the Company, or as Kubanenergo JSC for events prior to June 22, 2015, i.e. the Company's renaming.

Rosseti PJSC (referred to as IDGC Holding JSC before April 4, 2013, Rosseti JSC from April 4, 2013 until July 17, 2015) and other legal persons are named herein as they were named during the relevant periods of time.



DISCLAIMER

This ANNUAL REPORT (hereinafter the "ANNUAL REPORT") has been prepared with the use of information available to Kubanenergo PJSC and its subsidiaries at the time of its drafting.

The ANNUAL REPORT also includes information relating to the future production and economic activities of the Company based on estimates and forecasts of the Company's management, and on the current situation. For objective reasons, the actual results of the activities may differ from these forecasts and assessments.

The ANNUAL REPORT contains certain forecasting statements in relation to the Company's economic activity, economic performance, financial status, plans, projects, and expected results. The ANNUAL REPORT may also contain estimates of trends in service or product prices, volumes of production and consumption, costs, estimated expenditures, development prospects, and other similar factors, as well

as forecasts regarding the sectoral and market development, projected starts and completions of the Company's projects.

Words such as "intends", "seeks", "designs", "expects", "estimates", "plans", "considers", "supposes", "may", "should", "will", "will continue" and other similar words and words derived from them usually indicate the forecasting nature of a statement.

Forecasting statements, by their nature, are bound to inherent risks and uncertainties, whether general or specific. A forecast, projection, assumption, project, or any other forecasting statement may or may not materialize. In the light of these risks, uncertainties, and assumptions the Company warns that the actual results may significantly differ from the forecasts, whether explicit or implicit that are valid only at the time of drafting the ANNUAL REPORT.

The Company does not definitely state and does not guarantee that the results

indicated in the forecasting statements will be achieved. The Company does not bear any responsibility for any damages that may be incurred by natural or legal persons who relied on such statements. In each particular case, such forecasting statements constitute only one of the many ways events can unfold, and should not be seen as the most likely ones.

Unless otherwise required by the Russian law, the Company does not undertake to publish any updates or changes in its forecasts on the basis of new data or subsequent events.

MEMORANDUM OF ROSSETI PJSC, THE CONTROLLING SHAREHOLDER, ON THE GRID COMPANIES IT CONTROLS

Rosseti PJSC is a public holding, 88.04% of whose equity is owned by the State; it was founded by virtue of the Russian President's Decree No. 1567 dd. November 22, 2012 for the national grid infrastructure to develop and function more efficiently, as well as to coordinate the management of such infrastructure through subsidiaries.

Rosseti PJSC owns controlling interest in 14 distribution grid companies (Kubanenergo PJSC, Lenenergo PJSC, MOESK PJSC, IDGC of Volga PJSC, IDGC of Northwest PJSC, IDGC of North Caucasus PJSC, IDGC of Siberia PSJC, IDGC of Urals OJSC, IDGC of Center PSJC, IDGC of Center and Volga Region PJSC, Rosseti South PJSC, TRK PJSC, Rosseti Tyumen JSC, Yantarenergo JSC) and a single mainline grid operator (FGC UES JSC). Alienation of these assets is not considered.

Rosseti has these strategic development priorities for its subsidiaries:

- reliable, high-quality, and affordable electricity delivery in the new digital environment;
- further efficiency improvement for the core electricity delivery business;
- promotion of legislative initiatives to enhance the industry;
- balancing the interests of the state, customers, shareholders, and investors;
- development of new service categories (non-tariff and consumer services) by virtue of digital transformation to keep the Company stable in the light of the industry's changes

Rosseti manages the Group's companies in accordance with the uniform corporate

standards designed to assure the efficiency and quality of business processes, minimize all kinds of corporate risks, as well as keep them open and transparent..

² For services, Kubanenergo PJSC is branded Rosseti Kuban, Lenenergo PJSC is branded Rosseti Lenenergo, MOESK PJSC is branded Rosseti Moscow Region, IDGC of Volga PJSC is branded Rosseti Volga, IDGC of Northwest PJSC is branded Rosseti Northwest, IDGC of North Caucasus PJSC is branded Rosseti North Caucasus, IDGC of Siberia PJSC is branded Rosseti Siberia, IDGC of Urals PJSC is branded Rosseti Urals, IDGC of Center PJSC is branded Rosseti Center, IDGC of Center and Volga Region PJSC is branded Rosseti Center and Volga Region, TRK PJSC is branded Rosseti Tomsk, Yantarenergo JSC is branded Rosseti Yantar, FGC UES PJSC is branded Rosseti FGC UES

01

- 8 Chairman of the Board of Directors' Address
- 10 Director General's Address

COMPANY PROFILE

- 14 Mission and Values
- 15 Kubanenergo and its Market Stance
- 18 Integrated Management System (IMS)
- 21 Business Model
- 26 Key Performance Indicators
- 28 Corporate Structure
- 30 History of Origin and Development of Kuban Power System and Kubanenergo PJSC
- 32 Anti-Corruption Policy
- 34 Key Events

02

STRATEGIC PRIORITIES AND RISK MANAGEMENT

- 44 Strategic Goals
- 46 Board of Directors' Report on the Company's Development in Priority Areas
- 50 Grid Development in the Company and in the Region
- 51 Technical Policy
- 54 Innovative Development
- 58 Grid Facility Upgrade (Renovation) Program
- 60 Digital Transformation
- 61 Consolidation of Grid Assets
- 62 Key Performance Indicators
- 64 Risk Management System

03

PRODUCTION RESULTS

- 74 Electricity Delivery
- 75 Technological Connection to the Kubanenergo PJSC Electric Power System
- 81 Ensuring a Reliable and Efficient Operation of the Power System
- 85 Energy Saving and Improving Energy Efficiency
- 89 Tariff Policy and Tariffs for the Company Services
- 94 Information Technologies and Telecommunications
- 95 Providing Ancillary services
- 96 Company's Procurement Activity

04

INVESTMENT ACTIVITY

- 100 Key Parameters of the Company's Investment Activities in 2019
- 101 Fields and Structure of Financing Capital Investments
- 102 The Investment Program Implementation Results for 2019
- 102 Long-Term Investment Program
- 103 Capital Construction Quality Control
- 103 Key Investment Projects Completed by Construction in 2019

05

FINANCIAL RESULTS

- 106 Financial (accounting) statements of Kubanenergo PJSC
- 108 The results of the financial and business operations of the Company

06

CORPORATE GOVERNANCE

- 114 Principles and practices of Corporate Governance
- 118 General Meeting of Shareholders
- 119 Board of Directors
- 130 Committees of the Board of Directors
- 138 Executive bodies
- 145 Corporate Secretary
- 146 Auditing Commission
- 148 Remuneration and Reimbursement for the executive and controlling bodies of the Company
- 150 Transactions made by Kubanenergo PJSC in 2019
- 151 Information Policy

07

INTERNAL CONTROL AND INTERNAL AUDIT

- 154 Internal Control System
- 156 Internal Audit

08

SHARES AND DIVIDENDS

- 160 Shares of Kubanenergo PJSC
- 161 Issuance of additional Company shares
- 162 Shareholder Equity Structure, in %
- 163 Stock Market and Capitalization of Kubanenergo PJSC
- 164 Distribution of Profits and Dividend Policy
- 165 Dividend Payout History of Kubanenergo PJSC

09

SUSTAINABLE DEVELOPMENT

- 168 Personnel Policy
- 168 Personnel Numbers and Structure
- 170 Personnel Training and Development
- 171 Talent Pool
- 172 Social Responsibility
- 175 Youth Policy
- 177 Occupational and Industrial Security
- 178 Environmental Protection and Key Environmental Aspects at the Company
- 180 Customer Communication Arrangement
- 181 Public and Government Relations, Congress and Exhibition Activities

10

REFERENCE INFORMATION

- 188 Contact details
- 190 Registrar's details
- 192 Terms and Abbreviations
- 192 Units of measurement
- 192 Annexes to the Annual Report

Chairman of the Board of Directors' Address

A. I. GAVRILOV

CHAIRMAN OF THE BOARD OF DIRECTORS
KUBANENERGO PJSC



Dear shareholders of Kubanenergo PJSC!

In the reporting year, the Board of Directors was focused on protecting the interests of shareholders of Kubanenergo PJSC, improving the Company's financial and economic performance, enhancing the shareholders', the creditors', and the investors' confidence in the Company. In 2019, the Board of Directors made emphasis on approving the strategic plans and internal documents, regular monitoring of the managers' work in various aspects of the Company's financial and economic activities, as well as implementing the resolutions of the Board of Directors while also preparing for, and holding, the General Meeting of Shareholders.

To improve its corporate governance, Kubanenergo's General Meeting of Shareholders acted on the Board of Directors' suggestion and approved the revised Charter, General Meeting of Shareholders Regulations, Board of Directors Regulations, Management Board Regulations, and Board of Directors Remuneration and Reimbursement Regulations.

The Board of Directors' milestone resolutions of the reporting year included the approval of long-term programs for less electricity loss, better cooperation with the military industrial complex, and better risk management system.

The Company joined Rosseti's single Digital Transformation 2030 Concept designed for a transition to a novel management system by creating and enabling systems for digitalization and integration of all the processes in the Company, to further accumulate big data and process them accordingly for the purpose of analysis and decision-making.

As part of the transition to a single Rosseti-branded style, the Company started publicly using the Rosseti Kuban brand in 2019.

Statute on Unified Technical Policy has been approved as an internal document for the Company. It also approved the revised internal Insider Information Regulations, Board of Directors' Strategy Committee Regulations, and the Internal Audit Policy.

In 2019, Kubanenergo PJSC held 44 meetings of the Board of Directors, which made resolutions on all 149 issues it considered.

For financial stability and stable positive financial results, the Company has developed and put in place its Operational Efficiency Improvement and Cost Reduction Program for 2019-2023.

The Company's share in the regional electricity transmission market was 75.4% of the regional revenue requirement (RR) in 2019. The Company keeps retrofitting and upgrading its grid facilities while also dynamically increasing its grid connection figures, which suggests the Company will remain the leading provider in the regional electricity delivery market.

Kubanenergo will continue to focus on timely and affordable grid connection for new customers, including housing, agribusinesses, and social venues. As it continues to address capacity shortages in major industrial and residential clusters of Krasnodar Territory and Republic of Adygea, the Company boosts the regions of its operation socially and economically.

In 2019, the Company entered into 28.6 thousand grid connection contracts for a total of 733 MW. Major new connections were provided for FTI Rostransmodernizatsiya (93 MW), Kubanenergoserwis LLC (10 MW), FTI Taman Federal Highway Administration of the Federal Road Agency (9 MW), Razvitiye LLC (5 MW), KubanGradInvestStroy LLC (5 MW), STI Directorate for Construction in the Krasnodar Territory (4 MW), Zernovoy terminal KSK JSC (4 MW).

As part of its Energy Efficiency Program, Kubanenergo JSC continued to implement its innovation projects to improve the quality of electricity delivery and accounting, funded by the Company and by the investors alike.

In 2019, Kubanenergo mainly sought to pass peak-load seasons without accidents, to timely obtain the certificates of readiness for fall and winter, to complete its investment and repair programs, and to minimize excessive losses. In light of increasing demand for electricity and growing loads, it is no less important to improve the accessibility and transparency of grid connections, quality and efficiency of the rendered services.

To be in line with the reliability, safety, quality, efficiency, and affordability/accessibility of electricity delivery requirements, as well as to focus more on the customer by adopting novel technology, equipment, and practices, the Company has developed and its Board of Directors has approved the updated Innovative Development Program for 2016-2020 and up to 2025.

The Company also seeks to continuously improve its financial and economic performance, increase the investment potential, become more open and transparent to serve the interests of shareholders and other concerned parties to the full.

When it comes to the grid complex development in the Krasnodar Territory and the Republic of Adygea, the primary objective is to optimize the efforts to upgrade the grid facilities under the Digital Transformation 2030 Concept as well as to cover the expected demand for electricity in the long term..

SHARE OF THE COMPANY IN THE REGIONAL MARKET OF ELECTRICITY TRANSMISSION SERVICES

75.4%

TIMELY AND ACCESSIBLE TECHNOLOGICAL CONNECTION TO THE ELECTRICAL GRID OF NEW CONSUMERS REMAINS THE MOST IMPORTANT PROMISING LINE OF ACTIVITY

Director General's Address

S.V. SERGEYEV
DIRECTOR GENERAL
OF KUBANENERGO PJSC



Dear Shareholders, Partners, and Colleagues!

2019 was a landmark year for the Company, a member of the Rosseti Group. A major change lay in the transition to a single Rosseti-branded style, as the Company began to publicly use its new brand, Rosseti Kuban. This will make Kubanenergo easier to recognize as part of the single umbrella brand of Rosseti.

Under this National Digital Economy Program, Kubanenergo joined the Rosseti Group's single Digital Transformation 2030 Concept and started to build a digital grid in its region. The first digital success of the Company was its participation in the federal project to construct 186 km of power transmission lines and the Port SS, a cutting-edge 220 kV 432 MVA substation on the Taman Peninsula, Krasnodar Territory, done under the Investment Project to Create a Bulk Cargo District for the Port of Taman. Railways, and Improvement of the Existing Public Railway Infrastructure Heading Towards the Bulk Cargo Area of the Taman Seaport. The Port SS, a new closed 220 kV SS, has the advantage of using digital technologies to better control the facility. This new power infrastructure built in Taman was designed to cover the capacity requirements of newly constructed facilities and existing major consumers, as well as to provide infrastructure for the road and railway approaches to the Crimean Bridge.

During the reporting period, Kubanenergo continued to improve the quality and reliability

of electricity delivery to each customer residing in the Krasnodar Territory and the Republic of Adygea.

Over 2019, the Company reliably delivered electricity to the venues of international and federal events in the Krasnodar Territory, that is, the Russian Investment Forum (RIF 2019), the Russia-Africa Summit, the Russian Grand Prix of FIA Formula 1, the Kinotavr Film Festival, the SAMBO Absolute Cup for the Prizes of the Union State, etc.

The bulk of investment planned under the Company's Long-Term Investment Program for 2019-2022 will target reconstruction and retrofitting of grid facilities. In 2019, the Company spent a total of 6.76 RUB bn in capital investment, with the funding of such investment totaling 5.44 RUB bn. The Company thus commissioned 783 MVA of transformer capacity and 792 km of power lines.

The most important facilities covered by the Company's Investment Program over the reporting period were the newly constructed 220 kV Port SS, the reconstructed 110 kV Loris, Severnaya, and OBD substations in Krasnodar and its suburbs, where the capacity was increased, as well as the newly constructed power lines of various voltage.

To deliver electricity more reliably to customers in the Krasnodar Territory and the Republic of Adygea, the Company spent over 3.5 RUB bn in 2019 on its maintenance and repair efforts.

The Company successfully completed its preparations for Fall and Winter 2019/2020 and was certified accordingly.

It released 22.851 billion kWh to the grid in 2019. Among other things, the Company focuses on improving the energy efficiency of its equipment. The Energy Conservation and Energy Efficiency Improvement Program is revised and upgraded annually; it mainly seeks to reduce process-related losses as well as the energy spent on the Company's production and housekeeping needs. The Program reduced the electricity losses by 183 million kWh or 566 RUB mn over 2019.

Capacity connected in 2019 totaled 797 MW. This is a >73 MW increase YoY.

With respect to grid connection, the Company prioritizes constructing overhead and cable 110 kV lines in Novorossiysk to deliver electricity to the refrigerator facilities planned for construction there, to cover the energy demands of the agricultural enterprises of Southern Russia, and to address the shortage of power in major industrial and residential clusters of the region (Krasnodar, Novorossiysk, and Tuapse).

Sales of additional services generated a revenue of 281 RUB mn in 2019, the bulk of which came from: imposing limits on (recovery of) electricity consumption, installation of telecommunication equipment, operational and technical maintenance of grids.

The Company's net income totaled 2.42 RUB bln in 2019.

The Company has developed and put in place its Operational Efficiency Improvement and Cost Reduction Program for 2019-2023, which defines steps to accomplish the Company's strategic objectives, improve its internal efficiency, and enhance profitability by optimizing the internal business processes.

The specific operating expenses of Kubanenergo PJSC dropped by 2.1% in 2019, had been planned to drop by at least 2-3% according to the Directive of the Russian Government No. 2303p-П13 dd. April 16, 2015. This positive trend is a result of systematic effort to optimize the costs, reduce the specific costs of operating the energy equipment, reduce the in-grid electricity losses, and improve energy efficiency.

In 2019, the Company continued to enhance its Production Asset Management System, Electricity Transport Management System, the Corporate Grid Connection Software Suit, as well as the 1C:Enterprise Corporate Information System. We have completed the implementation of an automated retrofitting and reconstruction management system, the integration of Production Asset Management and Electricity Transport Management Systems by aligning the grid facilities under both system and enabling communication of data on the delivery points; besides, we created a regional node for the Single Geoinformation System. The Company constructed 276 km of inhouse fiber-optic communication lines (FOCL). FOCLs were used to set up mission control, telemetry, relay protection and automation, and emergency automation channels towards the 220 kV Port SS and 11 substations rated at 110 kV. Thus, it is safe to say that in 2019, the Company did complete its task of reliable and high-quality electricity delivery, reinforcing its image of a company of outstanding social significance for the economic development of Krasnodar Territory and the Republic of Adygea.

IN THE FRAMEWORK OF THE NATIONAL PROGRAM «DIGITAL ECONOMY OF THE RUSSIAN FEDERATION» KUBANENERGO PJSC STARTED WORK ON CONSTRUCTION IN THE REGION OF THE DIGITAL NETWORK

ELECTRICITY SUPPLY INTO THE GRID IN 2019 BY SOCIETY WAS

22.851 BILLION KWH

COMPANY PROFILE

01



COMPANY PROFILE

- 14 Mission and Values
- 15 Kubanenergo and its Market Stance
- 18 Integrated Management System (IMS)
- 21 Business Model
- 26 Key Performance Indicators
- 29 Corporate Structure
- 30 History of Origin and Development of Kuban Power System and Kubanenergo PJSC
- 32 Anti-Corruption Policy
- 34 Key Events

Mission and Values

Mission of Kubanenergo PJSC is generating profit by means of long-term provision of reliable, safe and accessible power supply to customers across the Krasnodar region and the Republic of Adygea by arranging the most efficient management of the distribution network, applying cutting edge technology and innovations, and observing the world standards for rendering services and the best practice of corporate governance.

THE COMPANY'S VALUES ARE ENSHRINED IN THE CODE OF CORPORATE ETHICS AND EMPLOYEE CONDUCT:



RELIABILITY

The Company seeks to maximize the reliability and smoothness of electricity delivery to cover the economic and social needs of Russia by taking every organizational and technical effort to guarantee reliable operation of grid infrastructure while also ensuring the security of its facilities.

HUMAN RESOURCES

The Company's key resource is its personnel that has for a long time been preserving and boosting the Company's value. Whether the Company is to achieve its strategic goals and objectives set by the state depends to a large extent on the professionalism, integrity, and safety of labor in it.

The Company values every employee regardless of their gender, age, color, ethnicity, or position, which is why everyone has equal opportunities to work efficiently, develop professionally, and build a career.

The Company is guided by the principles of honesty and objectivity when recruiting, including manager recruitment. It is only one's business acumen that can get one into a top position.

The Company welcomes the so-called labor dynasties (translator's note: cases where family members of different generations work for the same company) and enables their development.

The Company promotes the continuity of generations by respecting the veterans' experience while also enabling them to convey their knowledge and traditions to the new generations of workers, which happens within labor dynasties as well.

PERFORMANCE

The Company is aware of its responsibilities to shareholders, investors, and partners, which is why performance is a fundamental value. The Company strives for continuous profit growth enabled by the strategic initiatives of shareholders, control and governance bodies, and top management.

SECURITY

The Company relies on a strictly regulated and balanced approach to security as it takes measures to prevent possible offences.

SOCIAL RESPONSIBILITY

Kubanenergo is a socially responsible company that focuses on environmental protection, occupational safety, and social programs.

HEREIN SET FORTH THE SET OF PRINCIPLES, NORMS, AND RULES OF PROFESSIONAL ETHICS AND CONDUCT BINDING UPON ALL EMPLOYEES OF THE COMPANY:

- Professionalism
- Integrity and responsibility
- Interaction and collaboration
- Image and reputation
- Confidentiality

The Company shall not sacrifice its values for profit, as it sees them as a crucial component that links all of its activities; the Company expects the same from its business partners.

The Company holds dear its corporate values and maintains a high level of corporate culture.

Kubanenergo and its Market Stance

Kubanenergo PJSC's business is electricity delivery and distribution in grid of 110 kV and below between the settlements, in the countryside, individual cities, and municipality centers of Krasnodar Territory (including Sochi) and the Republic of Adygea

Kubanenergo serves an area of 83.8 thousand sq.km and over 6 million people in the Krasnodar Territory and the Republic of Adygea.

The largest taxpayer, the Company is actively involved in the region's social and economic life by providing jobs and employment for suppliers in related industries, as well as by arranging various social programs and charitable activities.

Kubanenergo PJSC is a publicly traded company, the shares of which are traded at the Russian Stock Exchange – Moscow Exchange.

THE COMPANY'S CORE BUSINESS IS A NATURAL MONOPOLY REGULATED BY THE STATE IN TERMS OF:

- setting the electricity delivery and grid connection tariffs;
- ensuing non-discriminatory access to such services on equal footing

COMPANY PROFILE IN 2019

Total length of transmission lines	91.644 thousand km (circuit-wise) 89.35 thousand km (total route length)
Maximum design capacity of the grid ²	7,965.5 MVA
Design capacity utilization rate in 2019	4,559 MVA (57.2% of maximum capacity) underuse of design capacity due to creating backups for power failures or scheduled repair
Total number of metering points connected to the Company's grids under the signed electricity delivery contracts	1,150,139 units
Power grid branches	11 units

Kubanenergo PJSC is the largest electric grid company in the Krasnodar Territory and the Republic of Adygea. The Company's share in the regional electricity delivery market was 75.4% of the regional revenue requirement (RR) in 2019.

The Company keeps retrofitting and upgrading its grid facilities at a high rate while also dynamically increasing its grid connection figures, which suggests the Company will remain the leading provider in the regional electricity delivery market. The Company plans to get hold of 77.5% of the regional RR in 2020

by consolidating the assets of a major local grid operator: Sochi Mainline Grid Company (MGC), a branch of FGC UES.

The largest companies engaged in similar activities in the Krasnodar Territory and the Republic of Adygea are: NESK Elektroseti JSC, Oboronenergo JSC, Russian Railways, and NGT-Energy JSC.

COMPANY'S SHARE IN THE ELECTRICITY DELIVERY MARKET (% OF THE REGIONAL), 2017-2019

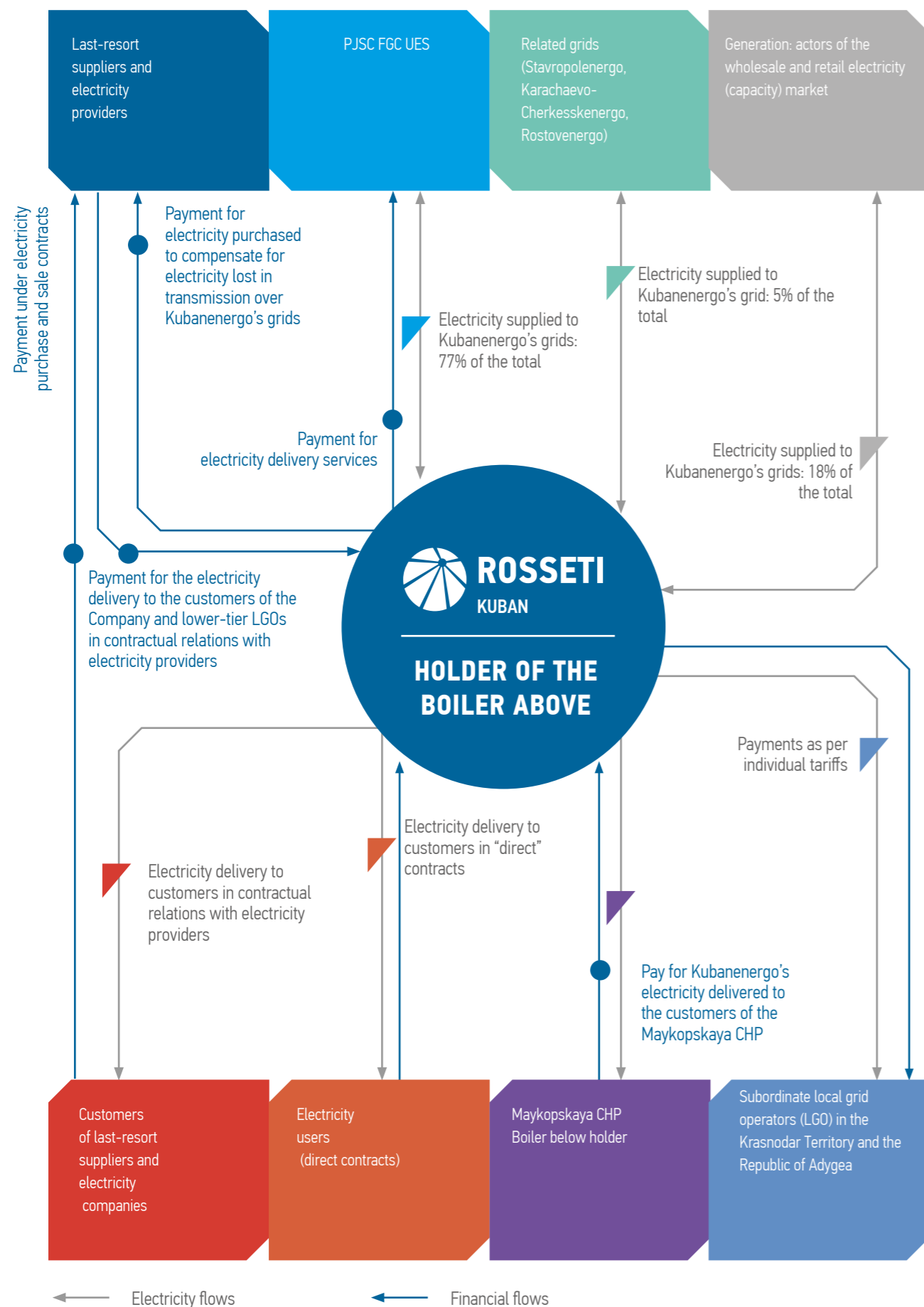
ACTUAL VALUE FOR 2017 **73.9%**

ACTUAL VALUE FOR 2018 **75.5%**

ACTUAL VALUE FOR 2019 **75.4%**

² 110 kV substations only.

CHART OF ELECTRICITY AND FINANCIAL FLOWS IN THE COMPANY'S CORE BUSINESS



THE COMPANY'S GRIDS RECEIVE ELECTRICITY FROM:

- the ENES grids (generated by FGC UES), which accounted for 77% in the reported year;
- directly from the generation facilities (18%);
- related grids (Stavropolenergo, a branch of IDGC of North Caucasus; Karachaevo-Cherkesskenergo; Rostovenergo, a branch of IDGC of South), which accounted for 5% in the reported year.

KUBANENERGO DELIVERS ELECTRICITY TO THE FOLLOWING CUSTOMERS:

- last-resort suppliers (NESK and TNS energo Kuban in the reported year), which are actors in the wholesale and retail markets that sell electricity to end users connected to the Company's and other grid operators' grids;
- electricity providers (41 entities in the reported year), which are actors in the wholesale and retail markets that sell electricity to end users connected to the Company's and other grid operators' grids;
- customers (98 entities in the reported year) that signed direct contracts to purchase electricity from Kubanenergo (Novoroscement JSC, Tamanneftegaz CJSC, Eurochem - Belorechenskie Minudobrenia LLC,

Ptitsefabrika Primorskaya LLC, Agrofirma-plemzavod Pobeda JSC, Kubanmeliovodkhoz Administration FSBI, Sad-Gigant JSC, Verkhnebakansky tsementny zavod JSC, Abrau-Durso CJSC, Novoroslesexport JSC, RAMO-M JSC, NMTP PJSC, Formika-Yug LLC, Kanevskoy Gas Equipment Plant Ltd, IPP JSC, etc.);

- a related grid operator (Maykopskaya CHP LLC).

The Company receives pay for its electricity delivery services from electricity providers as well as from "direct" customers.

To compensate for in-grid electricity losses, the Company purchases accordingly from the last-resort suppliers: TNS energo Kuban and NESK.

THE COMPANY'S CORE ASSETS IN 2017-2019 AS OF THE END OF THE REPORTING YEAR:

TYPE OF ASSETS	UNIT	2017	2018	2019
Total				
35 to 220 kV SS, 6 to 10(35)/0.4	units	23,767	23,805	23,981
Installed capacity (total)	MVA	14,502.54	14,833.14	15,496.65
Total PTL length (circuit-wise)	km	91,105.98	91,090.93	91,643.93
OPL length	km	88,756.03	88,700.43	89,177.99
CL length	km	2,349.95	2,390.51	2,465.94



Integrated Management System (IMS)

Since 2008, Kubanenergo PJSC has a certified Integrated Quality Management System in place that incorporates:



- The Quality Management System, which is fundamental to the Company's general management system and enables:
 - systemic approaches to the Company's management by setting goals and defining the processes and resources to achieve them,
 - high quality of process management as required by the regulatory documents to meet the needs and expectations of the customers and to serve the interests of all stakeholders, including the Company's employees, shareholders, investors, and partners.

- The Environmental Management System, a part of the general management system that is used to control the Company's activities in terms of their environmental impact, to fulfill the Company's obligations, and to take into account the risks and possible environmental impact.
- The Occupational Health and Safety Management System, a part of the general management system that helps manage risks and improve occupational health and safety performance.
- The Energy Management System, a part of the general management system that enables continuous research to know the distribution and consumption of energy by

the Company, as well as whether energy is used optimally for production and non-production needs.

The Company's Integrated Management System has been developed and documented as required by the national and international standards: ISO 9001:2015, ISO 14001:2015, ISO 50001:2011, OHSAS 18001:2007, GOST R 54934-2012.

Company's IMS and certificates of compliance are applicable to transmission and distribution of electrical power through power grids of 110 kV and lower, design, construction, reconstruction, and overhaul of power facilities in the Krasnodar Territory and the Republic of Adygea.

IN 2019, THE FOLLOWING CERTIFICATES WERE IN FORCE:

MANAGEMENT SYSTEM	CERTIFICATE VALIDITY PERIOD	CERTIFICATION AUTHORITY
ISO 9001 Quality management system	March 5, 2021	SGS Vostok Limited CJSC
ISO 14001 Environmental management system	March 5, 2021	SGS Vostok Limited CJSC
OHSAS 18001 Occupational health and safety management system	March 5, 2021	SGS Vostok Limited CJSC
ISO 50001 Energy management system	August 21, 2021	Russian Register Certification Association

SGS Vostok Limited (a member of the SGS Group) carried out recertification audit on February 11-13, 2019, which proved the Company's Management System compliant with ISO 9001:2015 (the Quality Management System), OHSAS 18001:2007 (the Occupational Health and Safety Management System), and ISO 14001:2015 (the Environmental Management System) at Sochi and Labinskiye Electric Grids as well as at the Executive Office. The certifying body thus concluded that Kubanenergo's Management System was fully functional, well-designed, and capable of achieving the goals set forth in the Company's Quality, Environmental, and OHS Policies.

The Russian Register Certification Association carried out recertification audit on August 26-30, 2019 and proved the Company's Management System compliant with ISO 50001:2011 in energy management at Sochi, Adygea, and Ust-Labinsk Power Grids, as well as at the Executive Office. The certifying body thus concluded that Kubanenergo's Management System was fully functional, well-designed, and capable of achieving the goals set forth in the Company's Energy Policy.

Kubanenergo focuses on environmental protection and safety, as it recognizes friendly environment as a constitutional human right and strives to continuously improve its image of an environmentally oriented company.

KUBANENERGO'S ENVIRONMENTAL MANAGEMENT SYSTEM IS CERTIFIED FOR COMPLIANCE WITH ISO 14001:2004. FOR MORE DETAILS ON THIS SYSTEM, SEE ENVIRONMENTAL PROTECTION AND KEY ENVIRONMENTAL ASPECTS

THE COMPANY'S STAKEHOLDERS ARE:

- Guaranteeing suppliers and energy sales companies with which Kubanenergo PJSC signed contracts for the transmission of electricity in the interests of electricity consumers
- Applicants for technological connection to the Company's power grids
- End consumers of electricity, electrical installations of which are directly or indirectly connected to electrical networks Society
- Other subjects of the electric power industry (generating companies, SO UES JSC, territorial and adjacent grid organizations, etc.)
- Society staff
- Shareholders of the Company
- PJSC Rosseti as a parent company in relation to the Company
- Regional, municipal and local authorities of the regions of the Company's presence
- Krasnodar regional organization of the trade union of a public association - "All-Russian Elektropromsoyuz"
- Suppliers of products and services



The Management System is integral to the Company's governance system, and its functional results are disclosed in the following sections hereof:

- a. Reliable and Efficient Operation of the Energy System dwells upon energy supply reliability and quality improvement;
 - b. Reliable and Efficient Operation of the Energy System dwells upon the issues of safer energy supply;
 - c. Occupational and Industrial Safety and Environmental Protection and Key Environmental Aspects dwell upon occupational health and safety in production, including efforts to reduce accident rates and to meet the legal occupational and environmental safety requirements;
 - d. Energy Conservation and Energy Efficiency Improvement dwells upon energy efficiency;
 - e. Environmental Protection and Key Environmental Aspects dwells upon environmental safety;
 - f. Grid Connection to Kubanenergo's Grids dwells upon the improvement of grid connection service quality.
- In general, the IMS yielded positive output in 2019 as confirmed by certification bodies

IMS PROCESSES:

- Development of the power grid complex. Technological connection
- Provision of electricity transportation services. Commercial accounting
- Operational dispatch-technological and situational network management
- Interaction with service consumers
- Internal infrastructure management
- Formation and implementation of investment programs
- Information resources and technology management
- Energy management
- Maintenance and repairs. Diagnostics
- Tariff setting
- Financial and economic planning and budgeting
Financial management
- Property Management (Including Intellectual Property)
- Personnel Management
- Procurement management and MTS
- Accounting and tax accounting and reporting
- Security management: Economic security,
- Compliance, Information security, Security of objects
- ESC
- Legal support Production control and labor protection
Environmental management

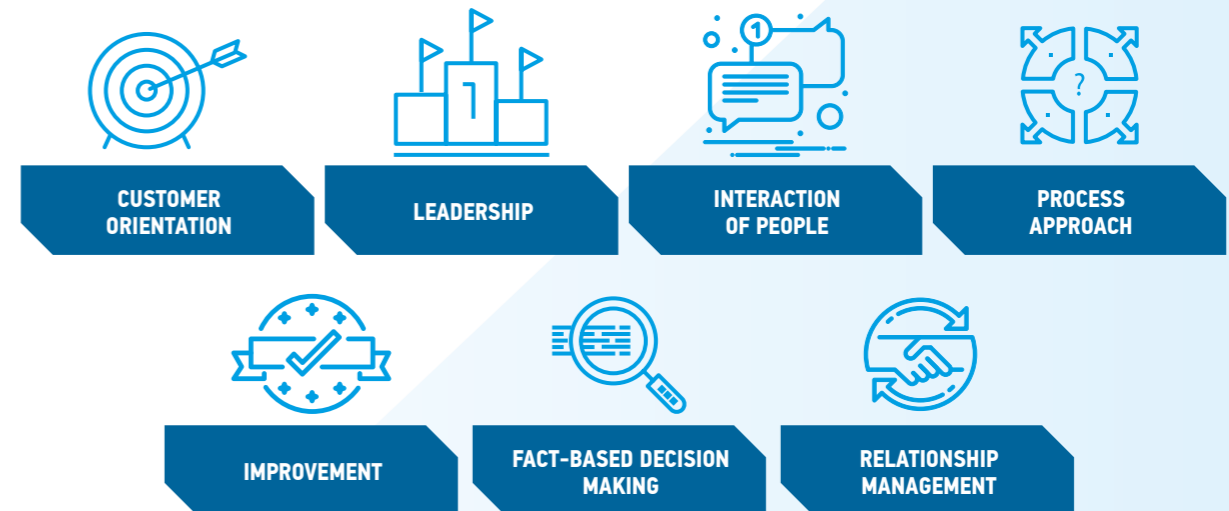
Business Model

The Company uses the following hierarchy:



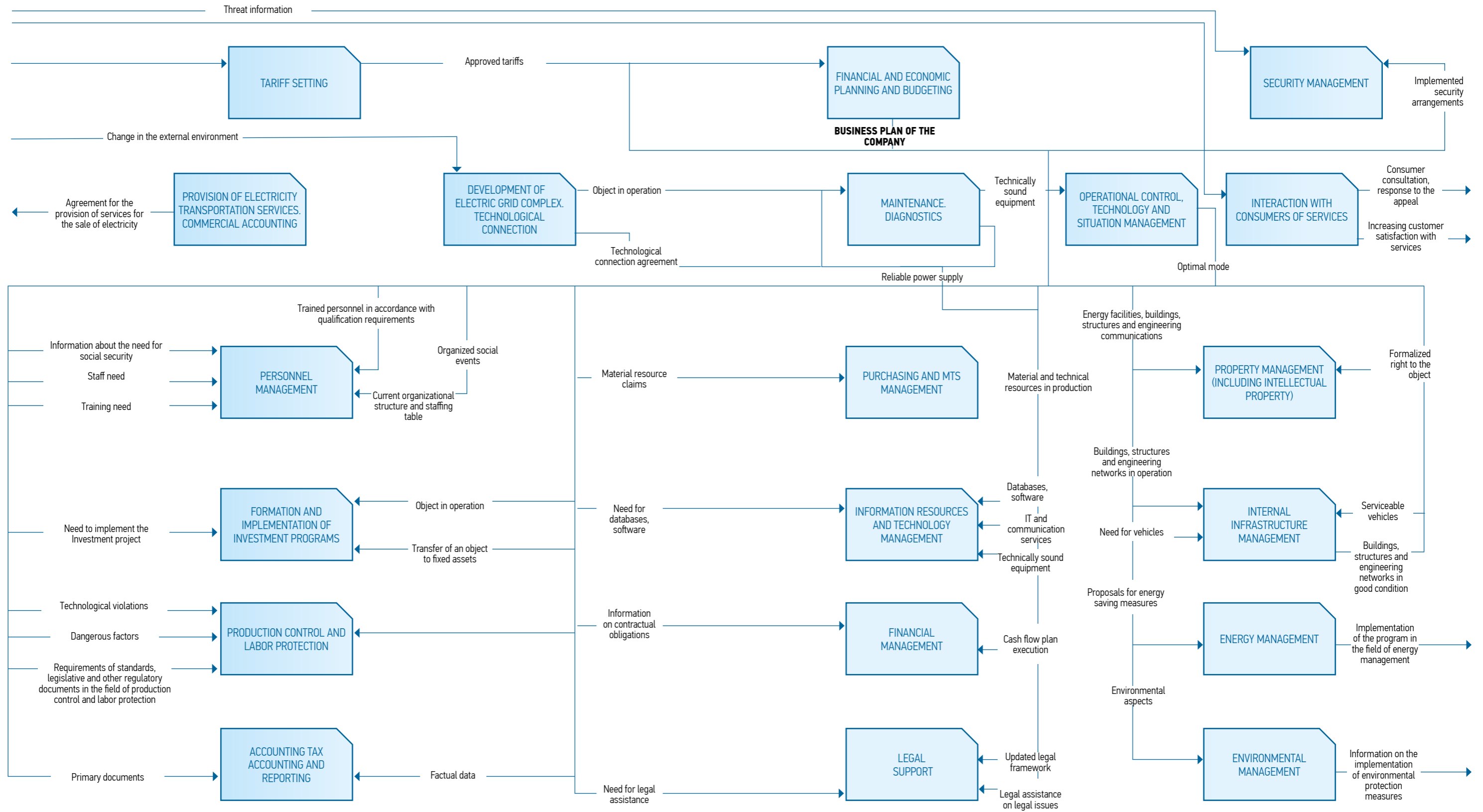
For details on the Company's IMS, see Integrated Management System (IMS). The Company's IMS functions as a set of interconnected management processes. The Company develops, updates, and uses documented information to enable all the processes as required by international standards.

The Company and its employees are guided by the following Quality Management System principles:

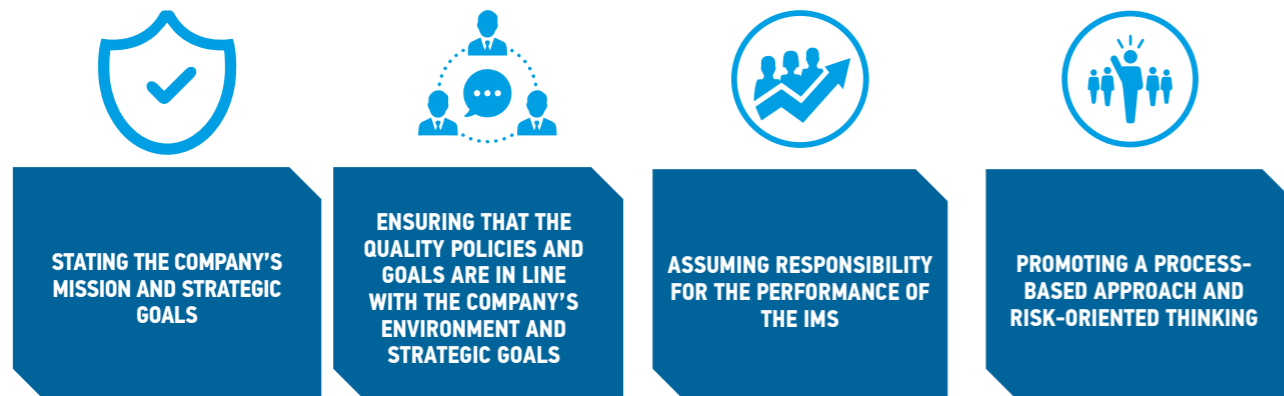


Documented information must be registered and preserved to make sure that the Company's IMS processes are being run as planned by their owners and involved structural units.

THE COMPANY HAS IDENTIFIED, AND APPROVED THE FLOWCHART OF, THE FOLLOWING BUSINESS PROCESSES:



The Company's top managers show their leadership and commitment to the IMS by:



The Company's top managers arrange their IMS-related activities in such a way as to prove the performance of the processes, i.e. that:



PROCESS OWNERS AND HEADS OF UNITS ARE RESPONSIBLE FOR PROCESS MANAGEMENT IN THEIR STRUCTURAL UNITS

The IMS Policy comprises four independent documents that share their terminology and are approved by the Director General:



Key Performance Indicators

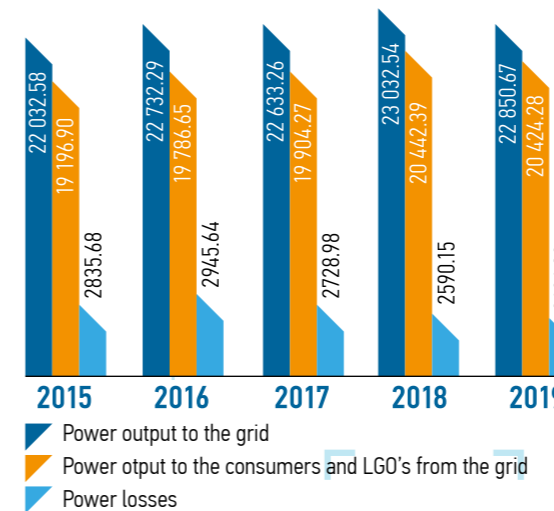
INDICATORS	UNIT	2015	2016	2017	2018	2019	CHANGE IN 2019 YOY
FINANCIAL INDICATORS							
Revenue	RUB mn	35,704.2	41,726.2	42,253	46,401.1	51,003.7	9.9%
including:							
revenue from electricity delivery services	RUB mn	34,403.0	39,262.4	41,485.7	45,583.5	46,515.7	2.0%
revenue from grid connection services	RUB mn	1,213.3	2,380.5	647.9	602.5	4,205.2	sixfold
Net cost ³	RUB mn	33,149.3	35,927.8	38,369.0	41,616.9	43,936.1	5.6%
Net income (loss)	RUB mn	1,452.5	2,140.5	525.3	151.2	2,428.0	fifteenfold
Return on equity	%	4.69	6.32	1.48	0.43	6.40	5.97%
Return on assets	%	3.52	5.33	1.68	1.73	4.63	2.90%
Cash at the end of the year	RUB mn	2,577.5	1,245.6	1,667.7	2,194.5	1,699.6	-22.6%
Long-term loans and borrowings at the end of the year	RUB mn	10,000	18,912.2	22,617.8	13,283.2	19,432.9	46.3%
Short-term loans and borrowings at the end of the year	RUB mn	7,071.0	79.1	91.0	11,395.3	3,652.6	-67.9%
Application of capital investments	RUB mn	8,329	4,913	6,700	7,727	6,769	-12%
OPERATING INDICATORS							
Total length of overhead and cable power lines (circuit length)	km	90,420.63	90,661.0	91,106	91,000.94	91,645.93	0.7%
Installed capacity of 35 to 220 kV substations	MVA	9,446.13	9,519.1	9,696.63	9,937.1	10,514.97	5.5%
Installed capacity of 10 to 6/0.4 kV substations in the distribution grid	MVA	4,643.09	4,741.061	4,805.905	4,896.04	4,981.68	1.7%
Average duration of power outages in 6+ kV grids	h	4.57	4.26	3.48	2.84	1.86	-34.5%
Electricity released into Kubanenergo's grids	million kWh	22,032.6	22,732.3	22,633.2	23,032.5	22,850.7	-0.8%
Electricity delivered	million kWh	17,457.2	18,059.1	18,204.1	18,766.5	18,874.2	0.6%

³ Inclusive of administrative costs.

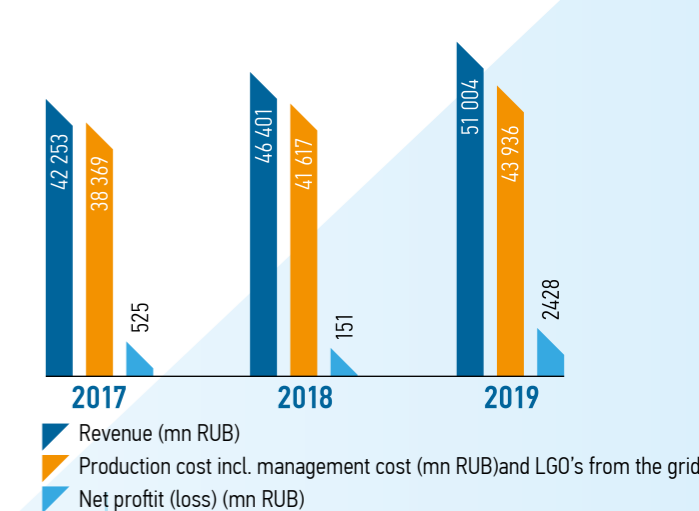
Electricity lost	million kWh	2,835.7	2,945.6	2,729.0	2,590.1	2,426.4	-6.3%
Connected customer capacity	MW	691	618	684	723	797	+10.2%
Actual average staff headcount	pers.	8,326	8,428	8,494	8,611	8,644	+0.4%

STAFF BREAKDOWN BY EDUCATION							
higher professional education	%	43.8	45.2	47.3	48.4	48.7	0.3%
secondary education, basic vocational education	%	36.8	39.4	39.2	36.5	36.1	-0.4%
general secondary education	%	19.4	15.4	13.5	15.1	15.2	0.1%

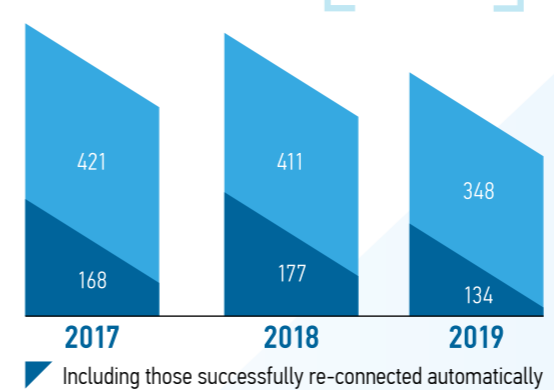
ELECTRICITY RELEASED TO AND FROM KUBANENERGO'S GRIDS, LOSSES OF, MILLION KWH:



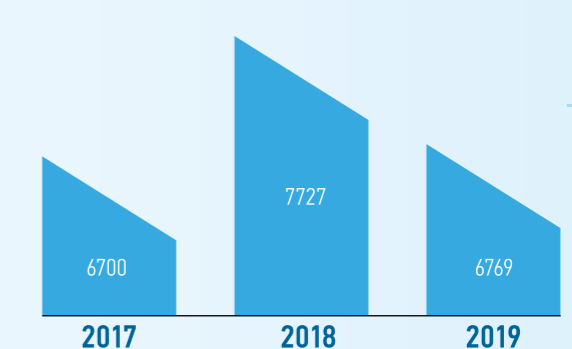
TRENDS IN KUBANENERGO'S KEY ECONOMIC INDICATORS IN 2017-2019:



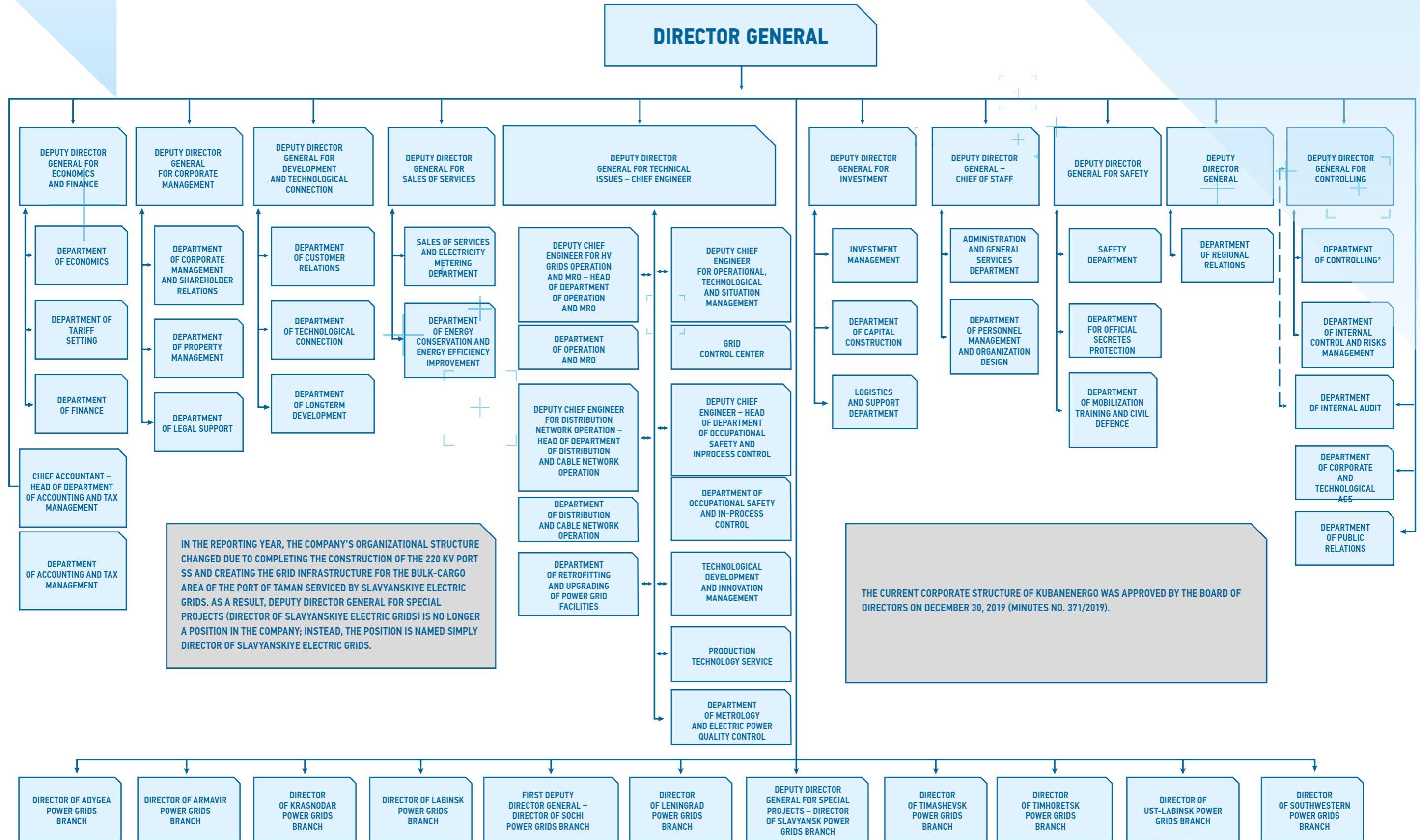
TRENDS IN ACCIDENTS IN 110+ KV GRIDS AT THE COMPANY'S GRID FACILITIES IN 2017-2019, UNITS



TRENDS IN THE APPLICATION OF CAPITAL INVESTMENT IN 2017-2019, RUB MN EXCLUSIVE OF VAT:

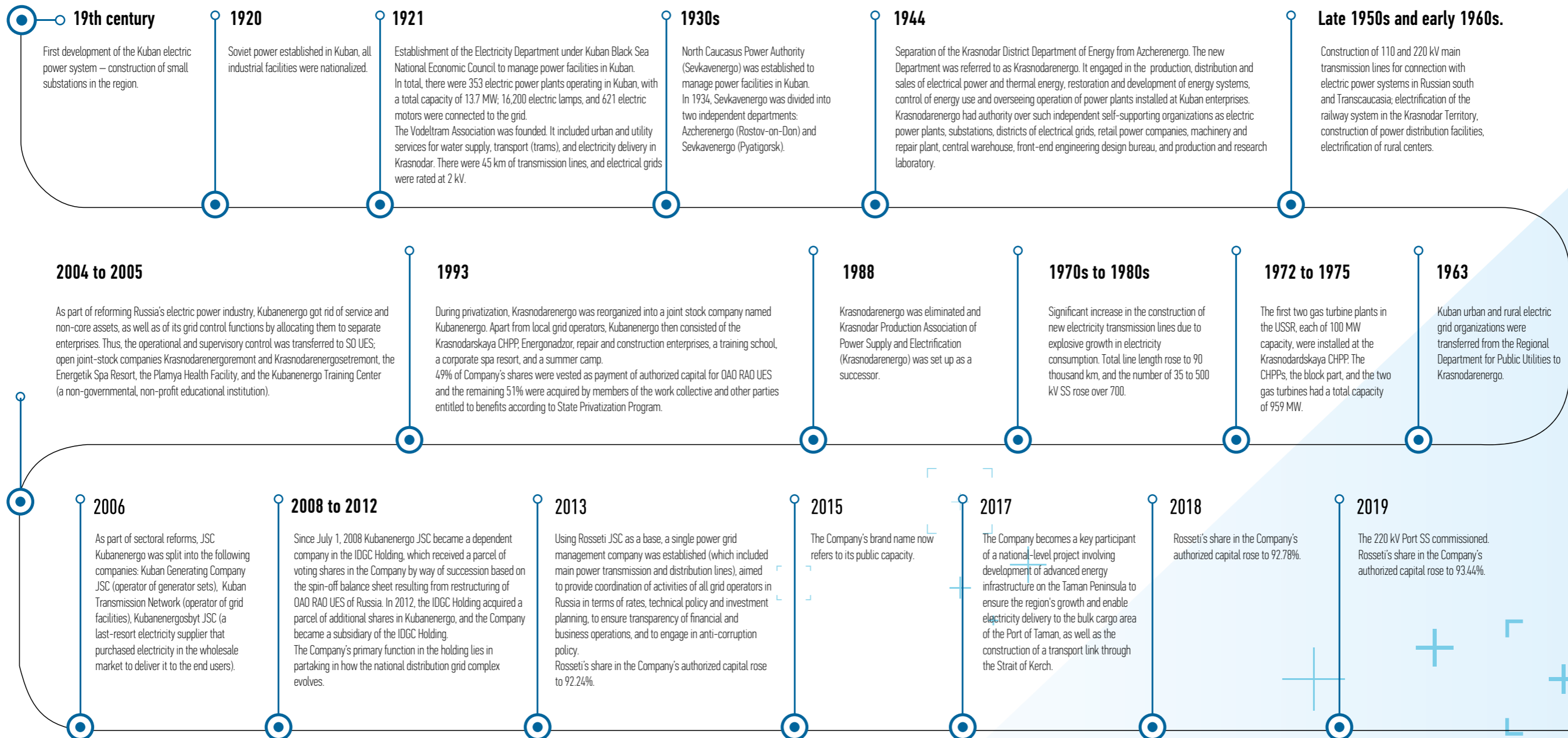


CORPORATE STRUCTURE



* Quality management functions are carried out.

History of Origin and Development of Kuban Power System and Kubanenergo PJSC



Anti-Corruption Policy

Rosseti and its subsidiaries' Anti-Corruption Policy sets forth a consistent approach to compliance with Cl. 13.3 of the Federal Law No. 273-03 dd. December 25, 2008 On Combating Corruption in part that concerns the Company's obligations to develop and put in place measures to prevent and combat corruption, including:

- identification and further elimination of causes of corruption (corruption prevention);
- identification, prevention, and suppression of corruption and sundry offences;
- minimizing and (or) addressing the consequences of corruption and sundry offences.

In the reporting year, Kubanenergo Order No. 109 dd. February 4, 2019 approved the Anti-Corruption Plan for 2019.

IN 2019, THE FOLLOWING WAS DONE TO EFFECT THE COMPANY'S ANTI-CORRUPTION POLICY:

ANTI-CORRUPTION POLICY ASPECT	MEASURES TAKEN IN 2019
Structuring the risk management process to prevent and combat corruption	For six months of 2019 and for 2019, the Audit Committee reviewed the following reports: Review of the Management's Information on the Implementation of the Anti-Corruption Policy Including the Results of Anti-Corruption Monitoring. The Audit Committee accepted the reports with no remarks; the reports were further accepted by the Company's Board of Directors.
Identification and clearing of conflict of interests	Employees' conflicts of interests were once against subject to annual declaration for 2018; the Company collected 1,351 declarations and identified five pre-conflict cases. By the end of 2019, all conflict of interest / pre-conflict cases were resolved. Kubanenergo's Corporate Ethics Compliance and Conflict of Interest Commission had two meetings. They checked the submitted statements of income, property, and property liabilities born by the top managers (75 statements) or their immediate family members (285 statements) in 2018. This audit did not identify any signs of affiliation, conflict of interest, or pre-conflict cases.
Development and practical application of integrity standards and procedures	In 2019, the Company made agreements with 86 newly employed people on their compliance with the Anti-Corruption Policy and the Code of Corporate Ethics and Employee Conduct The Company developed and effected 8 organizational decrees on anti-corruption compliance and the implementation of its Anti-Corruption Policy.
Review and verification of reports of corruption and sundry abuses	In 2019, the Company received 27 reports of possible corruption or other abuses, of which 10 were sent via the feedback form of the Anti-Corruption Policy section of Kubaenergo's website; 3 were received in letters from Rosseti; 13 were reported by the local prosecutor's office; and 1 was reported directly by a person in writing. The Company carefully checked every such report. None of the reported cases was confirmed.
Control over the Company's compliance with the Russian law against unlawful use of insider information and market manipulation	This control effort followed the Insider Information Regulations of Kubanenergo and consisted of: ongoing control of compliance with the Russian law; methodological work; coordination of efforts to develop the insider information control system. As of December 27, 2019 (date of the Moscow Exchange's last inquiry of the reporting year), the Company's Insider List specified 20 legal persons and 391 natural persons. In the course of the year, the Company received and processed five inquiries from Moscow Exchange to submit lists of insiders. The Company publishes information for insiders at the corporate website (For shareholders and investors / Information for insiders) on a regular basis

Corruption prevention in cooperation with partners and contractors	Information about signed contracts, additional agreements, and new subcontractors of business partners was added daily to the Company's automated system for collection and analysis of beneficiary data. More than 68 thousand contracts was uploaded to the system over 2019. Conflicts of interests were declared for candidates for vacant jobs at Kubanenergo. Procurement documentation was approved pursuant to Instructions of the Russian Government No. ВП-Р13-9308 dd. December 28, 2011, and ВП-Р24-1269 dd. March 5, 2012. 2.2 thousand contractor-submitted document packages were audited in 2019, and 581 packages were approved for procurement. Anti-corruption reservation and the contractor's duty to submit beneficiary data were added to more than seven thousand contracts submitted for procurement.
Legal education and laying foundations of lawful behavior, advice, and training for employees	The Company continuously updates its legal framework and takes all the necessary measures and anti-corruption procedures to instill zero tolerance to corruption in its employees. In 2019, all the companies of the grid complex adopted a newly designed information stand that covered the issues of combating corruption. 68 such stands were made and placed in the offices of the Executive Office, branches, subsidiaries, and customer service centers of Kubanenergo. The Company cooperated with Rosseti's Security and Anti-Corruption Department and took part in four meeting of the joint panel, a single advanced training seminar, and a meeting of Rosseti's Central Commission for Corporate Ethics and Conflicts of Interest, as well as in the year-end meeting.
Joint corporate effort to prevent and combat corruption	Kubanenergo conducted self-assessment of its anti-corruption performance by filling a Declaration of Compliance with the Anti-Corruption Charter of Russian Business and filing it with the Chamber of Commerce and Industry of the Russian Federation. The Company has analyzed and now employs the results of Phase VII of Business Barometer of Corruption, a special project of the Russian CCI that involves more than 49 thousand entrepreneurs from 85 of the country's regions.

For 2020, the Company has scheduled to approve and implement its Annual Anti-Corruption Plan and to enhance the mechanisms behind;

- risk management and internal control with respect to preventing and combating corruption;
- a system for identification and clearing of conflicts of interests;
- anti-corruption procurement standards



Key Events

JANUARY

Director General of Rosseti Mr. Pavel Livinsky was on a business trip to Krasnodar Territory, where he inspected the newly completed power center in Taman: the 220 kV Port SS and 220-110-35-10 kV OPLs.

Specialists of the Krasnodar branch of Kubanenergo hosted > 130 electrical safety classes.

Specialists of the South-Western branch commissioned >17 MW of additional capacity for reduced-fare beneficiaries in Novorossiysk, Anapa, Gelendzhik, Abinsky and Krymsky Municipalities.

A person resident in the Temryuksky Municipality, Krasnodar Territory, fraudulently extorted money from entrepreneurs for grid connection. He used forged documents to obtain specifications for grid connection and extorted remuneration for that.

Kubanenergo's specialists completed their Annual Distribution Grid Maintenance Plan in Korenovsky, Vyselkovsky, Tbilissky, and Ust-Labinsky Municipalities, Krasnodar Territory, to the full

FEBRUARY

On the eve of the Defender of the Fatherland Day, the Company's Krasnodar branch hosted its Military Duty is Honor and Destiny (Rus: Воинский долг – честь и судьба) event as part of the military and patriotic activism that sought to enable generational continuity.

Armavirskiye Electric Grids had a workshop for people from small and medium-sized businesses. Power engineers and business people discussed the issues of grid connection as well as the obligations and liability of customers in case of failure to complete the connection procedure.

Specialists of the Krasnodar branch found 50 websites that offered tampered-with electricity meters.

Deputy Director General, Chief Engineer of Rosseti Mr. Andrey Mayorov made a business trip to Sochi, where he carried out an unscheduled inspection of the Yuzhnaya 110/10/6 kV SS that delivered electricity to the infrastructures involved in the Russian Investment Forum in Sochi.

Director General Aleksandr Gavrilov took part in the Russian Investment Forum in Sochi and talked with journalists about the development of the regional grid complex in 2018 as well as the Company's short-term prospects

MARCH



On the fifth anniversary of Crimea's reunification with Russia, Vladimir Putin commanded the launch of Rosseti's key facility in the Krasnodar Territory. During a conference call, Russian President Vladimir Putin inaugurated the 220 kV Port substation, a strategic facility of Krasnodar Territory that is crucial to the region's investment potential.

Specialists of the Krasnodar branch upgraded the 110 kV Turgenevskaya SS, a critical power center for customers in Krasnodar's West-End.

The Armavir branch completed the overhaul of three high-voltage transmission lines in the east of the region, a total of 28 km. These energy facilities are important for delivering electricity to dozens of social venues and households in Kavkazsky Municipality

APRIL



Specialists of the Krasnodar branch installed more than 15 thousand smart meters for customers in Seversky, Dinsky, Takhtamakaysky, and Teuchezhsky Municipalities.

Owner of a large shopping mall in Temryuksky Municipality that had used unmetered electricity for almost a year was ordered by court of law to pay 8.7 RUB mn for such unaccounted electricity consumption as well as to reimburse 51 RUB thou. of legal costs.

Ust-Labinskiye Electric Grids had a meeting with local self-government officials and people from small businesses to discuss how to improve grid availability and simplify the grid connection procedure.

In Q1 2019, specialists for the Krasnodar branch repaired 12 high-voltage PTLs. These facilities deliver electricity to dozens of human settlements and life support facilities in Krasnodar and adjacent districts.

Kubanenergo's Press Service won the International Press Service of the Year Contest 2018. #WorksCool Student Teams (Rus: #ТрудКрут Студенческие трудовые отряды) is a project designed to train young specialists for the electric power industry while also instilling patriotism and social responsibility; this project was praised by the competition's experts.

In Q1 2019, specialists of Ust-Labinskiye Electric Grids connected 450 power receivers of reduced-fare beneficiaries for a total of 4.2 MW; they also connected 25 legal entities for a total of 1.3 MW. The connected facilities included several major agricultural enterprises and farms as well as a number of irrigation systems.

Specialists of the Krasnodar branch identified over 200 km of fiber-optic communication lines (FOCL) that were illegally mounted on the PTL poles

МАЙ

Power engineers of Armavirskiye Electric Grids connected a major pig farming facility. This agroindustrial facility of regional significance occupied 24 hectares in the Gulkevichsky Municipality.

The South-Western branch upgraded the distribution grids in Anapsky, Novorossiysky, Gelendzhiksky, Abinsky, and Krymsky Municipalities. Power engineers replaced over 22 km of old wires with self-supported insulated cables and replaced 140 household inputs.

Kubanenergo's specialists completed the overhaul of equipment at the 110 kV Myasokombinat substation that is a major power center for the town of Tikhoretsk. Over 4 RUB mn was allocated to repair the facility. The Myasokombinat SS delivers electricity to the Tikhoretsk Meat Factory, the Tikhoretsk Canned Meat for Babies Factory, the Tikhoretsk Railway Junction, the Tikhoretsk Cheese Factory, the Ice Palace, and the water treatment facilities of the town.

Specialists of Ust-Labinskiye Electric Grids overhauled 8 overhead power lines that deliver electricity to ten settlements in Ust-Labinsky Municipality.

The Slavyansk branch made 660 contracts to connect facilities and increase grid capacity. The connected facilities included the highway from the town

of Sennoy to Taman, the rural health post in the town of Progress, Temryuksky Municipality, and a cellular base station in the village of Petrovskaya, Slavyansky Municipality.

In Kalininsky Municipality, Krasnodar Territory, Timashevskiy Electric Grids' specialists started to dismantle communication lines, switching equipment, and advertising structures illegally placed at the PTL poles.

In Yeysk Municipality, specialists of the Leningrad branch overhauled 55 km of the Morevskaya-Urozhaynaya OPL that is critical for electricity delivery to the resort town. The line also delivers electricity to windsurfing stations at the Dolgaya Spit. The overhaul cost > 6 RUB mn

JUNE

As part of the #BrighterTogether (Rus: #ВместеЯрче) educational session at Russian Children's Center Orlyonok, Kubanenergo's specialists held a master class titled Safe Energy. The class was attended by more than 100 boys and girls from Russia and the CIS countries.

Slavyanskskiy Electric Grids initiated a collegial meeting at the 220 kV Port SS to discuss the quality and reliability of electricity delivery to customers on the Taman Peninsula. The discussion involved the Administration of Temryuksky Municipality, the local self-government officials, as well as officers of Rosseti Kuban.

June 20, 2019 Kubanenergo hosted its Annual General Meeting of Shareholders in Krasnodar to discuss the production and financial results of 2018.

Employees of Rosseti Kuban joined the power engineering student teams of Kuban State Agrarian University (KubSAU) and Kuban State Technological University (KubSTU) in the Candle of Remembrance (Rus: Свеча памяти), a patriotic campaign in Krasnodar supported by the primary trade union.

Specialists of Labinskiye Electric Grids completed the bulk of repairs at the Mostovskaya and Labinsk-1 110 kV SS's. Electricity delivery to 24 thousand people and 20 life support facilities in Mostovskiy and Labinsky Municipalities, Krasnodar Territory, depends on how reliably these two stations operate

JULY

Kubanenergo's Board of Directors approved appointing Sergey Sergeev the Director General. Mr. Sergeev had earlier served as Rosseti's Deputy Director General for Capital Construction.

Kubanenergo's team won the regional Best in Profession Contest by landslide. The competition was hosted by Kubanenergo's Energy Institute for Advanced Training. It was organized by the Ministry of the Fuel and Energy Complex and Public Utilities, Krasnodar Territory.

Sergey Sergeev, Director General of Rosseti Kuban, inspected the power centers and key energy facilities of the region's capital and its suburbs. The Company's Head visited the OBD and Severnaya 110 kV SS's, checked the progress of reconstructing the power centers and constructing the cable line feeders branching from the Vostochnaya Promzona 220 kV SS; he talked to chief engineers, operational and control staff.

Krasnodar Territory's Administration hosted a business meeting between Head of Administration (Governor) Veniamin Kondratyev, Head of Rosseti Pavel Livinsky, and Director General of Kubanenergo Sergey Sergeev.

Director General Sergey Sergeev took part in a meeting to discuss the preparation of the electric power industry actors in the Southern Federal District to the heating season 2019/2020; the meeting took place in Elista, the capital of the Kalmyk Republic.

Specialists of Krasnodarskiye Electric Grids completed the overhaul of Afipskaya – Shendzy tyagovaya, a key transit PTL of the region. Electricity delivery to more than 130 social venues and some 40 thousand people in 23 settlements of Krasnodar Territory and the Republic of Adygea depends on how smoothly this facility runs.

Labinskiye Electric Grids had spent over 15 RUB mn since the beginning of 2019 to construct new energy facilities so as to connect more customers. These efforts effectively added more capacity to connect new customers in three municipalities of the region, including reduced-fare beneficiaries.

Since the beginning of 2019, Tikhoretskiye Electric Grids had allocated over 93 RUB mn for repairs so as to prepare its energy facilities for the fall and winter peak loads.

Members of the power engineering student team guided by Armavirskiy Electric Grids' employees held an electrical safety class at the summer platform of the city's School #4; the class was part of the Safe Electricity for Happy Summer (Rus: Безопасная энергетика – счастливое лето) campaign.

Mayor of Krasnodar Yevgeny Pervyshov took part in an offsite meeting at the OBT 110/10 kV SS to discuss raising the capacity of a major power center as well as constructing more power centers with Rosseti Kuban's officers.

Director General of Rosseti Kuban Sergey Sergeev took part in a Board of Directors meeting that took place in Moscow and was chaired by Aleksandr Gavrilov, Chairperson of the Board of Directors; the meeting involved top managers of the Company. As part of the agenda, Mr. Sergeev reported on the Company's plans and production tasks for 2019-2020, including the issues of consolidating grid assets in the region.

AUGUST

Specialists of Ust-Labinskiye Electric Grids completed over 480 grid connection contracts for a total 7 MW in Q1 and Q2 2019.

Rosseti Kuban's Director General Sergey Sergeev made a business trip to the Slavyansky Power Distribution Zone. The Company's Head visited the office of Slavyanskiye Electric Grids as well as the Temryuksky, Slavyansky, and Krasnoarmeysky PDZs, where he talked to the staff, inspected major energy facilities and customer service centers.

Specialists of Sochi Electric Grids arranged a tour of the 110/10 kV Lazurnaya SS for kinds in Rosseti's power engineering class at Russian Children's Center Orlyonok.

To have an accident-free fall and winter season, specialists of Tikhoretskiye Electric Grids repaired 40 high-voltage substations in Tikhoretsky, Pavlovsky, Novopokrovsky, Beloglinsky, and Krylovskiy Municipalities of Krasnodar Territory. Substation equipment repairs cost over 8 RUB mn.

Since the beginning of 2019, specialists of South-Western Electric Grids had overhauled 9 critical power substations and repaired > 80 km of high-voltage PTLs; they also replaced about 40 PTL poles.

Tractor Arena in Chelyabinsk hosted the finals of the All-Russian Leaders of Power Engineering Contest. The expert jury contained Rosseti Kuban's Director General Sergey Sergeev. Kuban was represented by a team of 18 persons.

Sergey Sergeev inspected the Republic of Adygea-based major power centers of the Krasnodar and Adygea branches.



SEPTEMBER

The Company took part in #BrighterTogether, the All-Russian Energy Conservation and Efficiency Festival that took place on Krasnodar's central square on September 28.

Rosseti Kuban's Director General Sergey Sergeev made a business trip to the Sochi Power Distribution Zone. The Company's Head inspected the most important power centers of the area; he also visited the Krasnopoylansky, Adlersky, Dagomyssky, and Sochi PDZs, the office of the Sochi Electric Grids, and the Customer Service Center. Mr. Sergeev talked to the staff and had a production meeting that involved heads of all the units at the branch.

Rosseti Kuban's Director General Sergey Sergeev made a business trip to the Krasnodar Power Distribution Zone. The Company's Head visited the office of Krasnodarskiye Electric Grids and the Takhamukaisky, Teuchezhsky, Goryacheklyuchevskoy, Dinskoy, and Krasnodarsky PDZs, where he talked to the staff, inspected the major energy facilities and the Customer Service Center.

Kubanenergo PJSC took extra measures to provide reliable electricity delivery to infrastructures in Sochi that were serviced by the Company during the Russian Grand Prix of Formula 1.

Employees of Labinskiye Electric Grids completed the repairs of the 35 kV Yaroslavskaya SS. Electricity delivery to the villages of Yaroslavskaya and Makhoshevskaya in Mostovsky Municipality, Krasnodar Territory depends on how smoothly this power center operates.

Specialists of Rosseti Kuban completed the overhaul of the Vitaminkombinat to Zapadnaya-2, Vitaminkombinat to Loris SS overhead and cable lines, which are critical energy facilities. These are transit lines that deliver electricity to the Northeast and West-End of Krasnodar as well as to the adjacent settlements in the Takhamukaisky and Dinsky Municipalities.



Rosseti Kuban's team was the absolute winner of the Worldskills Corporate Championship in Smart Electricity Metering.

Sergey Sergeev, Director General of Rosseti Kuban, took part in a conference call chaired by Governor of Krasnodar Territory Veniamin Kondratyev. Preparing the region's public utilities and social facilities to Fall and Winter 2019/2020 was the main issue on the agenda.

Since the beginning of 2019, specialists of South-Western Electric Grids had connected 9 agricultural enterprises in Novorossiysky, Anapsky, Abinsky, Krymsky, and Gelendzhiksky Municipalities to the Company's grids. The capacity of the connected facilities totaled ~2.5 MW. Those included a farm, a mushroom farm, and a winery

OCTOBER

Since the beginning of 2019, employees of Adygheiskie Electric Grids had constructed or reconstructed 110 distribution grid facilities to connect reduced-fare beneficiaries. More than 88 RUB mn was allocated to that end.

Director General of Rosseti Kuban Sergey Sergeev personally inspected the construction of two cable lines as well as the reconstruction of the 110 kV Severnaya SS in Krasnodar.

Rosseti Kuban completed the reconstruction of the 110 kV Gostagayevskaya SS in Anapsky Municipality. This cost a total of ~11 RUB mn. Raising the transformer capacity of this substation will enable more reliable electricity delivery to the existing customers while also connecting new customers, including the social venues of the municipality.

Employees of Adygheiskie Electric Grids installed >770 bird protections at the high-voltage lines within their area of responsibility. More than 2 RUB mn was allocated to that end.

Employees of Armavirskiye Electric Grids overhauled more than two thousand kilometers of power transmission lines, 10 high-voltage substations, and 335 transformer substations. Funding of these measures totaled about 190 RUB mn over the reporting year.

Moscow's VDNKh Exhibition Center hosted the closing ceremony of the 10th Work Season of Rosseti's power engineering student teams. Rosseti Kuban's team, Power of Kuban (Рус: Энергия Кубани) composed of KubSAU's students won the Best Student Team 2019 prize.

Over 200 km of fiber-optic communication lines (FOCL) had been found since the beginning 2019 in Krasnodar suburbs that were illegally run along Rosseti Kuban's PTL poles.

Rosseti Kuban to carry out a large-scale project to upgrade the grid facilities in the countryside of the mountain tourism cluster of Mostovsky Municipality. The Company is to allocate over 380 RUB mn to construct new energy facilities and reconstruct the existing ones. This project will enable reliable electricity delivery to the locals while also boosting the development of the entire municipality.

At the Russian Energy Week, Rosseti Kuban and Avtomatizatsiya, sistemy, tekhnologii LLC (AST) signed an Agreement for Cooperation in Digitalization. The document was signed by Head of Rosseti Sergey Sergeev and Director General of AST LLC Mikhail Kryuchkov.

Rosseti Kuban received two awards at the V All-Russian Media Contest for Fuel and Energy Companies and Regional Administrations MediaTEK-2019.

Sergey Sergeev, Director General of Rosseti Kuban, inspected the power centers and key energy facilities of Anapa's suburbs.

NOVEMBER

Rosseti Kuban won the annual regional employer contest Best Employer for Student Teams.

Rosseti Kuban's Director General Sergey Sergeev made a business trip to Timashevskiy Electric Grids. The Company's Head visited the Bryukhovtsky, Kanevsky, Primorsko-Akhtarsky, Kalininsky, and Timashevsky PDZs, where he assessed the condition of the major power centers, inspected the customer service centers, and had a production meeting with heads of all units of the branch.

The 110/35/10 kV Loris SS was commissioned in Krasnodar after large-scale reconstruction. The effort nearly doubled the facility's capacity to 105 MVA. The inauguration was attended by Mayor of Krasnodar Yevgeny Pervyshov and Director General of Rosseti Kuban Sergey Sergeev.

Power engineers of Leningradskiy Electric Grids completed the repair program for 2019; they overhauled 30 OPL facilities and >400 km of distribution grids in Kushchevsky, Leningradsky, Yeysky, Shcherbinovsky, and Starominsky Municipalities. This alone cost over 30 RUB mn.

The Company's office in Krasnodar hosted a meeting with the region's business people. This "energy conversation" was initiated by Rosseti Kuban's Director General Sergey Sergeev. Power engineers and major developers discussed the advancement of energy infrastructure as well as connecting new housing to grids.

Heads and engineering staff of Rosseti Kuban's branches took part in a seminar meeting in Krasnodar, where they discussed the implementation of the Digital Transformation 2030 Concept.

Rosseti Kuban's Director General Sergey Sergeev made a business trip to Ust-Labinskiye Electric Grids. He visited the Vyselkovsky, Korenovsky, Tbilissky, and Ust-Labinsky PDZs to assess the condition of major power centers, inspect the control facilities and the customer service centers, as well as to have a production meeting with the local staff.

DECEMBER

Since the beginning of 2019, specialists of Adygheiskie Electric Grids had identified and took measures to block 90 websites that offered illegal consumption reduction methods.

Specialists of Sochi Electric Grids completed their smart metering system project. A total of 95,908 smart meters were installed in Greater Sochi and Tuapse. This was done under energy service contracts to reduce losses and improve the quality and reliability of electricity delivery.

Since the beginning of 2019, 3.5 thousand new customers in the Krasnodarsky PDZ had been connected to Rosseti Kuban's grids. The capacity of connected facilities totaled 136 MW.

New distribution grid facilities were commissioned in the town of Nikitino, Mostovsky Municipality, which enabled electricity delivery to this remote mountain town. This large scale project was funded by Rosseti Kuban's Investment Program supported by the Ministry of the Fuel and Energy Complex and Public Utilities, Krasnodar Territory.

Since the beginning of the year, Timashevskiy Electric Grids had connected over a thousand new customers to the Company's grids. The newly connected capacity totaled 19.55 MW.

Rosseti Kuban and Lyudinovokabel JSC signed an agreement at the Power Grids International Forum for cooperation in innovation solutions for more reliable and efficient energy facilities and information infrastructure.

Rosseti Kuban's Director General Sergey Sergeev made a business trip to Labinskiye Electric Grids. The Company's Head visited the Labinsky, Mostovskiy, and Kurganinsky PDZs to assess the grid condition. Specialists of South-Western Electric Grids identified 48 websites that were promoting sales of tampered-with meters, magnets, and sundry devices that could alter the meter readings.

Over the course of 2019, specialists of Adygheiskie Electric Grids identified 373 cases of illegal electricity consumption in Apsheronsky and Belorechensky Municipalities, Krasnodar Territory; Maykopsky, Koshkhabsky, Krasnogvardeysky, and Shovgensky Municipalities as well as Maykop's suburbs, Republic of Adygea.

Over the course of 2019, employees of South-Western Electric Grids identified 139 cases of unaccounted electricity consumption for a total of >8.4 million kWh. All the legal and natural persons found to do so were filed complaints against that called for 29 RUB mn in damages.

In 2019, specialists of Tikhoretskiye Electric Grids installed some two thousand smart meters capable of remote data communication in Tikhoretsky, Novopokrovsky, Beloginsky, Pavlovsky, and Krylovsky Municipalities.



2020

JANUARY

January 21, 2020 was the 55th anniversary of Leningradskiy Electric Grids

FEBRUARY

February 12, 2020 was the 55th anniversary of Slavyanskiye Electric Grids.

February 12, 2020 was the 55th anniversary of Labinskiye Electric Grids.

February 16 was the 55th anniversary of Timashevskiy Electric Grids.

About 16.5 RUB bn is planned to be spent to develop the grid complex in Kuban and Adygea in 2020-2022. The Program bases off the projects set forth in the approved roadmaps for electric power industry development in the Krasnodar Territory and the Republic of Adygea. The Program is to construct new and reconstruct the existing 35-110 kV power centers. This will raise the transformer capacity by about 660 MVA.

In 2019, Rosseti Kuban invested more than 4.5 RUB bn to upgrade power centers in Krasnodar and its suburbs. This year, power engineers are going to reconstruct the Pashkovskaya, Pochtovaya, Tsentralnaya, Yuzhnaya, Zapadnaya-2, RIP, and Kalinino substations as well as to begin constructing Angarskaya, a new digital SS.

Head of the Company Sergey Sergeev held a press conference with journalists from top media outlets of Krasnodar Krasnodar and the Republic of Adygea. They discussed grid development and digitalization in the region.

In 2020, specialists of Adygheiskie Electric Grids are going to install over 1,740 digital meters at 6(10)/0.4 kV transformer substations at 0.4 kV. Beside digitalizing the transformer SS's, power engineers are going to upgrade the 35-110 kV SS's by adding advanced telemetry equipment.

Head of the Rosseti Group Pavel Livinsky was on a business trip to Sochi; he also visited the village of Khleborob where he talked to the locals to discuss bilateral effort to improve the quality and reliability of electricity delivery to the village.

The Core Customer Service Center of Rosseti Kuban opened in Krasnodar in December 2019; over the first two months after inauguration, it serviced over a thousand customers.

Young professionals of Krasnodarskiye Electric Grids and members of teams Power of Kuban (KubSAU), Lightning (Rus: Молния, Krasnodar College of Technology), and 220 V (KubSTU) partook in a commemorative rally dedicated to the 77th anniversary of liberation of Krasnodar from the Nazi invaders; the campaign was supported by the primary trade union.

Specialists of Sochi Electric Grids hosted a Doors Open Day for high-school students of the Physics and Mathematics Lyceum No. 22, many of whom are interested in power engineering

MARCH

February 1, 2020 was the 55th anniversary of Tikhoretskiye Electric Grids.

In 2019, specialists of the South-Western Electric Grids connected 20 agricultural enterprises in Novorossiysky, Anapsky, Abinsky, Krymsky, and Gelendzhiksky Municipalities to the Company's grids. Major newly connected customers included plant farms and processing facilities, mushroom farms, and wineries.

Rosseti Kuban plans to spend 223 RUB mn to repair and maintain the grid facilities of Krasnodarskiye Electric Grids that cover the City of Krasnodar, its suburbs, the Dinsky, Seversky, and Goryacheklyuchevsky Municipalities, as well as the Teuchezhsky and Takhtamukaisky Municipalities in the Republic of Adygea).



Specialists of Adygheiskie Electric Grids repaired grid equipment on Belorechensky Municipality, Krasnodar Territory, for a total of more than 25 RUB mn in 2019.

In 2019, specialists of the South-Western Grids commissioned over 13 MW of additional capacity for reduced-fare beneficiaries in Novorossiysky, Anapsky, Gelendzhiksky, Abinsky and Krymsky Municipalities.

In 2019, specialists of Krasnodarskiye Electric Grids removed trees and shrubs from an area of 173 hectares under OPLs of various voltage.

Since the beginning of 2019, Adygheiskie Electric Grids had connected 1.6 thousand customers in 8 municipalities of Krasnodar Territory and the Republic of Adygea for a total capacity of 30 MVA. The newly connected businesses included a brick factory, agribusinesses, tourism businesses, social venues, health facilities, and sports venues



STRATEGIC PRIORITIES AND RISK MANAGEMENT

02



STRATEGIC PRIORITIES AND RISK MANAGEMENT

- 44 Strategic Goals
- 46 Board of Directors' Report on the Company's Development in Priority Areas
- 50 Grid Development in the Company and in the Region
- 51 Technical Policy
- 54 Innovative Development
- 58 Grid Facility Upgrade (Renovation) Program
- 60 Digital Transformation
- 61 Consolidation of Grid Assets
- 62 Key Performance Indicators
- 64 Risk Management System

Strategic Goals

The Company is part of Russia's national distribution grid complex; as such, its goals are set on the national level and are in line with the targets set forth in the Development Strategy of the Electric Power Grid Complex of the Russian Federation⁴.

TO REACH THE ABOVE-STATED MILESTONES AS WELL AS TO ENSURE EFFECTIVE PERFORMANCE AND DEVELOPMENT, THE COMPANY SETS THE FOLLOWING STRATEGIC GOALS:

1. More reliable electricity delivery in the Krasnodar Territory and the Republic of Adygea.
2. Better customer service quality and more accessible power grid infrastructure.
3. Grid advancement and adoption of new technology.
4. Stronger investment appeal and capitalization.
5. Decent working conditions, improvement of professional competence and loyalty of the Company's personnel.
6. Staying within the standard electricity loss rates in transmission.

IN 2019, THE COMPANY PURSUED ITS PROGRAMS AND PLANS DESIGNED WITH THE STRATEGIC GOALS IN MIND; THIS EFFORT BROUGHT THE FOLLOWING:

GOAL	RESULTS IN THE REPORTED YEAR
More reliable electricity delivery in the Krasnodar Territory and the Republic of Adygea	Yearly power outage duration (Π _{saidi}) averaged at 1.0887 hours per point of delivery (4.5145 hours planned). Yearly power outage occurrence (Π _{saiifi}) averaged 0.4675 per point of delivery (1.0411 planned). For details, see Reliable and Efficient Operation of the Energy System
Better customer service quality and more accessible power grid infrastructure	Grid connection quality was rated at 1.0416564 (planned 1), a positive trend YoY (1.0369 in 2018). For details, see Grid Connection to Kubanenergo's Grids
Grid advancement and adoption of new technology	The Company adopted innovative technologies to design its lightning protection systems, to synchronize wave-based damage site detection and reflectometric monitoring packages. For details, see Innovation-Driven Development
Stronger investment appeal and capitalization	The Company's market capitalization totaled 14.83 RUB bn at the beginning of 2019, rose to 20.88 RUB bn by the end of the year. Capitalization peaked at 24.6 RUB bn in 2019, while the lowest point was 14.8 RUB bn; the exchange value of a single share rose by 30% over the reporting year while the MICEX Index rose by 28% and the Electric Utilities Index rose by 24%
Decent working conditions, improvement of professional competence and loyalty of the Company's personnel	The Company planned the average salary within it to exceed the region-specific average salary by 30%; meanwhile, it exceeded the average salary by: <ul style="list-style-type: none"> • 39.6% in the Krasnodar Territory; • 71.2% in the Republic of Adygea. Progress on Personnel Training Plan was 106% in 2019. For details, see Sustainable Development
Staying within the standard electricity loss rates in transmission	Actual electricity loss in transmission was 10.62% in 2019, a 0.43% improvement compared to the plan. For details, see Electricity Delivery



IN DECEMBER 2019, THE ROSSETI GROUP APPROVED A NEW STRATEGY THAT SETS FORTH THE TARGETS AND FOCUS AREAS OF ITS DEVELOPMENT FOR UNTIL 2030.

A KEY CHANGE IN THE ROSSETI GROUP WAS ITS TRANSITION TO A BUSINESS MODEL RELIABLE ON ADVANCED INNOVATIVE INFRASTRUCTURE. THE STRATEGIC PRIORITIES INCLUDE FURTHER IMPROVEMENT IN THE PERFORMANCE OF THE CURRENT EFFORTS TO ADVANCE THE INDUSTRY COUPLED WITH THE STRIFE FOR RELIABILITY, QUALITY, AND ACCESS TO INFRASTRUCTURE IN A NEW DIGITAL ENVIRONMENT. FOCUS IS MADE ON BALANCING THE INTERESTS OF ALL PARTIES, INCLUDING THE STATE, CUSTOMERS, SHAREHOLDERS, AND INVESTORS, AS WELL AS ON DEVELOPING NEW BUSINESSES. IT IS PLANNED TO ACHIEVE THESE GOALS THROUGH THE KEY AREAS OF THE STRATEGY: TECHNOLOGICAL AND INNOVATION-DRIVEN DEVELOPMENT, DIGITALIZATION, BUSINESS DIVERSIFICATION, BETTER OPERATIONAL AND INVESTMENT EFFICIENCY, PROMOTION OF LEGISLATIVE INITIATIVES, IMPROVEMENT OF INTERNATIONAL BUSINESS AND HR POTENTIAL, ETC.

⁴ Approved by Decree of the Russian Government No. 511-p dd. April 3, 2013

Board of Directors' Report on the Company's Development in Priority Areas

To pursue the Development Strategy of the Electric Power Grid Complex of the Russian Federation as well as other strategies and programs, the Company herein states its priorities:

No. p/p	Priority	Basis	Baselines for targets as of 2019	Progress report for 2019			Target for 2020
				Target	Actual value	Reasons of failure to hit the target	
1	Compliance with the service quality and reliability requirements of legal regulations	Clause 1 of the Board of Directors Minutes No. 121/2011 dd. November 21, 2011 On the Company's Priorities: Attainment of the Required Service Quality and Reliability.	Order of the Regional Energy Commission (REC) under the Department of Prices and Tariffs, Krasnodar Territory, No. 62/2017-3 dd. December 27, 2017	A new target approved for 2019: grid connection quality (Qgc) of 1; yearly average power outage duration (Πsaia) of 4.5145 hours per point of delivery; yearly average power outage occurrence (Πsaia) of 1.0411 per point of delivery.	Kubanenergo's actual values for 2019 were: grid connection quality (Qgc) of 1.0416564; yearly average power outage duration (Πsaia) of 1.0887 hours per point of delivery; yearly average power outage occurrence (Πsaia) of 0.4675 per point of delivery.	Reliability indicators met	A new target approved for 2020: grid connection quality (Qgc) of 1; yearly average power outage duration (Πsaia) of 4.467 hours per point of delivery; yearly average power outage occurrence (Πsaia) of 1.0255 per point of delivery.
2	Providing accessible energy infrastructure and good quality of technological connection to the Company's grids	Clause 1 of the Board of Directors Minutes No. 196/2014 dd. September 12, 2014 On the Company's Priority: Accessible Energy Infrastructure and Good Quality of Connection to the Company's Grids.	Resolution of the Board of Directors (Minutes No. 196/2014 dd. September 12, 2014) and the Company's Order No. 131 dd. February 18, 2014 On Better Grid Connection.	0.1% more grid connection requests filed via the Personal Office at noptan-tn.ph or on Rosseti subsidiaries' websites.	In 2019, 5.4% more grid connection requests were filed via the Personal Office at noptan-tn.ph or on Rosseti subsidiaries' websites.	Plan accomplished	Average grid connection duration (measured as the request-to-notice of completion timeframe) within 80 days for grid connection contracts made in 2020 and accounted for in the Doing Business Ranking of the World Bank.
3	Planning the development of Kubanenergo's distribution grid complex	Clause 2 of the Board of Directors Minutes No. 116/2011 dd. September 7, 2011 On the Company's Priority: Planning the Development of Kubanenergo's Distribution Grid Complex	Process Regulations ΠΠ00104604-ИCM-003-2016 Managing the Development of the Distribution Grid Complex.	Direct participation in drafting the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory for 2020-2024 and the Roadmap for Development of the Electric Power Industry in the Republic of Adygea for 2019-2023. Commission an engineering firm to draft the Comprehensive Program for the Development of Kubanenergo's Grids for 2020-2024 and up to 2026; Phase I in 2020-2024.	The Company did participate directly in drafting the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory for 2020-2024 and the Roadmap for Development of the Electric Power Industry in the Republic of Adygea for 2019-2023. Over the reporting year, Kubanenergo commissioned FTC PJSC to draft the Comprehensive Program for the Development of Kubanenergo's Grids for 2020-2024 and up to 2026; Phase I in 2020-2024. The contractor completed the order. This Program is now the basis for yearly drafting of proposals on adding steps to the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory and the Republic of Adygea on a five-year timeframe.	Plan accomplished	Direct participation in drafting the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory for 2021-2025 and the Roadmap for Development of the Electric Power Industry in the Republic of Adygea for 2020-2024. Commission an engineering firm to draft the Comprehensive Program for the Development of Kubanenergo's Grids for 2020-2024 and up to 2026; Phase I in 2021-2025.

No. p/p	Priority	Basis	Baselines for targets as of 2019	Progress report for 2019			Target for 2020
				Target	Actual value	Reasons of failure to hit the target	
4	Certification of the Company's equipment, materials, and systems	Clause 1 of the Board of Directors Minutes No. 190/2014 dd. June 6, 2014 On the Company's Priority: Certification of Equipment, Materials, and Systems at the Company's Facilities.	No equipment, materials, or systems purchased that were not Rosseti-certified or not allowed for use by the Company's Equipment, Materials, and Systems Permit Commission.	This Priority is a candidate for delisting at the Rosseti level.	No equipment, materials, or systems were purchased that were not Rosseti-certified or not allowed for use by the Company's Equipment, Materials, and Systems Permit Commission.	Not applicable	The Board of Directors considered recognizing this Priority fulfilled and delisting it.
5	Improving the counter-terrorism and anti-sabotage protection of the Company's grid facilities	Clause 5 of the Board of Directors Minutes No. 94/2010 dd. August 6, 2010 On the Company's Priority: Improvement of the Counter-Terrorism and Anti-Sabotage Protection of the Company's Facilities; Clause 1 of the Board of Directors Minutes No. 202/2015 dd. January 30, 2015 Comprehensive Security Policy.	Comprehensive Security Policy of Kubanenergo as approved by the Board of Directors (Minutes No. 202/2015 dd. January 30, 2015).	Compliance with the legal regulations of the Russian Federation and Krasnodar Territory as well as with the resolutions of the Company's governing bodies.	In 2019, the Company did: - monitor the counter-terrorism protections and engineering security of its facilities, which produced consolidated calculations of the costs of providing security equipment for 24 facilities; - carry out 1,900 inspections of the security officers on duty; - arrange >500 exercises and training sessions pertaining to countering terrorist and criminal threats; - purchase security equipment for the 110 kV Praskoveyevka SS; - commission SBK-Alliance to restore the operation of 80 energy facilities.	Plan accomplished	For facility security purposes in 2020, the Company plans to: pursue Rosseti's Order No. 18 dd. January 22, 2020 On the Approval of Counter-Terrorism Procedures for Rosseti Subsidiaries' Facilities as well as the Company's counter-terrorism regulations; - keep the security equipment of the Company's facilities up and running; renew the security service contracts; inspect officers of private security firms on duty at the Company's facilities off the schedule; weekly brief the dispatchers and personnel of offsite teams on duty on how to act in case a terrorist attack is detected at a facility; train the staff of the Company's branches to respond to unauthorized personnel or foreign objects at the facilities; update plans of the Company's emergency-response cooperation with law enforcers in the Krasnodar Territory and the Republic of Adygea; develop and coordinate appropriate cooperation procedures; - equip the Executive Office, the production site, and the 110 kV Vyshestblyevskaya SS with security equipment; - keep the Company's energy facilities secure during public and political events (the Russian Investment Forum 2020 in Sochi), etc.

No. p/p	Priority	Basis	Baselines for targets as of 2019	Progress report for 2019			Target for 2020
				Target	Actual value	Reasons of failure to hit the target	
6	Improving the Internal Control and Risk Management System, advancement of internal audit	Resolution of the Board of Directors On the Company's Priority: Improvement of the Internal Control and Risk Management System, Advancement of Internal Audit (Minutes No. 196/2014 dd. September 12, 2014); Strategy for the Development and Improvement of the Internal Control System of Rosseti and Its Subsidiaries (Minutes of Rosseti's Board of Directors No. 143 dd. February 13, 2014); the Company's Order No. 6 dd. January 12, 2016 On Adopting the Methodology for Performance Assessment of the Rosseti Group's Internal Control and Risk Management System; Resolution of the Board of Directors' Audit Committee (Minutes No. 36/2016 dd. March 17, 2016).	For the reporting year's improvements of the Internal Control System, see Internal Control System.	External independent assessment of the ICS External independent assessment of the RMS Implementation of the Plan to Support and Improve the ICS of Kubanenergo in 2019-2022 (Board of Directors Minutes No. 369/2019 dd. December 25, 2019). This expert opinion of the RMS was reviewed by the Board of Directors, which approved the Plan to Improve the RMS of Kubanenergo in 2020-2023 (Minutes No. 373/2019 dd. December 31, 2019). The Company's Internal Auditor assessed the performance of the RMS and the ICS in 2019. The ICS was deemed "optimally to highly" mature, while the RMS was deemed "moderately to optimally" mature.	In 2019, both the ICS and the RMS underwent independent external audit, where the ICS was deemed efficient and the RMS was considered moderately efficient. This expert opinion of the ICS was reviewed by the Board of Directors, which approved the Plan to Support and Improve the ICS of Kubanenergo in 2019-2022 (Minutes No. 369/2019 dd. December 25, 2019). This expert opinion of the RMS was reviewed by the Board of Directors, which approved the Plan to Improve the RMS of Kubanenergo in 2020-2023 (Minutes No. 373/2019 dd. December 31, 2019). The Company's Internal Auditor assessed the performance of the RMS and the ICS in 2019. The ICS was deemed "optimally to highly" mature, while the RMS was deemed "moderately to optimally" mature.	-	Make sure that action is taken that is planned for 2020 under: - Plan to Support and Improve the ICS of Kubanenergo in 2019-2020 (Board of Directors Minutes No. 369/2019 dd. December 25, 2019); - Plan to Improve the RMS of Kubanenergo in 2020-2023 (Board of Directors Minutes No. 373/2019 dd. December 31, 2019).
7	The Company's Comprehensive Program to Reduce Risk of Personnel and Third-Party Injury at the Grid Facilities for 2015-2017	- Cl. 3.1. of Rosseti's Order No. 55 dd. March 29, 2018 On Approval of Grid Facility Injury Risk Reduction Programs; - Resolution of the Operational Meeting chaired by Director General of Rosseti (Minutes No. 108 dd. October 24, 2017); - Rosseti's Order No. 156 dd. December 14, 2017 On Approval of the Production Control Improvement Program of Rosseti.	Rosseti's Order No. 55 dd. March 29, 2018	The Company's Comprehensive Program to Reduce Risk of Personnel and Third-Party Injury at the Grid Facilities for 2015-2017 was carried out in full and became candidate for delisting as it expired. In working order, these complex projects, planned for 2019, are being implemented.	Actions taken in 2019 completed in full, no incomplete actions	Not applicable	The Board of Directors considered recognizing this Priority fulfilled and delisting it.
8	Reducing the specific investment costs by 30% compared to 2012	Board of Directors Order No. 1226 dd. October 8, 2013 On Approval of the Methodology for Planning Investment Cost Reduction by 30% Against 2012 When Drafting the Investment Program of Kubanenergo (rev. Order No. 209 dd. March 21, 2016).	The Company's Order No. 209 dd. March 21, 2016 On Amending Kubanenergo Order No. 1226 dd. October 8, 2013	Done and made candidate for delisting due to completion of Phase I under the Development Strategy of the Electric Grid Complex of the Russian Federation (Decree of the Russian Government No. 511-p dd. April 3, 2013)	Not applicable	Not applicable	The Board of Directors considered recognizing this Priority fulfilled and delisting it.
9	15% reduction in operating expenses by 2017 against 2012 per serviced unit of electrical equipment (adjusted for inflation)	Cl. 1 of the Board of Directors Minutes No. 235/2016 dd. April 25, 2016 On Approval of Kubanenergo's Adjusted Business Plan (Including the Investment Program and Key Operational Risk Details) for 2016 and Forecasts for 2017-2020, Including the Operational Efficiency Improvement and Cost Reduction Program for 2016-2020.	The Company's Order No. 242 dd. March 21, 2014 On Taking Action under the Performance Management Program of Kubanenergo for 2014-2018; Resolution of the Board of Directors (Minutes No. 235/2016 dd. April 25, 2016).	Target expired in 2017 and made candidate for delisting due to completion of Phase I under the Development Strategy of the Electric Grid Complex of the Russian Federation (Decree of the Russian Government No. 03.04.2013-p dd. April 3, 2013)	Not applicable	Not applicable	The Board of Directors considered recognizing this Priority fulfilled and delisting it.

No. p/p	Priority	Basis	Baselines for targets as of 2019	Progress report for 2019			Target for 2020
				Target	Actual value	Reasons of failure to hit the target	
10	Annual operating costs reduction by at least 2-3%	1. Cl. 10 of the Board of Directors Minutes No. 214/2015 dd. June 11, 2015 On Reducing the Operating Costs by at Least 2-3% per Annum; Board of Directors Minutes No. 228/2015 dd. December 30, 2015 (Issue 2 On Approval of the Company's Internal Document: Operational Efficiency and Cost Reduction Regulations of Kubanenergo). 2. Cl. 1 of the Board of Directors Minutes No. 335/2019 dd. April 1, 2019 On Approval of Kubanenergo's Business Plan for 2019 and Forecasts for 2020-2023, Including the Operational Efficiency Improvement and Cost Reduction Program for 2019-2023.	Resolution of the Board of Directors (Minutes No. 335/2019 dd. April 1, 2019).	2% reduction in operating costs in 2019 YoY	The 2019 benefit of the operating cost reduction effort will be calculated after the Board of Directors of Rosseti resolves so and after Kubanenergo's Board of Directors approves the calculated value of this indicator. For details, see Financial Results	Plan accomplished	2% reduction in operating costs in 2020 YoY
11	Treasury automation and centralization	Board of Directors' Resolutions on: the Company's Priorities: Treasury Centralization and Automation Actions (Minutes No. 205/2015 dd. March 16, 2015) Following the Company's Schedule for Integration in the Single IT System of Rosseti's Single Treasury (Board of Directors Minutes No. 212/2015 dd. May 25, 2015). Treasury and financial functions to be integrated in, and transferred to, the Automated Treasury and Financial Functions Centralization and Automation System of Rosseti, which is based on IC: Enterprise.	The Company completed its effort to integrate in the single IT system of Rosseti's Single Treasury in time and in full as was required by Kubanenergo's and Rosseti's regulatory documents.	Commissioning of additional subsystems: Financial Transaction Management, Insurance Protection, Payment Calendar Management, and Centralized Placement Management.	The effort enabled industrial use of additional subsystems: Financial Transaction Management (as required by Rosseti's Decree No. 65r dd. February 7, 2019), Insurance Protection (as required by Rosseti's Decree No. 279r dd. June 25, 2019), Payment Calendar Management and Centralized Placement Management (as required by Rosseti' Decree No. 95p dd. February 19, 2019).	-	The Company continues its effort to integrate in the single IT system of Rosseti's Single Treasury as required by Kubanenergo's and Rosseti's regulatory documents.

Grid Development in the Company and in the Region

Deputy Director General for Development and Technological Connection Vladimir Andreevich Skladchikov:

«The main objective of the long-term development of the Company's power grid consists in finding the best possible direction of modernization and expansion of the grid to make up for a shortfall of generating capacities and satisfy a potential demand for generating capacity in the long term».



In 2018, acting under Decree of the Russian Government No.823 dd. October 17, 2009 On Roadmaps for Prospective Electric Power Industry Development, Kubanenergo directly participated in drafting such roadmaps for Krasnodar Territory and the Republic of Adygea for a five-year period.

Representatives of Kubanenergo (Deputy Director General for Technical Issues, Chief Engineer and Deputy Director General for Development and Grid Connection) were included into the acting coordinating bodies of Krasnodar Territory and the Republic of Adygea responsible for drafting such roadmaps, namely:

- the interdepartmental Electric Power Industry Development Roadmap Panel of Krasnodar Territory, established by Decree of the Governor No. 181-p dd February 11, 2011 On Establishing an Interdepartmental

Panel to Draft the Electric Power Industry Development Roadmap for Krasnodar Territory;

- the Electric Power Industry Development Roadmap Panel of the Republic of Adygea, established by Order of the Ministry of Economic Development and Commerce of the Republic of Adygea No. 26-n dd. February 1, 2011 On Establishing the Panel.

Roadmap for Prospective Electric Power Industry Development in the Krasnodar Territory for 2020-2024 as approved by Decree of the Governor of Krasnodar Territory No. 101-p dd. April 30, 2019.

Roadmap for Electric Power Industry Development in the Republic of Adygea for 2019-2023 as approved by the Head of the Republic of Adygea's Decree No. 118-pr dd. April 30, 2019.

Pursuant to these Roadmaps, the Company shall focus on developing the most challenging parts of Kuban's grids (South-Western and Central PDZs) that direly need their grid infrastructure improved.

To better plan the development of its grids, efficiently utilize the existing grid capacity, increase the grid load, and cut the grid development costs, the Company is drafting its Comprehensive Program for the Development of Kubanenergo's Grids for 2020-2024 and up to 2026.

December 27, 2019 the materials of this Program were submitted to the executive authorities of Krasnodar Territory and the Republic of Adygea as source data for drafting and approval of the regional roadmaps in 2020.



Technical Policy

December 25, 2019 Kubanenergo's Board of Directors approved Rosseti's Statute on Unified Technical Policy as an internal document, see Minutes No. 369/2019.

This Unified Technical Policy sets forth a combination of targets, principles, and efficient technical, technological, and organizational requirements and solutions to improve the efficiency, reliability, safety, and cost-effectiveness of electricity delivery and distribution so as to pursue the Development Strategy of the Electric Grid Complex of the Russian Federation.

The Policy seeks to enable the Company to operate and solve its problems under the Digital Transformation 2030 Concept.

The Company's key and most important investment projects use the advanced cutting-edge solutions pursuant to Rosseti's State on Unified Technical Policy in the Power Grid Complex.

KUBANENERGO'S MILESTONE PROJECTS THAT RELIED ON ADVANCED SOLUTIONS:

KUBANENERGO'S BRANCH	FACILITY NAME	KEY SPECIFICATIONS
Slavyanskiye Electric Grids	220/110/35/10 kV Port SS	A closed substation. SF6 switchgear: 220 kV EKZF79-252 SF6 switchgear (12 cells); 110 kV EKZF7A-145 SF6 switchgear (13 cells). АТДЦТН-200000/220/110-ВМ-У1 autotransformers (2 units) ТДНЛ-63000/10-ВМ-У1 linear regulating transformers (4 units) ТС-630/10-У3 dry-type transformers (3 units) Automated process control system (APCS) Digital substation, architecture 1 APCS, relay protections and automations, and connection controllers communicate by the IEC 61850-8.1 MMS protocol.

ORDER NO. 115 DD. FEBRUARY 16, 2016 APPROVED THE LIST OF KUBANENERGO'S EFFECTIVE GRID STANDARDS, WHICH IS PUBLISHED ON A FILE SERVER THE COMPANY'S EMPLOYEES HAVE ACCESS TO; THE LIST IS UPDATED EVERY YEAR AS WELL AS WHENEVER STANDARDS ARE CREATED OR REVISED. OVER THE REPORTING YEAR, THE COMPANY'S UNITS DEVELOPED 20 STANDARDS THAT FORM A SINGLE SYSTEM AND SET FORTH UNIFORM EQUIPMENT AND PROCESS REQUIREMENTS:

Regulated aspect	Standard
Maintenance and repair	Regulations on Planning and Accounting the Costs of Operation, Maintenance, and Repair (MR) in the MR Subsystem of the Production Asset Management System
Grid rating	Regulations on Keeping the Reference Framework for the Production Asset Management System
Maintenance and repair; SS and core equipment, PTLs	Regulations on Acceptance of Overhauled PTLs, Overhauled or Repaired SS Equipment
Maintenance and repair; SS and core equipment	Kubanenergo's Regulations on Choosing the Repair Action on the Condition Basis for 110+ kV Power Transformers and Autotransformers
Maintenance and repair	Regulations of Commission to Choose Repair Action on the Condition Basis
Testing and diagnosis methods; SS and core equipment, PTLs	Thermal Imaging of Electrical Equipment and PTL Regulations
Operational and process control, contingency management	Instructions for the Staff on Duty on the Maintenance of Relay Protections and Automations at Kubanenergo's Facilities
	Instructions for Quick-Response Switching in Kubanenergo's 0.4-220 kV Grids
	Regulations on Filing, Submission, Review, and Approval of Dispatches to Change the Mode of Operation or Operating State of Kubanenergo-Controlled Facilities
	Procedure for Operational Data Transmission to Kubanenergo
	Instructions on How to Prevent and Address Failures of Kubanenergo's Electrical Equipment
	Instructions for the Network Control Center's Staff on Duty on How to Restore the Last-Resort Electricity Delivery Systems and Act in Case of Emergency
	Regulations on the Implementation, Approval, Coordination, and Application of Circuit Diagrams at Kubanenergo
	Instructions for Structural Units of Kubanenergo's Branches on Inspecting Electrical Units, Registering and Addressing the Identified Equipment Defects
	Instructions for Transferring the Supervisor on Duty at Kubanenergo's NCC to Kubanenergo's Reserve Rooms
	Maintenance and repair
Communications	Manual for Operation and Maintenance of Ultrashort-Wave Antenna Feeders Used for Radio Connectivity and Radio Relay Communications at Kubanenergo
Electricity metering and service development	Instructions for Maintenance of Electricity Meters in Units Rated up to or Above 1,000 V and for Filling and Circulating the Forms of Meter Acceptance (Replacement, Verification) for Units Rated up to or Above 1,000 V
	Kubanenergo Regulations on Identification, Reduction, and Prevention of Uncontracted or Unaccounted Electricity Consumption
	Methodology for Drafting the Electricity Loss Reduction Program for Kubanenergo

To be used at the Company's facilities, equipment, materials, and systems must be certified and added to the list published on Rosseti's corporate website (www.rosseti.ru) in Investments and Innovations / Unified Technical Policy / Equipment Certification, or otherwise permitted for use by Kubanenergo's Equipment, Materials, and Systems Admission Commission (EAC).

The Company has also devised:

- the Methodology for Certification of Equipment, Materials, and Systems in the Grid Complex;
- the Procedure for Certification of Equipment, Materials, and Systems in the Grid Complex;
- the Company has established its EAC and adopted the EAC Regulations.

In the reporting year, the Company did not purchase any equipment, materials, or systems that were not Rosseti-certified or EAC-permitted.

USE OF APPROPRIATELY CERTIFIED EQUIPMENT, MATERIALS, AND SYSTEMS IS ONE OF THE TOOLS BEHIND ROSSETI'S STATUTE ON UNIFIED TECHNICAL POLICY IN THE POWER GRID COMPLEX



Innovative Development

Here the areas of focus of the Innovative Development Program for 2016–2020 and up to 2025 as approved by Kubanenergo’s Board of Directors on July 19, 2017 (Minutes No. 281):

- transition to digital substations of various voltage classes, rated at 35 to 110 (220) kV;
- transition to digital active-adaptive grids featuring a distributed smart automation and control system;
- transition to integrated efficiency of business performance and automation of control systems;
- application of advanced technology and materials in electric power industry;
- advancement of the innovative product and technology development and adoption system;
- development of human resources and partnership in the field of education.

For 2020–2024, the Company plans to act under its Medium-Term Plan for the Implementation of the Innovative Development Program for 2020–2024.

THE FOLLOWING COMPREHENSIVE INNOVATION PROJECTS WERE CARRIED OUT BY THE COMPANY IN THE REPORTED YEAR:

PROJECT NAME	PROJECT IMPLEMENTATION
Construction of the digital 220 kV Port SS	<p>Project scheduled for 2016–2019</p> <p>This project created a smart process control system for a 220 kV SS that control the relay protection and automation, the APCS, the quick-response switchgear blocks; the system is based on cutting-edge digital tech that supports digital data communication per IEC 61850⁵. Besides, the project created a precedent of installing, starting, and testing such equipment and smart switchgear. The Port’s APCS is capable of digital telemetry data communication per IEC 61850 to the Temryuksky PDZ, Slavyanskiye Electric Grids, Kubanenergo’s Network Control Center (NCC), and the Kuban Regional Supervisory Office of SO UES. Construction and installation was completed in 2019; thus Kubanenergo inaugurated its first 220 kV SS that uses digital substation tech. This created a positive experience of starting a smart 220 kV SS. Construction relied on cutting-edge technologies mentioned in the Technology Register for the key innovative development areas of Rosseti:</p> <ul style="list-style-type: none"> • digital relay protection and automation units capable of digital data communication; • smart switchgears featuring integrated connection controllers and capable of integrating in a single control system while being as plug-n-play as possible. <p>As a result, the Company:</p> <ul style="list-style-type: none"> • integrated the 10–35 kV connection controllers and RPA terminals in the APCS by means of IEC 61850 digital data communication, • - set up digital data channels and integrated the upper level (digital communication networks, the information security system, and the digital communication networks of the NCC) with the Temryuksky PDZ, Slavyanskiye Electric Grids, Kubanenergo’s NCC, and the Kuban RSO. • - the facility is easier to monitor and control.

Smart 35/10 Burny SS	<p>Project scheduled for 2019–2022</p> <p>In the reporting year, the Company carried out project preparations, as it made the key technical decisions and drafted the design documentation.</p> <p>The project is to create a decentralized Central Substation system equipped with digital RPAs capable of reporting to the APCS by the IEC 61850–8.1 MMS protocol⁶.</p> <p>The installed CSS system will be capable sending digitalized analog and discrete signals from connection controllers and the RPA terminals to the APCS while also delivering the APCS-issued control actions and the remote control commands from the Supervisory Service of Labinskiye Electric Grids. To that end, the station’s bus will be equipped with digital switches to connect all the protection terminals, connection controllers, and the APCS devices. The bus will enable all devices to exchange digital data using the IEC 61850–8.1 MMS protocol.</p> <p>The project will help fine-tune the remote control and telemetry data processing technology for 35 kV SS’s. It will also give the Company experience of controlling a 35 kV SS from the upper level (PDZ and Grid Enterprise) using reserved channels for data communication.</p>
Furtherance of the Production Asset Management System (PAMS)	<p>Project scheduled for 2020</p> <p>The Company completed several PAMS development efforts to expand its functionality, including:</p> <ul style="list-style-type: none"> • automation of the Ministry of Energy’s method for calculating the failure probability of a functional node or a core equipment unit, and evaluating the consequences of such failure; • creation of an ACS for retrofitting and reconstruction; • communication of reference data between software suits to calculate the scope of electricity delivery services with the PAMS. <p>This improved functionality will help: collect data for the managers to make decisions on how processes affect the Company’s production assets; reduce the labor intensiveness of calculating the failure probability of a functional node or unit of core equipment; facilitate calculating the consequences of such failure as well as evaluating the process risks of failure; improve the quality of drafting the production programs by granting access to source data that is used to decide which kind of interference (maintenance and repair or retrofitting and renovation; minimize the cost of ownership of production assets while improving their utilization rate; improve the quality of MR planning; and prevent repeated manual entry of identical information.</p> <p>The developed PAMS also helps reduce the costs of achieving the SAIDI/SAIFI targets.</p> <p>For 2020, the Company plans to further its Production Asset Management System, and among other things to:</p> <ul style="list-style-type: none"> • integrate the PAMS with the digital information systems; • automate the Operational Job Management System in the context of its integration with the electronic defect register, the operational information complex, the MR ACS (Request and Repair software suites), and the digital personal protections (Phase I); • carry out a pilot project to automate the calculation of the planned absenteeism ratio for each PDZ (Mainline Grid Enterprise) and the reporting of MR staff productivity adjusted for the absenteeism ratio
Integrated Contingency Management Information and Analysis System (RGIS)	<p>Project scheduled for 2019</p> <p>The RGIS will provide:</p> <ul style="list-style-type: none"> • geoinformation services and data for specialized corporate and industrial automated systems, as well as spatial data for specialists and external information systems of the federal authorities; • information support for Kubanenergo’s headquarters to quickly respond to threats and contingencies, whether acts of God, anthropogenic disasters, or else; • information support for property management, asset management, prospective development and grid connection, grid construction, and occupational safety. <p>The following activities are now automated: operational and process control, contingency management, asset management, maintenance and repair, vehicle and personnel monitoring, property management, capital construction, prospective grid development and grid connection, customer relations.</p> <p>The Company further plans to integrate the RGIS with the PAMS, the Electricity Delivery Management System, and the Corporate Grid Connection Software Suite.</p>

⁵ IEC-61850 is an International Electrotechnical Commission Standard for communication networks and systems at substations, which specifies data streaming formats, form of information, rules of definition of power facility items, and a set of rules to arrange an event-related data transfer protocol.

⁶ IEC 61850–8.1 MMS (Manufacturing Message Specification) is a client-server data communication protocol.

RESEARCH AND DEVELOPMENT

Among other things, the Program focuses on research and development (R&D), namely development of cutting-edge technology to create fundamentally novel methods, as well as applied research designed to improve the existing technology and products, and efforts to generate new knowledge and apply it to create novel products or technologies.

FIVE R&D PROJECTS WERE COMPLETED IN 2019:

ITEM NO	R&D	RESULTS
TRANSITION TO DIGITAL SUBSTATIONS OF DIFFERENT VOLTAGE CLASSES:		
1	Design of IEC 61850 profiles for RPA and APCS devices and cabinets to make them interchangeable	<p>Project scheduled for: 2017 to 2019</p> <p>The Company has developed:</p> <ul style="list-style-type: none"> requirements as to which communication services must be supported, how they must be configured, and how the datasets are to be structured; requirements to the communication capabilities and specifications of devices; requirements to controlled objects and supported IEC 61850 control models; requirements to flexible simulation and naming of IEC 61850 data; R&D Report per GOST 7.32-2001; final revision of the IEC 61850 Profile for RPA and APCS Devices and Cabinets to Enable Their Interchangeability at 6-110 kV Facilities.
TRANSITION TO DIGITAL ACTIVE-ADAPTIVE GRIDS FEATURING A DISTRIBUTED SMART AUTOMATION AND CONTROL SYSTEM		
2	Research and development of special requirements, architecture, and possible technical solutions to guarantee information security of the smart metering system	<p>Project scheduled for: 2019 to 2020</p> <p>The Company has produced:</p> <ul style="list-style-type: none"> Draft First Edition of the Information Security Requirements for Commercial Electricity Metering Infrastructures; a summary of reviews, accepted and rejected comments; a method for detection of actual information threats; a method for evaluation of information security risks; a data sheet of functional information security risks; an intruder model; an information threat model.
PROGRAM TO IMPROVE LIGHTNING PROTECTION SYSTEMS, ENHANCE LIGHTNING RESISTANCE, AND BOOST THE RELIABILITY OF EXTERNAL INSULATION FOR 6 TO 750 kV OPLS AND SS'S:		
3	Development of a system for computer-aided design of OPL and SS lightning protection	<p>Project scheduled for: 2017 to 2019</p> <p>The Company has produced:</p> <ul style="list-style-type: none"> a report that summarizes the analysis and verification of computer software to be used as part of the computer-aided design system; a software suit for fully automated design of OPL and SS lightning protection; a system to protect and control the installation of the copies of the developed software; System Programmer Guide and Operator Guide; Report on Estimating the Benefits of Adopting the Developed Software Suite; Report on the Results of Marketing Studies, Licensing Schemes, Costs of the Developed Software Suite, and Standard License Agreements and Contracts; manuscript of an article to be published in an industrial journal upon the Customer's consent.

ITEM NO	R&D	RESULTS
4	Development of a methodology and multifunction software suite for calculating the lightning-induced damage to PTL elements by a probabilistic approach	<p>Project scheduled for: 2017 to 2019</p> <p>The Company has produced:</p> <ul style="list-style-type: none"> a report on testing the computer program for probabilistic simulation of lightning-induced damage to PTL elements; a multifunctional software suit for probabilistic simulation of lightning-induced damage to PTL elements that features an I/O interface and can produce a database with such variables as: (i) the structural parameters of poles, portals, and wires; (ii) PTL insulation parameters; (iii) orography of the terrain; and (iv) facilities located along an OPL. Multifunctional software suite description: a system to protect and control the installation of the copies of the developed software; guidelines on using the methodology and the suite: System Programmer Guide and Operator Guide; estimate of the benefits of using the results of this project; results of marketing studies, licensing schemes, costs of the developed software suite, and standard license agreements and contracts; manuscript of an article to be published in an industrial journal upon the Customer's consent.
APPLICATION OF ADVANCED TECHNOLOGY AND MATERIALS IN ELECTRIC POWER INDUSTRY		
5	Development of a reflectometry complex for monitoring 35 kV OPLs to locate damage and icing	<p>Project scheduled for: 2016 to 2019</p> <p>The Company has produced:</p> <ul style="list-style-type: none"> Approved Test Program and Methodology (TPM) agreed upon with the Customer; Acts and Protocols of Pilot and Acceptance Tests; Information Report on Software Refinement; Final R&D Report, Inv. No. 407/30-383/08; Program for training the supervisory and technical personnel to use the PKMЛЗ-01 reflectometry complex (prototype); technical summary and user manual for PKMЛЗ-01; PKMЛЗ-01 data sheet; presentation and report; text of a paper prepared for publication.
6	Development of hardware and software package to locate damage in 38-750 kV lines, featuring optical communication channels	<p>Project scheduled for: 2017 to 2019</p> <p>Results of the project:</p> <ul style="list-style-type: none"> pilot tests and analysis of the damage locator performance; acceptance tests of prototypes; collected statistics of the synchronization of damage locators; analysis of data on the synchronization of damage location semi-sets; Report on Pilot Operation and Analysis of Prototype Performance; a presentation and a paper about this R&D project.

Six titles were obtained in 2019:

- 3 Certificates of State Registration of Computer Programs;
- 2 Invention Patents;
- 1 Utility Model Patent.

2 licensing contracts were made for the R&D products, and two of those were adopted at grid facilities

⁷ IEC-61850 – стандарт Международной электротехнической комиссии «Сети и системы связи на подстанциях», описывающий форматы потоков данных, виды информации, правила описания элементов энергообъекта и свод правил для организации событийного протокола передачи данных.

R&D COSTS

COSTS OF THE KEY R&D AREAS IN 2019, RUB MN. EXCLUSIVE OF VAT:

ITEM NO.	AREA OF INNOVATION	TARGET	ACTUAL VALUE
1	Transition to digital substations of different voltage classes	259.4	250.3
2	Transition to digital active-adaptive grids featuring a distributed smart automation and control system	10.6	0.0
3	Transition to integrated efficiency of business performance and automation of control systems	38.5	37.8
4	Application of advanced technology and materials in electric power industry	6.0	0.5



Grid Facility Upgrade (Renovation) Program

For the grid to operate reliably, as well as to optimize the choice of areas and facilities to invest in, the Management Board of Rosseti approved its Grid Facility Upgrade (Renovation) Program for Subsidiaries (including Kubanenergo) for 2019-2026, see Minutes No. 952 np/2 dd. December 6, 2019.

THE COMPANY'S GRID FACILITY UPGRADE (RENOVATION) PROGRAM SEEKS TO:

- improve the functional reliability of the grid complex;
- replace and remove any equipment that has been inspected many times, has been in operation in excess of its rated service life, and whose technical condition is incompatible with the desired reliability;
- take action to reduce the accident rates and damageability of equipment, the grid operator's losses due to undersupply of electricity, and the duration of power outages;
- take action based on what was learned from passing special periods of time, and to address the operation-revealed shortcomings while also executing orders of supervisory bodies that must be complied with within the investment framework.

The Program is updated:

- upon approval of industrial regulations that set forth or change the interval, method, scope, and instruments of control, the condition metrics and their acceptable limits that reliably indicate the actual condition of core equipment and how it changes in operation before the next control session;
- annually as Kubanenergo adjusts its Investment Program in the light of the changing equipment condition and sundry factors that affect the safety of operating it, as well as when some facilities are subject to renovation as required by supervisory bodies.

GRID FACILITY UPGRADE (RENOVATION) PROGRAM IMPLEMENTATION IN 2019.

FACILITIES TO BE UPGRADED (RENOVATED)	TARGET	ACTUAL VALUE	NOTE
35+ KV SS'S:			
110+ kV power transformer	3	3	
110+ kV circuit breaker	2	2	
110+ kV disconnecter	7	7	
35 kV power transformer	-	-	
35 kV circuit breaker	-	-	
35 kV disconnecter	4	4	
35+ KV OPLS			
comprehensive reconstruction of 35+ kV OPLs	0.60	-	
wire	2.00	-	Commissioning planned to be postponed to 2020. The physical parameters of the facility are not changed from those set forth in Kubanenergo's Investment Program approved by Order of the Ministry of Energy No. 14@ dd. December 2, 2019 (Board of Directors Minutes No. 378/2020 dd. February 25, 2020).
pole	1	-	
insulator	-	-	
ground wire	-	-	
0.4-20 KV OPL			
including laying SIWs	49.34	4.53	Speaking of 2.152 km: the OPL length was clarified when designing. Speaking of 16.93 km: these facilities are to be removed from the Investment Program as approved by Order of the Ministry of Energy No. 14@ dd. December 2, 2019 as some other facilities take priority within the available funding.
running SIWs through woods			
switch replacement	9	-	Speaking of 25.73 km, it is planned to postpone the commissioning of this facility to 2020; the physical parameters of the facility are not changed from those set forth in Kubanenergo's Investment Program approved by Order of the Ministry of Energy No. 14@ dd. December 2, 2019 (Board of Directors Minutes No. 378/2020 dd. February 25, 2020).
CABLE LINES 0.4 KV AND HIGHER			
	5.2	-	Commissioning planned to be postponed to 2020. The physical parameters of the facility are not changed from those set forth in Kubanenergo's Investment Program for 2018-2022 approved by Order of the Ministry of Energy No. 14 @ dd. December 2, 2019 (Board of Directors Minutes No. 378/2020 dd. February 25, 2020).

Kubanenergo's Board of Directors approved (Minutes No. 378/2020 dd. February 25, 2020) draft amendments to Kubanenergo's Investment Program as approved by Order of the Ministry of Energy No. 21@ dd. December 1, 2017 with amendments made by Order of the Ministry of Energy No. 14@ dd. December 2, 2019; draft amendments to the Investment Program published on the Ministry of Energy's website on February 27, 2020.

Digital Transformation

Pursuant to Presidential Decrees No. 203 dd. May 9, 2017 On Strategy for Development of Information Society in the Russian Federation for 2017-2030 and No. 204 dd. May 7, 2018 On National Targets and Strategic Goals of the Russian Federation's Development up to 2024, the Government Decree No. 1632p dd. July 28, 2017 that approved the Digital Economy of the Russian Federation Program, as well as Rosseti's Digital Transformation 2030 Concept approved by Rosseti's Board of Directors (Minutes No. 336 dd. December 21, 2018), the Company developed its Digital Transformation of Kubanenergo Program for 2020-2030. This Program sets forth the goals, objectives, key principles, and approaches to the Company's digital transformation; it also enumerates the pilot projects and reports the structure of Kubanenergo's digital

transformation management. In January 2020, this Program was approved by the Company's Board of Directors (Minutes No. 374/2020 dd. January 24, 2020).

The Company's digital transformation is an effort to switch to a novel management system by creating and operating systems for digitalization and integration of all processes to further collect and process big data for the purpose of decision-making.

Digital transformation mainly seeks to reduce the vertical hierarchy in the Company, to enable automatic data collection, processing, and planning, as well as to guide decision-making by showing system-generated tips.

DIGITAL TRANSFORMATION PHASES:



DIGITAL TRANSFORMATION PHASES:

PHASE	DESCRIPTION	SCHEDULED FOR
0	Pre-digital era: making and implementing a decision is up to human.	Phase is over
1	Adoption of effective and tested technologies to lay the hardware and information foundation for further advancement; partial digitalization of the process, pilot testing of promising technology. Key Phase I projects: <ul style="list-style-type: none"> creating a single network control center; digitalizing the grid, including the Dagomyssky PDZ; implementing the Smart Metering Development Program; creating the Integrated Contingency Management Information and Analysis System (GIS); adopting electronic workflow; adopting and refining an automated information system for salary calculation and HR management at Rosseti Kuban, which is based on 1C: Payroll and HR Management 8. 	This Phase is scheduled for completion in 2024 and began in 2019.
2	Adoption of technologies proven worthy during pilot tests.	Scheduled for 2023-2026
3	Completing the adoption of technologies proven worthy during pilot tests.	Scheduled for 2026-2030.

Digital transformation will enable more reliable, higher-quality, and readily accessible electricity delivery and grid connection services while also creating a novel infrastructure to maximize the performance of electricity delivery. Besides, it will boost the competitive market for related services.

Consolidation of Grid Assets

Pursuant to the Development Strategy of the Electric Grid Complex of the Russian Federation, namely its goal to reduce the number of LGOs, Kubanenergo continued to consolidate the grid assets in the Krasnodar Territory and the Republic of Adygea during the reporting year.

For 2019, 52 LGOs had individual electricity delivery tariffs approved for them by the REC DPT KK (Order No. 90/2018-а dd. December 28, 2018). The Company submitted consolidation offers to all LGOs; however, none has been accepted so far.

With respect to consolidating grid assets, the Company did the following during the reporting year:

- in July 2019, the Company had a meeting with the Governor of Krasnodar Territory, then in October it took part in the Legislative Assembly's meeting to discuss the consolidation of grid assets in the region as well as the ownerless grid assets used in electricity delivery. Thus, the Company did take proactive measures to consolidate ownerless grid assets. The joint inventorying effort identified 745 ownerless facilities in Kubanenergo-serviced areas, 715 of which are now in the Company's books. For these facilities, the Company initiated ownership recognition procedures in court of law.
- International Economic Forum took place in June 2019 in St. Petersburg, where Rosseti signed a cooperation agreement with the Cabinet of Ministers of the Republic of Adygea to consolidate the grid assets in Maykop. As part of this agreement, Maykopskaya CHP LLC's grid complex is being considered for consolidation by Kubanenergo.

Over 2019, Kubanenergo consolidated 16,024.2 assets, a total of 1,686 km and 1,457 MVA, and made 68 transactions, including:

- 23 gratuitous transfers of grid facilities from non-profit organizations and natural persons;
- 45 lease contracts with 7 LGOs, 43 contracts with municipalities, 15 contracts with sundry owners;
- 715 ownerless energy facilities in the Krasnodar Territory and the Republic of Adygea accepted for ownership.

The asset consolidation effort of 2019 brought 2,070 RUB mn. in additional revenue; besides, adding more facilities to the Company's books will eliminate the costs of electricity transit to customers connected to such facilities.

GRID ASSET CONSOLIDATION MONITORING:

INDICATOR	2017			2018			2019		
	GRID ASSETS CONSOLIDATED OVER THIS PERIOD			GRID ASSETS CONSOLIDATED OVER THIS PERIOD			GRID ASSETS CONSOLIDATED OVER THIS PERIOD		
	MVA	KM	C.U.	MVA	KM	C.U.	MVA	KM	C.U.
1	2	3	4	6	7	8	10	11	12
Kubanenergo's total	204.5	532.9	1,566.2	210.4	654.8	1,776.9	1,457.1	1,686.1	16,024.2
Acquisition of grid facilities	0.2	2.3	5.9	0	0	0	0	0	0
Lease of grid facilities	196	511.5	1,467.7	203.8	620.8	1,656.7	1,314.1	907.7	10,422.8
Sundry (permanent ownership and rights of use)	8.2	19.1	90.3	6.4	32	112.3	9.7	49.4	159.6
Sundry (temporary ownership and rights of use)	0.2	0	2.3	0.2	2	8	133.3	729.0	5,441.9

Key Performance Indicators

Whether the Company's priorities are accomplished is determined by means of the Key Performance Indicators (KPI).

The Director General's KPIs are enshrined in

- Cl. 15.1.47 of the Company's Charter;
- Resolution of the Board of Directors dd. April 4, 2017 (Minutes No. 270/2017 dd. April 5, 2017) to Issue No. 2 On Approval of Methodology for Calculating and Evaluating the Director General's KPIs at Kubanenergo Effective Since 2017, revised by the Resolution of the Board of Directors dd. December 28, 2018 (Minutes No. 328/2018 dd. December 29, 2018) and the Resolution dd. December 30, 2019

(Minutes No. 372/2019 dd. December 31, 2019),

- Resolution of the Board of Directors dd. December 30, 2019 (Minutes No. 372/2019 dd. December 31, 2019) to Issue No. 2 On Approval of KPI Targets for the Company's Director General (the Sole Executive Body).

These Resolutions set forth the following KPIs and their targets for 2019:

QUARTERLY INDICATORS:

INDICATORS	VALUES ACHIEVED IN 2018	TARGET FOR 2019	VALUES ACHIEVED IN 2019
Consolidated operating profit (EBITDA)	Target achieved in all quarters	Q1, first half of the year, and 9 months ≥ 0 ; for the year $\geq 3.0\%$	Target achieved in all quarters
Consolidated net debt / EBITDA	Target achieved in all quarters except Q4	Q1, Q2, Q3, Q4 ≤ 3.0 ;	Target achieved in all quarters
Progress under the Plan to Reduce Accounts Receivable	Target achieved in all quarters	$\geq 100.0\%$	Target achieved in all quarters
Zero increase in major accidents	Target achieved in all quarters	Zero increase Target in numerical terms: ≤ 1	Target achieved in all quarters
Zero increase in casualties	Target achieved in all quarters except Q3	Zero increase Target in numerical terms: ≤ 0.049	Target achieved in all quarters except Q3
Compliance with the facility commissioning schedule	-	$\geq 90\%$	Target achieved in Q3 and Q4



YEARLY INDICATORS:

INDICATORS	VALUES ACHIEVED IN 2018	TARGET FOR 2019	VALUES ACHIEVED IN 2019
Consolidated net cash flow	- 1,120 RUB mn	$\geq - 3,805.1$ RUB mn	Accomplished at 217%
Reduction of specific operating expenses (costs)	2.0%	$\geq 2.0\%$	Accomplished at 100%
Increase in the process utilization of power grid equipment	done	done	Accomplished at 100%
Rate of electricity loss	11.25%	$\leq 11.05\%$	Accomplished at 104%
Reduction of specific investment outlay	0.84	≤ 1.00	Accomplished at 133%
Labor productivity improvement	6.22%	$\geq 2.00\%$	Accomplished at 219%
Effectiveness of innovation	127%	$\geq 90\%$	Not calculated*
Grid connection deadline compliance	1.02	≤ 1.1	Accomplished at 110%
Service reliability level accomplishment	not determined	Simultaneously: KPI ≤ 1.00 Ki < 1.00	Accomplished at 104%

*Effectiveness of innovation to be evaluated after Rosseti's Innovative Development Commission reports and confirms the QUALITY_IDP value for 2019, which is integral to this KPI.

Actual figures for Q3 and Q4 2019 as well as for 2019 in total are projected in the context of the timelines and procedures of the reporting this data comes from. Such reports had not been approved as of drafting this Report.

For Rosseti's subsidiaries to perform better, as well as to update the subsidiary KPI calculation methodology, Rosseti's Board of Directors resolved on April 18, 2019 (Minutes No. 349 dd. April 22, 2019) to change the Key Performance Indicators, which changes were approved by the Board of Directors Resolution dd. December 30, 2019 (Minutes No. 372 dd. December 31, 2019) and included:

(1) changing the method for calculating Zero increase in major accidents. As the quarterly accident rates reached statistical minima, the method was changed to use an index value that is a function of the total scope of maintenance rather than the general statistic;

(2) Changing the Service reliability level accomplishment in such way as to compare the actual SAIDI/SAIFI at branches against the targets set by the regulatory authority, since the Company's branches switched to SAIDI/SAIFI for their tariff regulation and needed to pursue Order of the Ministry of Energy No. 1256 dd. November 29, 2016;

(3) Compliance with the facility commissioning schedule has been evaluated on a quarterly basis since July 1, 2019;

(4) sources of data clarified for Rate of electricity loss;

(5) Grid connection deadline compliance switching to an indicative metric that is adjusted for the objective of reducing the number of contracts where grid connection was performed outside the deadline due to failure to perform in time (including failures on the part of the customer).

The Table compares KPIs for 2018 and 2019.

The Company's KPI system is bound to the variable remuneration for managers, as each indicator is associated with a portion of bonuses, and quarterly/annual bonuses are only payable if the corresponding KPI targets are met

Risk Management System

The runs a Risk Management System (RMS). The purpose of the RMS is to ensure sustainable continuous operation and development of the Company through timely identification, assessment, and effective management of risks that threaten to jeopardize the business performance or the reputation of the Company, the health of its employees, the environment, or the property interests of its shareholders and investors.

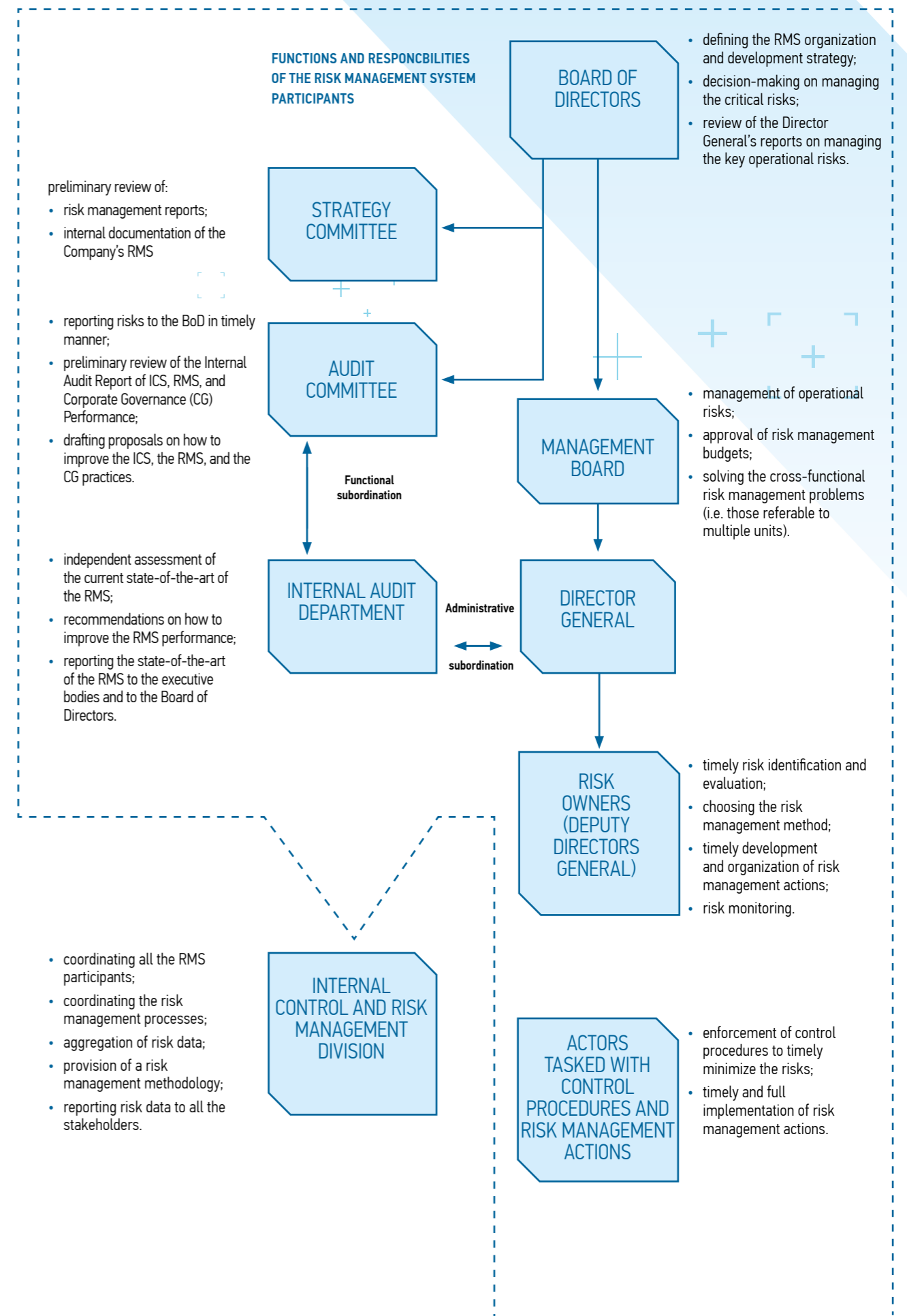
To develop the RMS, the Board of Directors approved Kubanenergo's Risk Management Policy (the Policy), see Minutes No. 233/2016 dd. March 18, 2016. The Policy defines the goals, functional principles, and elements of the RMS, the core functions and responsibilities of its participants, as well as the RMS performance assessment procedure.

In 2016, the Company established its Internal Control and Risk Management Division that is tasked to:

- coordinate the risk management processes;
- adopt and adapt methodology documents to enable the risk management process and the RMS operation in the Company;
- train and advise the Company's employees with respect to the RMS;
- timely aggregate data on all the identified risks and draft proposals on updating the Risk Register;
- monitor the risk management process in the Company;
- cooperate with the specialized Committees of the Board of Directors with regard to risk management;

- draft expert opinions and proposals on the basis of the materials submitted for analysis to the Company's Sole Executive Body and the Collegiate Executive Body regarding the organization and functioning of the RMS;
- draft a consolidated report and inform the Company's executive bodies on the results of risk management and RMS performance assessment;
- draft an annual consolidated report on the organization, functioning, and performance of the Company's Risk Management System;
- cooperate with an external auditor on the RMS performance assessment.

Functions of the RMS participants are enshrined in the Policy, Regulations of the Units, and Job Descriptions. The Board of Directors and the executives manage all the key risks. Every year, the Management Board of the Company approves risk management plans for the year to come.



CORE RMS PARTICIPANTS:

TITLE OF PARTICIPANT	CORE FUNCTIONS IN THE RMS
Board of Directors	<ul style="list-style-type: none"> approves internal documents of the Company that set forth how the Company's RMS is arranged and functions; analyzes reports from the Company's executive bodies concerning the organization, functioning, and performance of the RMS to evaluate its operation and draw recommendations on how to improve it.
Board of Directors' Strategy Committee	conducts preliminary review, analysis and recommendations (conclusions) on the organization, operation and effectiveness of the risk management system in the Society.
Executive bodies (Management Board, Director General)	<ul style="list-style-type: none"> specify requirements to the format and completeness of information about the Company's risks; define lines and plans of RMS development and improvement; analyze the risk portfolio and devise response and resource reallocation actions to manage certain risks.
Risk owners	are responsible for timely identification and evaluation of risks, adoption of response actions, timely development and arrangement of risk management actions, as well as continuous risk monitoring.
Actors tasked with risk management actions	are responsible for timely identification and/or minimization of risks, taking action to manage the risks in time and in full.
Internal Control and Risk Management Division	serves as general coordinator of risk management procedures.
Internal Audit Department	performs internal independent assessment of RMS efficiency and produces recommendations for enhancing efficiency and resulting quality of RMS

The following risk management regulations are in place in the Company:

- Risk Management Policy;
- Methodology for Performance Assessment of the Rosseti Group's Internal Control System and Risk Management System;
- Risk Management Planning and Implementation Instructions;
- Register of Operational Risks of Core Business Processes;
- Register of Operational Risks of Sundry Business Processes;
- Instructions for Use and Filing of the Operational Risk Data Sheet;
- Operational Risk Assessment Method;
- Risk Appetite Determination Procedure.



MAIN RISK FACTORS:

Risk summaries below name the Company's inherent risks, describe them briefly, enumerate the key risk management actions of 2019, visualize the risk significance and its change YoY and in 2019. Risk significance is a hybrid metric that combines the risk occurrence probability and the severity of its consequences for the Company in monetary or sundry terms. The following scale is in use:

LEVEL OF SIGNIFICANCE

Critical ■

Significant ■

Moderate ■

DYNAMICS

No change (or insignificant dynamics) ■ Увеличение ▾



Increase ▴

Decrease ▾

NO.	RISK GROUP, RISK LIST	RISK DESCRIPTION	RISK MANAGEMENT ACTIVITIES	RISK SIGNIFICANCE ASSESSMENT AND DYNAMICS
INDUSTRIAL RISKS:				
1	Tariff associated risks	Due to the Russian Government limiting the increase in electricity delivery tariffs for end users, there is a risk that newly set tariffs will not cover the economically reasonable costs of electricity delivery.	To prevent or mitigate the consequences of this risk, the Company regularly submits evidence to the regulatory bodies that prove its economically reasonable costs; it also defends the position that the economically reasonable costs as a holder of the "boiler" in the Krasnodar Territory and the Republic of Adygea must be accounted in full. Any controversy is well-documented and submitted to the FAS of Russia.	■ ▾
2	A risk of decline in electricity delivery services	This risk is due to a possible slowdown of electricity sales and major customers optimizing their external electricity supply chains.	Taking into account the economic growth of the Company-served regions, there is evident dynamics of electricity consumption growth over the recent years. The Company: <ul style="list-style-type: none"> • monitors the current economic situation and its projections; • prepares its equipment to function appropriately for the season; • maintains and repairs its energy facilities. 	■ ▴
3	Risks associated with rendering the grid connection services to applicants	The Company is at risk of lacking funding for its grid connection (GC) contracts if the regulatory bodies set GC tariffs below what is economically reasonable.	To minimize this risk, the Company cooperates with the tariff regulators, specifies the correct total of GC liabilities, drafts design documentation on its liabilities under the GC contracts, and submits further evidence to the regulatory bodies of the economically reasonable GC tariffs.	■ ▾
4	Risks associated with non-payment for the delivered electricity (incurring of disputable and indisputable overdue accounts receivable) by customers	This risk is due to lack of available procedures that would force the customers to pay for delivered electricity in due time, as well as due to macroeconomic factors (decline of the customers' financial solvency).	To mitigate the consequences of this risk, the Company: <ul style="list-style-type: none"> • analyzes the reasons why the delivered electricity readings may be not in line; • carries out scheduled measures to reduce the receivables for delivered electricity; • takes legal action; • builds up legal precedents for cases where the customer unlawfully disputes their ownership of the delivery points; • installs collective metering devices. 	■ ▾

NO.	RISK GROUP, RISK LIST	RISK DESCRIPTION	RISK MANAGEMENT ACTIVITIES	RISK SIGNIFICANCE ASSESSMENT AND DYNAMICS
COUNTRY-WIDE AND REGIONAL RISKS				
5	Risks associated with political and economic environment in the country and region	The risks are conditioned by a decline in the economic activity of the constituent entities of the Russian Federation in the regions of the Company's operations, increase of loan fund costs, which, in its turn, may result from unstable external conditions, international sanctions, credit rating downgrade, and escalation of inflationary exposure. The impact may reduce the Company's revenue and its shareholder value.	Taking into account the economic growth of the Company-served regions, there is evident dynamics of electricity consumption growth over the recent years. Considering an improved national macroeconomic performance, including disinflation, the Company tends to reduce the average interest rate on borrowings. To strengthen its position, the Company: • cuts its operating expenses; • improves energy efficiency and adopts energy conservation technologies; • substitutes imports to reduce the costs of equipment procurement.	
6	Risks associated with possible conflicts and their manifestations, declared state of emergency, and regional strikes	The risks are due to probable acts of unlawful interference with the Company's operations, including terrorist attacks, in particular those committed by global terrorist groups as well as nationalists from certain countries. These acts could have a negative impact on the Company's operations.	To prevent the occurrence of such risks, the Company: • takes action to protect power engineering facilities from terrorist attacks and sabotage; • cooperates with law enforcers; • insures its property.	
7	Risks associated with geographic traits of the country/region, including higher risk of Acts of God and possible interruption of transport operations	The risks are due to natural and climatic emergencies (exposure to hurricanes, heavy downpours, floods, snowdrifts, ice formation, power outages due to fires, explosions in housing areas, etc.). These can cause a power outage or disrupt the transports in the region.	To prevent the occurrence of such risks, the Company: • insures its property; • has emergency backups in place; • dispatches crews to bring power back online where necessary; • takes other crisis management actions where necessary.	
FINANCIAL RISKS:				
8	Exchange rate risks	Changes in the exchange rates may adversely affect the results of the Company's financial and business operations.	To prevent the occurrence of such risks, the Company: • has an import substitution program in place; • analyzes how exchange rate trends could affect the Company's operations.	
9	Risks associated with changes in interest rates	Influence on potential increase in the Company's expenses associated with raising credit funds for financing the investment programs.	To manage these risks, the Company: • relies on a balanced credit policy to optimize the loan portfolio structure and the available credit limit as well as to optimize the terms and conditions of loans; • cooperates with the lending banks to reduce the costs of borrowed funds for the Company.	

NO.	RISK GROUP, RISK LIST	RISK DESCRIPTION	RISK MANAGEMENT ACTIVITIES	RISK SIGNIFICANCE ASSESSMENT AND DYNAMICS
10	Inflation risks	Impact of the consumer price index growth on interest costs, cost level and profitability level and, as a consequence, on the Company's financial position and ability to fulfill obligations.	To prevent the occurrence of such risks, the Company: • plans and evaluates the actual profitability while also calculating the profit margins; • comprehensively analyzes its financial risks.	
LEGAL RISKS:				
11	Legal risks	Risks associated with changes to legislation, legal precedents regarding the Company's activities, and imbalance in the interests of the Company and other electric power industry actors	To mitigate such risks, the Company: • extends the licenses and permits it needs for its operations; • complies with the law and internal regulations; • monitors Russia's legislation; • plans its financial and economic activities in light of the changing law.	
12	Compliance risks	Risks associated with sanctions of regulatory authorities imposed for potential noncompliance of the Company's operations with the legal requirements, local policies, and other regulatory documents binding on the Company.	To manage these risks, the Company: • continually enhances its management and control system; • complies with the law and internal regulations; • addresses any of the violations identified by external control bodies; • defends the Company's interests in court of law.	
REPUTATION RISK:				
13	Reputation risk	Risk that the Company's financial stability, stance, and quality of work be viewed negatively.	While the Company is a natural monopoly, and the number of electricity consumers is growing every year, the Company has elaborated good practices of long-term cooperation with contractors.	
STRATEGY RISK:				
14	Strategy risk	Risk of mistakes in managerial decisions	To manage this risk, the Company: • drafts proposals and scenarios to better implement this or that strategy or program; • analyzes the performance of each particular strategy; • adopts KPIs related to strategic goals and ties the manager bonuses to those; • tasks its units to monitor the cost and benefit ratio of each strategy and report it to the Board of Directors for decision-making, including resource allocation and quality.	

№ ПП	ГРУППА РИСКОВ, ПЕРЕЧЕНЬ РИСКОВ	ОПИСАНИЕ РИСКА	МЕРОПРИЯТИЯ ПО УПРАВЛЕНИЮ РИСКАМИ	ОЦЕНКА ЗНАЧИМОСТИ РИСКА И ДИНАМИКА
RISKS ASSOCIATED WITH COMPANY'S ACTIVITIES:				
15	Operational and process risk	Less reliable electricity delivery to customers resulting from such factors as natural or anthropogenic emergencies that disrupt grid equipment operations; multiple equipment units that have been running past their rated service life; non-compliance with the regulatory and technical requirements, namely exceeding the specified acceptable limits in operation.	<p>To prevent such risks, the Company:</p> <ul style="list-style-type: none"> maintains and repairs its grid equipment on and off schedule; retrofits, upgrades, and constructs new facilities; monitors the condition; regularly optimizes the structure and amounts of spare parts; ensures occupational safety and production control; implements a loss reduction program; plans emergency response on the basis of incident investigation to mitigate the consequences of this risk and prevent its recurrence. 	
16	Investment risk	Funding available to the Company's Investment Programs may fall short due to weaker ruble, greater inflation, and more expensive borrowing.	<p>To prevent the occurrence of such risks, the Company:</p> <ul style="list-style-type: none"> drafts or adjusts its Investment Programs on the scenario basis; redistributes the funds saved by bidding to fund other IP-covered facilities; takes measures to address unfinished construction sites; monitors the timing and quality of IP implementation. 	

To make sure that the RMS performs well and remains adequate to the changing conditions and requirements, it is subject to performance assessment by an internal auditor. The Internal Auditor's RMS Performance Report for 2018 was discussed by the Board of Directors (Minutes No. 357/2019 dd. August 13, 2019), and the RMS was concluded to be "moderately" or "optimally" mature (4.33 points). The Internal Auditor's RMS Performance Report for 2019 was discussed by the Board of Directors, preliminarily discussed by its Audit Committee. The RMS is expected to score 4.44 (moderate-to-optimal) in 2019, see Minutes No. 98/2020 dd. March 31, 2020.

In the reporting year, an independent external expert evaluated the RMS and deemed it "moderately efficient". This external evaluation was discussed by the Board of Directors (Minutes No. 373/2019 dd. December 31, 2019), preliminarily discussed by its Strategy Committee (Minutes No. 105/2019 dd. December 10, 2019).

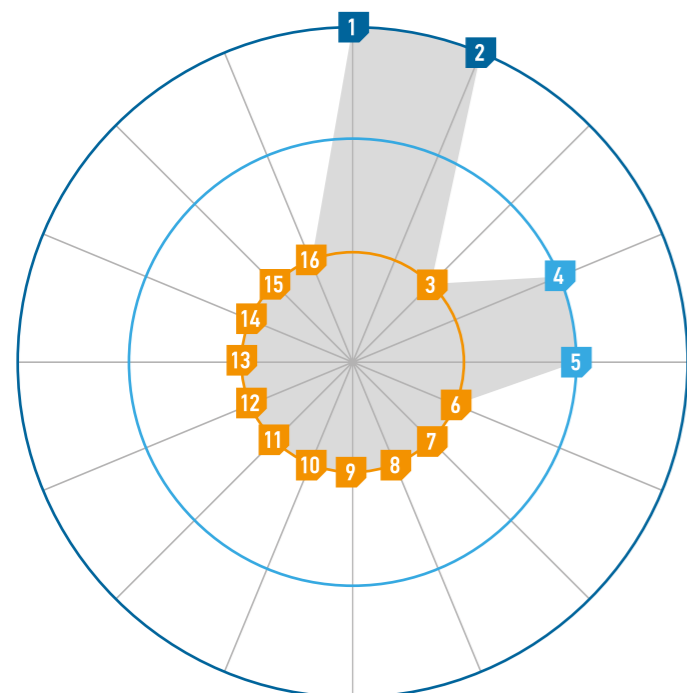
IN THE REPORTING YEAR, THE COMPANY TOOK THE FOLLOWING KEY STEPS TO IMPROVE ITS RMS:

- approved the Risk Appetite Assessment Procedure and assessed the Company's risk appetite for 2019;
- the Rosseti Group established its Risk Management and Internal Control Methodology Commission as well as the Commission's Risk Management Methodology Update Panel; officers of the Company's Internal Control and Risk Management Division drafted proposals on RMS improvements and partook in the Commission's and its Panel's meetings to discuss further development of the RMS;
- officers of the Company's Internal Control and Risk Management Division had advanced training through workshops and practice-oriented conferences among other means;
- managers have devised the Efficient RMS Action Plan for 2020-2023, further approved by the Board of Directors (Minutes No. 373/2019 dd. December 31, 2019)..

KEY STEPS TO ADVANCE THE RMS IN 2020:

- attach greater significance to risk management issues and raise the risk awareness;
- adopt information support practices for the risk management processes;
- adopt a risk appetite determination methodology aligned with the development strategy;
- define the key risk indicators (KRI);
- update the Risk Register in the context of the Company's Development Strategy and business goals under the same Strategy;
- adapt a new methodology for risk identification, evaluation, registration, and management;
- adapt the Risk Management System Performance Self-Assessment Regulations;
- enhance the format, and requirements to the contents of, the managers' reports to the Company's governing bodies on the functioning and maturity of the Risk Management System as well as on how the Company's critical risks are managed;
- arrange systematic training in risk management for the decision makers as well as for other officers involved in risk management.

RISK MAP (RISK RADAR)



-  for critical risks
 -  for significant risks
 -  for moderate risks
- 1 – Tariff risks
 - 2 - Risks of technological connection
 - 3 - Risk associated with non-payment for power transmission services
 - 4 - Operational and technological risk
 - 5 - Risk of a decrease in the volume of electricity transmission services
 - 6 - Risks of conflicts and emergency situations
 - 7 - Inflation risks
 - 8 - Political and economic risks
 - 9 - Geographic risks
 - 10 - Investment risk
 - 11 - Risk of changes in interest rates
 - 12 - Currency risks
 - 13 - Legal risks
 - 14 - Compliance risk
 - 15 - Reputation risk
 - 16 – Стратегический риск



PRODUCTION RESULTS

03



PRODUCTION RESULTS

- 74 Electricity Delivery
- 75 Technological Connection to the Kubanenergo PJSC Electric Power System
- 81 Ensuring a Reliable and Efficient Operation of the Power System
- 85 Energy Saving and Improving Energy Efficiency
- 89 Tariff Policy and Tariffs for the Company Services
- 94 Information Technologies and Telecommunications
- 95 Providing Ancillary services
- 96 Company's Procurement Activity

Electricity Delivery

Deputy Director General for Services Oleg Fyodorovich Nishchuk:

Delivery and distribution of electricity to customers via 110 kV or lower-voltage grids is Kubanenergo's core business. The Company's share in the regional electricity transmission market was 75.4% of the regional revenue requirement (RR) in 2019.

In 2019, the Company did achieve its KPI targets for electricity loss in transmission, which totaled 10.62% or 0.43 p.p. below the planned value.

The loss reduction actions saved 161.9 million kWh in 2019; measures to reduce losses saved a total of 497 million kWh.



THE COMPANY'S PRODUCTION RESULTS FOR 2017-2019:

INDICATORS	2017	2018	2019	Δ 2019/2018
Electricity released to the grid, million kWh	22,633.258	23,032.535	22,850.669	-0.8%
Electricity released from the grid to customers and related local grid operators within the area of balance and operational responsibility, million kWh	19,904.274	20,442.390	20,424.279	-1.0%
Loss of electricity in transmission:				
million kWh	2,728.984	2,590.145	2,426.390	-6.3%
%	12.06	11.25	10.62	-0.63pp
Electricity delivered:				
million kWh	18,204.054	18,766.494	18,874.183	0.6%
RUB mn	41,485.670	45,583.484	46,515.696	2.1%

Over the reporting year, Kubanenergo actually lost 2,426 million kWh in its grids or 10.62% of what was released into the grid. This was a 0.63% reduction in losses YoY. Actually the Company lost 164 million kWh less than in 2018.

The Company delivered a total 18,874 million kWh in 2019, a 108 million or 0.6% increase YoY.

MEASURES TO REDUCE POWER LOSSES

One of the most important Company's activities is reducing power losses.

As of the end of 2019, the effect of implementing measures aimed at reducing power losses during transmission amounted to 161.9 mn. kWh (RUB 497.3 mn.) in total, including due to:

- administrative procedures - 43.1 mn. kWh (RUB 85.5 mn.),
- engineering - 4.7 mn. kWh (RUB 15.5 mn.),
- improvement of power metering - 114.1 mn. kWh (RUB 396.2 mn.).

In the future, this work is supposed to continue.

The activities under the power loss reduction program have been completed, the target program indicator, i.e. power loss factor has been achieved.

POWER METERING STATE

As of December 31, 2019, the below number of power supply points equipped with energy meters have been registered at Kubanenergo PJSC:

- 100,916 energy metering points of legal entities,
- 1,049,223 energy metering points of household consumers.

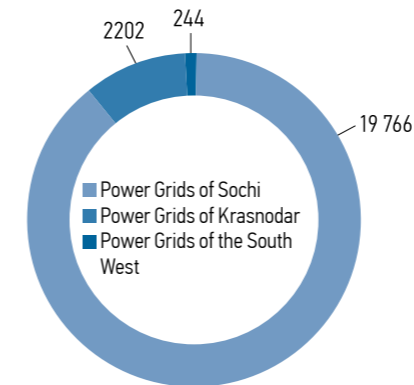
In 2019, at the planned automation of 24,770 metering points and expenditures of RUB 721.612 mn., 25,642 metering points were automated, and the costs amounted to RUB 1,574.698 mn.

IMPLEMENTING AUTOMATED METER READING AND CONTROL SYSTEM (AMRCS)

As part of implementing energy service contracts, all 22,212 meters installed by energy service companies have been automated. Also, as part of implementing the Company's investment program in 2019, actions were scheduled for the installation and automation of 3,420 technical metering devices at TSs, and as a result of implementing the investment program in 2019, 3,420 metering devices were installed and automated at TSs.

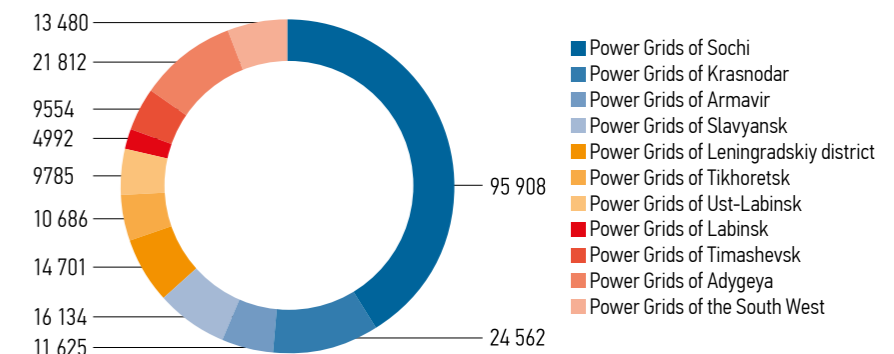
As of the end of 2019, the number of the Company's automated energy meters with remote data acquisition amounted to 233,239 devices (including those automated under the energy service contracts).

METERING DEVICES AUTOMATED FOR 2019 WITHIN THE FRAMEWORK OF ENERGY SERVICE CONTRACTS BY BRANCHES OF KUBANENERGO PJSC, PCS



Implementing meters with remote data acquisition has allowed reducing power losses. In 2020, it is planned to continue implementing meters with remote data acquisition under the energy service contracts, as well as the

TOTAL AUTOMATED METERING DEVICES WITH REMOTE COLLECTION OF DATA AS OF DECEMBER 31, 2019, INCLUDING IN THE FRAMEWORK OF ENERGY SERVICE CONTRACTS, BY BRANCHES OF KUBANENERGO PJSC, PCS



installation and automation of technical metering systems at the Company's TSs and substations under the investment program. It is planned to automate 61,532 metering points throughout the Company and by the end of 2020, increase the

number of automated meters with remote data acquisition to 295 thousand devices, which is 24.77 % of the total meters in the Company.

Technological Connection to the Kubanenergo PJSC Electric Power System

Deputy Director General for Development and Utility Connection Vladimir Andreyevich Skladchikov:

"In 2019, an important event for the Company was opening the Main Customer Service Office based on the executive office of Rosseti Kuban at 2A Stavropolskaya St. in December. The establishment of a new center has become one of the major stages in the history of developing the Company's customer-oriented approach, which is of great importance in the present-day conditions of constant competition.

The Main Consumer Service Center is the Company's image service office designed for face-to-face reception of consumers' inquiries for the utility connection, transmission and distribution of electric power, making payments, and resolving other issues. The Main Center contributes to the creation of a comfortable, ergonomic environment for interacting with consumers, thereby increasing service efficiency.

The area of the Main Consumer Service Center is 110 m². The Center capacity is up to 30 visitors. Reception is conducted by 8 experts based on the 'single window' principle. The planned throughput of the Center is up to 30,000 visitors."



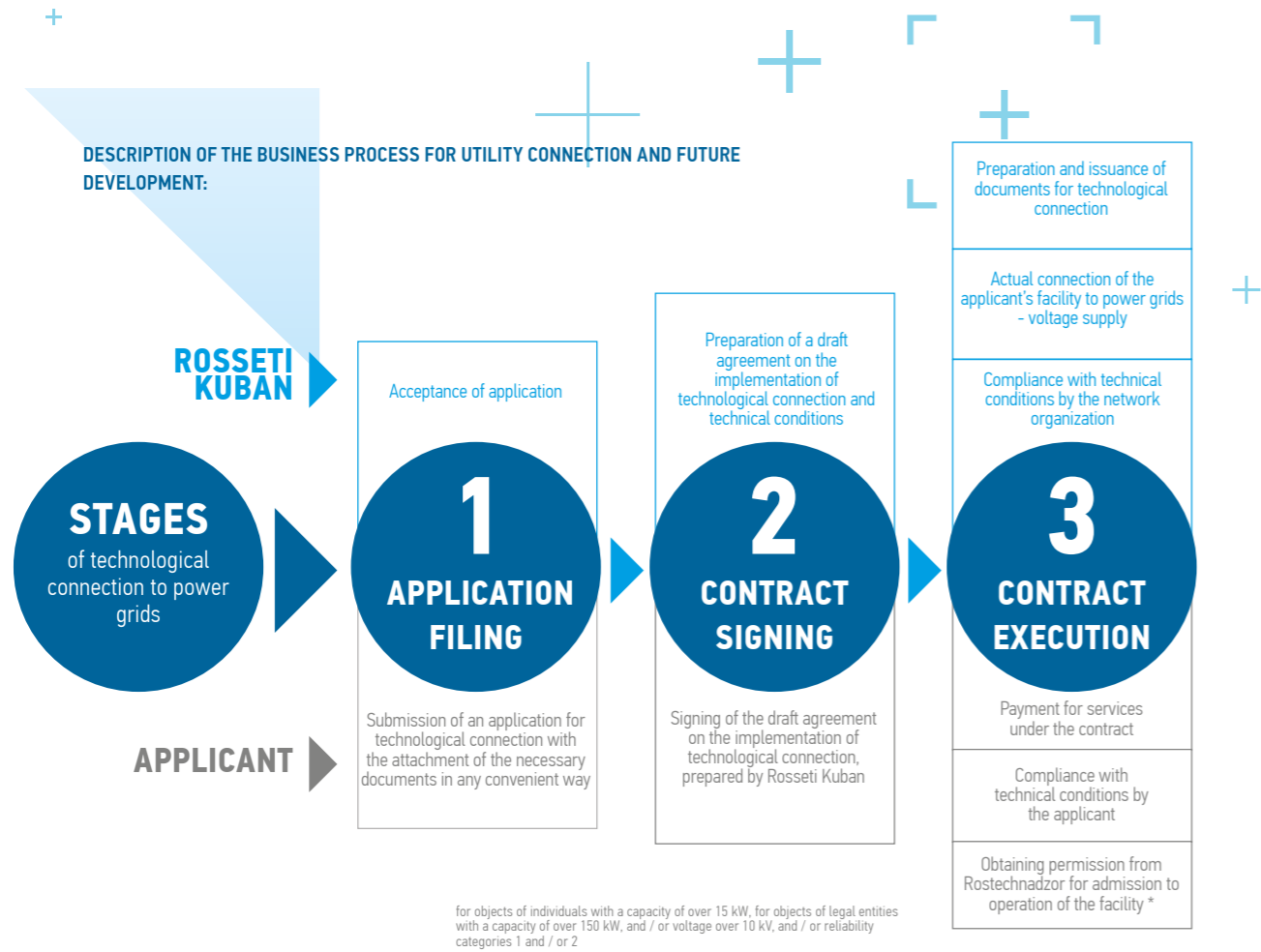
For the near future, the Kubanenergo PJSC utility connection objective is to meet the needs of the growing economy of Krasnodar Territory in electric power, switch to a unified scheme for setting and implementing the utility connection fees and achieve a balance of interests in determining the cost of utility connecting the consumers to the power system.

- The main regulatory documents governing the Company's activity on the utility connection of electric load (power units) of legal entities and individuals to the Kubanenergo PJSC's power system ⁸:
- Federal Law 'On the Electric Power Industry' No. 35-FZ dated March 26, 2003,
 - Rules for Utility Connection of Electric Load of Electric Energy Consumers, Electric Power Generation Facilities, as well as Power Grid Facilities Owned by Grid Operators and Other Persons to Power Grids' approved by the RF Government Decree No. 861 dated December 27, 2004,

- The RF Government Decree 'On Pricing in the Field of Regulated Prices (Tariffs) in the Electric Power Industry' No. 1178 dated December 29, 2011,
- The RF FAS Order 'On Approval of Methodology Guidelines for Setting Fees for Utility Connection to Power Grids' No. 1135/17 dated August 29, 2017.

The full list of regulatory legal documents, detailed information on performing the utility connection by Kubanenergo PJSC is posted on the publicly available Company's website www.kubanenergo.ru in the section 'Consumers/Utility Connection'.

⁸ The full list of normative documents regulating the technological connection is publicly available at the Company website www.kubanenergo.ru, in the "For Consumers" section



In 2019, the number of utility connection agreements in force amounted to 16,077 and compared to 2018, has not changed significantly. Herewith, the demand for utility connection remains at a persistently high level. On average, about 31 thousand applications have been annually received. Compared to the previous year, the number of overdue contracts has decreased (from 8,330 to 7,377). The main reason for violating deadlines is the applicant's unreadiness to complete the utility connection. In 2019, the power to be supplied to the connected consumers increased by 10 % (74 MW). As part of one of the most important Kuban Rosseti projects for the last 4 years, work has been completed to create the

technical capability for utility connection and power supply of transport infrastructure facilities of federal and regional significance designed to ensure transport links between the Taman and Kerch peninsulas. The total power allocated is more than 102 MW.

In 2019, the Company achieved a reduction in the average utility connection period to 70 days (6 days less than in 2018), which, in turn, is significantly shorter than the regulatory deadlines prescribed for grid operators by applicable legislation. The average term to consider an inquiry and submit an offer did not exceed 10 days.

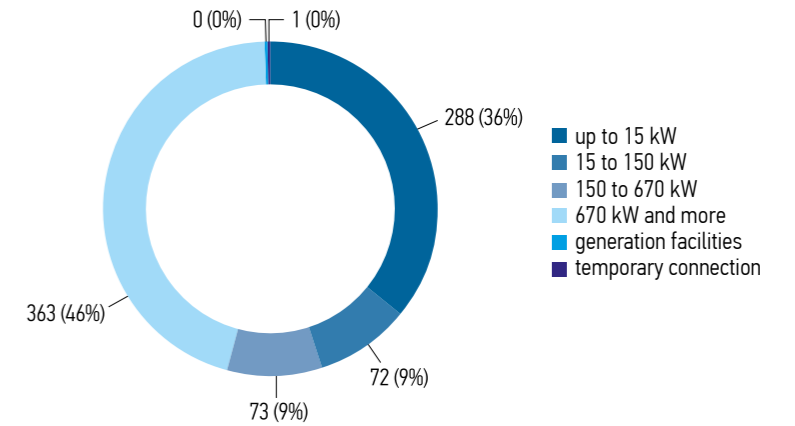
In 2019, significant capacities were allocated to meet the electricity demand of housing projects, the high rates of which were observed in recent years in the region. More than 1.2 thousand contracts for a total capacity of 144 MW were implemented.

Among the largest multi-unit apartment buildings connected to the Company's electric grids in 2019, there are the KubanGradInvestStroy Ltd.'s multi- and middle-story construction facilities at Zapolyarnaya St. in Krasnodar (for a capacity of 5 MW), Development LLC's residential complex in the area of Supsekhsy highway in Anapa, (for a capacity of 4.9 MW), and Metropolis Group LLC's residential complex at Aerodromnaya St. in Sochi (for a capacity of 2.5 MW).

Also, the agricultural sector and the food industry, which require no less power capacity than other sectors, always play a strategic role in the economic structure of southern Russia.

In 2019, Kubanenergo implemented over 700 utility connection agreements for agricultural facilities for a total capacity of more than 40 MW. The largest ones are the JSC Grain terminal KSK's grain terminal of the Novorossiysk Sea Port (4 MW capacity), the Ventsi-Zarya LLC's livestock breeding complex in the Gulkevich District (1.3 MW capacity), and the YUPK LLC's experimental-production farm agricultural facilities in the Novokubansk District (1.25 MW capacity).

STRUCTURE OF THE KUBANENERGO PJSC AGREEMENTS IMPLEMENTED, BY THE LOAD CAPACITY CONNECTED, IN MW AND %



THE LARGEST AND MOST SIGNIFICANT ENERGY FACILITIES OF THE BELOW APPLICANTS WERE CONNECTED TO THE COMPANY'S POWER GRIDS IN 2019:

APPLICANT	LOAD CAPACITY CONNECTED, MW
Rostransmodernization FSI	93
Kubanenergосervice Ltd.	10
'Taman' Federal Highway Administration of the Federal Road Agency FSI	9
Development LLC	5
KubanGradInvestStroy LLC	5
General Directorate for Construction of the Krasnodar Territory SPI	4
JSC Grain terminal KSK	4

IMPLEMENTING AGREEMENTS FOR THE UTILITY CONNECTION OF CONSUMERS

In the reported year, the Company has implemented 26,213 agreements for the utility connection to the Kubanenergo PJSC power grids. The total power supplied under the implemented utility connection agreements has amounted to 797 MW, which is 1.7 % less than the planned value. Compared to 2018, the growth in the connected load capacity amounted to more than 10 % (74 MW). Since 2017, the growth rate has compiled 17 % or 112 MW.

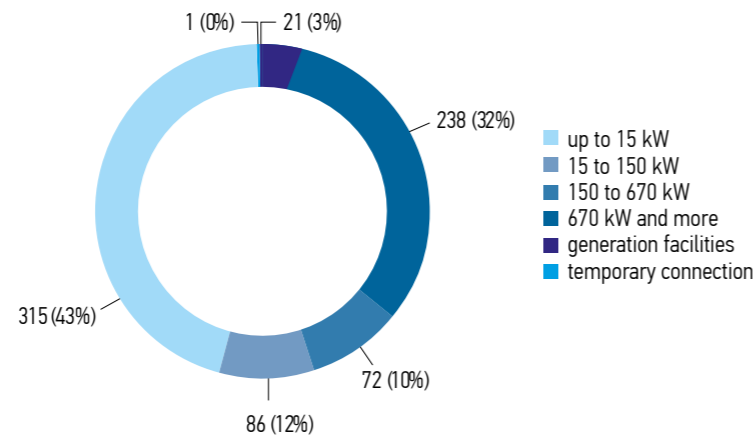
LOAD CAPACITY CONNECTED IN 2019, BY THE CONSUMER CATEGORIES, MW:

CONNECTION CATEGORIES	NUMBER OF UTILITY CONNECTION AGREEMENTS IMPLEMENTED	
	PCS	TOTAL POWER, MW
Up to 15 kW, incl., total	24,405	288
including individuals	20,640	244
15 to 150 kW, incl.	1,331	72
150 to 670 kW	264	73
670 kW and more	165	363
Power generation facilities	0	0
Total, excl. temporary utility connection	26,165	796
Temporary connection	48	1
Total, incl. temporary utility connection	26,213	797

CONSUMER DEMAND FOR UTILITY CONNECTION IN 2019

In 2019, the Company concluded 28,587 agreements for utility connection to the Kubanenergo PJSC power grids for a total capacity of 733 MW with a total value of RUB 2.66 billion, ex VAT. In dynamics, since 2017, the demand for utility connection has remained at a persistently high level. On average, at least 30 thousand applications are annually received and about 28-30 thousand contracts concluded.

THE STRUCTURE OF THE KUBANENERGO PJSC'S UTILITY CONNECTION AGREEMENTS CONCLUDED IN 2019, IN MW AND %



CONNECTION CATEGORIES	NUMBER OF UTILITY CONNECTION AGREEMENTS IMPLEMENTED	
	PCS	TOTAL POWER, MW
Up to 15 kW, incl., total	26,654	315
including individuals	22,193	263
15 to 150 kW, incl.	1,469	86
150 to 670 kW	252	72
670 kW and more	157	238
Power generation facilities	2	21
Total, excl. temporary utility connection	28,534	732
Temporary connection	53	1
Total, incl. temporary utility connection	28,587	733

REVENUE AND FUNDS RAISED

In the reported year, the revenue for the utility connection services amounted to RUB 4,206.2 mn. (ex VAT), or 99.71 % of the planned value.

The deviation of the actual revenue from the planned value is insignificant relative to the total actual data and is associated with the applicants' unreadiness to complete the utility connection procedure and receive and consume the requested capacity in 2019, and, accordingly, the postponement of the work fulfillment deadlines. In 2019, RUB 1,615.1 mn. (incl. VAT) were received for utility connection services, which is 124.22 % higher than the planned value. Overachievement of indicators is associated with the early implementation of utility connection agreements at the applicants' initiatives and the advances received ahead of schedule from the applicants under the agreements.

In 2019, the actual revenue from utility connection services (RUB 4,206 mn.) was 7 times (RUB 3,604 mn.) more than in 2018 (RUB 602 mn.). The deviation is largely due to the implementation of agreements concluded with large consumers of Rostransmodernization FSI and the 'Taman' Federal Highway Administration of the Federal Road Agency FSI in 2019 (total revenue is RUB 3,546 mn.). The actual amount of funds received for 12 months of 2019 (RUB 1,615 mn.) is 50 % (RUB 1,606 mn.) less than for 12 months of 2018 (RUB 3,221 mn.), which is associated with the advance for a total amount of more than RUB 2 billion received in 2018 under the utility connection agreements concluded with Rostransmodernization FSI.

POWER GRID BRANCHES	FULFILLMENT OF THE 2019 BUSINESS PLAN BY BRANCHES					
	FUNDS, INCL. VAT (THOUS. RUB)			REVENUE, EX VAT (THOUS. RUB)		
	PLANNED, PER YEAR	ACTUAL, PER YEAR	%	PLANNED, PER YEAR	ACTUAL, PER YEAR	%
TOTAL	1,300,133	1,614,588	124.19	4,218,216	4,205,647	99.70
Sochi	76,057	185,589	244.01	119,472	128,145	107.26
Krasnodar	396,528	398,174	100.41	157,597	157,431	99.89
Southwest	65,842	158,594	240.87	187,033	191,937	102.62
Adygea	5,430	24,859	457.81	18,439	18,439	100.00
Armavir	4,565	9,208	201.70	36,140	36,314	100.48
Labinsk	838	3,110	371.01	4,089	4,005	97.94
Leningrad	2,359	22,555	956.23	24,171	25,345	104.86
Slavyansk	723,073	729,998	100.96	3,588,007	3,560,241	99.23
Timashevsk	21,528	49,450	229.70	54,044	54,493	100.83
Tikhoretsk	856	21,941	2 564.28	22,654	22,654	100.00
Ust-Labinsk	3,056	11,110	363.54	6,571	6,644	101.10

When split by branches, the 2019 revenue target was achieved almost uniformly, without significant fluctuations. Tikhoretsk, Leningrad, and Adygea branches showed the largest excess of actual funds raised over the planned value due to advances received ahead of schedule from applicants under the UC (utility connection) agreements (Russian Railways JSC, MI OKS of the Kushchyovsky District ME Administration, Adygea SFHI 'Adygea Republican Clinical Hospital', Giaginsky Dairy Plant JSC).

In 2020, the planned Company's revenue from utility connection services is at least RUB 655 mn. (ex VAT). In 2020, major utility connection objects in terms of revenue will be the Regional Clinical Hospital for War Veterans named after prof. V.K. Krasovtsov (estimated revenue of RUB 56 mn. (ex VAT)) and Gazprom Dobycha Krasnodar LLC (revenue of RUB 86 mn.).

UTILITY CONNECTION OF GENERATION FACILITIES

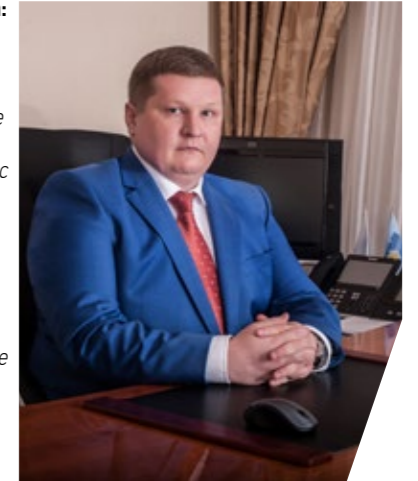
ITEM NO.	APPLICANT	GENERATION FACILITY CONNECTED	REQUIRED CAPACITY FOR THE UTILITY CONNECTION OF GENERATING UNITS TO POWER THE MAIN, VOLTAGE RATING	THE UTILITY CONNECTION AGREEMENT DATE AND PRICE (EX VAT)	STATUS OF THE UTILITY CONNECTION OF THE FACILITY AS OF THE END OF 2019
1	Rosneft PJSC	Tuapse Refinery	24 MW, 110 kV	01.04.2010, RUB 56.37 mn.	The agreement is on the way. On December 21, 2016, Kubanenergo PJSC notified the Applicant of the completion of work provided for by technical specifications and the readiness to the actual connection of the Facility according to the applicable legislation. The utility connection deadline is 30.05.2022.
2	SUE KT North-East Water Management Company 'Kurganinsk Group Water Supply System'	Power generators of sewage treatment plants	1.0 MW, 6 kV	25.07.2013, RUB 0.03 mn.	The agreement is on the way. On November 24, 2016, Kubanenergo PJSC notified the Applicant of the readiness to the actual connection of the Facility according to the applicable legislation. The utility connection deadline is 13.11.2019. The Applicant has not timely fulfilled the contractual obligations and has been penalized for violation of the agreement terms.

ITEM NO.	APPLICANT	GENERATION FACILITY CONNECTED	REQUIRED CAPACITY FOR THE UTILITY CONNECTION OF GENERATING UNITS TO POWER THE MAIN, VOLTAGE RATING	THE UTILITY CONNECTION AGREEMENT DATE AND PRICE (EX VAT)	STATUS OF THE UTILITY CONNECTION OF THE FACILITY AS OF THE END OF 2019
3	Gazprom Teploenergo JSC	Modular package gas-piston power plant BMGPU-6 MW for the boiler house BMK-58.15 - Central	5.84 MW, 6 kV	17.04.2015, RUB 18.88 mn.	The agreement is on the way. On October 19, 2017, Kubanenergo PJSC notified the Applicant of the completion of work provided for by technical specifications and the readiness to the actual connection of the Facility according to the applicable legislation. The utility connection deadline is 30.07.2019. The Applicant has not timely fulfilled the contractual obligations and has been penalized for violation of the agreement terms.
4	Verkhnebakansky Cement Plant OJSC	Verkhnebakansky Cement Plant OJSC's power plant	56.41 MW, 6 kV	03.09.2015, RUB 0.09 mn.	The agreement is on the way. On February 18, 2019, Kubanenergo PJSC notified the Applicant of the readiness to the actual connection of the Facility according to the applicable legislation. The utility connection deadline is 31.12.2021.
5	Novoroscement OJSC	GPU-based energy center with a capacity of 17,600 kW	17.60 MW, 110 kV	04.03.2019, RUB 11.40 mn.	The agreement is on the way. On March 4, 2019, Kubanenergo PJSC notified the Applicant of the readiness to the actual connection of the Facility according to the applicable legislation. The utility connection deadline is 04.03.2019.
6	Cheeses of Kuban LLC	GPU-based (gas piston unit) energy center with a capacity of 3,896 kW	3.9 MW, 6 kV	01.07.2019, RUB 2.52 mn.	The agreement is on the way. The utility connection deadline is 01.07.2021.
7	ENERGO-VOLT LLC	GPU-based energy center with a capacity of 24.8 MW	24.8 MW, 110 kV	17.09.2018, RUB 16.9 mn.	The agreement is on the way. The utility connection deadline is 17.09.2022.
8	KNAUF GIPS KUBAN LLC	GPU-based (gas piston unit) energy center with a capacity of 4 MW	4 MW, 10 kV	10.12.2018, RUB 2.48 mn.	The agreement is on the way. The utility connection deadline is 10.12.2022.
9	EuroSibEnergo-Kuban LLC	Land plot PSU. The residential area for IV hazard class enterprises of various types (construction of mini-TPPs)	4.44 MW, 10 kV	22.05.2018, RUB 2.75 mn.	The agreement is on the way. The utility connection deadline is 22.05.2022.
10	Renewable energy sources LLC	Adygea Solar Power Plant	4 MW, 10 kV	-	As of December 31, 2019, Kubanenergo PJSC did not receive an agreement signed by the Applicant

Ensuring a Reliable and Efficient Operation of the Power System

Deputy Director General for Technical Issues – Chief Engineer Igor Nikolayevich Shishigin:

"In 2019, Kubanenergo PJSC generally achieved the main objective of production activity - maintaining the power equipment reliability at an adequate level. In 2019, 348 accidents occurred in the Kubanenergo PJSC's power grids of 110 kV and above, while the number of accidents decreased by 15.3% compared to the previous year. In 2019, accidents classified according to Clause 4 of the Rules for Investigating the Causes of Accidents in the Electric Power Industry approved by Decree of the Government of Russia No. 846 dated October 28, 2009 (as amended) and investigated under the supervision of the Rostekhnadzor representatives were not recorded in Kubanenergo PJSC. The decrease in the main accident rates in 2019 was achieved due to implementing technical measures to maintain the high reliability of the equipment. In 2019, the MRP (maintenance and repair) program for the main energy system process was fully implemented on time; in physical terms for the main nomenclature items, it was fulfilled by more than 100%. To ensure the absolute energy system reliability, additional work was done on power transmission lines and substations, including that based on the examination and test results, to eliminate the identified defects due to the operative redistribution of expenditure limits of the MR (Maintenance and Repair) Fund 2019".



ENSURING HIGH-QUALITY, RELIABLE, AND UNINTERRUPTED POWER SUPPLY TO CONSUMERS

To ensure reliable, high-quality, and uninterrupted power supply to consumers, the Company annually prepares and implements a program for technical re-equipment, reconstruction, repair, and maintenance of power facilities, and takes measures to ensure reliable and trouble-free operation of power grids during the periods of flood, extremely high and low outdoor temperatures, lightning and fire hazard seasons, as well as in autumn and winter.

In 2019, Kubanenergo PJSC generally achieved the main objective of production activity - maintaining the power equipment reliability at an adequate level.

IN 2019, THE MAIN ACTIVITIES WERE AIMED AT:

- maintaining the rated parameters of production assets - power lines, substation equipment, and relay protection and automation devices,
- timely identifying and eliminating defects based on the power equipment diagnostics results,
- increasing lightning resistance of power equipment,
- developing an automated information system to control the overhead line icing,
- ensuring readiness for preventing and eliminating the process violations:
 - agreements concluded with contractors and related power grid companies, as well as with the Russian Ministry of Emergency Situations and Roshydromet have been prolonged,

- the readiness of 380 brigades, 1,765 employees, 700 units of equipment, including 22 mobile teams (127 employees) equipped with appropriate technical means (49 units, including 22 motor vehicles, 27 units of special equipment), tools, rigging, spare parts, communication means, special clothing, catering, and financial means has been ensured,
- the Company's emergency reserve has been completed,
- the readiness of 117 emergency power supply (EPS) sources with a total capacity of 12,310.5 kW for use has been checked, of which 106 mobile EPSs with a total capacity of 11,870.5 kW,
- 4 joint training courses (according to the plan - 4) on drilling interactions in response to emergencies with the threat of power outages with the

participation of representatives of the Ministry of Emergency Situations of Russia in the Krasnodar Territory and the Republic of Adygea, executive bodies of the Krasnodar Territory and the Republic of Adygea, and local self-government have been conducted according to the schedule approved.

All activities planned for the successful operation in the autumn-winter period 2019/2020 were completed. According to the Order of the Ministry of Energy of Russia No. 1225 'On the results of assessing the operational readiness of power industry entities to the heating season 2019/2020' dated November 15, 2019, the Company's readiness index is 0.99, and a decision has been made to provide Kubanenergo PJSC with Certificate for operational readiness to the heating season 2019/2020.

To prevent fires and ignitions at the Company's facilities, Order 'On preparations for the fire hazard and high-temperature period of 2019' No. 263 dated March 15, 2019, was issued and executed, under which the below events were arranged:

- the maintenance of the fire protection installations was monitored at 231 facilities by a contractor,
- 1,507 primary fire extinguishing means (fire extinguishers) were purchased and 1,336 fire extinguishers recharged,
- 440 fire doors were installed,
- the operability of 2 internal fire water supply systems (Sochi and Timashevsk power grids) was restored,
- the functionality of fire protection installations was restored at 6 facilities,
- based on the fire safety day results, 2,734 violations were detected, of which 2,635 ones eliminated. The remaining violations will be eliminated as scheduled,
- 1,427 sets of escape hoods were acquired for the Company's employees.

CHECKED THE READINESS FOR USE OF BACKUP SOURCES WITH A TOTAL CAPACITY OF

12 310.5 KW

In the reporting year, fires and ignitions at the Company's facilities and emergency power equipment outages as a result of the fire were not recorded.

The Company's power grid complex reliability has also been ensured during the flood period of 2019: from May 1 to September 30.

The Company's preparation for the flood period was carried out by the Company's Central Flood Commission (approved by Order 'On the preparation and tasks for the successful operation during the 2019 flood period' No. 80 dated January 25, 2019) as part of the Kuban Headquarters' activities and similar commissions of the Company's branches.

IN TOTAL, 80 ORGANIZATIONAL AND ENGINEERING MEASURES WERE TAKEN:

Organizational measures:

- 11 meetings of the flood commissions were held, at which issues on preventing and eliminating possible technological violations and/or emergencies at the Company's power facilities during the spring-summer flood period considered,
- monitoring of power facilities in the possible flooding areas was performed and their list updated. According to the monitoring results, up to 390 facilities (0.5 % of the total power facilities) fall into the possible flooding area, including 110 supergrid ones (22 35–220 kV substations, 88 35–220 kV gantry sections) and 280 distribution grid facilities (214 10–0.4 kV gantry sections and 66 10–0.4 kV transformer substations);
- the training was conducted (from April 17, 2019, to April 18, 2019) involving the management bodies and material and human resources of the territorial links of the Krasnodar Territory and the Republic of Adygea RUERS functional subsystems to drill the actions of the Company's management bodies and material and human resources in natural and technogenic emergencies caused by the impact of hazardous weather events during the flood period,
- 54 emergency training courses were conducted in the Company's

Engineering measures:

- engineering protection of power grid facilities in risk zones was ensured: bunding of the 35/10 kV Dondukovskaya substation area (Adygea PPs), drainage work at the 110/10 kV Naidenovskaya substation (Armavir PPs) and 110/10 kV Yuzhnaya substation (Sochi PPs),

Checking readiness of:

- the Company's material and human resources to eliminate the consequences of disturbances due to the impact of a flood on power grid facilities. According to the examination results, the readiness of 380 teams, 1,765 employees, 700 units of equipment, including 22 mobile teams (127 employees) equipped with appropriate technical means (49 units, including 22 motor vehicles, 27 units of special equipment), tools, rigging, spare parts, communication means, special clothing, catering, and financial means was ensured,

electric grid branches to eliminate the possible consequences of flooding the power facilities,

- the heads of the Company's executive office and the Adygea Power Grids branch took part in 2 meetings of the CES and FS (Commission for Emergency Situation and Fire Safety) of the Krasnodar Territory administrations and 2 those of the Republic of Adygea on the operational readiness of power equipment in the Company's operational responsibility area during the 2019 flood period. The executive bodies and the CES and FS of the administrations of these constituent entities of the Russian Federation have not submitted any claims or comments to the Company.

- construction solutions were restored for temporarily strengthening the foundations of pole No. 53 of the double-circuit 110 kV overhead lines Shepsi-Tuapse Tyagovaya substation and 110 kV Tuapse Refinery-Tuapse Tyagovaya substation, which had been destroyed by flooding,
- the examination of linear and areal power grid facilities was performed; in total, 302 linear and 88 areal power grid facilities were examined.

- watercraft and water pumping equipment. Available watercraft (2 boats 'Merlin-440' with Yamaha engine, 2 inflatable boats) and 25 motor pumps are ready to work in case of a flood,
- reserve sources of supply of electric energy (RISE). The readiness of 117 emergency power supply (EPS) sources with a total capacity of 12,310.5 kW was ensured, of which 106 mobile EPSs with a total capacity of 11,870.5 kW.

The Company's Grid Management Center daily interacted with the regional centers for hydrometeorology and environmental monitoring of the Krasnodar Territory and the Republic of Adygea and the Sochi Hydrometeorological Center, as well as crisis management centers of the Main Directorates of the Ministry of Emergency Situations of Russia for the Krasnodar Territory and the Republic of Adygea to obtain operative data on weather conditions and flood situation at the water bodies of the Krasnodar Territory and the Republic of Adygea.

During the flood period, 139 messages have been received (103 daily hydrometeorological bulletins and 36 storm warnings) about adverse weather events or their complex with information on the flood hazard due to the increase of the Krasnodar Territory and the Republic of Adygea rivers.

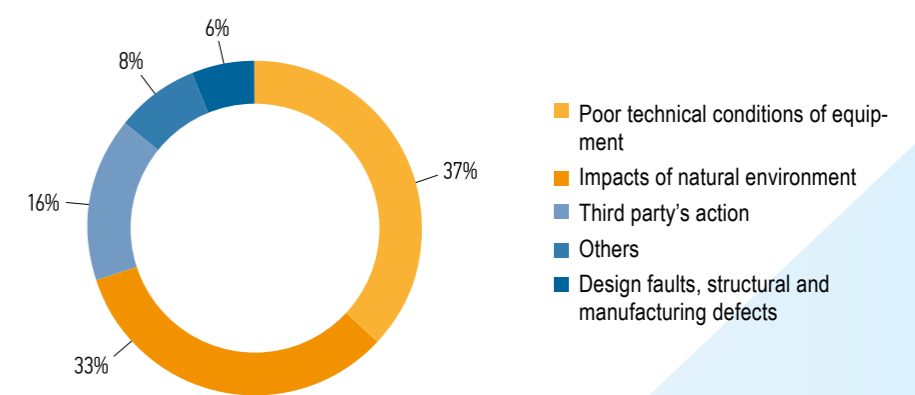
The organizational and engineering measures taken have ensured the Company's operation during the 2019 flood period without failures. There were no emergency outages of power equipment due to the impact of spring and rain floods, including those with de-energizing consumers.

RELIABILITY OF OPERATION OF THE SOCIETY ELECTRIC GRID COMPLEX WAS PROVIDED DURING THE 2019 FLOODING PERIOD: FROM MAY 1 TO SEPTEMBER 30.

All activities to be performed according to the requirements of the Federal Service for Ecological, Technological, and Nuclear Supervision with a deadline of 2019, have been fulfilled and decontrolled.

To ensure reliable operation of the electric grid complex in the conditions of de-energizing consumers and other emergencies related to de-energizing consumers, the Company's headquarters operate permanently, representatives of which regularly participate in ensuring the secured power supply in the Krasnodar Territory and the Republic of Adygea.

THE MAIN CAUSES OF ACCIDENTS IN THE PJSC KUBANENERGO POWER GRIDS FOR 2019:



REPAIR AND MAINTENANCE

THE COMPANY ANNUALLY DEVELOPS AND IMPLEMENTS A MAINTENANCE AND REPAIR (MR) PROGRAM CONSIDERING:

- THE RATED FREQUENCY OF OVERHAULS, MIDLIFE REPAIRS, AND ROUTINE MAINTENANCE OF POWER EQUIPMENT,
- TECHNICAL CONDITION OF THE FACILITIES,
- RESULTS OF PREVENTIVE TESTS,
- THE NEED TO COMPLY WITH THE REQUIREMENTS OF SUPERVISORY AUTHORITIES,
- ELIMINATION OF TECHNOLOGICAL DISTURBANCES,
- FEASIBLE AND EFFICIENT OPERATION OF POWER GRIDS.

For the reporting year, the MR program has been successfully implemented in all areas. The actual total for the measures performed amounts to RUB 3,511 mn., which is 98 % of the plan (including the wage fund, insurance premiums, fuels and lubricants, and travel expenses for repair activity). The difference between actual expenditures and the planned values is caused by no need for MR at the facilities consolidated by the Company.

KEY REPAIR PROGRAM PERFORMANCE INDICATORS IN 2017–2019, PLAN FOR 2020:

WORK DESCRIPTION	2017, ACTUAL	2018, ACTUAL	2019, ACTUAL	2020, PLANNED
Clearing the overhead line routes, ha	968.5	1 620.19	2,177.7	1 343.49
Replacing ground wires, km	130.4	77.08	78.7	55.7
Replacing insulators, pcs.	52,056	43,062	95,082	81,149
Power transformer repair, pcs.	41	21	34	13
Repair of circuit breakers, pcs	1,120	899	940	893
Repair of isolating switches, short-circuiting devices, disconnecting switches, pcs.	1,290	1,698	1,749	1,922
TS repair, pcs.	483	604	3,026	2,006
ETL repair, km	2 888.0	3 124.3	14 023.97	8 997.1

To increase the electric grid complex reliability, in 2019, the following measures were performed under the Comprehensive Program for improving the reliability of substation equipment and supergrid ETLs, 0.4-10 kV distribution grids, as well as preparing the energy system for the Russian Investment Forum and other important events of national and global significance: reactive power sources restored - 1,121 capacitors (SCB) replaced,

- key and electromagnetic interlocks restored at 27 35–110 kV substations,
- 276 physically worn out bushings of 35–110 kV oil switches and power transformers replaced,
- thermovisional inspection of 259 overhead lines and 497 35–110 kV substations performed against the planned figures of 208 and 293, respectively,
- 2,238 piles of 10 kV overhead lines replaced,
- 8,647 piles of 0.4 kV overhead lines replaced,
- 764.34 km of wire of 0.4–10 kV overhead lines replaced,
- 614.1 km of uninsulated wire of 0.4–10 kV replaced with self-supporting insulated wires,
- 13,620 bare wire branches to the household entries replaced,
- 11 bare wire overhead lines removed from the territories of preschool facilities, schools, other educational institutions, camps, etc.

IN 2020, THE MR LIMITS OF RUB 2,941.8 MN. ARE SET, WHICH IS 16 % LESS THAN THE ACTUAL EXPENDITURES IN 2019. THE ACTIVITIES PLANNED FOR IMPLEMENTATION UNDER THE MR PROGRAM 2020 ARE SUFFICIENT TO MAINTAIN TECHNICAL CONDITIONS OF EQUIPMENT AND ETLs AT THE “GOOD” LEVEL AND WILL ALLOW PROVIDING THE KUBANENERGO PJSC CONSUMERS WITH RELIABLE POWER SUPPLY.

Energy Saving and Improving Energy Efficiency

DOCUMENTS GOVERNING THE COMPANY'S ACTIVITY IN THE FIELD OF ENERGY SAVING AND IMPROVING ENERGY EFFICIENCY:

In the reporting year, the Company performed the work on energy saving and improving energy efficiency according to:

- Federal Law 'On Energy Saving and Improving Energy Efficiency and Amending Certain Legislative Acts of the Russian Federation' No. 261-FZ dated November 23, 2009,
- Decree of the Government of the Russian Federation 'On the procedure for establishing requirements for programs in the field of Saving Energy and improving the energy efficiency of organizations engaged in regulated activities' No. 340 dated May 15, 2010,
- Decree of the Government of the Russian Federation 'On investment programs of electric power industry entities' No. 977 dated December 1, 2009 (as amended),

- Order of REC-PTD KT 'On approval of requirements for programs in the field of Saving Energy and improving the energy efficiency of organizations engaged in regulated activities in the Krasnodar Territory' No. 5/2011 dated March 31, 2011,
- Law of the Krasnodar Territory 'On Energy Saving and Improving Energy Efficiency in the Krasnodar Territory' No. 1912-KZ dated March 3, 2010,
- The Kubanenergo PJSC's Program for Saving Energy and Improving the Energy Efficiency for 2017–2022, approved by the Company's Board on November 30, 2017 (Minutes No. 290/2017) (hereinafter referred to as the Program).

To ensure the Program implementation, Kubanenergo PJSC has appointed officials responsible for arranging and monitoring its fulfillment and created working groups.

THE PROGRAM TARGETS ARE:

- power losses during transmission and distribution over power grids,
- consumption of energy resources for household needs,
- share of the Kubanenergo PJSC buildings and structures::
 - for which there is a report on the energy audit,
 - those equipped with water meters,
 - those equipped with natural gas meters,
 - those equipped with heat meters,
- those equipped with electric power meters,
- those equipped with low-energy light bulbs.
- The total number of lighting devices using LEDs.

The numerical values of the Program targets have been set for 2017–2022.

The Results of the Company's Activity in the Field of Energy Saving and Improving Energy Efficiency in 2019

PLANNED AND ACTUAL TARGET VALUES OF THE PROGRAM 2019

ITEM NO.	INDICATOR	UNIT OF MEASURE	2019	
			PLANNED	ACTUAL
1.	Power losses	mn. kWh	2,582.48	2,426.39
		RUB mn. ex VAT	8,896.27	7,861.591
		% of output to the grid	11.05	10.62
2.	Consumption for own needs of substations	mn. kWh	18.79	16.59
		% of power loss	0.63	0.68
3.	Total consumption of energy resources for the household needs of administrative buildings, including:	RUB mn. ex VAT	135.24	114.74
		'000 t FOE	4.56	4.17

ITEM NO.	INDICATOR	UNIT OF MEASURE	2019	
			PLANNED	ACTUAL
3.1.	electric power	mn. kWh	31.09	29.91
		'000 t FOE	3.73	3.59
		RUB mn. ex VAT	122.68	107.35
3.2.	thermal energy (heating systems of buildings)	mn. kWh/m2	0.00015	0.00014
		Gcal	4,644.49	3,214.24
		'000 t FOE	0.66	0.46
		RUB mn. ex VAT	10.86	6.78
3.3.	natural gas (including liquefied)	Gcal/m3	0.00675	0.00467
		thous. m3	144.06	101.58
		'000 t FOE	0.17	0.12
3.4.	other types of fuel and energy resources (coal, fuel oil, diesel fuel, kerosene, etc.)	RUB mn. ex VAT	1.71	0.61
		thous. m3	-	-
		thous. L	-	-
		thous. t	-	-
4.	Total consumption of natural resources for the household needs of administrative buildings, including:	'000 t FOE	-	-
		RUB mn. ex VAT	-	-
		RUB mn. ex VAT	5.28	2.53
		thous. m3	120.13	73.19
4.1.	hot water supply	thous. m3	-	-
		RUB mn. ex VAT	-	-
4.2.	cold water supply	thous. m3	120.13	73.19
		RUB mn. ex VAT	5.28	2.53
4.3.	other types of natural resources	thous. m3	-	-
		thous. L	-	-
		thous. t	-	-
		RUB mn. ex VAT	-	-
5.	Total consumption of motor fuel by vehicles and special equipment, including:	thous. L	8,266.55	7,710.31
		'000 t FOE	9.66	9.06
		RUB mn. ex VAT	323.42	300.05
5.1.	gasoline, including:	thous. L	5,254.46	4,462.58
		'000 t FOE	5.95	5.05
		RUB mn. ex VAT	214.65	172.01
5.1.1.	by motor vehicles	thous. L/100 km	-	-
		thous. L	5,254.46	4,462.58
		'000 t FOE	5.95	5.05
		RUB mn. ex VAT	214.65	172.01
5.1.2.	by special equipment	thous. L/100 km	-	0.021
		thous. L	-	-
		'000 t FOE	-	-
		RUB mn. ex VAT	-	-
5.2.	diesel fuel, including:	thous. L/100 km	-	-
		thous. L/m.h	-	-
		thous. L	3,012.09	3,247.73
		'000 t FOE	3.71	4.00
		RUB mn. ex VAT	108.76	128.05
		thous. L/100 km	-	-

ITEM NO.	INDICATOR	UNIT OF MEASURE	2019	
			PLANNED	ACTUAL
5.2.1.		thous. L	3,012.09	3,247.73
		'000 t FOE	3.71	4.00
		RUB mn. ex VAT	108.76	128.05
	by motor vehicles	thous. L/100 km	-	0.055
		thous. L	-	-
		'000 t FOE	-	-
5.2.2.	by special equipment	RUB mn. ex VAT	-	-
		thous. L/100 km	-	-
		thous. L/m.h	-	-
5.3.	Other types of fuel for motor vehicles and special equipment, total, including:	'000 t FOE	0.01	-
		RUB mn. ex VAT	0.10	-
		thous. L	5.34	-
5.3.1.	natural gas (including liquefied)	'000 t FOE	0.01	-
		RUB mn. ex VAT	0.10	-
		mn. kWh	-	-
5.3.2.	electric power	'000 t FOE	-	-
		RUB mn. ex VAT	-	-
6.	The share of buildings and structures of regulated organizations, for which there is a report on the energy audit	%	100	100
7.	The share of buildings and structures of regulated organizations equipped with water meters	%	100	100
8.	The share of buildings and structures of regulated organizations equipped with natural gas meters	%	100	100
9.	The share of buildings and structures of regulated organizations equipped with thermal energy meters	%	100	100
10.	The share of buildings and structures of regulated organizations equipped with electric power meters	%	100	100
11.	The share of buildings and structures of regulated organizations equipped with low-energy light bulbs	%	50	31
12.	The total number of lighting devices using LEDs	%	50	69

Kubanenergo PJSC obtained certificates of compliance with the ISO 50001:2011 requirements (GOST R ISO 50001-2012 'Energy management systems. Requirements with guidance for use') No. 18.2026.026 dated November 7, 2018.

Internal audits were conducted according to the Kubanenergo PJSC Internal Audit Program approved for 2019 (order 'On approval of the PJSC Kubanenergo energy management system internal audit program and schedule for 2017-2019' No. 777 dated July 25, 2017).

The internal audit objectives are:

- assessment of the branch activity compliance with energy policy and the ISO 50001: 2011 requirements (GOST R ISO 50001-2012) 'Energy management systems. Requirements with guidance for use',
- checking the compliance with internal regulatory documents and the performance of corrective and preventive actions based on the previous audit results,
- assessment of compliance with legislative requirements for energy management systems,

- checking the procedures for planning, monitoring, and analysis of the production cycle,
- checking the engineering documentation,
- improving and enhancing the efficiency of ISO 50001: 2011.

ASSESSMENT OF THE ENERGY MANAGEMENT SYSTEM EFFICIENCY:

In 2019, the Kubanenergo PJSC's Program for Saving Energy and Improving the Energy Efficiency was completely implemented. 4 internal audits of the system were performed, based on the results of which relevant certificated prepared. Lists of corrective actions were drawn up and approved, and the deadlines set. According to clause 4.7.2. of STO 00104604-ISM 001-2018, each audit includes checking the efficiency of the corrective/preventive actions performed based on the previous internal and external audit results.

Improvements:

- implementing energy service contracts,
- involving each employee of the organization in achieving goals in the field of energy efficiency and energy saving,
- continuous analysis of energy losses (feeder-based analysis).

The loss reduction has been achieved due to the below organizational and engineering measures (including energy service contracts):

- replacement/installation of calculation meters at the BSB (balance sheet boundary) with consumers,
- replacement/installation of EIDCS (electrical installation data computing system) at 10(6)/0.4 kV TS,
- carrying out raids to identify unaccounted and non-contractual power consumption,
- analysis of the unbalance causes, replacing underloaded/overloaded transformers.

The targets of the Program for Saving Energy and Improving the Energy Efficiency 2019 for power losses were achieved.

DURING 2019, THE STAFF HAS PASSED TRAINING ON THE BELOW TOPICS:

Training topic	Number of employees trained
Performing energy audits to improve energy efficiency and energy saving	2
Management of saving energy and improving the energy efficiency of energy enterprises based on the international standard ISO: 50001	11
Principles of developing the energy-saving programs for organizations with the participation of the state or municipal entities and enterprises	6



Tariff Policy and Tariffs for the Company Services

THE COMPANY'S TARIFF POLICY

Prices (tariffs) for the Company's power transmission services and the utility connection fees are regulated by the state and set by the REC-PTD KT orders. In the Krasnodar Territory and the Republic of Adygea, where the Company operates, prices (tariffs) are unified for each group of power consumers.

The main regulatory legal acts regulating relations in setting regulated tariffs and the practice of their application are:

- Federal Law 'On Electric Power Industry' No. 35-FZ dated March 26, 2003 (as amended),
- Decree of the Government of the Russian Federation 'On pricing in the field of regulated prices (tariffs) in the electric power industry' No. 1178 dated December 29, 2011 (as amended),
- orders of the FTS of Russia:
 - 'On approval of the Guidelines for the calculation of tariffs for power transmission services established using the required gross revenue long-term indexation technique' No. 98-e dated February 17, 2012,

- 'On approval of the Guidelines for the calculation of regulated tariffs and prices for electric (thermal) energy in the retail (consumer) market' No. 20-e/2 dated 06.08.2004
- order of the FAS of Russia 'On approval of the Guidelines for determining the fees for utility connection to power grids' No. 1135/17 dated August 29, 2017.

Since 2018, Kubanenergo PJSC has switched to the next long-term period of regulating tariffs for power transmission services for 5 years. The Kubanenergo PJSC's tariffs for power transmission services and long-term regulatory parameters for 2018–2022 were set by REC-PTD KT using the required gross revenue long-term indexation technique.

TARIFFS FOR POWER TRANSMISSION SERVICES

The unified (single pot) tariffs for power transmission services in the grids of the Krasnodar Territory and the Republic of Adygea for 2019 were set by the REC-PTD KT Order No. 90/2018-e dated December 28, 2018.

One-rate unified (single pot) tariffs for power transmission services for the 'other' group of consumers for the second half of 2019 were approved with a 5 % increase relative to the second half of 2018, which is higher than the level provided for by the forecast of socio-economic development of the Russian Federation by 2 pp.

The increase in the gross revenue required for the maintenance of the Kubanenergo PJSC power grids in 2019 amounted to 4.1 % compared to that adopted by REC-PTD KT for 2018.

SINCE 2007, A COMMON POT TECHNIQUE FOR CALCULATING TARIFFS FOR POWER TRANSMISSION SERVICES HAS BEEN APPLIED IN THE REGION: FOR ALL THE KUBAN AND ADYGEA OF THE POWER TRANSMISSION SERVICE CONSUMERS BELONGING TO THE SAME TARIFF GROUP, A SINGLE POT TARIFF IS APPLIED, REGARDLESS OF THE GRID OPERATOR AND THE GRID THEY ARE CONNECTED TO.

THE MAIN TARIFF-CONTRACTUAL MODEL, ACCORDING TO WHICH THE CALCULATIONS ARE CARRIED OUT, IS THE 'BOILER ABOVE':

According to this model, Kubanenergo PJSC collects funds paid by consumers for the power transmission services (regardless of the grid operator and the grid they are connected to), after which the Company settles accounts with lower-level grid operators (LGOs), to the grids of which the electric energy consumers' electric load is connected, for individual tariffs.

FROM SEPTEMBER 22, 2011, IN THE REGION, THE INDIVIDUAL 'BOILER BELOW' MODEL IS ALSO APPLIED TO THE GRID OPERATOR MAIKOP CHP LLC:

According to this model, Maikop CHP LLC collects funds paid by consumers connected to this operator for the power transmission services for a unified (single pot) tariff and pays for the Kubanenergo PJSC services of power transmission through the Company's grids for an individual tariff.

The below individual tariffs have been set for 2019 for Maikop CHP LLC by the REC-PTD KT Order No. 89/2018-e dated December 28, 2018, as amended by Order No. 2/2019-e dated January 30, 2019.:

	Two-rate tariff		One-rate tariff
	The rate for the power grid maintenance	The rate for the payment of technological consumption (losses)	
Maikop CHP LLC - Kubanenergo PJSC	from 01.01.2019 to 30.06.2019		1.49992 RUB/kWh
	207,805.67 RUB/MW month	581.98 RUB/MWh	
	from 01.07.2019 to 31.12.2019		1.49992 RUB/kWh
	207,805.67 RUB/MW month	581.98 RUB/ MWh	

Unified single pot tariffs for power transmission services electricity through the Krasnodar Territory and the Republic of Adygea grids for 2019 were approved by the REC-PTD KT Order No. 90/2018-e dated December 28, 2018, as amended by orders No. 1/2019-e dated 23.01.2019 and No. 10/2019-e dated 25.04.2019:

FOR THE 'OTHER CONSUMERS' TARIFF GROUP:

ITEM NO.	TARIFF GROUPS OF THE ELECTRIC ENERGY (POWER) CONSUMERS	UNIT OF MEASURE	VOLTAGE RANGES			
			HV	MV-I	MV-II	LV
1	2	3	4	5	6	7
1.	Other consumers (tariffs are specified ex VAT)		1st half-year			
1.1.	Two-rate tariff					
1.1.1.	- for the power grid maintenance	RUB/MW month	1,162,401.83	910,277.24	1,108,226.61	1,477,709.95
1.1.2.	- for the payment of technological consumption (losses)	RUB/MWh	95.56	167.47	403.36	1,175.00
1.2.	One-rate tariff	RUB/kWh	1.88700	2.19158	3.38025	4.51450
2.	Other consumers (tariffs are specified ex VAT)		2nd half-year			
2.1.	Two-rate tariff					
2.1.1.	- for the power grid maintenance	RUB/MW month	1,220,486.63	955,758.22	1,163,619.71	1,551,571.75
2.1.2.	- for the payment of technological consumption (losses)	RUB/MWh	95.56	167.47	403.36	1 175.00
2.2.	One-rate tariff	RUB/kWh	1.98135	2.30116	3.54927	4.74022

FOR THE 'POPULATION AND EQUIVALENT CONSUMER CATEGORIES' TARIFF GROUP:

ITEM NO.	TARIFF GROUPS OF THE ELECTRIC ENERGY (POWER) CONSUMERS	UNIT OF MEASURE	1ST HALF-YEAR	2ND HALF-YEAR
1	2	3	4	5
1.	Population and equivalent consumer categories (tariffs are specified ex VAT)			
1.1.	The population and equivalent consumer categories, except for those specified in paragraphs 1.2 and 1.3: public service providers (homeowners' partnerships, house construction, housing, or other specialized consumer cooperatives or managing organizations) acquiring electric energy (power) to provide public services to owners and users of residential areas and maintain the common property of apartment buildings; landlords (or persons authorized by them) providing citizens with living quarters in a specialized housing stock, including living quarters in dormitories, living quarters of a maneuvering fund, living quarters in the social services buildings, living quarters of a fund for temporary residence of internally displaced persons, living quarters of a fund for temporary residence of persons recognized as refugees, as well as living quarters for social protection of certain categories of citizens, acquiring electric energy (power) to provide public services to the users of such living quarters in the volumes of power consumption by population and maintain public spaces in buildings having premises of specialized housing fund; legal entities and individuals acquiring electric energy (power) to consume for public living needs in settlements and residential areas at military units, which settle accounts based on the power supply agreements according to the readings of a common energy meter. Guaranteeing suppliers, energy sales, and power supply organizations purchasing electric energy (power) to further sell it to the population and equivalent consumer categories specified in this clause.			
	One-rate tariff (including tariff differentiated for two or three zones of a day)	RUB/kWh	2.54567	2.59268

Population living in urban settlements in buildings equipped with stationary electric stoves and (or) electric heating installations in the prescribed manner, and equated to them: public service providers (homeowners' partnerships, house construction, housing, or other specialized consumer cooperatives or managing organizations) acquiring electric energy (power) to provide public services to owners and users of residential areas and maintain the common property of apartment buildings; landlords (or persons authorized by them) providing citizens with living quarters in a specialized housing stock, including living quarters in dormitories, living quarters of a maneuvering fund, living quarters in the social services buildings, living quarters of a fund for temporary residence of internally displaced persons, living quarters of a fund for temporary residence of persons recognized as refugees, as well as living quarters for social protection of certain categories of citizens, acquiring electric energy (power) to provide public services to the users of such living quarters in the volumes of power consumption by population and maintain public spaces in buildings having premises of specialized housing fund; legal entities and individuals acquiring electric energy (power) to consume for public living needs in settlements and residential areas at military units, which settle accounts based on the power supply agreements according to the readings of a common energy meter. Guaranteeing suppliers, energy sales, and power supply organizations purchasing electric energy (power) to further sell it to the population and equivalent consumer categories specified in this clause.

One-rate tariff (including tariff differentiated for two or three zones of a day)	RUB/kWh	1.37067	1.39268
---	---------	---------	---------

Population living in rural settlements, and equated to them: public service providers (homeowners' partnerships, house construction, housing, or other specialized consumer cooperatives or managing organizations) acquiring electric energy (power) to provide public services to owners and users of residential areas and maintain the common property of apartment buildings; landlords (or persons authorized by them) providing citizens with living quarters in a specialized housing stock, including living quarters in dormitories, living quarters of a maneuvering fund, living quarters in the social services buildings, living quarters of a fund for temporary residence of internally displaced persons, living quarters of a fund for temporary residence of persons recognized as refugees, as well as living quarters for social protection of certain categories of citizens, acquiring electric energy (power) to provide public services to the users of such living quarters in the volumes of power consumption by population and maintain public spaces in buildings having premises of specialized housing fund; legal entities and individuals acquiring electric energy (power) to consume for public living needs in settlements and residential areas at military units, which settle accounts based on the power supply agreements according to the readings of a common energy meter. Guaranteeing suppliers, energy sales, and power supply organizations purchasing electric energy (power) to further sell it to the population and equivalent consumer categories specified in this clause.

One-rate tariff (including tariff differentiated for two or three zones of a day)	RUB/kWh	1.37067	1.39268
---	---------	---------	---------

1.4. Consumer categories equated to the population, except for those specified in clause 71(1) of the Fundamentals of pricing:

1.4.1. Horticultural or market-gardening nonprofit partnerships. Guaranteeing suppliers, energy sales, and power supply organizations purchasing electric energy (power) to further sell it to the population and equivalent consumer categories specified in this clause.

One-rate tariff (including tariff differentiated for two or three zones of a day)	RUB/kWh	2.54567	2.59268
---	---------	---------	---------

1.4.2. Legal entities acquiring electric energy (power) for the consumption by convicts in their containment premises, subject to the availability of separate power metering for these premises. Guaranteeing suppliers, energy sales, and power supply organizations purchasing electric energy (power) to further sell it to the population and equivalent consumer categories specified in this clause.

One-rate tariff (including tariff differentiated for two or three zones of a day)	RUB/kWh	2.54567	2.59268
---	---------	---------	---------

1.4.3. Religious organizations maintained at the expense of parishioners. Guaranteeing suppliers, energy sales, and power supply organizations purchasing electric energy (power) to further sell it to the population and equivalent consumer categories specified in this clause.

One-rate tariff (including tariff differentiated for two or three zones of a day)	RUB/kWh	2.54567	2.59268
---	---------	---------	---------

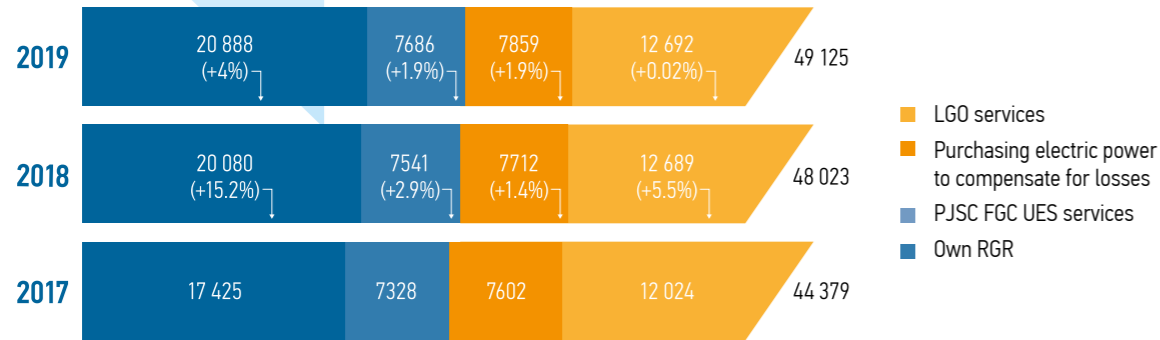
1.4.4. Associations of citizens acquiring electric energy (power) to use in their household buildings (cellars, barns): nonprofit associations of citizens (garage-building, garage cooperatives) and citizens owning separate garages, acquiring electric energy (power) to consume for household needs and not for commercial activities.

Guaranteeing suppliers, energy sales, and power supply organizations purchasing electric energy (power) to further sell it to the population and equivalent consumer categories specified in this clause.

One-rate tariff (including tariff differentiated for two or three zones of a day)	RUB/kWh	2.54567	2.59268
---	---------	---------	---------

Information on tariffs for power transmission services for 2019 is available on the Company's official website in the section 'To Consumers/Power Transmission/Tariffs for Power Transmission Services.'

DYNAMICS OF THE STRUCTURE OF RR FOR ELECTRIC POWER TRANSMISSION OF KUBANENERGO PJSC (MILLION RUBLES)



In 2019, according to the tariff decision adopted by REC-PTD KT, the amount of required gross single pot revenue for the Kubanenergo PJSC power transmission services amounted to RUB 49,125 mn., including RUB 20,888 mn. for own maintenance.

ANALYSIS OF CHANGES IN THE AVERAGE TARIFF FOR THE KUBANENERGO PJSC POWER TRANSMISSION SERVICES APPROVED BY REC-PTD KT:

INDICATOR	2017	2018	2019
Average tariff, RUB/kWh	2.40255	2.52384	2.59412
Growth, %	101.98	105.04	102.78

In 2019, the growth of the average tariff for the Kubanenergo PJSC power transmission services amounted to 102.78 % compared to 2018.

UTILITY CONNECTION FEE

By the REC-PTD KT Order No. 91/2018-e dated December 28, 2018 (as amended), standardized tariff rates calculated for one connection were set to cover the costs of utility connection of the electric energy consumers' electric load and power grid facilities of grid operators and other persons and the expenses of grid operators for

construction. Detailed information on the standardized tariff rates set and the rate of payment per unit of maximum power for utility connection to the Kubanenergo PJSC power grids for 2019 is available on the Company's website in the section 'To Consumers/Utility Connection/Tariffs for Utility Connection.'

THE SHORTFALL IN THE KUBANENERGO PJSC REVENUE ASSOCIATED WITH THE FULFILLMENT OF UTILITY CONNECTION OF ELECTRIC LOAD OF THE APPLICANT CATEGORIES, THE COST OF UTILITY CONNECTION FOR WHICH IS DETERMINED BASED ON THE PECULIARITIES OF PRICING DETERMINED BY DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION 'ON PRICING IN THE FIELD OF REGULATED PRICES (TARIFFS) IN THE ELECTRIC POWER INDUSTRY' NO. 1178 DATED DECEMBER 29, 2011', CONSIDERED IN THE TARIFF FOR POWER TRANSMISSION SERVICES FOR 2016-2019, THOUS. RUB:

2016*	2017**	2018***	2019****
82,944.95	98,874.17	141,864.41	122,069.97

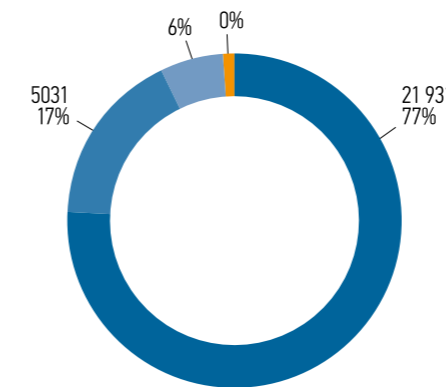
*According to the REC-PTD KT Order No. 94/2015-e dated December 31, 2015 (as amended).
 ** According to the REC-PTD KT Orders No. 57/2016-e dated December 30, 2016, and No. 4/2017-e dated February 15, 2017 (as amended).
 *** According to the REC-PTD KT Order No. 63/2017-e dated December 28, 2017 (as amended).
 **** According to the REC-PTD KT Order No. 90/2018-e dated 28.12.2018 (as amended).

ANALYSIS OF CHANGES IN THE AVERAGE RATE PER UNIT OF POWER FOR PJSC KUBANENERGO, RUB/KW:

INDICATOR	2017	2018	2019
Total for Kubanenergo PJSC	599.42	618.90	647.66
increase/decrease, %	4.5	3.2	4.6

To analyze the change in the rate per unit of power for Kubanenergo PJSC, the rate of payment for utility connection of the electric energy consumers' electric load and power grid facilities of grid operators and other persons to the Kubanenergo PJSC's distribution power grids, net of the costs of construction and reconstruction of power grid facilities was adopted for a voltage level and connected power below 35 kV and 8,900 kW, respectively.

APPLICANTS' CHOICE OF PAYMENT FOR UTILITY CONNECTION (PERCENTAGE OF THE NUMBER OF CONTRACTS, IN WHICH ONE OF THE CALCULATION METHODS HAS BEEN USED TO THE TOTAL NUMBER OF CONTRACTS CONCLUDED)



- Reduced-fare beneficiaries
- Fee
- Standard fee
- Individual design

DYNAMICS OF THE AVERAGE RATE PER UNIT OF POWER, RUB/KW



The decrease in the average rate per unit of power in 2018 is due to the connection of the Tamanneftegaz CJSC's facility with a capacity of 60,000 kW (revenue of RUB 118 mn.) in 2017.

The increase in the average rate per unit of power in 2019 is due to the connection of the Rostransmodernization FSI's facility with a capacity of 92,200 kW (revenue of RUB 3,186 mn.) in 2019.



Information Technologies and Telecommunications

THE RESULTS OF THE COMPANY'S ACTIVITY IN THE FIELD OF DEVELOPMENT OF INFORMATION TECHNOLOGIES AND TELECOMMUNICATIONS FOR THE REPORTING YEAR:

1. Work on the development of a production asset management system (PAMS) was continued:

- retrofitting and reconstruction management was automated,
- the production asset management system and the power transmission management system were integrated in terms of comparing the power grid facilities of both systems and transmitting data on the points of delivery,
- calculating the probability of the functional unit and the main process equipment unit failures and assessing their consequences were automated according to the methodology of the RF Ministry of Energy.

2. Works to create a regional node of the Unified Geographic Information System were performed according to the order No. 11p of the Rosseti PJSC Director General dated 04.05.2018.

3. These works on the development of a software package for recording accidents (SP 'Emergency') were continued in terms of developing a module for recording and analysis of accidents occurring with production personnel and third parties.

4. To prevent emergencies in the operation of corporate information systems, efforts were taken to create a system for server equipment monitoring, collecting and analyzing the system performance problems based on the 1C platform, and preventing emergencies during the operation of systems.

5. The efforts were taken to develop the power transmission management system (PTME) functionality:

- the functions to identify delivery points (and further generate route sheets to bypass them) not equipped with meters or those equipped with meters and/or measuring transformers with an expired calibration period were developed,
- the unit for generating productive supply in terms of connecting metering points

was improved in terms of information on metering points, for which control readings or checks of metering schemes had not been obtained for more than 6 months / 1 year,

- the unit for generating productive supply in terms of connecting metering points was improved in terms of the quantity and amount of unaccounted and non-contractual power consumption identified, the number of facts revealed, and the sum of underpayments at the points of delivery,
- functionality was developed for automatic coordination and echo-checking the legal entity meter readings provided by TNS Energo Kuban PJSC to calculate the productive supply for the reporting period,
- modules were developed for data exchange between PTME and the Pyramid Network,
- automatic generation of the primary power metering certificate was implemented in terms of power transmission agreements and sales companies,
- the module was developed and implemented to link data within the network structure between PTME and PAMS and to transmit the power consumption data at the points of delivery,
- PTME was transferred to the terminal server farm to increase failure tolerance.

6. The corporate software complex functionality was expanded:

- software modules 'Maintaining applications and contracts for ancillary services' for the customer service center were developed and commissioned,
- the module was developed to import applications, contracts, and receipts from the corporate software package into the '1C: Enterprise' corporate information system (including to accept acquiring payments),
- information kiosk interface for the customer service center was updated,
- short messaging services for the dispatching service was improved,
- services for transmitting data on contracts and UC (utility connection) applications to the ASSO PJSC Rosseti utility connection subsystem were improved,
- new reporting forms for the process connection functionalities were developed.

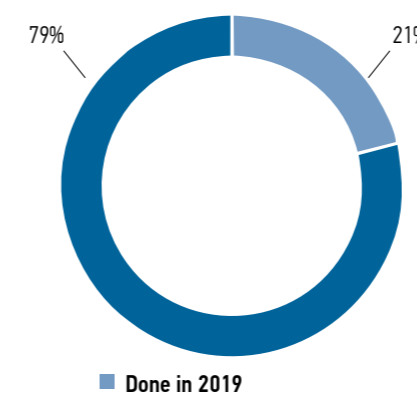
In the reporting year, the below work was done at Kubanenergo PJSC as part of the execution of the Company's investment program titles and the development of communication networks and an automated process control system:

- PACS (with 'digital substation' elements) was implemented at a newly built 220 kV SS Port substation with an arrangement of digital communication channels and remote data transmission via FOCL to the Kubanenergo PJSC and Kuban RDO dispatching centers,
- the remote data acquisition and transmission system was reconstructed at the 110 kV SS Abinskaya, Severnaya, and Novoveliichkovskaya substations,
- 276.1 km of FOCL was laid, which was 15.4 % of the total length of the Company's FOCL (1,516.8 km).

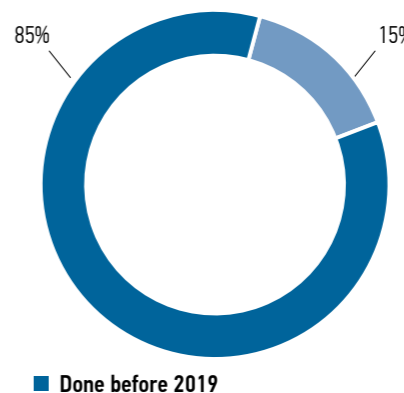
As part of the implementation of the schedule to improve the observability and controllability of 35 kV and above power facilities, work was done to acquire and transmit the minimum required remote data at 193 substations.

DEVELOPMENT OF PACS AND THE DATA ACQUISITION AND TRANSMISSION NETWORK IN 2019:

Better monitoring of 35+ kV SS's



FOCL construction



AUTOMATED FUNCTIONAL FOR CALCULATION OF FAILURE PROBABILITY OF FUNCTIONAL ASSEMBLY AND UNIT OF MAIN TECHNOLOGICAL EQUIPMENT AND ESTIMATION OF THE CONSEQUENCES OF SUCH FAILURE OF EQUIPMENT IN ACCORDANCE WITH THE MINISTRY OF EQUIPMENT WITH METHOD.

Providing Ancillary services

Along with the main activities, Kubanenergo PJSC provides ancillary services such as:

- leasing of facilities and placing equipment,
- repair and maintenance,
- construction and installation work,
- consulting and organizational and technical services,
- other services.

In 2019, PJSC Kubanenergo received 117,022 requests for ancillary services, of which 88,031 were provided.

In 2019, the most popular services were arranging the power metering, implementing a limitation (restoration) of power consumption, as well as re-issue (restoration) of the utility connection documents.

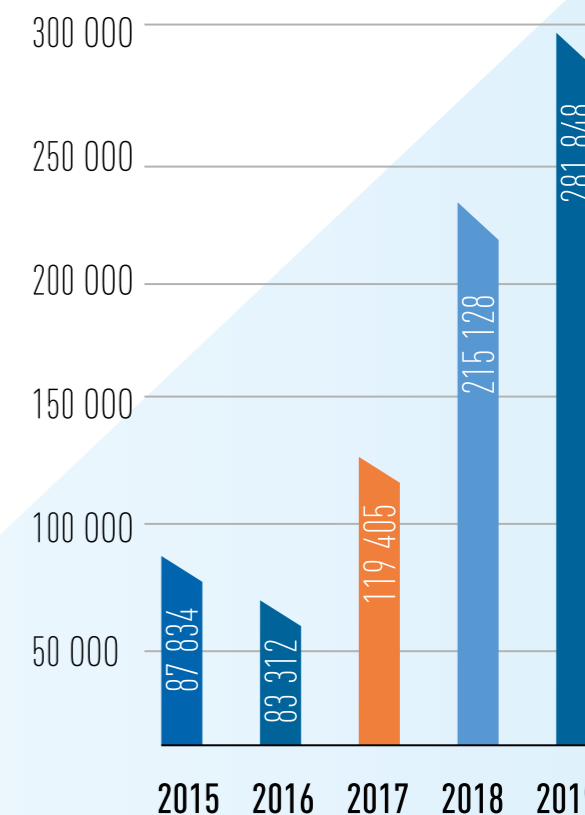
Compared to 2018 (80,544 requests), the total number of requests for the provision of ancillary services increased by 36,478.

The most significant revenues have been obtained from implementing a limitation (restoration) of power consumption, the placement of telecommunication equipment, and the maintenance of power facilities.

Revenue from ancillary services provided in 2019 amounted to RUB 281,848 thous., which is RUB 66,720 thous. or 31 % more than in 2018. Since 2015, the revenue growth has amounted to 221 % (RUB 194,014 thous.).

In 2020, it is planned to increase revenue from ancillary services by 77 % (RUB 218,152 thous.) compared to the actual indicators of 2019. In the future, revenue growth from ancillary services is forecasted to grow by RUB 250 mn annually until 2024. Moreover, the gross profit margin would reach 14 %.

REVENUE FROM ANCILLARY SERVICES, RUB THOUS. EX VAT



PLANNED INDICATORS FOR PROVIDING ANCILLARY SERVICES, RUB MN

INDICATORS	2020, PLANNED	2021, FORECASTED	2022, FORECASTED	2023, FORECASTED	2024, FORECASTED
Revenue	500.0	750.0	1,000.0	1,250.0	1,500.0
Expenditures	430.0	645.0	860.0	1,075.0	1,290.0
Gross profit	70.0	105.0	140.0	175.0	210.0

Company's Procurement Activity

Kubanenergo PJSC performs procurement activity according to Federal Law 'On Procurement of Goods, Work, and Services by Certain Types of Legal Entities' No. 223-FZ dated July 18, 2011, other statutory regulations of the effective legislation of the Russian Federation, the Company's Charter, and the Unified Procurement Standard of Rosseti PJSC (Procurement Regulation) (hereinafter referred to as the Standard).

The company applies a revised Standard approved as an internal document by the Company's Board decision dated December 29, 2018 (minutes No. 327/2018) and put into effect by the Kubanenergo PJSC Order No. 47 dated January 18, 2019. The Company's collegial working body for the development and implementation of unified procurement policy, ensuring the proper level of competition in procurement, objectivity, impartiality, and transparency

of procurement procedures, fair and equal treatment of all participants in procurement procedures, and choosing contractors based on the results of regulated procedures is the Central Tender Board acting based on the Regulation approved by Order No. 363 dated 04.04.2018. There are also commissions for certain areas of activity (operating according to Order No. 94 dated 09.02.2016).

PRINCIPLES OF PROCUREMENT ACTIVITIES:

- information transparency of procurement,
- equality, fairness, and lack of discrimination and unreasonable restrictions to procurement participants in the field of competition,
- targeted and cost-effective spending of funds for the purchase of goods, works, and services and the implementation of measures aimed at reducing the Customers' expenditures,
- lack of restriction to participate in procurement by establishing unmeasurable requirements for procurement participants,
- transparency and manageability of procurement activities,
- professionalism and competence of employees involved in the procurement activity of Customers,
- compliance with applicable legislation governing the arrangement of procurement activities, as well as anti-corruption legislation, including the Anti-corruption Procurement Activity Standard (Appendix to the Standard).

The methods to perform procurement procedures and the conditions for their application are determined by the above internal Company's documents.

METHODS OF PROCUREMENT USED BY THE COMPANY:

Competitive procurement methods include:

- Tender, auction.
- Requests for offers, requests for quotations.
- Competitive pre-selection.
- Request for a quotation based on competitive pre-selection..

Non-competitive procurement methods include:

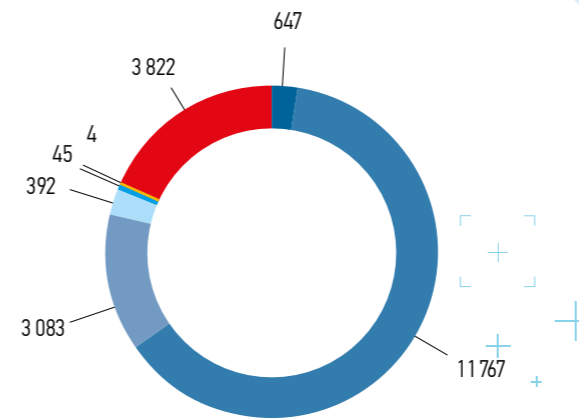
- Preliminary selection.
- Request for a quotation based on preliminary selection.
- Price comparison.
- Purchase from a single supplier (contractor).
- Procurement through participation in procedures arranged by product sellers.

THE MAIN RESULTS OF THE COMPANY'S PROCUREMENT ACTIVITY IN 2019

In 2019, the Company summed up the results of 1,110 procurement procedures for a total amount of RUB 28,096.9 mn. Using electronic commerce means, 1,001 purchases were made for RUB 19,477.7 mn., which was 100 % of the total purchases (excluding purchases from a single supplier).

As a result of regulated procurements in the reported year, the Company obtained an economic effect of RUB 2,479.3 mn., which was 11.3 % of the total planned annual expenditures for the purchase of goods, work, and services. The results of 10 purchases of innovative and high-tech products totaling RUB 244.6 mn. were summed up as of the end of 2019.

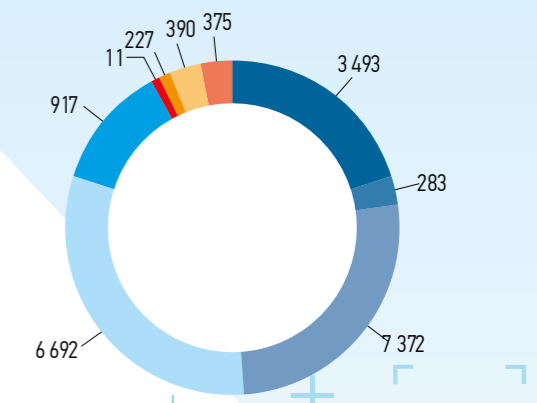
THE COMPANY'S PROCUREMENT STRUCTURE BY ACTIVITIES, RUB MN*:



- New construction and expanding the power facilities (27 purchases)
- Reconstruction and retrofitting the power facilities (679 purchases)
- Energy repair production (143 purchases)
- IT-purchases (26 purchases)
- R&D (1 purchase)
- Consulting services (4 purchases)
- Other purchases (197 purchases)

* Excluding purchases for the right to conclude lease agreements for land plots and power facilities, as well as easement and agency agreements (26 purchases for RUB 8,337 mn.).

THE COMPANY'S PROCUREMENT STRUCTURE BY THE METHODS OF PURCHASE, RUB MN*:



- Electronic tender (155 purchases)
- Electronic auction (10 purchases)
- Electronic request for offer (154 purchases)
- Electronic request for a quotation (217 purchases)
- Open request for a quotation (6 purchases)
- Request for a quotation based on preliminary selection (255 purchases)
- Request for a quotation based on open tender for the right to conclude framework agreements (13 purchases)
- Purchase from a single supplier due to a tender failure (191 purchases)
- Purchase from a single supplier (76 purchases)*

* Excluding purchases for the right to conclude lease agreements for land plots and power facilities, as well as easement and agency agreements (26 purchases for RUB 8,337 mn.).

PARTICIPATION OF SMALL AND MEDIUM BUSINESSES IN PROCUREMENT CONDUCTED BY KUBANENERGO PJSC

Since 2014, the Program for Partnership between Kubanenergo PJSC and small and medium businesses has been implemented in the Company as part of the roadmap measures for cooperation with small and medium businesses. 35 participants have joined the program during implementation. Since 2018, Kubanenergo PJSC has joined the Program for Partnership between the Rosseti Group of Companies and small and medium businesses (Order No. 231 dated March 6, 2018), under which a unified register of the Partnership Program participants has been created (thereby, the SME becomes a partner for all subsidiaries and affiliates of Rosseti PJSC). In 2019, small and medium businesses won 82.9

% of the procurement tenders for a total of RUB 10,684.1 mn. In 2019, 221 procurement tenders were performed for RUB 5,240 mn. with the participation of only small and medium businesses, which was 40.7 % of the total purchases. Also, since 2014, an Advisory Body for the issues of ensuring the efficiency of the Kubanenergo PJSC procurement, including purchases from small and medium businesses is being operated in the Company, which, along with the Company's employees, includes representatives of SME Corporation JSC, the Fund for infrastructure and educational

programs, regional offices of the Russian Union of Industrialists and Entrepreneurs, the OPORA RUSSIA All-Russian Non-Governmental Organization of Small and Medium Business, the 'Delovaya Rossiya' All-Russian Public Organization, and the Chamber of Commerce. Also, an Action Plan to Popularize the Company's Program for Partnership with small and medium businesses is implemented in the Company.

IMPROVING PROCUREMENT ACTIVITY

The Company purchases goods and services mainly based on tenders from suppliers offering the best price-quality ratio, optimizing procurement activity by:

- using techniques to reduce the marginal purchase price,
- increasing the share of tenders,
- introducing mandatory actions to reduce prices of procurement participants (rebidding),

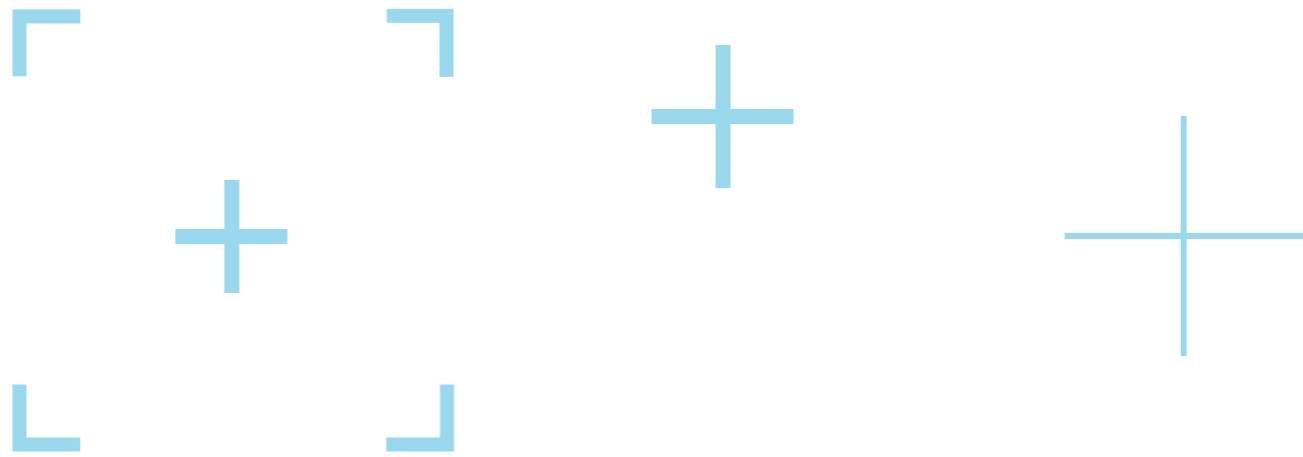
- complying with the Company's Procurement Policy and the Program for Partnership between Kubanenergo PJSC and small and medium businesses,
- the Advisory Body's activity on ensuring the Kubanenergo PJSC's procurement efficiency, including purchases from small and medium businesses.

INVESTMENT ACTIVITY

04

INVESTMENT ACTIVITY

- 100 Key Parameters of the Company's Investment Activities in 2019
- 101 Fields and Structure of Financing Capital Investments
- 102 The Investment Program Implementation Results for 2019
- 102 Long-Term Investment Program
- 103 Capital Construction Quality Control
- 103 Key Investment Projects Completed by Construction in 2019



Investments are the basis of reliable power supply and the most important component of the Company's performance.

The Company's investment programs are developed according to schemes and programs for the prospective development of the electric power industry in the Krasnodar Territory and the Republic of Adygea, technical conditions of power grids, and available sources of financing, generated based on the tariff-and-balance solutions.

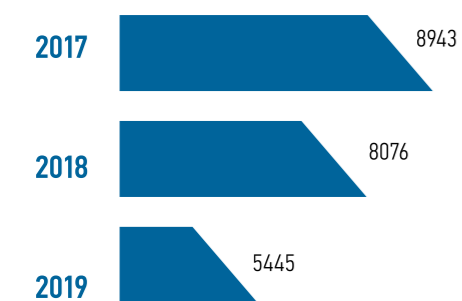
Approval and control over the implementation of the Kubanenergo PJSC's investment programs are performed by the Ministry of Energy of Russia.

In the reporting year, the Kubanenergo PJSC's investment activity was performed as part of implementing the investment program for 2019, approved by Order of the Russian Ministry of Energy No. 14@ dated 12.02.2019.

Key Parameters of the Company's Investment Activities in 2019

CAPITAL INVESTMENTS	NEW FIXED ASSETS	FINANCING	NEW CAPACITIES	
RUB MN. EX VAT	RUB MN. EX VAT	RUB MN. INCL. VAT	MVA	KM
6,769	12,912	5,445	783	792

DYNAMICS OF FINANCING THE COMPANY'S CAPITAL INVESTMENTS IN 2017-2019, RUB MN. INCL. VAT



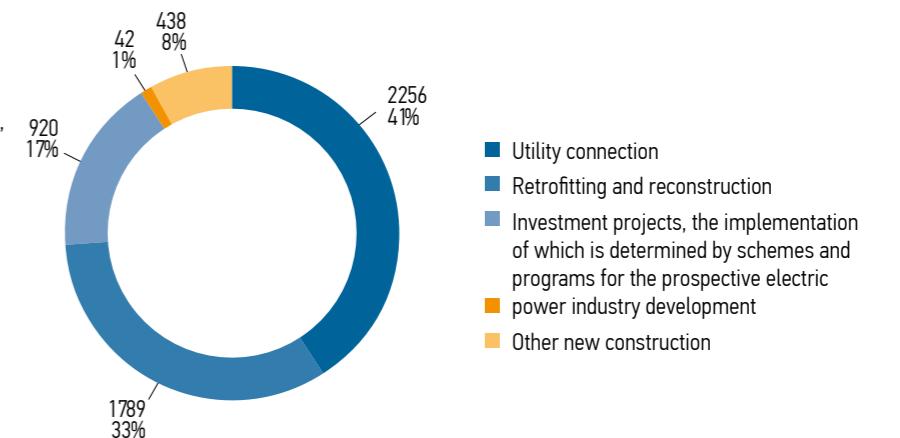
In 2019, actual financing capital investments amounted to RUB 5,445 mn., which was 33 and 39 % less than in 2018 and 2017, respectively. The decrease in financing capital investments in the reported year compared to previous years is associated with the financing of the bulk of work at facilities, which has been done to develop the Taman Peninsula infrastructure in 2017-2018.

Fields and Structure of Financing Capital Investments

The main fields of implementing the Kubanenergo PJSC's investment program in 2019 are:

- financing capital investments for utility connection – RUB 2,256 mn. incl. VAT,
- retrofitting and reconstruction – RUB 1,789 mn. incl. VAT,
- other new construction – RUB 42 mn. incl. VAT,
- investment projects, the implementation of which is determined by schemes and programs for the prospective electric power industry development - RUB 920 mn.,
- other investment projects - funded in the amount of RUB 438 mn. incl. VAT,

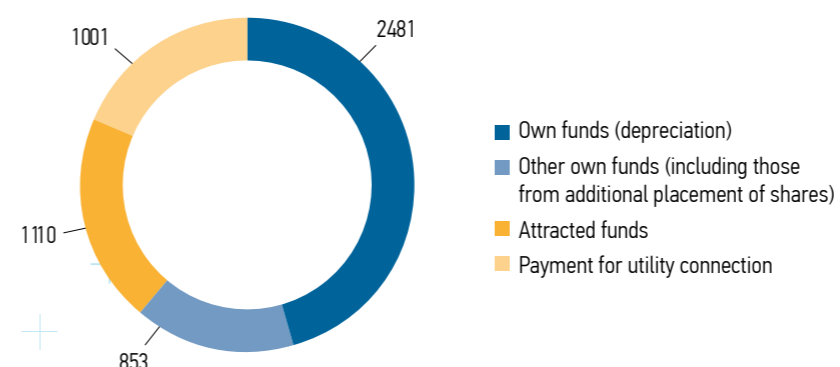
STRUCTURE OF FINANCING THE KUBANENERGO PJSC'S CAPITAL INVESTMENTS FOR 2019, RUB MN



STRUCTURE OF FINANCING THE KUBANENERGO PJSC'S CAPITAL INVESTMENTS IN DYNAMICS FOR 2017-2019, RUB MN.

INVESTMENT PROJECTS	2017	2018	2019
	ACTUAL	ACTUAL	ACTUAL
Total	8,943	8,076	5,445
Utility connection	4,510	4,516	2,256
Reconstruction, modernization, retrofitting	2,860	2,429	1,789
Investment projects, the implementation of which is determined by schemes and programs for the prospective electric power industry development	629	714	920
Other new construction of power facilities	153	20	42
Purchase of land plots to implement investment projects	0	0	0
Other investment projects	791	397	438

INVESTMENT PROGRAM FINANCING SOURCES, RUB MN. INCL. VAT



Based on the results of work for 2019, the preliminary 'Reducing Specific Investment Costs' key performance indicator (KPI) value is 0.75 (with the planned value ≤ 1).



The Investment Program Implementation Results for 2019

THE RESULTS ACHIEVED IN 2019 DUE TO THE IMPLEMENTATION OF MEASURES INCLUDED IN THE INVESTMENT PROGRAM BY THE ORDER OF THE MINISTRY OF ENERGY OF RUSSIA NO. 177 DATED MARCH 14, 2017

ITEM NO.	INDICATORS	RESULTS FOR 2019
1.	Transformer substation loading	73.5 %
2.	Change in the share of productive power supply, which is ensured by energy meters included in the data collection and transmission system (the metering automation level)	+19.08 %
3.	Change in the Customer Average Interruption Duration Index	SAIDI planned – 4.5145 hours SAIDI actual – 1.0887 hours
4.	Change in the System Average Interruption Frequency Index.	SAIFI planned – 1.0411 pcs SAIFI actual – 0.4675 pcs
5.	The total number of grid operator obligations for the utility connection fulfilled under the investment program	26,213 contracts, including 20,532 contracts concluded with the privileged category of applicants
6.	The maximum capacity of the connected power consumers, power generating facilities, and power grid facilities owned by other grid operators or persons	797 MW, including 241 MW of the privileged category of applicants

Long-Term Investment Program

The Kubanenergo PJSC's long-term investment program has been developed considering the current situation in the development of the Russian economy and the Kubanenergo PJSC's financial capabilities and according to the scenario conditions for developing the Company's investment programs. The investment program financing sources consider the prevailing macroeconomic conditions for the grid operator activities and the tariff-and-balance solutions approved.

The Company's long-term investment program for 2018–2022 was approved by Order of the Ministry of Energy of Russia No. 14 @ dated 12.02.2019.

PARAMETERS OF THE COMPANY'S LONG-TERM INVESTMENT PROGRAM FOR 2018–2022

INDICATOR	2017 (ACTUAL)	2018 (ACTUAL)	2019 (ACTUAL)	2020 (PLANNED)	2021 (PLANNED)	2022 (PLANNED)
Financing objects, RUB mn. incl. VAT	8,943	8,076	5,445	6,218	5,336	5,300
Capital investments, RUB mn. ex VAT	6,700	7,727	6,769	4,597	4,044	22,293
New fixed assets, RUB mn. ex VAT	4,441	3,911	12,912	4,628	3,749	23,499
km	836	582	792	638	459	939
MVA	364	355	783	384	557	1,444

The bulk of the investments planned in the Kubanenergo PJSC's long-term investment program will be forwarded to the construction of new power grids.

Capital Construction Quality Control

The construction control is performed as part of implementing the Decree of the Government of the Russian Federation 'On the Procedure for Construction Control during the Construction, Reconstruction, and Overhaul of Capital Construction Facilities' No. 468 dated June 21, 2010, to check the compliance of work fulfilled during the construction, reconstruction, and overhaul of capital construction facilities with the requirements of project documents,

technical regulations, urban land plot development plan, and the engineering survey results.

At 8 of 11 facilities with a voltage of 35 kV and above that met the scenario conditions for the arrangement of independent construction control, at which construction and installation works were performed in 2019, independent expert and inspection entities were involved in the construction control.

Thus, in 2019, the coverage of the Company's investment program capital construction facilities with independent construction control amounted to 72.7 %.

Key Investment Projects Completed by Construction in 2019

THE MOST IMPORTANT FACILITIES OF THE KUBANENERGO PJSC'S INVESTMENT PROGRAM INCLUDED IN THE FIXED ASSETS IN 2019.

FACILITY	CONSTRUCTION PERIOD		CAPACITY COMMISSIONED		INVESTMENT AMOUNT, RUB MN. EX VAT
	START	END	KM	MVA	
Reconstruction of the 110/35/10 kV Loris Substation with the replacement of the T-2 25 MVA with the 40 MVA transformer and the installation of the T-3 25 MVA	04.2016	09.2019	-	65	383.345
Reconstruction of the 110/35/6 kV Severnaya Substation. Installation of T-3 with a capacity of 40 MVA	04.2016	12.2019	1.07	40	528.482
Construction of glands of 110 kV cable lines Kostroma CHPP - ZIP, OBD - Severnaya (4 cable lines – 110 kV, L = 2.5 km), and Loris – Pashkovskaya (2-chain OHL – 110 kV, L = 0.7 km) at 220 kV SS Vostochnaya Promzona	04.2016	09.2019	11.683	-	564.765
Construction of 2 cable lines of 110 kV Vostochnaya Promzona - Severnaya	04.2016	12.2019	15.2	-	667.058
Reconstruction of the 110/10 kV OBD Substation with the replacement of transformers 2x16 MVA with 2x40 MVA 110/10 kV	04.2016	12.2019	-	80	457.096
Construction of 220 kV Port Substation	12.2015	09.2019	-	432	3,114.57
Construction of the 220 kV Taman-Port ETL, 1, 2 circuits	12.2015	05.2019	107.48	-	2,200.711
Construction of 110 kV Port - Portovaya Tyagovaya ETL	12.2015	06.2019	6.1	-	172.504
Construction of the 110 kV Vyshestblevskaya 220 - Vyshestblevskaya Tyagovaya ETL	12.2015	06.2019	4.17	-	122.972
Construction of the 110 kV Portovaya Tyagovaya – Vyshestblevskaya Tyagovaya ETL	12.2015	06.2019	29.36	-	415.438
Construction of two 110 kV ETLs at 220 kV Port substation from 110 kV Vyshestblevskaya – Volna OHL, 1 and 2 circuits, with the formation of two 110 kV Vyshestblevskaya - Port ETLs, 1 and 2 circuits, with a branch line to 110 kV Volna Substation	04.2016	05.2019	10.63	-	197.499

FINANCIAL RESULTS

05



FINANCIAL RESULTS

106

Financial (accounting) statements of Kubanenergo PJSC

108

The results of the financial and business operations of the Company

Financial (accounting) statements of Kubanenergo PJSC

Chief Accountant – Inna Viktorovna Skiba, the Head of the Department of Financial Records, Accounts, and Tax Returns:

"The accounting (financial) statement of Kubanenergo PJSC for 2019 was prepared under the existing legislation of the Russian Federation. The company has an auditor's opinion stating that the accounting (financial) statements truly reflect the situation of the Company in all key aspects as of December 31st, 2019."



THE FINANCIAL STATEMENTS OF KUBANENERGO PJSC FOR 2019 WERE DRAWN UP IN ACCORDANCE WITH THE STANDARDS AND PROCEDURES CONCERNING ACCOUNTING AND REPORTING (HEREINAFTER RAS) IN PLACE IN THE RUSSIAN FEDERATION:

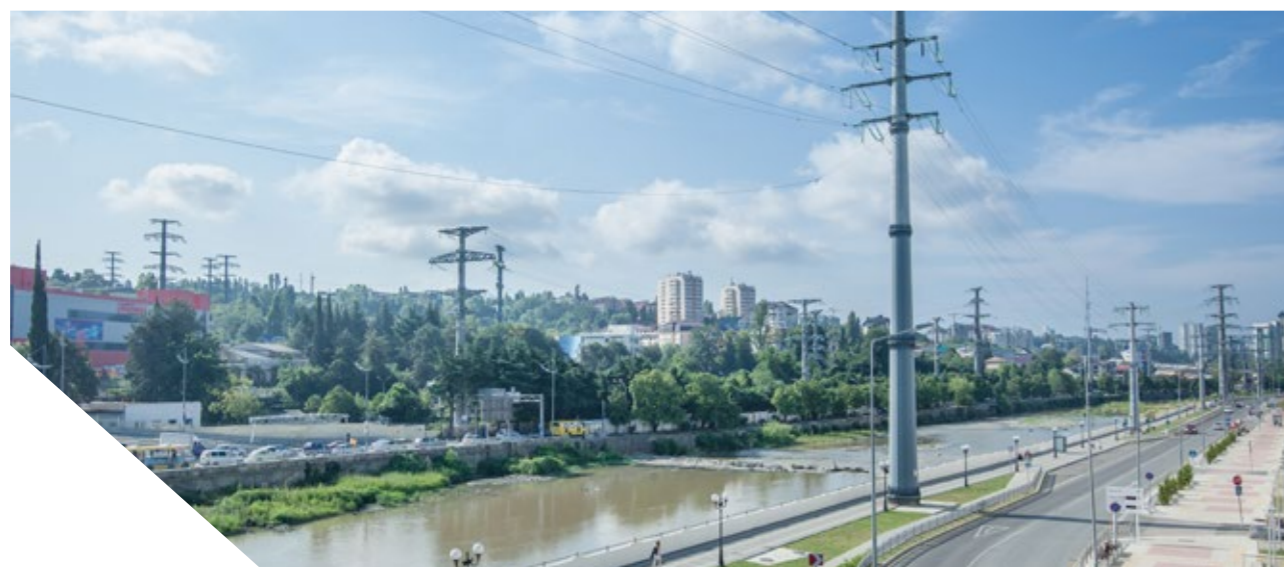
- Federal Law No. 402-FZ dated 12.06.2011 On Accounting;
- Order No. 66n of the Finance Ministry of Russia dated 02.07.2010 On Accounting Forms of Organizations
- Order No. 124n of the Finance Ministry of

Russia dated 05.10.2011 On Amendments Being Made to the Accounting Forms of Organizations as Approved by Order No. 66n of the Ministry of Finance of the Russian Federation dated 02.07.2010;

- Order No. 34n of the Finance Ministry of Russia dated 29.07.1998 On the Ratification of Regulations for Accounting and Reporting in the Russian Federation;
- The chart of accounts for financial and business operations accounting approved by Order No. 94n of the Finance Ministry of Russia dated 31.10.2000;
- Accounting Regulations of AS 1/2008 on Accounting Policies of an Organization approved by Order No. 106n of the Ministry of Finance of Russia dated 06.10.2008.

THE ANNUAL STATEMENTS OF KUBANENERGO PJSC FOR 2019, DRAWN UP IN COMPLIANCE WITH RAS, INCLUDE:

1. Balance Sheet Statement.
2. Statement of Financial Results.
3. Statement of Equity Change.
4. Statement of Cash Flows.
5. Representations.
6. Auditor's opinion.



BASIC FRAMEWORK OF THE ACCOUNTING POLICY OF KUBANENERGO PJSC

The assets accounting in the Company is carried out in compliance with the Accounting Regulations of AS 6/01 Assets Accounting approved by Order No. 26n of the Ministry of Finance of Russia dated 30.03. 2001. Asset depreciation was charged using the linear method depending on the useful life. The depreciation was not charged for the fully depreciated (worn-out) assets. The advance payments linked with the future acquisition of a capital asset, as well as raw materials and other materials to be used in the production of fixed assets are shown in line 1150 Fixed Assets. Immovable properties that are actually in use, do not require any further capital investments and have the source documents ready, are included for accounting purposes

as fixed assets and put in a separate sub-account for the Properties without Registered Ownership Rights. Depreciation for such objects is charged under the standard procedure since the first day of the month following the month of commissioning. The revenue and other earnings accounting in the Company is carried out in compliance with the Accounting Regulations of AS 9/99 Revenue of an Organization approved by Order No. 32n of the Ministry of Finance of Russia dated 06.05.1999. The company prepared estimated liabilities due to the possible compensation payments for unutilized vacations, unsettled claims from power suppliers to compensate losses and energy transmission services, interim measures and other payments to employees in accordance with AS 8/2010 Provisions, Contingent Liabilities and Contingent Assets approved by Order No. 167n of the Ministry of

Finance of Russia dated 13.12.2010. The company reserves doubtful accounts receivable that are outstanding or highly unlikely to be repaid on time and are not secured by relevant guarantees. The Company holds a reserve to mitigate the impairment of financial investments in case of their significant depreciation.

Corrections for the previous periods:

Corrections and other amendments to the accounting statements for the previous periods are not presented in the 2019 statements.

THE COMPANY DRAFTED CONSOLIDATED REPORTS IN COMPLIANCE WITH THE REQUIREMENTS OF FEDERAL LAW NO. 208-FZ DATED 27.07.2010 ON CONSOLIDATED FINANCIAL STATEMENTS

INFORMATION ABOUT THE COMPANY AUDITOR:

By order of Kubanenergo PJSC, Rosseti PJSC invited an open single stage tender without prequalification to sign a contract to conduct the obligatory annual audit of the statements of Kubanenergo for 2018-2020 on B2B-Energo open trading platform. Based on its results, Ernst&Young LLC was selected (Tender Committee meeting minutes No. 13/595r dated 16.04.2018). Ernst&Young LLC is a member of the Sodruzhestvo Association, a self-regulatory organization of auditors (SAA SRO). Ernst&Young LLC is listed in the reference copy of the register of auditors and audit organizations under the main registration entry number 12006020327.

The service fee for Kubanenergo PJSC for 2018-2020 was set as 15,853,783.64 rubles (VAT included). The Auditor was approved by the resolution of the Annual General Meeting of Kubanenergo PJSC Shareholders, Minutes No. 42 dated 20.06.2019). Full name of organization: Ernst&Young Limited Liability Company
Abbreviated name of organization: Ernst&Young LLC
Location and postal address: 115035 Russia, Moscow, 77 Sadovnicheskaya Naberezhnaya, bldg 1.

Phone/fax: (495) 755-97-00 / (495) 755-97-01.
Email: rfp@ru.ey.com.
The auditor's remuneration for the audit of annual financial statements for 2019 is approved by the resolution of the Board of Directors of Kubanenergo PJSC (minutes No. 358/2019 dated 16.08.2019) and equals to 5,374,163.95 RUB (VAT included).
No deferred or overdue payments for the auditor's services are present.
In 2019, Ernst&Young LLC did not provide any non-audit-related services.

The results of the financial and business operations of the Company

Olga Vyacheslavovna Ocheredko, Deputy Director-General for Economics and Finances:

"The net profits of the Company at the end of 2019 amounted to 2428 million rubles, which is 15 times more than in 2018.

Decree of the Russian Government No. 2303p-P13 of 16.04.2015 on the reduction of operational costs in 2019 as compared to 2018 is executed".



THE ANALYSIS OF THE RESULTS OF THE FINANCIAL AND BUSINESS OPERATIONS

The service revenue of the Company at the end of 2010 was 51,003.7 million rubles, which is 4,602.6 million rubles (9.9%) higher than in 2018, which includes the following:

- the revenue from electric power transmission of 46,515.7 million rubles, which is 932.2 million rubles more than in 2018 (this growth is due to the increase of the tariffs for the Other consumer group by 5%, which is higher than the level provided by the forecast of the Ministry of Economic Development of Russia and the increase of the volume of energy transmission services delivered by 108 million kWh);

- the revenue from the grid connection services of 4,206.2 million rubles, which is 3,603.7 million rubles higher than in 2018. (due to the one-time revenue from large clients like FTI Rostransmodernizatsiya and Federal Road Agency's FTI Taman Automobile Roads Department).

The net costs (including administrative expenses) at the end of 2019 was 43 936.1 million rubles, which is 2,319.2 million rubles (5.6%) more than in 2018. The increase in expenses due to the increased costs of maintenance and repair, FGC UES PJSC services, and purchased electricity costs to compensate for losses and depreciation.

KEY FACTORS INFLUENCING THE FINANCIAL RESULTS:

- the increase of service revenue of 4,602.6 million rubles (9.9%), including the increase of the energy transmission services revenue of 932.2 million rubles (2.0%) as compared to the previous year and the increase of the grid connection services revenue of 3,603.7 million rubles (6 times);
- the increase of the net cost with the administrative expenses included by 2,319.2 million rubles (5.6%) as compared to the same period of 2018;
- the balance aggravation for other earnings and expenses from the profit of 38.5 million rubles (1.1%) as compared to the 2018 parameters;
- the reduction of profit tax by 31.9 million rubles as compared to the parameters of the same period in 2018.

THE PROFIT BEFORE TAX AMOUNTED TO 3,524.8 MILLION RUBLES, WHICH IS 2,244.9 MILLION RUBLES (2 TIMES) MORE THAN IN 2018.

THE NET PROFIT OF THE COMPANY AT THE END OF 2010 WAS 2,428 MILLION RUBLES, WHICH IS 2,277 MILLION RUBLES (15 TIMES) MORE THAN IN 2018.

NO. P/P	INDICATOR	2017	2018	2019
1.	Proceeds from sales of products (services), including:	42,253	46,401	51,004
1.1.	power transmission	41,486	45,583	46,516
1.2.	grid connection	648	602	4,206
1.3.	sales of electricity	0	0	0
1.4.	other activities	119	215	282
2.	Net cost of products (services)	-38,259	-41,461	-43,774
3.	Gross profit	3,994	4,940	7,230
4.	Administrative expenses	-110	-155	-162
5.	Selling and marketing expenses	0	0	0
6.	Sales profit (loss)	3,884	4,784	7,068
7.	Interest receivable	47	82	67
8.	Interest payable	-1,907	-1,911	-1,971
9.	Income from affiliation with other companies	0.3	9	0.6
10.	Other earnings, total	2,393	2,575	2,270
11.	Other expenses, total	-3,249	-4,259	3,909
12.	Profit (loss) before tax	1,168	1,280	3,525
13.	Profit tax and other payments	-642	-1,129	-1,097
14.	Net profit	525	151	2,428
15.	EBITDA*1	6,847	7,158	9,741

THE IMPLEMENTATION OF THE PROGRAM FOR THE IMPROVEMENT OF OPERATIONAL EFFICIENCY AND COST REDUCTION

The program for the improvement of operational efficiency and cost reduction of Kubanenergo PJSC for 2019–2023 was approved by the Board of Directors of the Company on 29.03.2019 (Board meeting minutes No. 335/2019 of 04.01.2019) (hereinafter the Program). The implementation of activities stated in the Program is recorded in the business plan, investment program, energy conservation and energy efficiency improvement program, innovative development program, and other targeted programs developed by the Company. The Program efficiency indicators take into consideration target milestones set out in Decree of the Russian Government No. 2303p-P13 of 16.04.2015.

The reduction of operational expenses in accordance with the Decree of the Russian Government No. 2303p-P13 of 16.04.2015 in 2019 as compared to 2018 amounted to 2.1%, which is compliant with the target value.

In order to improve operational efficiency and receive extra profits in 2019, the Company implemented the following activities:

- the efficiency of maintenance and repair was improved for equipment, buildings and constructions (a set of actions were taken to reassign the technological works: 35–220 kV OPL, SS 35–110 kV; distribution grids of 0.4–10 kV (OPL, TP); task distribution optimization for contractors and in-house workers);
- The efficiency improvement for circulating capital management (optimizing accounts receivable (reducing overdue debts for the

rendered power transmission services); reducing the emergency backup stocks, including by adjustments towards the reduction of emergency backup stocks and transferring a part of material assets to the repair and operational activities in 2019);

- more efficient management of fixed assets, including:

- consolidation of power grid assets;
- amortization optimization;
- implementation of the Cost Examination Development program;
- reduction of purchase costs for raw materials and other materials, contractor services for new construction, retrofitting and upgrading, and reconstruction as a result of protocol performance within the framework of investment activities;

- increasing energy efficiency (the implementation of actions aimed at the reduction of power losses under the Program for the Energy Loss Reduction of Kubanenergo PJSC for 2019–2023 and the Program for Energy Conservation and Energy Efficiency Improvement of Kubanenergo PJSC);

- increasing operational efficiency (the reduction of specific operating expenses), including:

- the reusing of materials;
- the reduction of materials spent on maintenance, consumables for office equipment, reducing the costs of communication and IT services, and

software writing-off.

- the optimization of costs related to the decommissioning of vehicles, the continued use of which is not economically feasible, including the cost reduction for fuel and lubricants, and fleet optimization for vehicles that are subject to Compulsory Motor Insurance;
- the purchase cost reduction for raw materials and other materials, production and non-production related services in operational activities as a result of protocol implementation;
- other activities (the implementation of actions aimed at the reduction of non-contractual energy consumption, transport cost optimization according to the action plan aimed at fitting the vehicles with the GLONASS monitoring and positioning system).

The Program for operational efficiency improvement and cost reduction creates an efficient tool for the increase of internal efficiency and profitability support through the productive use of the Company's internal reserves in order to implement the key strategic directions of the Company's activities.

* The EBITDA indicator was calculated according to the following formula: EBITDA = Profits before tax - Interest payable + Depreciation.

ACCOUNTS RECEIVABLE

THE CHANGE ANALYSIS FOR ACCOUNTS RECEIVABLE IN MILLIONS OF RUBLES:

INDICATOR	AS OF 31.12.2017	AS OF 31.12.2018	AS OF 31.12.2019
Accounts receivable, incl:	6,847.39	7,057.41	7,433.11
Purchasers and customers	6,155.95	6,206.67	6,611.23
Power transmission	6,104.65	6,091.36	6,348.85
Bills receivable	-	-	-
Prepaid expenses	32.12	34.49	32.70
Other accounts receivable	659.32	816.26	789.18

The total of accounts receivable for Kubanenergo PJSC at the beginning of the reporting period was 7,057.41 million rubles, and by December 31st, 2019 it was 7,433.11 million rubles.

The accounts receivable from purchasers and customers amounted to 6,611.23 million rubles, which is 404.57 million rubles (6.52%) higher than that of December 31st, 2018. This growth is due to the increase in purchaser and consumer debts for energy transmission services rendered

to the amount of 257.48 million rubles and from other purchasers and consumers up to 148.49 million rubles.

The accounts receivable for prepaid expenses amounted to 32.70 million rubles, which is 1.79 million rubles (5.19%) lower than the same value for December 31st, 2018.

The accounts receivable for other debts amounted to 789.18 million rubles, which is 27.08 million rubles (3.32%) lower than the same

value for December 31st, 2018.

The main portion of accounts receivable (85.41%) of the Company was accumulated from the payments for the energy transmission services rendered.

During the reporting period, the accounts receivable that were deemed impossible to collect amounted to 7.18 million rubles.

WORKING ON THE REDUCTION OF ACCOUNTS RECEIVABLE FOR ENERGY TRANSMISSION SERVICES.

The accounts receivable for the contractors of Kubanenergo PJSC for energy transmission services rendered was 7,381.3 million rubles as of 31.12.2019.

One of the biggest debtors in energy transmission services rendered is TNS Energo Kuban PJSC, whose debt as of December 31st, 2019 amounted to 3,845.3 million rubles including the disputed amount of 821.3 million rubles.

To reduce the accounts receivable, the Company is undertaking the following actions:

- claim-related works are carried out, including the collection of fines for untimely payments;
- reciprocal liabilities are offset;
- energy saving regime for consumers is restricted, including upon requests from energy suppliers;
- claims are settled under the pre-action protocol and in court.

THE RESULTS OF THE COMPANY'S ACTIVITIES AIMED AT THE REDUCTION OF ACCOUNTS RECEIVABLE FOR THE ENERGY TRANSMISSION SERVICES RENDERED BY THE CONTRACTORS OF KUBANENERGO PJSC IN 2017-2019:

YEARS	POSITIVE JUDICIAL RULINGS, CASES/ AMOUNT CLAIMED	COURT ORDER AMOUNTS	COURT ORDER LIABILITY EXECUTED	REPRIMAND REJECTED, CASES/ AMOUNT CLAIMED	PERCENTAGE OF CLAIMED RULED IN FAVOR OF THE COMPANY
2017	62 cases / 911.15 million rubles.	913.63 million rubles.	544.38 million rubles. / 59.58%	2 cases / 50.320 million rubles.	94.5%
2018	127 cases / 1,070.5 million rubles.	995.06 million rubles.	780.47 million rubles. / 78.43%	3 cases / 22.95 million rubles.	97.9%
2019	148 / 941.08 million rubles.	608.52 million rubles.	579.07 million rubles. / 95.16%	6 cases / 31.3 million rubles.	96.8%

The coverage of overdue accounts receivable for the electric power transmission services with actions aimed at their reduction is persistently high and as of December 31st, 2019 is was 99%.

LOANS PAYABLE

INDICATOR	DATE 31.12.2017	DATE 31.12.2018	DATE 31.12.2019
Short-term loans payable, incl:	11,044.75	12,833.09	8,757.71
Suppliers and contractors	6,198.14	5,238.56	5,136.19
Bills payable			
Taxes and fees	258.01	606.53	642.90
Advances received	2,889.10	5,164.80	1,876.50
Other loans payable	1,699.51	1,823.20	1,102.12

The short-term loans payable for 2019 was 4,075.38 million rubles lower than in 2018, and as of 31.12.2019, it was 8,757.71 million rubles. At that, at the end of 2018, the following changes of indicators were observed:

- the amounts payable in the Suppliers and Contractors line was 102.37 million rubles lower due to the reduction of electricity transit services debts by 573.57 million rubles and the reduction of the amounts payable for the energy purchased to compensate losses to the tune of 431.71 million rubles, and the increase of investment activities to the tune of 529.38 million rubles;

- the Advances Received payable was 3,288.30 million rubles lower. The main portion of the Advances Received payable was the grid connection advance payment to the tune of 1,826.94 million rubles. The reduction is due to the fulfillment of grid connection obligations for FTI Rostransmodernizatsiya to the amount of 3,383.64 million rubles;

- the personnel remuneration payable was 39.36 million rubles lower;
- the taxes and fees payable were 36.37 million rubles higher;
- the amounts payable to other creditors were 717.63 million rubles lower. The reduction was due to the fulfillment of obligations for

the compensation of damages upon a court order to pay the forfeit to the tune of 579.82 million rubles.

According to the results of the operations for 2019, the overdue loans payable at Kubanenergo PJSC amounts to 2,623.41 million rubles.

The long term loans payable at the end of 2019 amounted to 1,161.58 million rubles.

BONDED LOANS OF THE COMPANY

At a meeting on 20.09.2016, the Board of Directors of Kubanenergo PJSC approved the Program for Exchange Bonds series 002P of Kubanenergo PJSC (minutes No. 251/2016 of 23.09.2016). The Program for Exchange Bonds was assigned ID 4-00063-A-002P-02E dated 24.10.2016. The Program provides for the possibility of exchange bonds placement to the total par value of up to and including 25,000,000,000 Russian rubles for up to 30 years. In 2019, the bond placement under this Program did not occur.

Moreover, series 001P-01 and 001P-02 exchange bonds were in circulation in 2019. They were floated in 2015 under the Program for Exchange Bonds ID 4-00063-A-001P-02E dated 26.08.2015 and amounted to 3,600,000 thousand rubles and 3,400,000 thousand rubles respectively. The payment of coupon profits was performed to the full volume within the set time frame.

In 2019, series 001P-02 exchange bonds were redeemed upon the agreement with the owners for the amount of 3,400,000 thousand rubles. The payment of coupon profits was performed to the full volume within the set timeframe.



CORPORATE GOVERNANCE

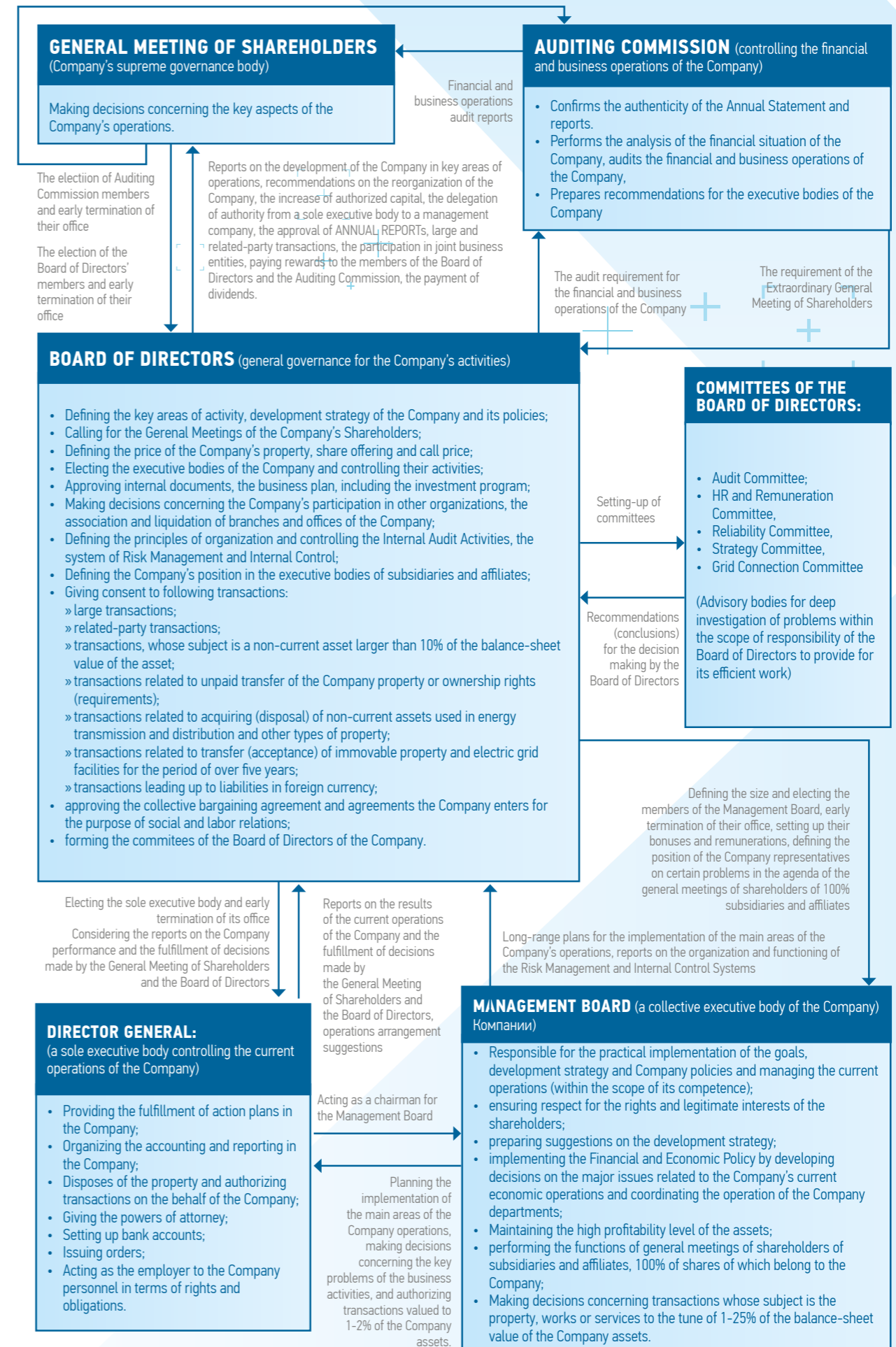
06



CORPORATE GOVERNANCE

114	Principles and practices of Corporate Governance
118	General Meeting of Shareholders
119	Board of Directors
130	Committees of the Board of Directors
138	Executive bodies
145	Corporate Secretary
146	Auditing Commission
148	Remuneration and Reimbursement for the executive and controlling bodies of the Company
150	Transactions made by Kubanenergo PJSC in 2019
151	Information Policy

CORPORATE GOVERNANCE AND CONTROL LAYOUT IN THE COMPANY



Zanda Ivanovna Khazikova, Deputy Director-General for Corporate Governance:



"In the reporting year, the balance of interest of the parties involved with the corporate governance of the Company was maintained, which is evident through the following:

- no rights or legal interest infringements of the shareholders, and no corporate conflicts took place;
- the management bodies took an active part in the Company's operations;
- the Annual General Meeting of Shareholders, and the meeting of the Board of Directors and its committees, and the Management Board were conducted in a timely manner, and so was their decision-making;
- the information was disclosed fully and in a timely manner according to the legislation of the Russian Federation and the information policy of the Company.
- To comply with the legal requirements of the Russian Federation and improve corporate governance, the Company approved new editions of the Articles of Association, Internal Audit Policy, and regulations concerning the following:
 - General Meeting of Shareholders Regulations;
 - Board of Directors;
 - Management Board;
 - Board of Directors Remuneration and Reimbursement;
 - Insider Information;
 - Board of Directors Strategy Committee".

Principles and practices of Corporate Governance

The Company understands Corporate Government as a set of processes that support the management and control of the Company operations, including the relations between shareholders, Board of Directors and executive bodies for the benefit of the participants of corporate relations, including shareholders and executive bodies, as well as potential investors,

service consumers, Company employees, contractors, creditors, partners, the state and local communities. Kubanenergo PJSC sees Corporate Governance as a means of improving the efficiency of their operations, enhancing their reputation, and reducing the costs of attracting capital to the Company

THE COMPANY PERMANENTLY ABIDES BY THE FOLLOWING PRINCIPLES OF CORPORATE GOVERNANCE:

FAIRNESS

The Company makes a commitment to protect the legal rights of its shareholders and provide equal treatment of all shareholders, provide all shareholders with an possibility of efficient protection in case of any infringement of their rights.

ACCOUNTABILITY

The Board of Directors of the Company is reports to all of the shareholders in compliance with the legislation of the Russian Federation in place.

TRANSPARENCY

The Company provides for the timely disclosure of accurate information about all material facts related to its operation, including its financial situation, performance, ownership and management structure, as well as the free access to such information for all stakeholders.

LIABILITY

The Company is liable to its shareholders, and it provides a reliable method of accounting their rights to the shares they own.

To improve and systematize the corporate governance of the Company, the promotion of greater transparency in the management of Kubanenergo PJSC, and the confirmation of the steady commitment to abide by the standards of proper corporate governance, the Company has been using the Corporate Governance Code since 2006¹⁰, which is based on the legislation of the Russian Federation in place at the moment of its approval, the Code of Corporate Conduct recommended by the Russian Federal Securities Committee in the Decree No. 421/r of 04.04.2002, and the Corporate Governance Principles of OECD applied in international practices. The company strictly follows the principles of its own Corporate Governance Code.

The company also abides by the principles and recommendations set out in the Corporate Governance Code recommended by joint-stock companies, whose securities are allowed for on-exchange trading, in accordance with letter No. 06-52/2463 from the Bank

of Russia dated 10.04.2014 (hereinafter the Corporate Governance Code). The report on the compliance of Kubanenergo PJSC with the Corporate Governance Code in 2019 can be found in Annex 3. The Board of Directors of the Company certifies that the information on the Company's compliance with the principles and recommendations of the Corporate Governance Code for 2019 as set out in the report is complete and true.

To provide for the proper level of Corporate Governance and its improvement, the Company uses regulations concerning the following¹¹:

- General Meeting of Shareholders,
- Board of Directors,
- Management Board,
- Auditing Commission
- Committees of the Board of Directors,
- Insider Information,
- Information Policy,
- Corporate Secretary of the Company,
- Dividend Policy, etc.

During the reporting year, the Department of Internal Audit of Kubanenergo PJSC carried out an efficiency assessment of the Corporate Governance of the Company in 2018-2019 to check its compliance with the existing legislation of Russia, the principles and recommendations of the Corporate Governance Code, the Moscow Exchange Listing rules, and the best corporate practices. The assessment was carried out using the Company procedure which corresponds with the model assessment procedure for the subsidiaries and affiliates of Rosseti PJSC.

The results of the internal audit of Kubanenergo PJSC show that Corporate Governance in the Company complies with good practices. It was also noted that the opportunity for the improvement of the score in some aspects depends on the position of the principal shareholder and other external factors that are out of the scope of influence of Kubanenergo PJSC.

THE ASSESSMENT RESULTS FOR THE COMPANY'S CORPORATE GOVERNANCE IN 2018-2019 AS DISCOVERED THROUGH THE INTERNAL AUDIT:

COMPONENTS	MAXIMUM POINTS	2018-2019 CORPORATE YEAR		REFERENCE: CORPORATE GOVERNANCE COMPLIANCE IN 2017 FOR THE CRITERIA SET ¹²
		KUBANENERGO PJSC SCORE	CORPORATE GOVERNANCE COMPLIANCE WITH THE CRITERIA SET	
Shareholders' rights	79	70	89%	84%
Board of Directors	154	97.5	63%	66%
Executive management	40	34	85%	80%
Transparency and disclosure	130	106	82%	85%
Risk management, internal control and internal audit	63	60	95%	95%
Corporate social responsibility, business ethics, compliance	31	27	87%	74%
Overall score	497	394.5	79%	79%

The Internal Audit Report on the Corporate Governance System Efficiency Assessment for the Corporate Year 2018-2019 was considered by the Board of Directors of the Company on 25.12.2019.

IN THE REPORTING YEAR, THE ARTICLES OF ASSOCIATION AND SOME INTERNAL REGULATIONS OF THE COMPANY WERE AMENDED AND APPROVED TO ALIGN THEM WITH THE CHANGES IN THE RUSSIAN LEGISLATION AND TO IMPROVE THE CORPORATE GOVERNANCE OF KUBANENERGO PJSC:

KUBANENERGO PJSC DOCUMENT APPROVED	KEY CHANGES AS COMPARED WITH THE PREVIOUS VERSION
Articles of Association	<ul style="list-style-type: none"> • it was established that the General Meeting of Shareholders has a right to make decisions concerning related-party transactions irrespective of the number of shareholders uninterested in such transactions; • the procedures for calling and holding the General Meeting of Shareholders were clarified; • the competence of the Board of Directors: <ul style="list-style-type: none"> • was complemented with the decision-making for the following issues: <ul style="list-style-type: none"> - approving information policies and considering reports on its implementation; - preliminary approval of contracts for unremunerated contributions from the Company shareholders to its assets/contributions of Kubanenergo PJSC to the assets of companies in which it takes part, if these contributions do not increase the authorized capital and the par value of shared of Kubanenergo PJSC / companies, in which it takes part; • some clarifications were made concerning innovative development, business plan approval, KPI, risk management, internal control, and internal audit; • the head of internal audit was granted a right to request the meeting of the Board of Directors; • The list of issues within the competence of the Board of Directors requiring the qualified majority vote to make decisions was expanded; • The Articles of Association was complemented with internal audit regulations.
Regulations on the General Meeting of Shareholders	<ul style="list-style-type: none"> • some corrections were made concerning the corresponding provisions of the Articles of Association.
Regulation on the Company Board of Directors	<ul style="list-style-type: none"> • a list of crucial issues was made that shall be resolved at meetings in person; • the procedure was established for the Board of Directors members to suggest alternative decision drafts concerning the agenda of in-absentia meetings of the Board of Directors; • some corrections were made concerning the corresponding provisions of the Articles of Association.
Regulations on the Management Board	<ul style="list-style-type: none"> • the list of persons receiving the minutes of the Management Board meetings was complemented with the head of internal audit.
Regulations on the Board of Directors Remuneration and Reimbursement	<ul style="list-style-type: none"> • the calculation procedure and payment frequency for the remuneration of the Board of Directors members taking part in the meetings were changed; • the list of reimbursement cases for the Board of Directors was expanded.
Regulations on the Board of Directors Strategy Committee	<p>The Strategy, Development, Investment, and Reform Committee was renamed as the Strategy Committee; The scope of issues subject to the preliminary consideration by the Strategy Committee set out in the Committee Regulations was changed and expanded, the terms of office of the Committee members were changed.</p>

The involvement of the Board of Directors members in the work of this governance body increased in the reported year by 1% as compared with the previous year and amounted to 99.3%, including:

- January 1 to June 20, 2019 – 98.8%;
- June 20 to the end of the reporting year – 99.6%.

The company is planning to maintain the level of Corporate Governance practice achieved and is committed to its improvement in the future.

¹⁰ The current edition was approved by the Board of Directors of Kubanenergo PJSC on 06.03.2013, minutes No. 154/2013.

¹¹ The Corporate Governance documents of Kubanenergo PJSC referenced here, as well as any other can be found on the Company website: www.kubanenergo.ru – About the Company / Constituent and in-house documents.

¹² The Company Corporate Governance: assessment for 2017 was carried out using a different procedure.

General Meeting of Shareholders

General Meeting of Shareholders is the supreme governance body in the Company. In its operations, the General Meeting of Shareholders abides by the laws of the Russian Federation, the Articles of Association of the Company, and the Regulations on the General Meeting of Shareholders.

The competence of the General Meeting of Shareholders is set out in the Articles of Association the Company.

The resolutions of the General Meeting of Shareholders of Kubanenergo PJSC are published online on www.kubanenergo.ru – About the Company / Management / Shareholders' General Meeting.

IN 2019, THERE WERE TWO GENERAL MEETINGS OF THE COMPANY'S SHAREHOLDERS:

GENERAL MEETING OF SHAREHOLDERS DATE	GENERAL MEETING OF SHAREHOLDERS DATE AND MINUTES NO.	GENERAL MEETING OF SHAREHOLDERS QUORUM	KEY RESOLUTIONS MADE BY THE MEETING
17.04.2019	19.04.2019 No. 41	92.78% of the total voting stock outstanding	<p>The authorized capital of Kubanenergo PJSC shall be increased by public floatation of 37,477,392 extraordinary registered shares to the total par value of 3,747,739,200 rubles.</p> <ul style="list-style-type: none"> Approve the ANNUAL REPORT and the annual accounting statements of the Company for 2018. Approve the following distribution of the Company profit for 2018: <ul style="list-style-type: none"> 7,560 thousand rubles. – to increase the reserve fund; 0 thousand rubles. – to promote investments and Company development; 143,638 thousand rubles. – to dividend payments; 0 thousand rubles. – to recover losses from previous years. The dividends on ordinary shares of the Company shall be paid at the end of 2018 to the tune of 0.472815 rubles per one share in monetary form. Members of the Board of Directors and the Auditing Commission of the Company shall be elected. Approve Ernst&Young LLC as the auditor of the Company. Approve a new revision of the Company's Articles of Association. Approve new revisions of the Company regulations concerning the following: <ul style="list-style-type: none"> General Meeting of Shareholders, Board of Directors, Management Board, Remuneration and Reimbursement payment to the Board of Directors of the Company. The participation of Kubanenergo PJSC in the Interregional Construction Alliance SRO shall be approved.
20.06.2019	20.06.2019 № 42	99.63% of the total voting stock outstanding	

Board of Directors

The Board of Directors is a collective governance body executing the general management of the Company's operations, defining its strategy, controlling the operations of the executive bodies of the Company, the implementation of resolutions made by the General Meeting of Shareholders, and the respect of the legitimate interests of the shareholders of Kubanenergo PJSC.

MAIN GOALS AND OBJECTIVES OF THE BOARD OF DIRECTORS:

- defining the development strategy of the Company aimed at increasing its market capitalization and investment attractiveness, receiving maximum profits, and increasing the Company assets;
- providing the implementation and protection of the rights and legitimate interests of the shareholders, assisting in corporate conflict resolution;
- providing for full, reliable and objective disclosure of the Company information to shareholders and other parties concerned;
- creating efficient internal control mechanisms;
- regular assessment of governance body activities and the Company management operations.

TO ACHIEVE THE GOALS AND OBJECTIVES SET, THE BOARD OF DIRECTORS ABIDES BY THE FOLLOWING PRINCIPLES:

- decisions shall be made based on reliable information about the Company operations;
- shareholders' rights to involvement with the management of the Company and the acquisition of the dividends and the Company information shall not be restricted;
- the interests of various shareholder groups shall be balanced and the Board of Directors shall make decisions that are objective and in the best interests of all of the Company shareholders.

In its operations, the Board of Directors abides by Federal Law No. 208-FZ dated 26.12.1995 On Joint-Stock Companies and other federal laws and regulations of the Russian Federation, the Company Articles of Association, and the Regulations on the Board of Directors¹³.

According to the Articles of Association of Kubanenergo PJSC, the competence of the Board of Directors was expanded as compared to the provisions of Federal Law No. 208-FZ dated 26.12.1995 On Joint-Stock Companies.

¹³The Regulations on the Board of Directors of Kubanenergo PJSC is published online on www.kubanenergo.ru – About the Company / Constituent and in-house documents.

COMPOSITION OF THE BOARD OF DIRECTORS¹⁴

The 11 members of the Board of Directors are elected by the General Meeting of the Company Shareholders and shall remain in the office until the next Annual General Meeting of Shareholders. If the Board of Directors is elected at an Extraordinary General Meeting of Shareholders, its members shall remain in office up to the next Annual General Meeting of Shareholders.

During the reporting year, there were two compositions of the Board of Directors members in the Company.

The current composition of the Board of Directors, elected at the Annual General Meeting of the Company Shareholders of June 20th, 2019¹⁵

ALEKSANDR ILYICH GAVRILOV, Chair for the Board of Directors, non-executive director¹⁶

YEAR OF BIRTH	1973
EDUCATION	University Degree. Graduated from Kuban State University majoring in Accounting and Audit, Kuban State Technological University majoring in Oil and Gas Field Development and Operation. Completed the following advanced training courses: – Risk Management at Ernst&Young LLC; – Organizing mobilization works in fuel and energy companies with mobilization assignments at FSAEI FVE IPK TEK; – Safety Knowledge Training and Assessment for Managers and Specialists at Federal State-Funded Institution Rostekhnadzor Academic Office; – First Aid for Workplace Accidents at International Education Academy LLC; – Emergency Management and Fire Safety Training for Chairpeople and Committee Members within the Framework of Civil Defence and National Emergency Warning and Recovery System at Kubanenergo PJSC Energy Institute for Advanced Training Further Professional Education Institution; – Participated in training programs on the Strategy and Tactics in the Age of Digitalization in Power Industry at Innopolis University. Holds a doctoral degree in Economics
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2013–2019	Director-General, Chair of the Management Board for Kubanenergo PJSC
2019 – present day	Chair of the Board of Directors at Kubanenergo PJSC
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 23.06.2014 to the present day

ALEKSANDR VIKTOROVICH VARVARIN, non-executive director:

YEAR OF BIRTH	1975
EDUCATION	University Degree. Graduated from the Institute of International Law and Economics n.a. A. S. Griboyedov majoring in Legal Studies
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2005 – present day	Managing director for the Corporate Relations and Legal Support Office of RUIR – the primary place of employment
2006 – present day	Director-General, Board member of the Corporate Relations Development and Economic Dispute Resolution Center Non-Commercial Partnership
2008 – present day	Board Chair for Interregional Self-Regulatory Organization of Professional Sequestrators Association Non-Commercial Partnership
2009–2016	Board of Directors member for Russian Public Opinion Research Center OJSC Board of Directors Chair for VNIPIneft OJSC
2011–2016	Board of Directors Chair of the Innovation Center for the Textile and Consumer Industry OJSC
2011–2017	Board of Directors member for IDGC of Volga PJSC
2012 – present day	Auditing Commission member for RR OJSC
2013–2015	Board of Directors Chair for Production and Scientific Center OJSC, CNIIMashindetal OJSC, CNIIPK OJSC, CNIILKA OJSC, CNIPIPK OJSC Board of Directors member for STLC OJSC, IDGC of North Caucasus OJSC
2014–2018	Grid Connection Committee Chair for the Board of Directors of Kubanenergo PJSC
2014–2017	Personnel and Remuneration Committee member for the Board of Directors of Kubanenergo PJSC
2016–2016	Board of Directors member at the All-Russian Research Institute for Oil Refining OJSC
2017–2018	Board of Directors member at Mosenergostroy CIC OJSC, Oil Recovery JSC
2018 – present day	Board member for the Institute of Internal Auditors Association
2018 – present day	Board of Directors member for IDGC of Center. Board of Directors' Audit and Grid Connection committee member at Kubanenergo PJSC
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 17.06.2013 to the present day

SERGEY VLADIMIROVICH KIRYUKHIN, non-executive director:

YEAR OF BIRTH	1979
EDUCATION	University Degree. In 2002, graduated from Tula State University majoring in Law and from Oryol Region Academy of Civil Service majoring in State and Municipal Management in 2010
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2014–2016	Deputy head for the Headquarters of the Investigative Committee of the Russian Federation
2017–2017	Adviser to Director-General at All-Russian Labour Federal State-Funded Research Institution of the Russian Ministry of Labor
2017–2018	Head of the Organizational and Analytical Office of Rostekhnadzor
2018 – present day	Acting Deputy Director-General (Head of the Executive Arm of Rosseti) – the primary place of employment
2018 – present day	Board of Directors Chair for Dagestanskaya Setevaya Kompaniya JSC, Auditing Commission Chair for Tumenenergo JSC, Yantarenergo JSC, CTZ JSC, FOCL-OPL Administration JSC
2018–2019	Auditing Commission Chair for Tyvaenergobytt JSC, Karachayevo-Cherkesskenergo JSC, Kalmenergosbyt JSC Board of Directors Chair for IDGC of North Caucasus PJSC.
2019 – present day	Board of Directors member for IDGC of Volga PJSC, Tyvaenergobytt JSC, Kabbalkenergo JSC, Dagestanskaya Energobytovaya Kompaniya PJSC, Sevkavkazenergo JSC, Karachayevo-Cherkesskenergo JSC, Kalmenergosbyt JSC. Auditing Commission member for MOESK PJSC, IDGC of Center PJSC, Lenenergo PJSC, IDGC of Center and Volga Region PJSC. Audit Committee Chair and Personnel Committee member for the Board of Directors of Kubanenergo PJSC. Audit Committee member and Personnel Committee Chair for the Board of Directors of IDGC of Volga PJSC. Audit Committee Chair and Personnel Committee member for the Board of Directors of IDGC of North Caucasus PJSC
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 20.06.2019 to the present day

¹⁴ Personal data disclosure consent mentioned in the Corporate Governance section was received from all persons currently or previously in the executive and control bodies of Kubanenergo PJSC.

¹⁵ In the statements of experience of the Board of Directors members, only the latest positions in each of the work places are given. All of the positions held by the Board of Directors members can be found in quarterly reports of the Issuer published online on www.kubanenergo.ru – For Shareholders and Investors / Information disclosure / Quarterly reports of the Issuer. Workplace information of the Board of Directors members and the positions they hold are given in accordance with the data provided to the Company by them at the end of the reporting year. The Company understands "the present day" as December 31st, 2019.

¹⁶ The member status for the Board of Directors (executive, non-executive, independent) is defined according to the criteria from the Corporate Governance Code.

MIKHAIL VLADIMIROVICH MEDVEDEV, independent director:

YEAR OF BIRTH	1969
EDUCATION	University Degree. Graduated from Saint-Petersburg State University of Economics and Finance majoring in Banking and Finance
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2011–2015	Director-General for VTM Engineering LLC
2011–2019	Deputy Director-General for Intratool Group LLC
2015–2018	Deputy Director-General for Economics and Finance at Safonovo Industrial Park LLC
2017 – present day	Reliability Committee member for the Board of Directors of Kubanenergo PJSC Strategy and Development Committee member for the Board of Directors of Tumenenergo JSC
2018 – present day	Adviser to Director-General of Avangard JSC – the primary place of employment
2019 – present day	Strategy Committee member for the Board of Directors of Kubanenergo PJSC
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 16.06.2017 to the present day

DMITRY VITALYEVICH LARIONOV, non-executive director:

YEAR OF BIRTH	1981
EDUCATION	University Degree. In 2003, graduated from the State University of Economics and Finance majoring in Financial Management
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2012 – present day	Deputy Director for the Department of Property Management, Head of the Land Property Relations and Disposition Office at Rosseti PJSC – the primary place of employment
2019 – present day	Board of Directors member for Federal Research Center PJSC, DVEUK ENES JSC
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 20.06.2019 to the present day

YELENA NIKOLAYEVNA OSIPOVA, non-executive director:

YEAR OF BIRTH	1984
EDUCATION	University Degree. Graduated from the Financial University under the Government of the Russian Federation (Moscow), the Institute of Accounting and Audit majoring in Accounting, Analysis, and Audit
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2014 – present day	Head of Financial Analysis Office at the Finance Department of Rosseti PJSC – the primary place of employment
2017–2018	Audit Committee member for the Board of Directors of Kubanenergo PJSC.
2019 – present day	Audit Committee member for the Board of Directors of Kubanenergo PJSC. Strategy Committee member for the Boards of Directors at IDGC of South PJSC, and IDGC of North Caucasus PJSC
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 16.06.2017 to the present day

VASILYI VLADIMIROVICH ROZHKOV, non-executive director:

YEAR OF BIRTH	1963
EDUCATION	University Degree. Graduated from Tomsk Institute of Control Systems and Radioelectronics majoring in Radio Engineering and Irkutsk State Technical University majoring in Electric Power Plants
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2008–2016	Deputy Head of Business Asset Management Department of FGC UES PJSC
2016 – present day	Director of the Production Activity Department, Deputy Chief Engineering Officer of Rosseti PJSC
2019 – present day	Board of Directors member at Chechenenergo JSC
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 20.06.2019 to the present day

OLGA ANDREYEVNA SERGEYEVA, non-executive director:

YEAR OF BIRTH	1984
EDUCATION	University Degree. Graduated from the Russian Academy of Economics n.a. G. V. Plekhanov majoring in Economics and Company Management (Construction)
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2010–2017	Deputy Head of Fuel and Energy Utility Department of Moscow
2017–2017	Deputy Head of Housing and Public Utility Department of Moscow
2018 – present day	Management Board member, Chief Adviser for Rosseti PJSC – the primary place of employment
2018 – present day	Board of Directors member at IDGC of South PJSC, MOESK PJSC, IDGC of Northwest PJSC, Lenenergo PJSC, IDGC of North Caucasus PJSC
2018–2019	Personnel and Remuneration Committee Chair for the Board of Directors of Kubanenergo PJSC
2019 – present day	Board of Directors member at FGC UES PJSC
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 25.05. 2018 to the present day

KSENIYA VALERYEVNA KHOKHOLKOVA, non-executive director:

YEAR OF BIRTH	1970
EDUCATION	University Degree. Graduated from the State Academy of Management n.a. Sergo Ordzhonikidze majoring in Business Administrations for Fuel and Energy Companies
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2008 – present day	Chief expert for the Securities and Disclosure Office at the Corporate Governance Department of Rosseti PJSC – the primary place of employment
2014–2015	Board of Directors member for Research Center of the Volga Region OJSC, Energoservice OJSC
2014–2016	Board of Directors member for Lenenergospetsremont OJSC. Strategy, Development, Investment, and Reform Committee member for the Board of Directors of Kubanenergo PJSC
2014–2017	Board of Directors member for the Energetik Healthcare Center OJSC
2014–2019	Audit Committee member and Chair for the Board of Directors of Kubanenergo PJSC
2015–2019	Board of Directors member for G.M.Krzhizhanovsky Power Engineering Institute OJSC
2019 – present day	Strategy Committee member for the Board of Directors of Kubanenergo PJSC Board of Directors member at Sotssfera JSC
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 23.06.2014 to the present day

IRINA ALEKSANDROVNA SHAGINA, non-executive director:

YEAR OF BIRTH	1979
EDUCATION	University Degree. Graduated from the All-Russian State Distance-Learning Institute of Finance and Economics majoring in Accounting and Audit, and from Vladimir Law Institute of Federal Penitentiary Service of Russia majoring in Law
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2011–2015	Deputy Head of Power Industry Regulation Office of Federal Tariff Service of Russia
2015 – present day	Director of Tariff Policy Department for Rosseti PJSC – the primary place of employment
2016–2018	Board of Directors member for IDGC of Volga PJSC
2017–2018	Strategy and Development Committee member for the Board of Directors of IDGC of Center PJSC, IDGC of Center and Volga Region PJSC, IDGC of North Caucasus PJSC
2017–2019	Audit Committee member for the Board of Directors of Kubanenergo PJSC
2018 – present day	Board of Directors member TRK PJSC, IDGC of Northwest PJSC
2018–2019	Strategy and Development Committee member for the Board of Directors of MOESK PJSC, IDGC of Urals PJSC
2019 – present day	Strategy Committee member for the Board of Directors of Kubanenergo PJSC, IDGC of Center PJSC, IDGC of Center and Volga Region PJSC, Lenenergo PJSC
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 16.06.2017 to the present day

VIKTOR KORNEYEVICH YAVORSKIY, independent director:

YEAR OF BIRTH	1955
EDUCATION	University Degree. Graduated from Moscow Power Engineering Institute majoring in Automated Control Systems
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2002 – present day	Director-General of Tsentri Technologiy LLC
2006 – present day	President of AKG OSBI KLASS LLC – the primary place of employment
2013 – present day	Executive Committee member for OPORA RUSSIA
2014 – present day	Director-General for TORI AUDIT LLC
2015–2019	Board of Directors.member for Tumenenergo JSC
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 20.06.2019 to the present day

THE PROPORTION OF INDEPENDENT DIRECTORS IN THIS COMPOSITION OF THE BOARD OF DIRECTORS IS 2/11.

THE COMPOSITION OF THE BOARD OF DIRECTORS ELECTED AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS ON MAY 25TH, 2018, AND ACTING UNTIL THE ELECTION OF THE NEW MEMBERS OF THE BOARD OF DIRECTORS ON JUNE 20TH, 2019:¹⁷

OLGA ANDREYEVNA SERGEYEVA, Chair for the Board of Directors

re-elected for the Board of Directors of the Company by a decree of the General Meeting of Shareholders of Kubanenergo PJSC of June 20th, 2019, see her detailed profile in the Acting Board of Directors section.

VLADIMIR FYODOROVICH GRITSENKO, independent director:

YEAR OF BIRTH	1965
EDUCATION	University Degree. Graduated from the Russian State University for the Humanities majoring in Law
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2012–2019	Business Development Director for Unitel Engineering LLC – the primary place of employment
2016–2019	Executive Committee member for OPORA RUSSIA. Strategy, Development, Investment and Reform Committee member for the Board of Directors of Kubanenergo PJSC. Investment Committee member for the Board of Directors of FGC UES PJSC
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 24.06.2016 to 20.06.2019

LYUDMILA VASILYEVNA SELIVANOVA, non-executive director:

YEAR OF BIRTH	1958
EDUCATION	University Degree. Graduated from Moscow State University n.a. M. V. Lomonosov majoring in Journalism Holds a candidate degree in Economics.
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2017 – present day	Chief Adviser for Rosseti PJSC – the primary place of employment
2018–2019	Board of Directors member IDGC of Volga PJSC, IDGC of South PJSC
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 25.05.2018 to 20.06.2019

¹⁷ In the statements of experience of the Board of Directors members, only the latest positions in each of the work places are given. All of the positions held by the Board of Directors members (in chronological order) can be found in quarterly reports of the Company published online on www.kubanenergo.ru. – For Shareholders and Investors / Information disclosure / Quarterly reports of the Issuer». Workplace information of the Board of Directors members and the positions they hold are given in accordance with the data provided to the Company by them as of March 31st, 2019.

ALEXEY SERGEYEVICH TYUKANKO, non-executive director:

YEAR OF BIRTH	1983
EDUCATION	University Degree. Graduated from Kurst State Technical University majoring in Due Diligence and Property Management and Law
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2013 – present day	Head of Organizational Support Department of Rosseti PJSC – the primary place of employment
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 25.05.2018 to 20.06.2019

KONSTANTIN VLADIMIROVICH TYURKIN, non-executive director:

YEAR OF BIRTH	1982
EDUCATION	University Degree. Graduated from Moscow State University n.a. M. V. Lomonosov majoring in Economics and Region Studies
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2013 – present day	Deputy Director for the Public and Media Relations Department at Rosseti PJSC – the primary place of employment
EMPLOYMENT PERIOD IN THE BOARD OF DIRECTORS OF KUBANENERGO PJSC	From 16.06.2017 to 20.06.2019

The following members of the Board of Directors in this composition were re-elected for the Board of Directors of the Company by a decree of the General Meeting of Shareholders of Kubanenergo PJSC of June 20th, 2019, see their detailed profiles in the Acting Board of Directors section:

Aleksandr Viktorovich Varvarin, non-executive director.
Aleksander Ilyich Gavrilov, executive director.
Mikhail Vladimirovich Medvedev, independent director.
Yelena Nikolayevna Osipova, non-executive director.
Kseniya Valeryevna Khokhlova, non-executive director.
Irina Aleksandrovna Shagina, non-executive director.

THE PROPORTION OF INDEPENDENT DIRECTORS IN THIS COMPOSITION OF THE BOARD OF DIRECTORS IS 2/11.

All persons in the Board of Directors of the Company during 2019 are the citizens of the Russian Federation.
None of the Company Board of Directors:

- owned the Company shares or closed transactions with them during the reporting year¹⁸;
- took training courses at the expense of the Company;
- had family ties with the officials in executive and/or financial and business control bodies of Kubanenergo PJSC;
- was held administratively liable for financial improprieties, offense regarding tax and fees or security market, or had any criminal record for economic crimes or crimes against the state;

- held any positions in the management bodies of any commercial organizations when bankruptcy procedures were initiated or implemented in these companies as specified by the insolvency laws of the Russian Federation;
- had any conflicts of interests with the Company in the reported year;
- received any loans (credits) from Kubanenergo PJSC.

¹⁸ According to the data provided to the Company by the Board of Directors members.

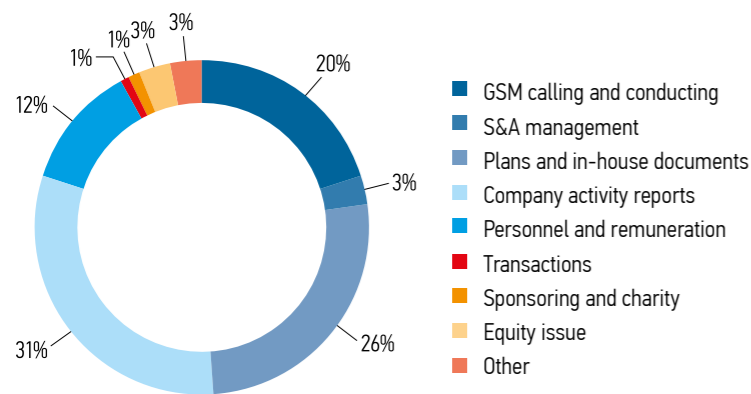
BOARD OF DIRECTORS ACTIVITIES

In 2019, a total of 44 meetings of the Board of Directors were conducted, 7 of those in person and absentia (including video conferences), and the rest in absentia (polling)

BOARD OF DIRECTORS ACTIVITIES IN 2017-2019.:

	2017	2018	2019
No. of Board of Directors meetings held	35	34	44
In-person and in absentia	3	2	7
No. of issues considered	169	147	149
No. of resolutions taken	169	147	149
Average involvement of the members of the Board of Directors in its activities	95.0%	98.3%	99.3%

STRUCTURE OF ISSUES CONSIDERED BY THE BOARD OF DIRECTORS OF THE COMPANY IN 2019



KEY RESOLUTIONS MADE BY THE BOARD OF DIRECTORS OF KUBANENERGO PJSC IN THE REPORTED YEAR:

THE FOLLOWING LONG-TERM COMPANY PLANS AND PROGRAMS WERE APPROVED:

- Energy loss reduction program for the Company grids;
- Business plan forecasted values;
- Changes to the investment program;
- Risk management system development and improvement plan;
- Concerning the promotion of cooperation with military industries

THE FOLLOWING ANNUAL AND QUARTERLY PLANS AND PROGRAMS OF THE COMPANY WERE

- Business plan;
- Roadmap for the actions to reduce the accounts receivable for energy transmission services;
- Purchase plan;
- Non-state pension program for the Company employees;
- Insurance coverage program;
- A development plan for production asset management system;
- Work plan for the Internal Audit Department;
- Target values for Company Director-General KPIs

THE FOLLOWING INTERNAL DOCUMENTS OF KUBANENERGO PJSC WERE APPROVED:

- A new revision of Rosseti PJSC Regulations on the Uniform Technical Policy – as an internal document;
- New revisions of the following:
 - Internal Audit Policy,
 - Insider Information Regulations,
 - Board of Directors Strategy Committee Regulations,
 - Brand Style Management Regulations
- Non-core Assets Register;
- Amendments made to the Procedure for calculating and evaluating the Director-General KPI implementation

THE COMPANY JOINED THE FOLLOWING:

- The Digital Transformation 2030 concept of Rosseti PJSC;
- The single brand style standard of Rosseti PJSC and Rosseti Group companies

DRAFTS OF NEW REVISIONS OF THE ARTICLES OF ASSOCIATION AND INTERNAL REGULATIONS WERE CONSIDERED AND SUGGESTED FOR APPROVAL TO THE ANNUAL GENERAL MEETING OF THE COMPANY SHAREHOLDERS

DIRECTOR GENERAL REPORTS ON VARIOUS ASPECTS OF THE COMPANY FINANCIAL AND BUSINESS ACTIVITIES AND BOARD OF DIRECTORS RESOLUTIONS IMPLEMENTATION RATE WERE CONSIDERED (TYPICALLY ON A QUARTERLY BASIS)

THE FOLLOWING RESOLUTIONS WERE TAKEN:

- concerning the additional issue of Company shares;
- concerning the purchase of Company listed bonds

CHANGES WERE MADE TO THE PERSONNEL COMPOSITION OF THE COMPANY EXECUTIVE BODIES. PERSONNEL COMPOSITIONS FOR THE BOARD OF DIRECTORS COMMITTEES WERE MADE

AT IN-PERSON AND IN-ABSENTIA MEETINGS (INCLUDING THE VIDEO CONFERENCES) IN THE REPORTED YEAR, THE BOARD OF DIRECTORS ACHIEVED THE FOLLOWING:

- Company business plans approval for 2019 and 2020, consideration of the forecast values for 2020-2023 and 2021-2024, as well as the energy loss reduction program for the Company grids;
- Approval of the report on the internal audit plan implementation for 2018;
- Consideration of the following reports:
 - On the implementation of the development plan for the production asset management system in 2018;
 - On the results of business plan and investment program implementation in 2018, as well as the 1st quarter and the first 6 months of 2019;
 - On the implementation rate of the priority investment projects in the 2nd quarter of 2019.

All of the Board of Directors members that were at the same time members of the Committees participated in all Committee meetings, except for I. A. Shagina who did not participate in the Audit Committee meeting on 10.04.2019.

At the first meeting of the new composition of the Board of Directors, the Chair was elected.

The Board of Directors approved the work plan for the corporate year on 05.09.2019, which included the following aspects:

- Strategic development of the Company;
- Mid-term and routine planning of the Company operations;
- Board of Directors activity arrangements;
- Implementation control for the resolutions of the Board of Directors and the General Meeting of Shareholders.

THE BOARD OF DIRECTORS WORK PLANE INCLUDES:

- Issues to be considered at the Board of Directors meetings;
- Scheduled dates for issue consideration up to a month;
- Holding form for the meetings of the Board of Directors;
- The list of persons (Company executive bodies) responsible for the preparation of issues to be considered at the meetings of the Board of Directors

The meeting minutes of Kubanenergo PJSC Board of Directors are published online on www.kubanenergo.ru – About the Company / Management / Board of Directors.

Committees of the Board of Directors

In order to provide for the efficient implementation of the general governance of the Company by its Board of Directors, the following Committees were set up:

- Reliability Committee,
- Audit Committee,
- Strategy Committee¹⁹,
- Personnel and Remuneration Committee,
- Grid Connection Committee.

Committees are collective advisory bodies engaged into the preliminary consideration of the issues within the competence of the Board of Directors or under investigation of the Board of Directors to control the activities of the Company executive bodies and develop necessary recommendations for Kubanenergo PJSC Board of Directors and executive bodies. They also consider other issues by order of the Board of Directors.

The activities of each of the Committees are subject to respective Regulations²⁰. Personnel compositions of the Committees and

their chairpeople are elected by the Board of Directors of the Company from the candidates among the Board of Directors at one of the first Board meetings in the new composition. Audit and Strategy Committee members remain in office up to the next election of these Committees. Members of other Committees remain in office up to the first meeting of the newly elected Board of Directors.

As a rule, at one of the first meetings of each of the newly elected Committees, the following is approved: work plans for the current corporate year, actions developed based on the Board

of Directors work plan, Board and Committee resolutions, suggestions from the Committee member and Director-General. Progress reports for the corporate year of 2018/2019 from the Committees were considered by the Kubanenergo PJSC Board of Directors on 19.06.2019.

In the reporting year, all issues to be preliminarily considered by the Board Committees were considered in a timely manner.



RELIABILITY COMMITTEE

COMMITTEE CREATION DATE	15.09.2006
MEETING MINUTES DATE AND NUMBER FOR THE COMPANY BOARD OF DIRECTORS, AT WHICH THE COMMITTEE REGULATION WAS APPROVED (IN THE CURRENT REVISION)	21.07.2017 No. 281/2017
THE KEY OBJECTIVES OF THE COMMITTEE	<p>Developing and giving recommendations (conclusions) to the Company Board of Directors on the following aspects of their activities:</p> <ul style="list-style-type: none"> • assessment of production programs, plans for retrofitting and upgrading, reconstruction, new construction and repair of power facilities, analysis of their development and execution from the point of view of satisfying the requirements for operational reliability and technical condition of electric grids; • adequacy and sufficiency assessment for actions taken as a result of accident investigation and their implementation control; • analysis of the quality of the investigation into the causes of technological violations (accidents); • assessment of the Company's emergency response work (preparedness, organization, and conduct of emergency response and recovery works at power supply facilities); • analysis and implementation control for the programs of prevention and personnel and third-party injury risk mitigation at the Company's power units; • monitoring and evaluation of the Company's engineering teams in terms of ensuring the reliability of electric grids and industrial safety; • analysis of the internal technical control system in the Company; • examination of the occupational safety management system; • analysis of the Environmental Policy Implementation Program; • examination of fire and industrial safety systems.
THE PERSONNEL COMPOSITION OF THE COMMITTEE IN OFFICE IN THE REPORTED YEAR²¹	<p>Board Committee acting from 30.07.2018 to 21.06.2019:</p> <ol style="list-style-type: none"> 1. Vladimir Anatolyevich Ukolov (Committee chair), Deputy Director for the Situation and Analytical Center of Rosseti PJSC; 2. Eduard Valeryevich Bogomolov, First Deputy Director for the Engineering Supervision Center of Rosseti PJSC; 3. Mikhail Vladimirovich Medvedev, Deputy Director-General for Intratool Group LLC, member of Kubanenergo PJSC Board of Directors; 4. Olga Vyacheslavovna Ocheredko, Deputy Director-General for Economics and Finance, member of Kubanenergo PJSC Management Board; 5. Igor Nikolayevich Shishigin, Deputy Director-General for Engineering Issues, Chief Engineer, member of Kubanenergo PJSC Management Board. <p>The current composition of the Committee (elected on 16.08.2019):</p> <ol style="list-style-type: none"> 1. Vladimir Anatolyevich Ukolov (Committee chair), Deputy Director for the Situation and Analytical Center of Rosseti PJSC; 2. Eduard Valeryevich Bogomolov, First Deputy Director for the Engineering Supervision Center of Rosseti PJSC; 3. Mikhail Vladimirovich Medvedev, Deputy Director-General for Intratool Group LLC, member of Kubanenergo PJSC Board of Directors; 4. Olga Vyacheslavovna Ocheredko, Deputy Director-General for Economics and Finance, member of Kubanenergo PJSC Management Board; 5. Igor Nikolayevich Shishigin, Deputy Director-General for Engineering Issues, Chief Engineer, member of Kubanenergo PJSC Management Board.

²⁰ The Regulations on the Board of Directors Committees of the Company are published online on www.kubanenergo.ru – About the Company / Constituent and in-house documents.

²¹ Here and elsewhere the positions of the Board Committee members are stated as of the moment of their election to the Committee.

RESULTS OF COMMITTEE WORK IN THE REPORTED YEAR	<p>In 2019, there were 11 meetings of the Reliability Committee (3 in presence and the rest in absentee voting) and 34 issues were considered.</p> <p>In the reporting year, the Committee provided the Board of Directors with conclusions (recommendations) on the following crucial issues:</p> <ul style="list-style-type: none"> • approval of the following: <ul style="list-style-type: none"> - an adjd development plan for the production asset management system in 2019; - implementation report on the Company innovative development program; • consideration of the following reports: <ul style="list-style-type: none"> - on the implementation of the investment program in terms of providing its comprehensive reliability; - on the results of Company operation readiness test, as well as the arrangement and performance of emergency recovery works in the autumn and winter of 2019-2020; - on the works performed in the corporate year of 2018-2019 by the Reliability Committee of the Board of Directors; - on the implementation of the development plan for the production asset management system in Kubanenergo PJSC. - In the reporting year, the Reliability Committee of the Board of Directors also considered the following: <ul style="list-style-type: none"> • targeted programs for production activities in 2019-2023; • maintenance and repair program for 2019; • the following Company management reports: <ul style="list-style-type: none"> - on the Company results after the autumn and winter, high-water, and thunderstorm periods; - on the preparedness to the operation in the autumn and winter, fire and high-water periods; - on the implementation of the maintenance and repair program for the Company facilities; - on the implementation of the action plan aimed at removing bottlenecks impacting the reliable power supply to the Company customers; - on the implementation of comprehensive programs on injury risk mitigation for the Company personnel and third-parties; • the quality assessment of the accident cause investigations and the assessment of the adequacy and sufficiency of actions to neutralize them; • the data on service reliability values subject to tariff regulation. <p>The proportion of the issues considered preliminary by the Reliability Committee on which it prepared recommendations for the Board of Directors to the total number of issues considered by the Committee for 2018 is 35.1%, and for 2019 – 29.4%.</p> <p>The average involvement of the Committee members in its work for 2018 is 96.8%, and for 2019, it is 98.8%.</p>
---	---

AUDIT COMMITTEE

COMMITTEE CREATION DATE	16.10.2009
MEETING MINUTES DATE AND NUMBER FOR THE COMPANY BOARD OF DIRECTORS, AT WHICH THE COMMITTEE REGULATION WAS APPROVED (IN THE CURRENT REVISION)	18.03.2016 No. 233/2016 with amendments made on 28.10.2016 No. 253/2016
THE KEY OBJECTIVES OF THE COMMITTEE	<ul style="list-style-type: none"> • consideration of the accounting (financial) statements of the Company and the supervision over the process of their preparation; • control over the reliability and efficiency of the Internal Control System, the Risk Management System, and the corporate governance practices; • control over the performance of an external audit and the selection of an auditor; • ensuring independence and objectivity of the internal audit; • Efficiency monitoring for the system of counteracting unethical practices on the part of the Company employees and third parties.
THE PERSONNEL COMPOSITION OF THE COMMITTEE IN OFFICE IN THE REPORTED YEAR	<p>Board Committee acting from 30.07.2018 to 16.08.2019:</p> <ol style="list-style-type: none"> 1. Kseniya Valeryevna Khokhlova (Committee chair), Chief expert for the Securities and Disclosure Office at the Corporate Governance Department of Rosseti PJSC, member of Kubanenergo PJSC Board of Directors; 2. Aleksandr Viktorovich Varvarin, Managing director for the Corporate Relations and Legal Support Office of RUIR, member of Kubanenergo PJSC Board of Directors; 3. Irina Aleksandrovna Shagina, Director for Tariff Policy Department at Rosseti PJSC, member of Kubanenergo PJSC Board of Directors.

RESULTS OF COMMITTEE WORK IN THE REPORTED YEAR	<p>The current composition of the Committee (elected on 16.08.2019):</p> <ol style="list-style-type: none"> 1. Sergey Vladimirovich Kiryukhin (Committee chair), Acting Deputy Director-General (Head of the Executive Arm of Rosseti), member of Kubanenergo PJSC Board of Directors; 2. Aleksandr Viktorovich Varvarin, Managing director for the Corporate Relations and Legal Support Office of RUIR, member of Kubanenergo PJSC Board of Directors; 3. Yelena Nikolayevna Osipova, Head of Financial Analysis Office at the Finance Department of Rosseti PJSC, member of Kubanenergo PJSC Board of Directors.
---	---

RESULTS OF COMMITTEE WORK IN THE REPORTED YEAR	<p>In 2019, there were 17 meetings of the Audit Committee (7 in presence and the rest in absentee voting) and 47 issues were considered, including the following:</p> <ul style="list-style-type: none"> • preliminary approval received for the nomination of the external auditor of the Company to carry out the audit of the Company accounting (financial) statements for 2019 prepared in compliance with RAS and the audit of consolidated financial statements for 2019 prepared in compliance with IFRS (minutes No. 81/2019 dated 16.04.2019); • efficiency assessment for the external audit of the Company accounting (financial) statements in 2018, including the evaluation of the conclusion given by the external auditor (minutes No. 80/2019 dated 15.04.2019); • data concerning the key problems with the Company accounting (financial) statements) provided in writing by the external audit was considered periodically (minutes No. 80/2019 dated 15.04.2019 and No. 94/2019 dated 24.12.2019); • information was discussed concerning the non-standard operations and events in the Company, as well as concerning the formation of the bad-debt reserves and liability estimates (minutes No. 81/2019 dated 16.04.2019); • the analysis was carried out for the key aspects of the accounting policy and its changes (minutes No. 94/2019 dated 24.12.2019); • the Company accounting (financial) statements prepared in accordance with the RAS were considered periodically, as well as the consolidated financial statements prepared in accordance with IFRS (minutes No. 80/2019 dated 15.04.2019, No. 84/2019 dated 11.06.2019, No. 88/2019 dated 20.09.2019, and No. 92/2019 dated 15.11.2019); • the new revision of the Internal Audit Policy for the Company was considered before the approval by the Board of Directors (minutes No. 91/2019 dated 08.11.2019); • Audit Committee report on the results of its work in the corporate year of 2018-2019 was considered to be submitted to the Board of Directors of the Company (minutes No. 83/2019 dated 06.05.2019); • 2020 internal audit plan and budget were approved (minutes No. 93/2019 dated 28.11.2019); • reports on the work plan implementation and internal audit results were considered periodically (minutes No. 79/2019 dated 26.02.2019, No. 84/2019 dated 11.06.2019, No. 88/2019 dated 20.09.2019, and No. 92/2019 dated 15.11.2019); • information from the management concerning the implementation of the Company Internal Control Policy was considered (minutes No. 90/2019 dated 04.10.2019); • Company management information on the implementation of the corrective action plans to eliminate problems found by the Company Auditing Commission, external regulatory (supervisory) bodies, and on the implementation of actions taken upon the reports of potential unethical practices of the personnel and investigation results were considered periodically (minutes No. 79/2019 dated 26.02.2019 and No. 88/2019 dated 20.09.2019); • internal audit report on the efficiency of the internal control and the system of risk management in the Company was considered (minutes No. 82/2019 dated 15.04.2019). <p>The proportion of the issues considered preliminary by the Audit Committee on which it prepared recommendations for the Board of Directors to the total number of issues considered by the Committee for 2018 is 40.5%, and for 2019 – 44.7%. The average involvement of the Committee members in its work for 2018 is 94.4%, and for 2019, it is 97.9%. Throughout 2019, the Board of Directors of the Company considered the following issues concerning the operation and efficiency of the internal control and internal audit systems:</p> <ul style="list-style-type: none"> • approval of the internal audit report on the work plan performance and internal audit activity results (minutes No. 336/2019 dated 05.04.2019); • consideration of the format for independent external assessment of the internal audit (minutes No. 355/2019 dated 02.08.2019); • Consideration of the Director-General's report on the arrangement and operation of the internal control system, including the information on the implementation of actions aimed at its improvement for 2018. (minutes No. 357/2019 dated 13.08.2019); • consideration of the Company internal audit report on the efficiency assessment for the internal control system (minutes No. 357/2019 dated 13.08.2019); • consideration of the results of the independent external efficiency assessment for the internal control system and the approval of the action plan aimed at maintaining the efficiency and developing the internal control system (minutes No. 369/2019 dated 25.12.2019); • approval of the revised Internal Audit Policy (minutes No. 369/2019 dated 25.12.2019); • consideration of the results of the independent external assessment of internal audit quality (minutes No. 373/2019 dated 31.12.2019). <p>The information on the efficiency assessment for the internal control system of the Company in the reported year can be found in the Internal Control System section.</p>
---	--

STRATEGY COMMITTEE²²

COMMITTEE CREATION DATE	05.02.2010
MEETING MINUTES DATE AND NUMBER FOR THE COMPANY BOARD OF DIRECTORS, AT WHICH THE COMMITTEE REGULATION WAS APPROVED (IN THE CURRENT REVISION)	16.08.2019 No. 358/2019
THE KEY OBJECTIVES OF THE COMMITTEE	development and submission to the Board of Directors of recommendation (conclusion) concerning the following issues: <ul style="list-style-type: none"> • strategic development and priorities; • innovative development of the Company; • organization of business processes; • business planning; • dividend policy; • risk management; • efficiency assessment for the operations of the Company and its subsidiaries and affiliates.
THE PERSONNEL COMPOSITION OF THE COMMITTEE IN OFFICE IN THE REPORTED YEAR	Board Committee acting from 30.07.2018 to 16.08.2019 (with amendments dated 06.07.2019): <ol style="list-style-type: none"> 1. Aleksey Igorevich Pavlov (Committee chair), Director of the Treasury Department at Rosseti PJSC; 2. Aleksandr Yuryevich Bogomolov, Chief Specialist for the Strategic Development Department of Rosseti PJSC; 3. Vladimir Fyodorovich Gritsenko, Business Development Director for Unitel Engineering LLC, member of Kubanenergo PJSC Board of Directors; 4. Konstantin Sergeevich Guselnikov, Director-General for Fininvestkonsalting LLC; 5. Tatyana Aleksandrovna Ivanova, Deputy Director for the Tariff Policy Department of Rosseti PJSC; 6. Dmitriy Vasilyevich Mikryukov, Chief Expert for the Informal Planning and Accounting Office at the Investment Department of Rosseti PJSC; 7. Olga Vyacheslavovna Ocheredko, Deputy Director-General for Economics and Finance at Kubanenergo PJSC, member of Kubanenergo PJSC Management Board; 8. Vladimir Vladimirovich Sofyin, Director for the Department of Technological Development and Innovations at Rosseti PJSC. <p>The current composition of the Committee (elected on 16.08.2019 and amended on 11.10. 2019 and 15.11.2019):</p> <ol style="list-style-type: none"> 1. Yuliya Gennadyevna Obrezkova (Committee Chair), Deputy Director for the Strategy Department of Rosseti PJSC; 2. Konstantin Sergeevich Guselnikov, Director-General for Fininvestkonsalting LLC; 3. Mikhail Vladimirovich Medvedev, Adviser to Director-General of Avangard JSC, member of Kubanenergo PJSC Board of Directors; 4. Sergey Ivanovich Miromanov, Head of the Consolidation and Transaction Efficiency Assessment Office at the Property Management Department of Rosseti PJSC; 5. Olga Vyacheslavovna Ocheredko, Deputy Director-General for Economics and Finance at Kubanenergo PJSC, member of Kubanenergo PJSC Management Board; 6. Maksim Mikhailovich Pokalyuk, Head of the Innovation Project Implementation Office at the Department of Technological Development and Innovation of Rosseti PJSC; 7. Yekaterina Aleksandrovna Rudenko, Deputy Head of the Strategic Development and Capital Markets Office at the Strategy Department of Rosseti PJSC; 8. Irina Aleksandrovna Shagina, Director for Tariff Policy Department at Rosseti PJSC, member of Kubanenergo PJSC Board of ; 9. Kseniya Valeryevna Khokholkova, Chief Expert for the Securities and Disclosure Office at the Corporate Governance Department of Rosseti PJSC, member of Kubanenergo PJSC Board of Directors; 10. Eduard Mikhailovich Sheremetsev, Deputy Director for the Digital Transformation Department of Rosseti PJSC.

RESULTS OF COMMITTEE WORK IN THE REPORTED YEAR	In 2019, 14 meetings of the Strategy Committee were held (2 in presence and in absentia and the rest in absentee voting), a total 38 issues were considered and recommendations to the Board of Directors were developed on the following crucial issues: <ul style="list-style-type: none"> • consideration of the Company business plan; • approval of amendments made to the procedure for calculating and evaluating the Director-General KPI implementation; • approval of target KPI values for Director-General; • approval of reports: <ul style="list-style-type: none"> - KPI implementation by the Director-General of the Company; - implementation of the innovative development program; • approval of the Company expense budget for the 1st quarter of 2019; • update of the Company register of non-core assets; • consideration of suggestion for the extraordinary Meeting of Company Shareholders concerning the increase of the authorized capital; • consideration of actions aimed at supporting the efficient risk management system; • consideration of the following reports: <ul style="list-style-type: none"> - on the implementation of the Company business plan and investment program; - on the management of key operational risks; - on the organization, operation, and efficiency of the risk management system; - on the implementation rate of the priority investment projects, etc. <p>The proportion of the issues considered preliminary by the Strategy Committee on which it prepared recommendations for the Board of Directors to the total number of issues considered by the Committee for 2018 is 87.5%, and for 2019 – 81.6%. The average involvement of the Committee members in its work for 2018 is 93.9%, and for 2019, it is 89.0%.</p>
---	--

PERSONNEL AND REMUNERATION COMMITTEE

COMMITTEE CREATION DATE	06.08.2010
MEETING MINUTES DATE AND NUMBER FOR THE COMPANY BOARD OF DIRECTORS, AT WHICH THE COMMITTEE REGULATION WAS APPROVED (IN THE CURRENT REVISION)	01.08.2014 No. 194/2014
THE KEY OBJECTIVES OF THE COMMITTEE	development and submission to the Board of Directors of recommendation (conclusion) concerning the following issues: <ul style="list-style-type: none"> • picking selection and evaluation criteria for the Board of Directors and Company executive body candidates; • defining the principles and criteria for the remuneration size selection for the members of Company executive bodies; • defining the key provisions of the contracts with the members of the Board of Directors and executive bodies; • regular assessment of Director-General's and Management Board members' work; • determining remunerations for the members of the Board of Directors
THE PERSONNEL COMPOSITION OF THE COMMITTEE IN OFFICE IN THE REPORTED YEAR	Board Committee acting from 30.07.2018 to 21.06.2019: <ol style="list-style-type: none"> 1. Olga Andreyevna Sergeyeva (Committee Chair), Deputy Director-General (Head of the Executive Arm of Rosseti), Chair of Kubanenergo PJSC Board of Directors; 2. Dmitriy Aleksandrovich Chevkin, Director for HR Policy and Organization Development Department at Rosseti PJSC; 3. Natalia Ilyinichna Erpsher, Head of Organization Development Office of HR Policy and Organization Development Department at Rosseti PJSC.

²² The Strategy, Development, Investment and Reform Committee is in office until 16.08.2019.

	<p>The current composition of the Committee (elected on 16.08.2019):</p> <ol style="list-style-type: none"> Larisa Anatolyevna Romanovskaya (Committee Chair), Deputy Director-General for Relations with Government Agencies of Rosseti PJSC; Sergey Vladimirovich Kiryukhin, Acting Deputy Director-General (Head of the Executive Arm of Rosseti), member of Kubanenergo PJSC Board of Directors; Natalia Ilyinichna Erpsher, Head of the Personnel Recruitment and Development Office of the HR Management Department of Rosseti PJSC.
<p>RESULTS OF COMMITTEE WORK IN THE REPORTED YEAR</p>	<p>In 2019, there were 8 meetings of the Personnel and Remuneration Committee, all of which were performed via in-absentee voting. A total of 20 issues were considered. Recommendations were made for the Board of Directors concerning the following issues:</p> <ul style="list-style-type: none"> changes to the Management Board Lineup; changes to the regulations on incentives for the Director-General and top managers; approval of amendments made to the procedure for calculating and evaluating the Director-General KPI implementation; approval of target KPI values for Director-General; approval of KPI implementation reports of Director-General; preliminary approval of candidates for the positions defined by the Board of Directors of the Company consideration of the progress report by the Corporate Secretary of Kubanenergo PJSC; Consideration of the organizational structure of the executive arm. <p>Besides, the Committee considered the performance results of the Deputy Director-General for Controlling and recommended that Director-General should prolong his contract for a new term.</p> <p>The proportion of the issues considered preliminary by the Personnel and Remuneration Committee on which it prepared recommendations for the Board of Directors to the total number of issues considered by the Committee for 2018 is 61.9%, and for 2019 – 80.0%.</p> <p>The involvement of the Committee members in its work for 2018 and for 2019 is 100%.</p>

GRID CONNECTION COMMITTEE

<p>COMMITTEE CREATION DATE</p>	<p>11.10.2011</p>
<p>MEETING MINUTES DATE AND NUMBER FOR THE COMPANY BOARD OF DIRECTORS, AT WHICH THE COMMITTEE REGULATION WAS APPROVED (IN THE CURRENT REVISION)</p>	<p>19.07.2017 No. 281/2017</p>
<p>THE KEY OBJECTIVES OF THE COMMITTEE</p>	<p>development of recommendations (conclusions) to the Board of Directors concerning the following issues:</p> <ul style="list-style-type: none"> improvement of the legal framework of the antitrust law and ensuring equal-opportunity access to the grid connection services; improvement of the Company's internal standards for ensuring equal-opportunity access to the services of connecting customers to power grids; development of principles and criteria for assessing the Company's performance efficiency regarding connecting customers to power grids; assessment of the Company's performance efficiency regarding connecting customers to power grids; assessment of the Company performance efficiency in the improvement of electric grid development plans in the regions of presence; analysis of the current situation in the Company and the preparation of suggestions for the Board of Directors concerning customers' grid connection and the future development of the grid in general.

<p>THE PERSONNEL COMPOSITION OF THE COMMITTEE IN OFFICE IN THE REPORTED YEAR</p>	<p>Board Committee acting from 21.09.2018 to 21.06.2019:</p> <ol style="list-style-type: none"> Aleksandr Mikhailovich Pyatigor (Committee Chair), Acting Deputy Director-General for the Development and implementation of services of Rosseti PJSC; Aleksandr Viktorovich Varvarin, Vice President – Managing director for the Corporate Relations and Legal Support Office of FD RUIR, member of Kubanenergo PJSC Board of Directors; Aleksandr Yuryevich Korneyev, Director for the Development Planning and Grid Connection Department of Rosseti PJSC; Vyacheslav Yuryevich Kostetskiy, Deputy Director-General for Development and Grid Connection, member of Kubanenergo PJSC Management Board. <p>The current composition of the Committee (elected on 16.08.2019):</p> <ol style="list-style-type: none"> Aleksandr Mikhailovich Pyatigor (Committee Chair), Deputy Director-General for Implementation of Services of Rosseti PJSC; Aleksandr Viktorovich Varvarin, Managing director for the Corporate Relations and Legal Support Office of RUIR, member of Kubanenergo PJSC Board of Directors; Vladimir Aleksandrovich Davydkin, Head of the Grid Connection Office, Service Sales Department of Rosseti; Vyacheslav Yuryevich Kostetskiy, Assistant to Director-General of Kubanenergo PJSC (as of 31.12.2019); Andrey Vladimirovich Lyashko, Deputy Minister of Fuel, Energy, and Utilities of Krasnodar Territory.
<p>RESULTS OF COMMITTEE WORK IN THE REPORTED YEAR</p>	<p>In 2019, there were 11 meetings of the Grid Connection Committee (2 in presence and in absentia, and the rest via absentee voting). A total of 25 issues were considered, including the following:</p> <ul style="list-style-type: none"> development of recommendation to the Board of Directors concerning the approval of the corrective action plan to eliminate problems in the Company, found by the Ministry of Energy of Russia during the field inspections of Rosseti PJSC subsidiaries and affiliates; analysis of the situation with grid connection at the end of the first half of the year and 9 months of 2019, based on which the Company management received certain recommendations; monitoring of the Company actions concerning customer grid connection to the Company lines; regular analysis of grid connections for small and medium companies and the implementation of actions aimed at making the Company grid connection more accessible; The following reports were considered: <ul style="list-style-type: none"> on the Company involvement in the Drafting of the Regional Electric Power Industry Development Roadmap; on the preparation of comprehensive development programs for electric grids with a voltage of 35 kV or more in the Krasnodar territory and the Republic of Adygeya for the next 5 years; on the implementation of grid connection contracts with breached deadlines; on the implementation of the corrective action plan to eliminate problems in the Company, found by the Ministry of Energy of Russia during the field inspections of Rosseti PJSC subsidiaries and affiliates; The following reports were considered on a regular basis: <ul style="list-style-type: none"> on the schedule compliance for the overdue grid connection contracts; on the implementation of KPIs for grid connection schedule compliance and improving the utilization rate of the grid equipment capacity. <p>The proportion of the issues considered preliminary by the Grid Connection Committee on which it prepared recommendations for the Board of Directors to the total number of issues considered by the Committee for 2018 is 12%, and for 2019 – 16%.</p> <p>The involvement of the Committee members in its work for 2018 is 100%, and for 2019 – 97.2%.</p>

Executive bodies

The management of the current operations of Kubanenergo PJSC is done by a sole executive body, i.e. Director-General, and a collective executive body, i.e. the Management Board.

Director-General and the Management Board report to the General Meeting of Shareholders and the Board of Directors of the Company.

Following the Articles of Association of the Company, Director-General is elected by the Board of Directors and is the Chair of the Management Board. All the Management Board members are also elected by the Board of Directors, as suggested by the Director-General and to the number determined by the resolution of the Board of Directors.

Each of the Management Board members including the Chair has the experience, knowledge, and qualifications necessary to properly fulfill their duties. Director-General and the members of the Management Board act in good faith and the best interests of the Company and all of its shareholders. To prevent any conflicts of interests and the related adverse impacts for the Company, the members of the Management Board shall disclose to the Company all and any information about their business activities outside the interests of the Company.

DIRECTOR-GENERAL:

Following the Articles of Association of Kubanenergo PJSC, the Director-General governs the current operations of the Company according to the resolutions of the General Meeting of Shareholders, Board of Directors and Management Board.

The competence of the Director-General includes all of the aspects of current operations management in the Company, except the aspects in the competence of the General Meeting of Shareholders, Board of Directors, and Management Board.

Director-General of Kubanenergo PJSC acts on the behalf of the Company without powers of attorney and taking into consideration the restrictions provided in the existing legislation, the Articles of Associations, and the resolutions of the Board of Directors of the Company.

The following persons performed the functions of the sole executive body of Kubanenergo PJSC:

- until 03.06.2019 – Aleksandr Ilyich Gavrillov, Director-General²³;
- From 04.06.2019 to 17.07.2019 – Igor Nikolayevich Shishigin, acting Director-General (part-time);
- From 18.07.2019 to the present day – Sergey Vladimirovich Sergeev, Director-General²⁴.

²³ Detailed information on A. I. Gavrillov can be found in the section on the current composition of the Board of Directors of the Company.

²⁴ Detailed information on S. V. Sergeev and I. N. Shishigin can be found in the section on the composition of the Management Board of the Company.

MANAGEMENT BOARD

The Management Board is responsible for the practical implementation of the goals, strategy, and Company policies and managing the current operations within the scope of its competence.

The key objectives of the Management Board are as follows:

- ensuring respect for the rights and legitimate interests of the Company shareholders;
- preparing suggestions concerning the development strategy of the Company;
- implementing the Financial and Economic Policy of the Company, developing decisions on the major issues related to its current economic operations and coordinating the operation of its departments;

- increasing the efficiency of the internal control and risk monitoring systems;
- ensuring a high level of income from the Company assets and the maximum profit from the Company operations.

The Company Management Board acts in compliance with the Articles of Association and the Regulations on the Management Board²⁵, as approved by the resolution of the General Meeting of the Company Shareholders.

Management Board Lineup

During the reporting year, the composition of the Management Board underwent the following changes due to personnel movements:

- The number of Management Board members reduced from 10 to 9 people;
- The powers of the following members of the Company Management Board were terminated: Lyudmila Alekseyevna Golovakha, Dmitriy Nikolayevich Golovakha, Andrey Valeryevich Golov, Vyacheslav Yuryevich Kostetskiy, Vladislav Andreyevich Statuyev;

- The following Company Management Board members were elected: Roman Alekseyevich Belenko – Deputy Director-General, Vladimir Andreyevich Skladchikov – Deputy Director-General for Development and Grid Connection, and Maksim Mikhailovich Shchepakina – Deputy Director-General – Head of the Executive Arm of Kubanenergo PJSC.

THE MANAGEMENT BOARD COMPOSITION ACTIVE AT THE END OF THE REPORTING YEAR²⁶

SERGEY VLADIMIROVICH SERGEYEV, Management Board Chair:

YEAR OF BIRTH	1976
EDUCATION	University Degree. Graduated from Novocherkassk State Technical University majoring in Industrial and Civil Engineering and the Academy of National Economy under the Government of the Russian Federation majoring in Economics, Management, Finance and Legal Framework for Joint-Stock Companies Completed the following advanced training courses: At the Interbranch Regional Center for Further Training and Retraining of Irkutsk State Technical University; <ul style="list-style-type: none"> • At the Institute for Further Training of Fuel and Energy Company Managers and Specialists; • The Bases of Modern Electrical Engineering at Moscow Power Engineering Institute; • At VolgaPromAudit Expert Center LLC; • Labor Safety Training for Managers and Specialists at Kubanenergo PJSC Energy Institute for Advanced Training Further Professional Education Institution
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2013–2019	Deputy Director-General for Capital Construction, Rosseti PJSC
2014–2015	Board of Directors member for Tumenenergo OJSC, Kubanenergo OJSC, and IDGC of Urals PJSC
2016 – present day	Board of Directors member at FGC UES PJSC and Lenenergo PJSC
2019 – present day	Board of Directors member at MOESK PJSC
2019 – present day	Director-General of Kubanenergo PJSC
THE OFFICE ENTRY DATE FOR KUBANENERGO PJSC MANAGEMENT BOARD CHAIR	18.07.2019

²⁵ The Regulations on the Management Board of Kubanenergo PJSC is published online on www.kubanenergo.ru – About the Company / Constituent and in-house documents.

²⁶ In the statements of experience of the Management Board members, only the latest positions in each of the work places are given. All of the positions held by the Management Board members (in chronological order) can be found in quarterly reports of the Company published online on www.kubanenergo.ru – For Shareholders and Investors / Information disclosure / Quarterly reports of the Issuer.

EDGAR GARRIYEVICH ARMAGANYAN

YEAR OF BIRTH	1984
EDUCATION	<p>University Degree. Graduated from Kuban State University majoring in Electrification and Automation, and Moscow Institute of Entrepreneurship and Law majoring in Organizational Management.</p> <p>Received occupational training under the following program:</p> <ul style="list-style-type: none"> Organizational Management at MSTU n.a. N. E. Bauman at Kubanenergo Training Center; Law: Civil Law Relations at Kuban State University. <p>Completed the following advanced training courses:</p> <ul style="list-style-type: none"> Risk Management at Ernst&Young LLC; Leadership Development in Power Grid Industry at SKOLKOVO Moscow School of Management; Safety Knowledge Training and Assessment for Managers and Specialists at Federal State-Funded Institution Rostekhnadzor Academic Office; First Aid for Workplace Accidents at International Education Academy LLC; Organizing and Managing Mobilization Training in Fuel And Energy Companies, Security of Official Secrets, Classified Document Management and Key Aspects of Data Security for Businesses, module 08.01.01 Securing Official Secrets for Government Certification of Managers at FSAEI FVE IPK TEK
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2009 – present day	First Deputy Director-General – Director for Sochi Electric Grid Branch of Kubanenergo PJSC
2015–2017	Reliability Committee member for the Board of Directors of Kubanenergo PJSC
2016 – present day	Board of Directors Chair for Energoservis Kubani JSC
THE OFFICE ENTRY DATE FOR THE MANAGEMENT BOARD	28.08.2014

ROMAN ALEKSEYEVICH BELENKO

YEAR OF BIRTH	1983
EDUCATION	<p>University Degree. Graduated from South Russian State Technical University (Novocherkassk Polytechnic University) majoring in Industrial Power Supply and Economics and Company Management.</p> <p>Received occupational training at Skolkovo Moscow School of Management</p>
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2014–2017	Deputy Head for the Electric Grid Facility Construction Office of the Capital Construction Department at Rosseti PJSC
2017–2018	First Deputy Director-General of Stroy Grupp Construction Company LLC
2019–2019	Project Manager for SB Development LLC
2019 – present day	Deputy Director-General for Kubanenergo PJSC
THE OFFICE ENTRY DATE FOR THE MANAGEMENT BOARD	30.12.2019

OLEG FYODOROVICH NISHCHUK

YEAR OF BIRTH	1978
EDUCATION	<p>University Degree. Graduated from Kuban State University majoring in World Economics.</p> <p>Received occupational training at MSTU n.a. N. E. Bauman at Kubanenergo Training Center majoring in Management</p>
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2015–2018	Deputy Head for the Service Sales and Electricity Metering Department at Kubanenergo PJSC
2016 – present day	Board of Directors member for Energoservis Kubani JSC
2018 – present day	Deputy Director-General for Service Sales at Kubanenergo PJSC
THE OFFICE ENTRY DATE FOR THE MANAGEMENT BOARD	18.12.2018

OLGA VYACHESLAVOVNA OCHEREDKO

YEAR OF BIRTH	1972
EDUCATION	<p>University Degree. Graduated from Kuban State University majoring in Economic and Social Planning, MGIMO University, MBA in Management, and Regulations for Business Activity in International Power Industry.</p> <p>Received occupational training in Organizational Management at MSTU n.a. N. E. Bauman at Kubanenergo Training Center.</p> <p>Completed the following advanced training courses:</p> <ul style="list-style-type: none"> Risk Management at Ernst&Young LLC; Developing Russian Electric and Heat Power Industries at EnergoResheniye Training Center; Seminars at ITTs FAS of Russia on Tariff Regulation in 2016 and Regulator Goals for 2017, Tariff Regulation in 2017 and Regulator Goals for 2018-2025; At the Bureau for Intellectual Support for Energy Sector Reforms LLC on FAS Russia. News in Tariff and Balance Setting in Heat and Electric Power Industries, FAS Russia. News in Balance and Tariff Setting in the Electric Power Industry. The Theory and Practice of Antimonopoly Regulation in Electric Power Industry, FAS Russia: Changes to the Regulation of Retail Energy Market Adopted and Planned; At EnergoEvolutsiya LLC on the Functioning of Electric Grid and Power Supply Companies in 2018. Tariff Setting for 2018-2019 in a view of the changes made to the regulatory acts. Relevant issues and problems in cooperation and claims settlement; First Aid for Workplace Accidents at International Education Academy LLC Tariff Regulation in 2018 and State Regulator Goals for 2019 at ITTs FAS of Russia, Tariff Regulation under Digital Transformation and Tariff Regulation in 2019 and State Regulator Goals for 2020 at ITTs FAS of Russia; Efficient Testing Arrangement for the Economic Depreciation of Fixed Assets at FBK LLC
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2008 – present day	Deputy Director-General for Economics and Finance at Kubanenergo PJSC
2014–2015	Board of Directors Chair of OK Plamya OJSC
2014 – present day	Board of Directors Chair for Energetik Health Resort JSC
2015 – present day	Member of Strategy Committee (previously Strategy, Development, Investment and Reform Committee) and Reliability Committee for the Board of Directors of Kubanenergo PJSC
THE OFFICE ENTRY DATE FOR THE MANAGEMENT BOARD	28.08.2014

VLADIMIR ANDREYEVICH SKLADCHIKOV

YEAR OF BIRTH	1986
EDUCATION	University Degree. Graduated from Plekhanov Russian Academy of Economics majoring in Economics and Banking and Finance
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2019 – present day	Deputy Director-General for Development and Grid Connection at Kubanenergo PJSC
2014–2019	Head of the System Customer Work Office at MOESK PJSC
THE OFFICE ENTRY DATE FOR THE MANAGEMENT BOARD	30.12.2019

ZANDA IVANOVNA KHAZIKOVA

YEAR OF BIRTH	1980
EDUCATION	University Degree. Graduated from Saratov State Academy of Law majoring in Law. Holds a candidate degree in Law. Received occupational training at Moscow State Technical University named after N. E. Bauman majoring in Management. Business Controlling. Took part in the II All-Russian Practical Session of Online Seminars on Electrical Energy Industry in Upravleniye ZhKKh LLC data portal
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2012–2014	Chief expert for the underwriting group at the Credit Department of Gazprombank OJSC in Krasnodar
2014–2018	Deputy Head of the Legal Department at Kubanenergo PJSC
2018 – present day	Deputy Director-General for Corporate Governance at Kubanenergo PJSC
2018 – present day	Teacher at Russian State University of Justice
THE OFFICE ENTRY DATE FOR THE MANAGEMENT BOARD	18.12.2018

IGOR NIKOLAYEVICH SHISHIGIN, Deputy Chair of Management Board

YEAR OF BIRTH	1979
EDUCATION	University Degree. Graduated from Kuban State University majoring in Electrification and Automation, and Moscow New Law Institute majoring in Law. Received occupational training at MSTU n.a. N. E. Bauman at Kubanenergo Training Center majoring in Organizational Management. Completed the following advanced training courses: <ul style="list-style-type: none"> Internal Auditor OHSAS 18001:2007, Management System for Industrial Safety at SGS Vostok Limited CJSC; Power Supply – Changes to the Regulatory Framework, Modern Technologies, Supplies and Equipment, Installation Notes at the State Academy for Further Training and Retraining in Construction and Utility Sector of Russia; Environmental Security for Power Supply Facilities at Kubanenergo Training Center ; Labor Safety Training, General Issues of Industrial Safety, Precertification Training for Managers and Specialists of Electric Grid Operators, Precertification Training for Managers and Specialists Responsible for Operation of Hazardous Industrial Facilities with Hoisting Devices for Cargo Lifting and Movement, Precertification Training for Managers and Specialists Responsible for Operation of Hazardous Industrial Facilities with Hoisting Devices for Lifting and Transporting of People at Kubanenergo PJSC Energy Institute for Advanced Training Further Professional Education Institution; First Aid for Workplace Accidents at International Education Academy LLC, Emergency Management and Fire Safety Training for Chairpeople and Committee Members within the Framework of Civil Defence and National Emergency Warning and Recovery System at Kubanenergo PJSC Energy Institute for Advanced Training Further Professional Education Institution
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2013 – present day	Deputy Director-General for Engineering Issues – Chief Engineer at Kubanenergo PJSC
2017 – present day	Reliability Committee member for the Board of Directors of Kubanenergo PJSC
THE OFFICE ENTRY DATE FOR THE MANAGEMENT BOARD	23.05.2017

MAKSIM MIKHAILOVICH SHCHEPAKIN

YEAR OF BIRTH	1980
EDUCATION	University Degree. Graduated from Kuban State Technological University majoring in Advertising (core education) and Translator for Business Communications (supplementary education). Completed an advanced training course in Result-Oriented State and Municipal Management at the Russian Presidential Academy of Public Administration. Holds a candidate degree in Economics.
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2015–2016	Director for Forum LLC
2017–2017	First Deputy Director for Asset Management CJSC
2017–2019	Deputy Director for Customer Service Interactions at Stroitelnye Tekhnologii LLC
2019 – present day	Deputy Director-General – Head of the Executive Arm of Kubanenergo PJSC
THE OFFICE ENTRY DATE FOR THE MANAGEMENT BOARD	30.12.2019



All of the members of the Management Board are the citizens of the Russian Federation.

All of the Management Board members that were at the same time members of the Board of Directors' Committees participated in all Committee meetings, except the following:

- O. V. Ocheredko, who was not present at the Reliability Committee meeting on 20.08.2019;
- V. Yu. Kostetskiy, who was not present at the Grid Connection Committee meeting on 15.05.2019.

None of the Management Board members except for O. V. Ocheredko, held any positions in the management bodies of any commercial organizations when bankruptcy procedures were initiated or implemented in these companies as specified by the insolvency (bankruptcy) laws of the Russian Federation. O. V. Ocheredko was the Chair of the Board of Directors of OK Plamya OJSC at the moment when a bankruptcy case was initiated against this company in accordance with the definition of the Arbitration Court of the Krasnodar Territory on 03.03.2015 and when the company was declared insolvent, as well as at the moment of liquidation procedure initiation authorized by the Arbitration Court of the Krasnodar Territory on 02.09.2015.

None of the Company Management Board:

- owned the Company shares or closed transactions with them during the reporting year²⁷;
- made any transactions with the Company in the reported year;
- received any loans (credits) from Kubanenergo PJSC;
- had family ties with the officials in executive and/or financial and business control bodies of Kubanenergo PJSC, except for Lyudmila Alekseyevna and Dmitriy Nikolayevich Golovakhs (mother and son);
- was held administratively liable for financial improprieties, offense regarding tax and fees or security market, or had any criminal record for economic crimes or crimes against the state;
- had any conflicts of interest with the Company.

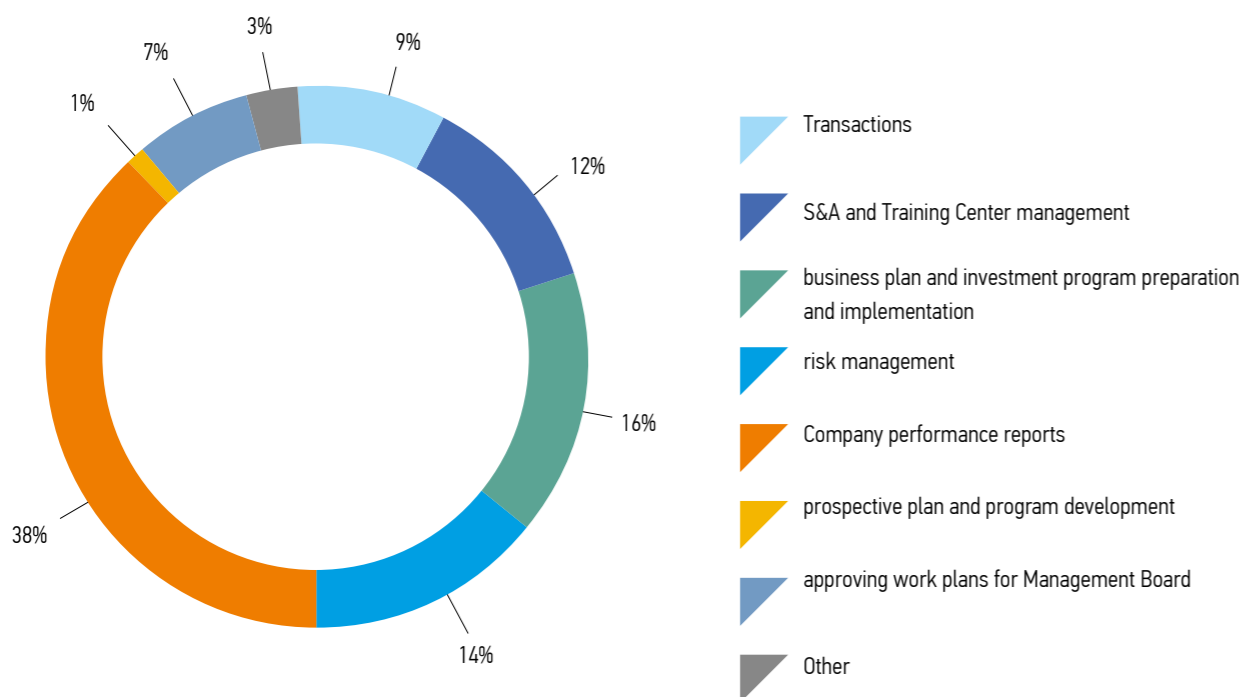
MANAGEMENT BOARD ACTIVITIES

MANAGEMENT BOARD ACTIVITIES IN 2017-2019:

Indicator	2017	2018	2019
No. of Management Board meetings held	27	17	26
No. of in-person meetings (joint attendance)	7	1	5
No. of issues considered	102	69	88

The Management Board meetings in the reported year were conducted according to its work plans and at the initiative of the Board Chair. The Management Board members took an active part in its meetings.

STRUCTURE OF ISSUES CONSIDERED BY THE MANAGEMENT BOARD OF THE COMPANY IN 2019



²⁷ По данным, предоставленным Обществу членами Правления.

Corporate Secretary

The Corporate Secretary is elected to provide for the proper compliance with the procedures for the preparation and holding of the General Meeting of Shareholders, as well as the organization of Kubanenergo PJSC Board of Directors activity²⁸.

The Corporate Secretary is the official of Kubanenergo PJSC securing the Company compliance with the laws of the Russian Federation, the Articles of Association, and internal documents that guarantee the exercise of rights and legal interests of the Company's shareholders. The Corporate Secretary reports to the Company Board of Directors which determines the provisions of the Corporate Secretary contract, the amount and the

payment procedures for the remuneration, and the bonus principles. The Corporate Secretary submits an ANNUAL REPORT on their work to the Personnel and Remuneration Committee and the Board of Directors, which is to be approved by the Board. Starting from June 20th, 2011, Olga Vladimirovna Russu has continuously been in the position of Kubanenergo PJSC Corporate Secretary.

OLGA VLADIMIROVNA RUSSU

YEAR OF BIRTH	1967
EDUCATION	University Degree. Graduated from Krasnodar Polytechnic Institute majoring in Food Industry Economics and Organization, and the Ural Academy of Public Administration majoring in Law. Received occupational training in Organizational Management at MSTU n.a. N. E. Bauman at Kubanenergo Training Center. Completed the advanced training course on Corporate Secretary at the Russian School of Management
WORK EXPERIENCE FOR THE LAST FIVE YEARS:	
2011 – present day	Deputy Head for the Corporate Governance and Shareholder Relations Department at Kubanenergo PJSC

THE CORPORATE SECRETARY OF KUBANENERGO PJSC O. V. RUSSU:

- did not own the Company shares or close transactions with them during the reporting year;
- does not have any family ties with the officials in the executive and/or financial and business control bodies of Kubanenergo PJSC;
- was not held administratively liable for financial improprieties, offense regarding tax and fees or security market, or had any criminal record for economic crimes or crimes against the state;
- did not hold any positions in the management bodies of any commercial organizations when bankruptcy procedures were initiated or implemented in these companies as specified by the insolvency laws of the Russian Federation.

²⁸ The Regulations on the Auditing Commission of Kubanenergo PJSC is published online on www.kubanenergo.ru – About the Company / Constituent and in-house documents

Auditing Commission

The Auditing Commission is a permanent internal control body regularly monitoring the Company's financial and business activities, its separate divisions, officials of the management bodies and subdivisions of the executive office for compliance through document audits and ex-post reviews of the following:

- **legitimateness, economic feasibility and efficiency (appropriateness) of the business and finance transactions carried out by the Company during the reporting period;**
- **completeness and accuracy of the representation of business and financial transactions in the Company documents.**

THE OBJECTIVES OF THE AUDITING COMMISSION OF THE COMPANY:

- controlling the financial and business activities of the Company;
- an independent assessment of the reliability of the data contained in the ANNUAL REPORT of the Company and the annual accounting statements.

The Auditing Commission acts in the interests of the Company's shareholders and reports to the General Meeting of Shareholders. It is independent of the Company officials, executive bodies, and subdivision head in the executive arm in the implementation of its functions.

In its activities, the Auditing Commission abides by the laws of the Russian Federation, the Articles of Association of Kubanenergo PJSC, and the Regulations on the Auditing Commission²⁹.

The Auditing Commission consists of 5 people.

THE CURRENT COMPOSITION OF THE AUDITING COMMISSION, ELECTED AT THE ANNUAL GENERAL MEETING OF KUBANENERGO PJSC SHAREHOLDERS ON JUNE 20TH, 2019.³⁰

NO. P/P	FULL NAME	PLACE OF EMPLOYMENT AND POSITION
1	Marina Alekseyevna LELEKOVA, Auditing Commission Chair	Director for the Internal Control and Risk Management Department at Rosseti PJSC
2	Yelena Stanislavovna YERANDINA	Chief Expert for the Control and Expert Office of the Control and Audit Department at Rosseti PJSC (until October 2019)
3	Yelena Aleksandrovna KABIZSKINA	Chief Expert for the Internal Control and Risk Management Department at Rosseti PJSC
4	Svetlana Anatolyevna KIM	Head of the Supervisory Office of the Internal Control and Risk Management Department at Rosseti PJSC
5	Sergey Vladimirovich MALYSHEV	Chief Expert of the Supervisory Office of the Internal Control and Risk Management Department at Rosseti PJSC

AUDITING COMMISSION COMPOSITION ELECTED AT THE ANNUAL GENERAL MEETING OF COMPANY SHAREHOLDERS OF 25.05.2018 AND ACTING UP TO 20.06.2019³¹

NO. P/P	FULL NAME	PLACE OF EMPLOYMENT AND POSITION
1	Svetlana Anatolyevna KIM, Auditing Commission Chair	Head of the Audit Office at the Control and Audit Department of Rosseti PJSC
2	Yelena Stanislavovna YERANDINA	Chief Expert for the Control and Expert Office of the Control and Audit Department at Rosseti PJSC
3	Yelena Aleksandrovna KABIZSKINA	Deputy Head of the Audit Office at the Control and Audit Department of Rosseti PJSC
4	Sergey Vladimirovich MALYSHEV	Chief Expert of the Audit Office at the Control and Audit Department of Rosseti PJSC
5	Yelena Yuryevna SLESARYEVA	Function Manager at the Internal Audit Department of Transtelekom JSC

During the reporting year, there were no transactions between the Company and the persons appointed to the Auditing Commission of Kubanenergo PJSC for 2019.

None of the persons employed in the Auditing Commission in 2019 owned the Company shares in the reported year³².

WORK RESULTS FOR THE AUDITING COMMISSION

In 2019, the Auditing Commission of the Company performed its controlling functions via auditing its financial and business activities. A total of 5 Auditing Commission meetings were held, at which the following key issues were considered³³:

- approval of Auditing Program for the financial and business activities of the Company in 2018, including the auditing items, procedures, terms, and scope;
- consideration and approval of the conclusion made by the Auditing Commission concerning the accuracy of the data in the ANNUAL REPORT of Kubanenergo PJSC and its accounting (financial) statements for

2018;

- consideration and approval of the Auditing Commission act made upon the results of auditing the financial and business activities of Kubanenergo PJSC in 2018;
- election of the Auditing Commission Chair and Secretary (for 2019-2020);
- approval of the Auditing Commission work plan (for 2019-2020).
- Upon the results of the audit of financial and business activities in 2018, an act was prepared with a recommendation to improve the control environment and eliminate problems, which was then sent to the Company so that it could solve the problems

and implement the recommendations..

The Company has developed and approved a corrective action plan to eliminate the issues/problems found by the Auditing Commission during the audit of the financial and economic activities of the Company in 2018 and it is implementing it now.

According to the work plan of the Auditing Commission, the audit of the financial and business activities of the Company for 2019 is planned for March-June, 2020.



³¹ Workplace information of the Auditing Commission members in this composition and the positions they hold are given in accordance with the data provided to the Company by them by March 31st, 2019

³² According to the data provided to the Company by the Auditing Commission members.

³³ The minutes of Kubanenergo PJSC Auditing Commission meetings can be found on www.kubanenergo.ru — «About the Company / Control of Business Activity / Auditing Commission».

²⁹ The Regulations on the Auditing Commission of Kubanenergo PJSC is published online on www.kubanenergo.ru – About the Company / Constituent and in-house documents.

³⁰ Workplace information of the Auditing Commission members and the positions they hold are given in accordance with the data provided to the Company by them at the end of the reporting year. The Company understands 'the present day' as December 31st, 2019.

Remuneration and Reimbursement for the executive and controlling bodies of the Company

REMUNERATION FOR THE BOARD OF DIRECTORS MEMBERS AND THEIR REIMBURSEMENTS

Throughout the reporting year, there were two remuneration and reimbursement regulations in effect for the members of Kubanenergo PJSC Board of Directors:

1. IN EFFECT UNTIL 20.06.2019:

Following the Regulations on the Remuneration and Reimbursement Paid to the Board of Directors of Kubanenergo PJSC, as approved by the Annual General Meeting of Shareholders on 10.06.2015 (minutes No. 36 dated 11.06.2015), the payment of remunerations to the members of the Board of Directors was made on a one-time basis according to the results of the Board's work in the period from the election of candidates to the Board to the election of the new composition of the Board of Directors.

The amount of remuneration for the involvement with the work of the Board of Directors for each of the Company Board members was calculated based on the overall number of the Board of Directors meetings in the past corporate year and the number of meetings in which every Board member took part. The size of the core part of the remuneration was set according to the Company profits calculated using RAS for the fiscal year. In addition to the remuneration scheme described above, the following uplifts were set:

- 30% to the Chair of the Company Board of Directors;
- 20% to the Chairs of the Board of Directors Committees;
- 10% to the Members of the Board of Directors Committees of the Company.

The members of the Board of Directors also received extra payments from the net profits if the Company market capitalization increases during the work of the Board of Directors.

The remuneration to the members of the Board of Directors of the Issuers elected by the Annual General Meeting of Shareholders on 25.05.2018 and remaining in office until 20.06.2019, i.e. for the corporate year of 2018/2019 were accrued and paid according to the Regulations to the tune of 8,250 thousand rubles.

According to these Regulations, the members of the Board of Directors were entitled to reimbursements for the costs related to the participation in the Board meetings according to the travel expenses reimbursement standards in place at the Company at the moment of the meeting.

2. IN EFFECT SINCE 20.06.2019:

The General Meeting of Shareholders approved the new revision of the Regulation on the Remuneration and Reimbursement Paid to the members of Kubanenergo PJSC Board of Directors on 20.06.2019. According to this Regulations, the remuneration to the members of the Board of Directors is paid quarterly in the period starting from the candidate election to the Board and finishing at the end of the Board's office.

The amount of remuneration for the involvement with the work of the Board of Directors for each of the Company Board members was calculated based on the overall number of the Board of Directors meetings in the reporting quarter and the number of meetings in which every Board member took part. The size of the core part of the remuneration was set according to the Company profits calculated using the Russian Accounting Standards for the last complete reporting year before the election of the Board of Directors. The remuneration is paid within 30 calendar days after the end of the reporting quarter. In addition to the remuneration scheme described above, the following uplifts were set:

- 30% to the Chair of the Company Board of Directors;
- 20% to the Chairs of the Board of Directors Committees;
- 10% to the Members of the Board of Directors Committees of the Company.

Uplifts for performing the duties of a committee chair and/or member for the Board of Directors are not paid, if there are no Committee meetings held within the reporting quarter.

Remuneration is not paid to the members of the Board of Directors if they don't take part in more than 50% of the meetings held in the reporting quarter.

The effective Regulations on the payment of remuneration and reimbursement is applied to members of the Board of Directors of the Company elected at the Annual General Meeting of Company Shareholders on 20.06.2019 and the following General Meetings of Company Shareholders.

The remunerations accrued and paid to the current composition of the Board of Directors for the period between 20.06.2019 and 31.12.2019 amounted to 5,515 thousand rubles.

According to these Regulations, the members

of the Board of Directors are entitled to reimbursements for the costs related to the participation in the meeting of the Board of Directors and its Committees, and General Meetings of Company Shareholders according to the travel expenses reimbursement standards for top managers in place at the moment of the meeting.

REGULATIONS ON THE REMUNERATION AND REIMBURSEMENT PAID TO THE MEMBERS OF KUBANENERGO PJSC BOARD OF DIRECTOR IN BOTH REVISIONS:

- does not apply to the members of the Board of Directors that are simultaneously members of executive bodies;
- provides that remunerations are not accrued and paid to the chair or members of the Company Board of Directors of the Company if the federal legislation restricts or prohibits them to receive any payments from commercial organizations.

The Company did not pay any other rewards to the members of the Board of Directors.

The expenses of the Board of Directors members were not reimbursed in the reported year.

The Company has no remuneration or reimbursement payments overdue to the Board of Directors members.

The Company did not provide any loans (credits) to the Board of Directors members.

REMUNERATION FOR THE MEMBERS OF EXECUTIVE BODIES AND THEIR REIMBURSEMENT PAYMENT

REMUNERATION FOR THE MEMBERS OF THE MANAGEMENT BOARD AND THEIR REIMBURSEMENT PAYMENT

By a resolution of the Board of Directors of the Company (minutes No. 243/2016 dated 24.06.2016), the members of the Management Board are classified as first division top managers. Following the Regulations on Top Manager Incentives and Benefits Package of Kubanenergo PSC, as approved by the Board of Directors of the Company (minutes No. 207/2015 dated 17.04.2015), remuneration to the Management Board is paid according to the provisions of their employment contract via determining their monthly uplifts for performing the duties of a member of the collective executive body (Company Management Board). The bonuses paid to the members of the Company Management Board depends on the results of the KPI set by the Director-General in the reporting periods — quarters and year. If the Management Board implements a number of conditions (strategic priorities) set by the Director-General by the end of the year, they may receive additional bonuses at the discretion of the Director-General. High values of KPIs defined by the Company Director-General as prioritized may be seen as a ground for the payment of a

special Company result bonus for the reporting year to the Management Board at the discretion of the Director-General.

Management Board also gets reimbursements for the accommodation expenses following the Regulations on the Reimbursements for Accommodation Rent (Subrent) Expenses, as approved by the Company order No 1051 dated 25.09.2017.

REMUNERATION TO THE DIRECTOR-GENERAL

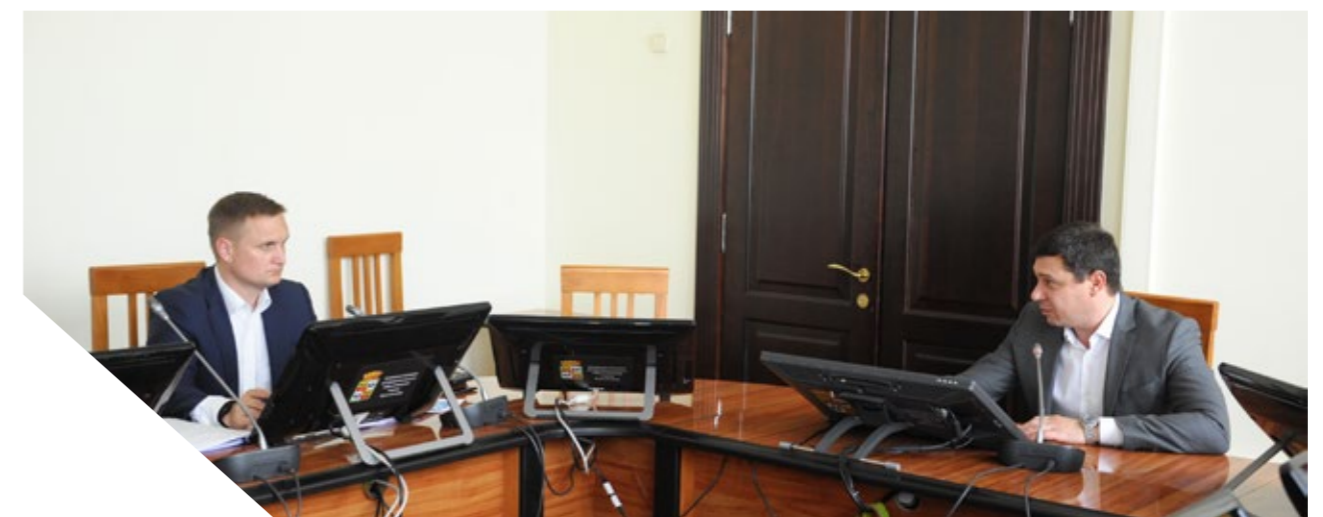
The payment of remuneration to the Director-General is subject to the Regulation on the Incentives for the Director-General of Kubanenergo PJSC, as approved by the Company Board of Directors (minutes No. 114/2011 dated 22.07.2011), taking into account the subsequent decisions of the Company Board of Directors (minutes No. 150/2012 dated 29.12.2012, No 204/2015 dated 06.03.2015, No. 281/2017 dated 21.07.2017, and No. 306/2019 dated 23.09.2019). The Regulations are an integral part of the employment contract with the Director-General, and it determines the procedures for the basic salary calculation, approval and changes, Director-General bonus types, and basic salary and bonus payment procedures.

The bonuses paid to the Director-General depends on the results of the KPI set by the Board of Directors in the reporting periods — quarters and year. If the Director-General implements a number of conditions (strategic priorities) set by the Board of Directors of the Company by the end of the year, they may receive additional bonuses at the discretion of the Board of Directors. High values of KPIs defined by the Company Board of Directors as prioritized may be seen as a ground for the payment of a special Company result bonus for the reporting year to the Directors of the Company at the discretion of the Board of Directors.

The Board of Directors of the Company is entitled to reward the Director-General for the completion of crucial tasks (works) if their implementation has specific requirements in terms of deadlines, quality, liability, and significance for the industry and the state. The overall reimbursement paid to the members of the Company executive bodies in 2019 amounted to 228 thousand rubles. The Company has no remuneration or reimbursement payments overdue.

THE OVERALL REMUNERATION PAID TO THE MEMBERS OF THE COMPANY EXECUTIVE BODIES IN 2019 AMOUNTED TO 58,773 THOUSAND RUBLES, INCLUDING THE FOLLOWING:

INDICATOR	2019
Remuneration for involvement with an executive body work	1,459
Wage	31,266
Bonuses	23,936
Commissions	0
Perquisites	0
Other types of remuneration	2,112
TOTAL	58,773



REMUNERATION AND REIMBURSEMENT FOR THE AUDITING COMMISSION MEMBERS

According to the effective Regulations on the Remuneration and Reimbursement Paid to the Auditing Commission of Kubanenergo PJSC³⁴, as approved by the Annual Meeting of Shareholders (minutes No. 40 dated 28.05.2018), the members of the Auditing Commission receive remunerations depending on the results of the work during the corporate year and employees involvement with the work of the Company controlling body

The remuneration amount for the Auditing Commission is calculating while taking into consideration the following:

- the size of the core part of the remuneration set according to the Company profits calculated using RAS for the fiscal year;
- the personal involvement modifier for the Auditing Commission members, reflecting their participation in meetings and inspections, as well as their fulfillment of additional duties as the chair or secretary of the Auditing Commission.

The remuneration shall not be paid to the members of the Auditing Commission who took part in less than half of the meetings held while they were in the Auditing Commission. Reimbursement of expenses related to the participation in the meetings of the Auditing Commission is performed to the extent of the real expenditures, according to the standard regulations. The overall remuneration amount for the members of the Auditing Commission in 2019 amounted to 790 thousand rubles.

The expenses of the Auditing Commission members were not reimbursed in the reported year. The Company has no remuneration or reimbursement payments overdue to the Auditing Commission members.

Transactions made by Kubanenergo PJSC in 2019

In 2019, Kubanenergo PJSC did not make any transactions recognized in Chapter X of Federal Law No. 208-FZ dated 26.12.1995 On Joint-Stock Companies with Significant Transactions. The Company did not make any significant transactions.

In the reporting year, the Company made one related-party transaction (Chapter XI Federal Law No. 208-FZ dated 26.12.1995 On Joint-Stock Companies). The report on the related-party transactions made by Kubanenergo PJSC in 2019 can be found in Annex 2 of this report.



Information Policy

The Company Information Policy is aimed at the complete satisfaction of shareholders, investment community, client, contractor, relevant market regulators, public authorities, employees and other interested parties seeking complete, relevant and accurate information about the Company and its activities, as well as the free and unhindered access to such information.

INFORMATION TRANSPARENCY PRINCIPLE OF THE COMPANY:

PRINCIPLES	PRINCIPLE IMPLEMENTATION
Regularity, consistency, efficiency	<ul style="list-style-type: none"> • fulfilling the disclosure requirements of the laws of the Russian Federation, relevant market regulators, and internal documents of the Company; • information disclosure consistency; • shortest terms of the disclosure; • timely provision of information about the Company position on rumors or unreliable data creating a wrong impression of the Company situation and the value of its securities
Accessibility	<p>To spread information about its activities, the Company uses the channels and methods that are accessible for the majority of the shareholders and effective in providing a complete, easy and non-selective access to the information disclosed</p>
Completeness, reliability and comparability	<p>The Company aims to:</p> <ul style="list-style-type: none"> • disclose full, objective, and accurate information to the shareholders without trying to avoid disclosing negative information about itself; • disclose information in a way that is clear, non-controversial and commensurable; • maintain the neutral character of the information disclosed (it shall be independent of the interests of some persons or groups)

When disclosing the information, the Company aims to maintain a rational balance between the interests of the shareholders and the interests of the Company itself related to keeping the sensitive business data confidential if they can significantly influence its competitive edge.

The Company keeps high standards of corporate social responsibility and supports on-going communication with target audiences to improve its business reputation and increase the fair value of the business.

Since 2006, the Company uses the Regulations on the Information Policy³⁵ describing the goals, objectives, principles, means, methods, procedures, and terms of information disclosure and the list of data disclosed.

Apart from the data subject to obligatory disclosure, the Company publishes detailed information on its operations, securities, and shareholders, as well as its executive and control bodies, significant transactions, and subsidiaries and affiliates.

Kubanenergo PJSC publishes the information both in Russian and English in all situations when it's acceptable according to the applied laws of the Russian Federation and does not contradict to the gist of the information

disclosure in a given case (interview, public representations when the simultaneous translation is not an option, etc). The Company aims to synchronize the information in Russian and in English.

The disclosure of the information about the Company operations is mostly done through publishing the data on the corporate web-site, in the news feed of the authorized information agency (Interfax), in printed and electronic media, as well as via meetings, interviews, and briefings with Company shareholders and other interested parties, etc.

The implementation of the Information Policy is supported by the Company Director-General.

The Board of Directors controls the implementation of the Information Policy Regulations by considering the ANNUAL REPORTS of the Director-General on compliance with the Information Policy.

The ANNUAL REPORTS of the Company for 2015, 2016, and 2018 were included in the shortlists of relevant ANNUAL REPORT competitions organized by the Moscow Exchange PJSC and the RCB media group in the category of the Best ANNUAL REPORT of a Company with Capitalization of less than 40 billion rubles.

According to the research by the Russian Regional Network on Integrated Reporting, the completeness of the information disclosed by the Company satisfies the criteria of the third level of transparency, Information Disclosure Exceeding the Requirements of the Russian Legislation.

KUBANENERGO PJSC POSITION IN THE CORPORATE TRANSPARENCY RATING OF THE LARGEST COMPANIES IN RUSSIA:

Year of Study	Company Position in the Corporate Transparency Rating
2016	69
2017	55
2018	57
2019	70

³⁴ Regulations on the Remuneration and Reimbursement paid to Kubanenergo Auditing Commission is published on www.kubanenergo.ru – «About the Company / Constituent and in-house documents. The Regulations are not applied to the members of the Auditing Commission of the Company in respect of which the federal law prescribes a restriction or prohibition on receipt of any payments from commercial organizations.

³⁵ The Regulations on the Company Information Policy are published on www.kubanenergo.ru – About the Company / Constituent and in-house documents.

INTERNAL CONTROL AND INTERNAL AUDIT

07

INTERNAL CONTROL AND INTERNAL AUDIT

- 154 Internal Control System
- 156 Internal Audit



Internal Control System

The Company Internal Control System (hereinafter ICS) is integrated into the general management system of the Company and is aimed at providing reasonable guarantees of the goal fulfillment in the following aspects:

- operational efficiency and performance of the Company including the implementation of financial and operating indicators, and the protection of the Company assets;
- compliance with applicable laws and local regulations applied to the Company in its business activities and financial accounting;
- reliability and timely preparation of accounting (financial) and other reports.

ICS is risk-oriented, and its control procedures are developed with a view of risks and aimed at giving reasonable guarantees that there will be an efficient and timely reaction to the risks occurring. ICS enveloped all of the aspects of the Company operations, and the control procedures are implemented continually in all of the Company processes (areas of activity), at all of the management levels according to the 3 Defense Lines model:

- The level of governance bodies (sole and collective executive bodies), Company units and departments responsible for controlling procedures by their function — first line of defense;
- The level of Company control departments — the second line of defense;
- The level of the internal audit department — the third line of defense.

The Internal Control and Risk Management Department was created in the Company and is currently in operation. According to the Internal Control Policy and the Regulations on the department, it is tasked with the following functions:

- development and support for the introduction of basic and methodological documents on the arrangement and improvement of the ICS;
- assistance to the management in the arrangement of the ICS business processes, preparing recommendations on the description and introduction of controlling procedures to the processes (areas of activity), as well as delegating responsibilities to officials;
- coordination of actions aimed at the ICS goal state supporting and monitoring;
- preparing the information on the state of ICS for the shareholders;
- cooperation with governmental regulators for internal control issues.

The functions of the ICS participants can be found in the annex of the annual report, and they are described and formalized in the following documents:

- in Company Articles of Association;
- in Regulations on the Audit Committee member of Kubanenergo PJSC Board of Directors;
- in the Company Internal Control Policy and its regulations;
- in the internal documents regulating the distribution of responsibilities between the Deputy Director-Generals and other managers reporting to the Company Director-General; in regulations on departments, job descriptions, and control procedure matrices;
- in the Regulations on Specialized Internal Control Bodies.

The Board of Directors approved the Internal Control Policy of Kubanenergo PJSC (minutes No. 233/2016 dated 18.03.2016) to support the introduction and implementation of an efficient ICS, complying with the generally accepted practices and standards of internal control activities, as well as the requirements of regulators, and aimed at the implementation of the Company goals. The internal control policy determines the goals, principles, and elements of the Company ICS, the main functions and duties of the ICS participants, and the procedures for the ICS efficiency.

The Company employs the Procedures for Internal Control Policy Requirement Implementation that clarified the application of the standards set out in the Internal Control Policy. The control procedures for processes and subprocesses of the main and

supporting activities, as well as the Company management processes, are formalized in the control and risk matrices.

To guarantee that the ICS is efficient and in compliance with the intrinsically changing requirements and conditions, the internal auditor of the Company assesses the efficiency of the ICS to test its compliance with the target state and maturity level.

The Internal Auditor's Report on the performance assessment of the ICS for 2019 has been preliminarily discussed by the Board of Directors' Audit Committee (Minutes no. 98/2020 dd. 31.03.2020). The level of maturity of the ICS was classified as in between optimal and high; at the end of 2018, it was classified as optimal.

In the reporting year, an independent external assessment of the ICS was conducted by RSM RUS LLC which found the ICS efficient. The results of the independent external assessment of the ICS were discussed by the Board of Directors (minutes No. 369/2019 dated 25.12.2019) and preliminarily discussed by the Board of Directors' Audit Committee (minutes No. 84/2019 dated 11.06.2019).

Following the resolution from the Board of Directors (minutes No.No. 369/2019 dated 25.12.2019), the Company has approved and started implementing the action plan aimed at maintaining the efficiency and developing the Internal Control System of Kubanenergo PJSC in 2019-2022.

In the reporting year, the Company implemented the following key actions aimed at the improvement of the ICS:

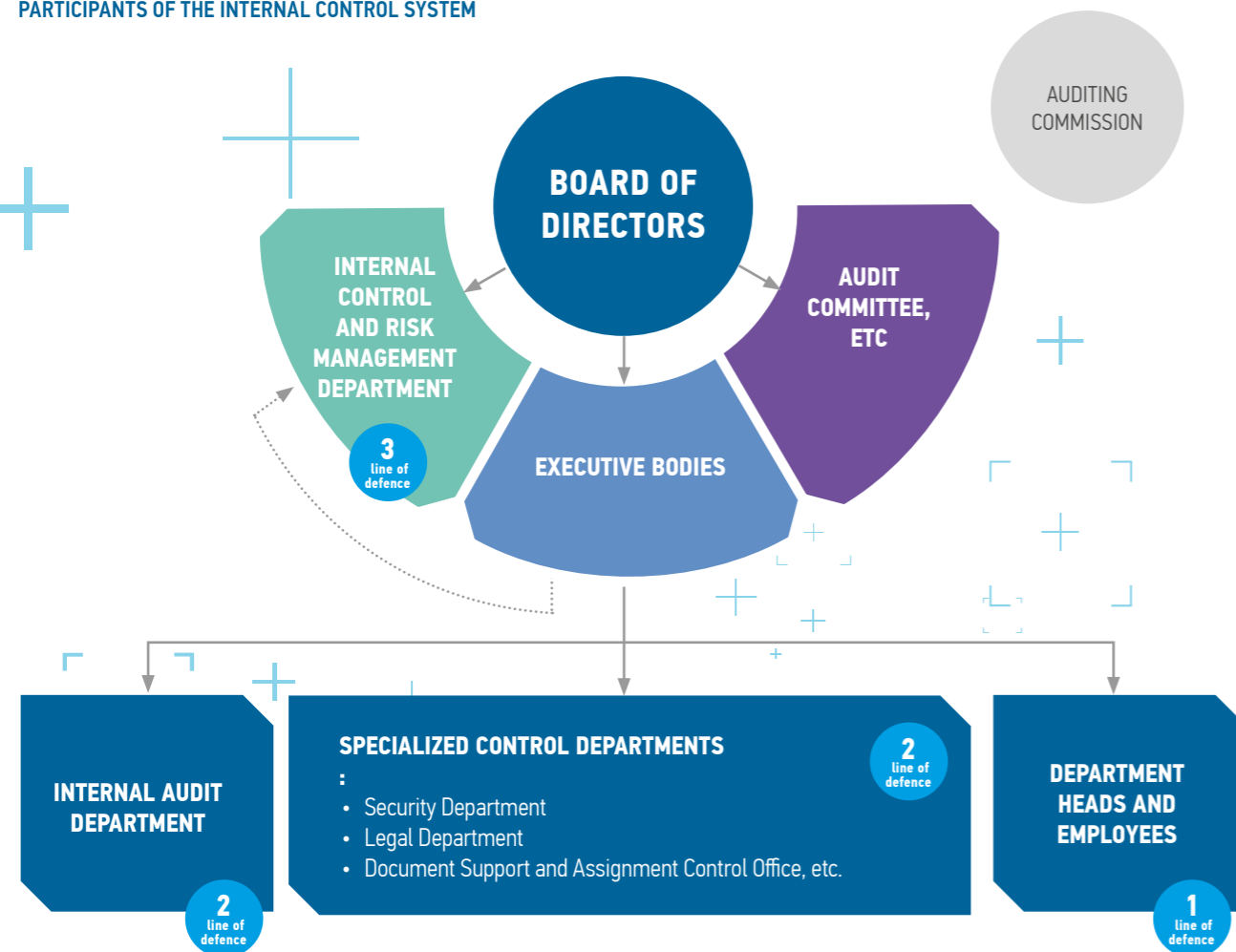
- some routine control actions were taken for highly-risky business processes in the scope of activities of the collective bodies (controlling the writing-off of the unaccounted consumption acts, accounts receivable settlements, power supply facility consolidation);
- approval of executive documentation and local regulations that mention controlling procedures, including the control efficiency;
- process owners conducted self-assessment of control procedure efficiency and ICS processes in the Company;
- some actions were taken on the improvement of the process control environment:
 - a management practice was put in place for assets under construction that are not moving within the Company;
 - additional controlling procedures were developed and introduced to minimize risks of untimely representation of profits from uncontracted electricity consumption in accounts;

- some actions were taken to integrate the existing information and automation systems of the control environment for the Grid Connection process to improve the efficiency of the complaint management for grid connection contracts.

KEY PLANNED ACTIONS TO DEVELOP THE ICS:

- the introduction of Company Antitrust Policy, organizational management model for the antitrust policy and methodological documents for antitrust compliance (to improve the Antitrust Policy in the Company);
- introduction of a system of process passports that would include information on the metrics/indicators of process efficiency (quantities and losses) and performance (goal achievement);
- synchronization of the introduction of automated control procedures and the business process automation;
- introduction of Corporate System for information and analysis of the error indicators integrated with other Company information systems for the online monitoring of the errors by the Company management;
- automation of specific internal control processes (preparation of Company report on the elimination of problems found by the Auditing Commission and the Internal Audit of the Company, external regulators, and root-cause analysis of the reoccurrence of the problems found).

PARTICIPANTS OF THE INTERNAL CONTROL SYSTEM



Internal Audit

The goal of the Internal Audit is supporting the Board of Directors and the Company executive bodies in the improvement of the Company management, financial and business operations, including via systemic and consistent approach to analysis and assessment of risk management, internal control and corporate governance systems as instruments of reasonable assurance in the achievement of goals set for the Company.

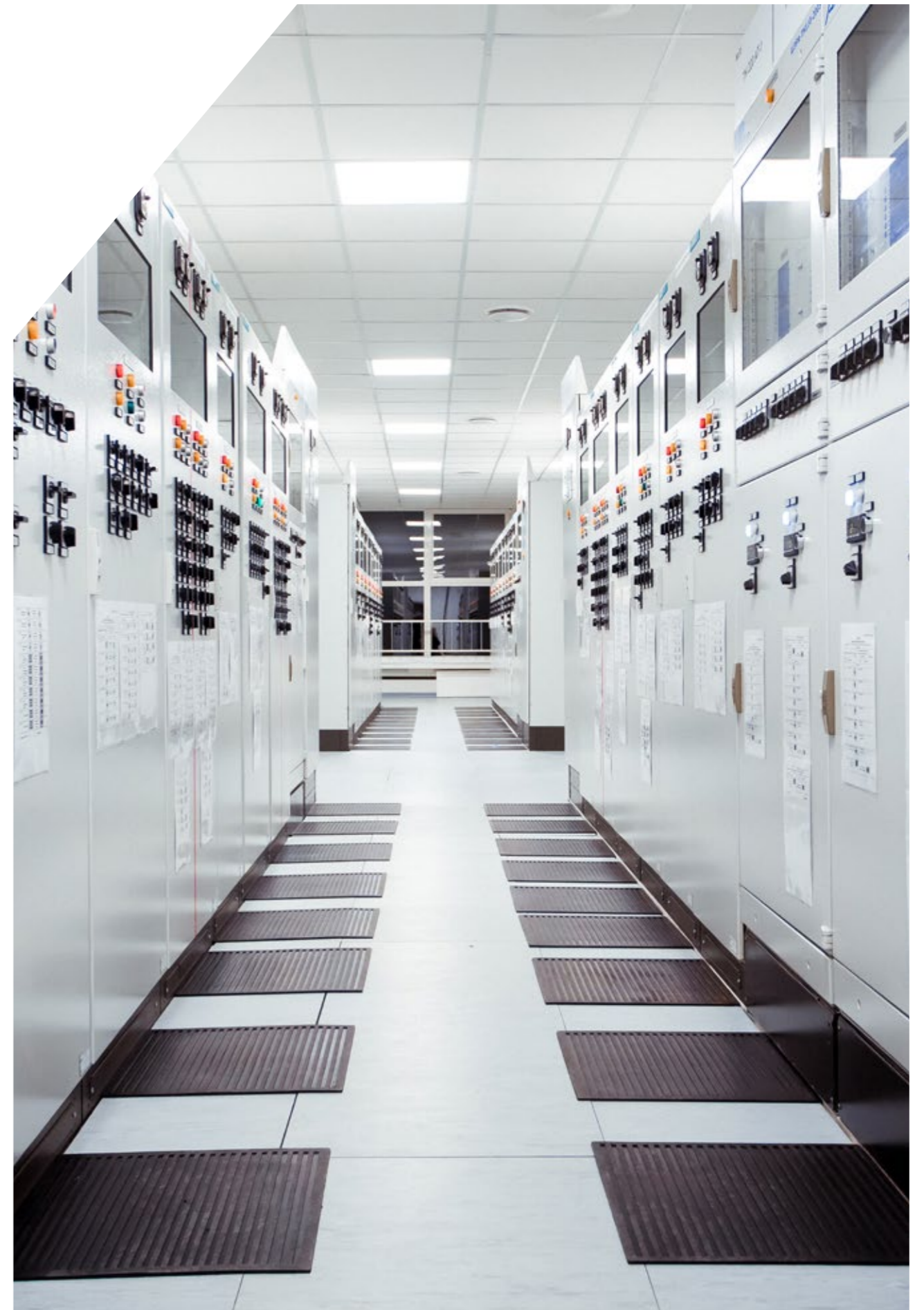
The goals and objectives, as well as key arrangement principles, functions, and powers of the Internal Audit are set out in the Internal Audit Policy of Kubanenergo PJSC (new revision) approved by the Board of Directors on 25.12.2018 (minutes NoNo. 369/2019 dated 25.12.2019)

The Internal Audit Department is the unit responsible for the implementation of the internal audit function in the Company. The Internal Audit reports to the Board of Directors of the Company, which means that the Board determines the principles and approaches to the Internal Audit arrangements, including the approval of the internal documents of the Company that is prescribed by its Internal Audit policies. The Board of Directors controls and organizes the Internal Audit activities, including the approval of the Internal Audit Regulations, action plan, action plan implementation report and Internal Audit budget, preliminary approval of the resolutions of the Company sole executive body concerning the appointment or dismissal (at the employer's initiative) of the Internal Audit Head, their disciplinary penalties, approval of employment contract and remuneration provisions, or the consideration of the quality assessment results for Internal Audit. In 2019, the number of people performing the Internal Audit function was 5.

THE COMPANY APPROVED THE FOLLOWING KEY DOCUMENTS REGULATING THE INTERNAL AUDIT FUNCTION:

- The Articles of Association of the Kubanenergo (new revision) approved by the Company AGSM (minutes No. 42 dated 20.06.2019);
- The Company Policy on Internal Audit and the Code of Ethics for Internal Auditors approved by the Board of Directors (No. 369/2019 dated 25.12.2019);
- The Regulations on the Internal Audit Department approved by the Company Board of Directors (minutes No. 251/2016 dated 23.09.2016);
- Program on Assurance and Improvement of Internal Audit Quality approved by the Company Board of Directors (minutes No. 257/2016 dated 05.12.2016);
- in-house standards of internal audit and standards of practical application developed according to the International Professional Standards of Internal Audit.

The feedback from the Audit Committee is submitted to the Head of Internal Audit in various forms during the interactions with the Audit Committee including the participation in the meetings of the Committee, the analysis of its resolutions/recommendation concerning the issues in the competence of the Internal Audit, including by way of polling the members of the Audit Committee. The satisfaction rate of the Audit Committee of the Company Board of Directors with the performance of the Internal Audit Department (according to questionnaires from the members of the Audit Committee) was classified as adequate at the end of 2019. The satisfaction assessment is conducted following the Program on Assurance and Improvement of Internal Audit Quality in the Company. In 2019, KPMG JSC conducted an independent external assessment of the Internal Audit activities in the Company. The conclusion received as a result of the assessment by KPMG JSC stated that the activities of the Company Internal Audit were 'generally compliant' with the International Standards for the Professional Practice of Internal Auditing and the Ethics Code of the Institute of Internal Auditors, and the Company Internal Audit Policy, which is the highest grade in the terminology of the Internal Audit Standards. According to the recommendations given by the independent external expert, the Company developed an action plan to improve its Internal Audit activities.



SHARES AND DIVIDENDS

08



SHARES AND DIVIDENDS

- 160 Shares of Kubanenergo PJSC
- 161 Issuance of additional Company shares
- 162 Shareholder Equity Structure, in %
- 163 Stock Market and Capitalization of Kubanenergo PJSC
- 164 Distribution of Profits and Dividend Policy
- 165 Dividend Payout History of Kubanenergo PJSC

Zanda Ivanovna Khazikova, Deputy Director-General for Corporate Governance:

"Following the resolution of the General Meeting of Shareholders prescribing the increase of the authorized capital, additional shares were issued in the reported year, which brought the Company 3,086.5 million rubles that were spent on the construction of port infrastructure facilities on the Taman Peninsula, the improvement of the financial stability of the issuer and the reduction of the debt burden."



Shares of Kubanenergo PJSC

	AT THE BEGINNING OF 2019	AT THE END OF 2019
Type, category, kind, form of issuance of securities	Ordinary registered uncertified shares	
The nominal value of each share	100 rubles	
Authorized Capital	30,379,335,000 rubles	30,379,335,000 rubles
Number of shares in circulation	303,793,350 pcs.	334,657,837 pcs.
State registration number of the issuance of securities and the date of state registration	No. 1-02-00063-A dated 08.07.2003 (main issue)	No. 1-02-00063-A dated 08.07.2003 (main issue), No. 1-02-00063-A dated 18.07.2019 (additional issue)
Presence/absence of a Special Right of the Russian Federation to participate in the Company governance ('golden share')	The Special Right of the Russian Federation to participate in the Company governance ('golden share') is absent	
Existence of authorized shares that the Company may float in addition to those already in circulation	173,513,887 ordinary shares to the total par value of 17,351.4 million rubles.	142,649,400 ordinary shares to the total par value of 14,264.94 million rubles.



At the beginning of 2019, the authorized capital of the Company amounted to 30,379,335,000 rubles in 303,793,350 ordinary shares with the par value of 100 rubles each.

In the reporting year, Kubanenergo PJSC issued additional shares via public floatation. The Bank of Russia registered the additional issue of 37,477,392 Company shares on 18.07.2019 of which 30,864,487 shares were floated.

On 28.11.2019, the Company received an extract from the equity security register of the Bank of Russia No. 28-1-2/6479 dated 19.11.2019 that contained the information on the equity securities issues in circulation. This extract confirms that there are currently 334,657,837 ordinary shares of Kubanenergo PJSC in circulation with a par value of 100 rubles each. The overall volume of the issue amounts to 33,465,783,700 rubles in the par value.

The number of authorized shares reduced by 30,864,487 by the end of the reporting year and totaled 142,649,400 shares.

As of 31.12.2019, the state registration of changes to the Articles of Association of Kubanenergo PJSC related to the increase in the authorized capital did not occur.

The Company did not issue any preferred shares.

The Company does not own its shares and is not planning to buy them.

The subsidiaries and affiliates of Kubanenergo PJSC do not own its shares.

According to the Articles of Association of Kubanenergo PJSC, each ordinary registered share of the Company provides the same rights to any owner. The rights of the shareholders are set out in the Company Articles of Association.

Issuance of additional Company shares

In the reporting year, additional ordinary shares of Kubanenergo PJSC were floated, and their issue was registered by the Bank of Russia on 18.07.2019.

INFORMATION ON THE ADDITIONAL ISSUE OF SECURITIES:

ISSUE GOALS	
	Funding the construction of port infrastructure facilities on the Taman Peninsula, the improvement of the financial stability of the issuer, and the reduction of the debt burden.
Share floatation price	100 rubles per one share
Form of payment for shares	Cash
Actual share floatation period	From 25.09.2019 to 21.10.2019
Number of actually floated shares	30,864,487 pcs.
Amount of money received from shares floated	3,086,448,700 rubles
Information on the approval of the note for the results of the additional share issue by Kubanenergo PJSC Board of Directors	Resolution dated 07.11.2019, minutes No. 364/2019
Date of reception by the Bank of Russia for the note with the results of the additional share issue	14.11.2019
Date of the extract from the equity security register of Kubanenergo PJSC prepared by the Bank of Russia and containing the information on the additional issue of shares in circulation.	19.11.2019
Information on the additional issue of Kubanenergo PJSC shares on the Company website	Home / For Shareholders and Investors / Information Disclosure / Disclosure of information at specific stages of the securities issue procedure / Issue of shares of Kubanenergo PJSC constituting additional issue (state registration number 1-02-00063-A of 18.07.2019)

Shareholder Equity Structure

SHAREHOLDER EQUITY STRUCTURE, IN %



Changes to the shareholder equity structure of the Company in the reported year were insignificant (less than 1%).

SHAREHOLDER STATISTICS FOR KUBANENERGO PJSC AS ON 21.12.2019:

NO. P/P	REGISTERED PERSONS	NUMBER OF PERSONS	NUMBER OF SHARES	% OF THE FLOATED SHARES
1	Account of unidentified persons	-	3,324	0.0010
2	Natural persons	1,774	338,859	0.1013
	incl. non-residents	2	485	0.0001
3	Legal entities, including nominee shareholders (total)	19	334,312,158	99.8967
	incl. owners (nominee shareholders) of over 5% of shares	2	333,539,229	99.6657
	incl. non-residents	1	325	0.0001
4	Trustees	0	0	0
5	Shares in joint ownership	14	6,820	0.0020
Total in the register		1,807	334,657,837	100



Stock Market and Capitalization of Kubanenergo PJSC

In 2019, the shares of Kubanenergo PJSC were in circulation at the Moscow Exchange on level 3, ticker KUBE, ISIN-code: RU0009046767.

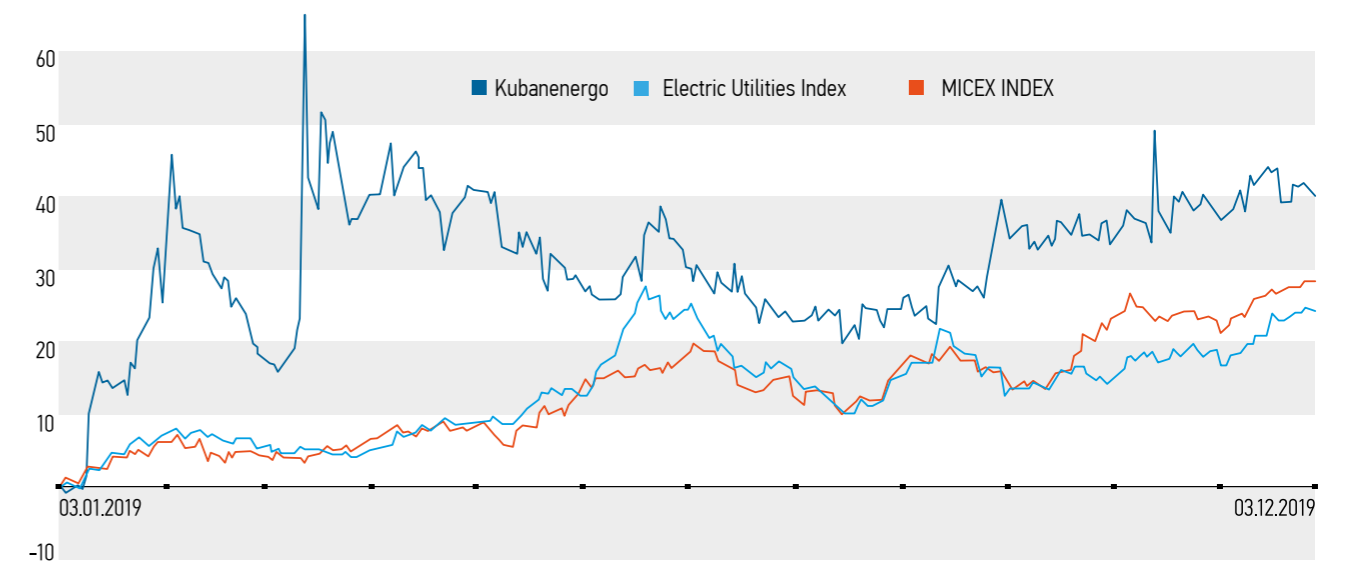
Information on the current bids and transaction prices is available in Russian and English:

- <http://moex.com>;
- <http://kubanenergo.ru>.

The market capitalization of the Company at the beginning of 2019 was 14.83 billion rubles and 20.88 billion rubles at the end of the year.

The maximum capitalization in 2019 was 24.6 billion rubles, and the minimum amounted to 14.8 billion rubles. The single share price for the reporting year increased by 30% against the Moscow Exchange index advance of 28% and the Electric Utilities index advance of 24%.

CURVE OF KUBANENERGO SHARE PRICE



SINGLE SHARE PRICE DYNAMICS FOR KUBANENERGO PJSC IN 2019:

Weighted average price (beginning of period)	Minimum price	Maximum price	Weighted average price (end of period)	The relative gain for the period in %
49.6	46.4	90	63.6	28

The traded value for the shares of the Company on the Moscow Exchange in 2019 amounted to 57.4 million rubles/0.8 million pcs.

The low traffic in 2019 is due to the insignificant amount of shares in free circulation.

BID PRICES AND TRADED VALUE

Indicator	2017	2018	2019	2019/2018 (relative gain in %)
The weighted average price at the end of the period	78.3	48.8	63.6	30
Traded value in pcs	979,750	197,260	814,090	313
Traded value in rubles	85 314,890	11 862,165	57 441,370	384

Distribution of Profits and Dividend Policy

The Dividend Policy of the Company is the set of principles and methods used in the Company to determine the ratio between the capitalized portion of the Company profits and the amounts paid as dividends, as well as the system of relations and principles for determining the procedures and the terms of dividend payment, the establishment of Company responsibility for the dividend payment implementation.

The Dividend Policy of the Company is based on the strict observance of the shareholders' rights as prescribed by the existing laws of the Russian Federation, the Articles of Association, and the internal documents of the Company. The Dividend Policy of the Company is aimed at raising the investment attractiveness of the Company and increasing its market capitalization. The Policy is based on the balance of the interests of the Company and its shareholders.

The Dividend Policy of the Company is determined by the Regulations on the Dividend Policy approved by the resolution of the Board of Directors on 31.01.2018 (minutes No. 297/2018 dated 01.02.2018) and published on the corporate website www.kubanenergo.ru – About the Company/ Constituent and in-house documents.

MAIN PRINCIPLES OF THE COMPANY DIVIDEND POLICY:

- compliance with the Company practices for dividend accrual and payment, the laws of the Russian Federation and the standards of corporate governance (decree No. 1094-r of the Government of the Russian Federation of 29.05.2017);
- optimal balance of interests of the Company and its shareholders;
- setting the dividend volume to at least 50% of the net profits determined according to the financial statements, including the consolidated reports prepared following the international financial reporting standards and calculated using the procedures set out by the Dividend Policy Regulations;
- supporting the quarterly dividend payments if the relevant criteria are met;
- supporting the maximum transparency (reliability) of the volume calculation mechanism and payment procedures for dividends;
- supporting the positive dynamics of dividend payment volumes provided that the net profits of the Company increase;
- making the information on the Company dividend policy available to the shareholders and other interested parties;
- maintaining the required level of the financial and technical conditions in the Company (investment program implementation), supporting the Company development prospects..

PROFIT DISTRIBUTION FOR 2016–2018 ³⁶, IN THOUSANDS OF RUBLES

INDICATOR	2016 (2017 ANNUAL GENERAL MEETING OF SHAREHOLDERS)	2017 (2018 ANNUAL GENERAL MEETING OF SHAREHOLDERS)	2018 (2019 ANNUAL GENERAL MEETING OF SHAREHOLDERS)
Undistributed profit (loss) for the reporting period, incl.:	2,140,500	525,276	151,158
Reserve fund	107,025	26,264	7,560
Profits to development	1,498,350	177,442	0
Dividends	535,125	321,570	143,638
Loss recovery for previous years	–	0	–

Following the Articles of Association of the Company, the decision concerning the distribution of the profits of 2019 shall be taken following the Annual General Meeting of Shareholders.

³⁶ Profit distribution decisions for 2016, 2017, 2018 were made by the annual General Meeting of Kubanenergo PJSC Shareholders (minute No. 39 dated 20.06.2017, No. 40 dated 25.05.2018, and No. 42 dated 20.06.2019 respectively).

Dividend Payout History of Kubanenergo PJSC

1	2	3	4	5	6	7	8	9
2005	No. 18 of 11.06.2006	12.04.2006	4.476917	80,000,000	79,662,676.97	60 days		
2006	No. 20 of 05.06.2007	26.04.2007	1.253593	22,401,000	22,303,192.20			
2007	No. 23 of 06.06.2008	17.04.2008	1.678844	30,000,000	29,873,068.07	15 days		
2015	No. 37 of 27.06.2016	13.07.2016	4.047105	1,144,797,000	1,144,279,337.45	10 and 25 working days ³⁷	Cash	Non-disclosure of personal data changes by the persons registered as shareholders
2016	No. 39 of 29.06.2017	27.06.2017	1.762658567	535,125,135	534,876,071.48	10 and 25 working days ³⁸		
2017	No. 40 of 25.05.2018	05.06.2018	1.0585165	321,570,274	321,440,626.03	10 and 25 working days ³⁹		
2018	No. 42 of 20.06.2019	01.07.2019	0.472815	143,638,053	143,564,006.67	10 and 25 working days ⁴⁰		

1. Dividend period, year
2. Minutes number and date of the General Meeting of Kubanenergo PJSC Shareholders at which the dividend payment decision was made
3. Date of making a list of persons entitled to dividends for the dividend period
4. The volume of declared (accrued) dividends for the shares of this category (type) per one share in rubles
5. Cumulative declared (accrued) dividends for all shares of this category (type) in rubles
6. The total amount of dividends paid on all Company shares of one category (type) in rubles
7. The payment term for the declared dividends on the Company shares
8. Form of payment and other provisions for the declared dividends on the Company shares
9. Reasons for non-payment of declared dividends

Based on the results of the 2008–2014 financial years, the General Meeting of the Company Shareholders decided not to make any dividend payments.



³⁷ For nominee shareholders that are securities market professional trustees, the term of payment is less than 10 working days, and 25 working days of the date of making a list of people entitled to dividends for other registered shareholders.

^{38,39,40} Same.

SUSTAINABLE DEVELOPMENT

09

SUSTAINABLE DEVELOPMENT

168	Personnel Policy
168	Personnel Numbers and Structure
170	Personnel Training and Development
171	Talent Pool
172	Social Responsibility
175	Youth Policy
177	Occupational and Industrial Security
178	Environmental Protection and Key Environmental Aspects at the Company
180	Customer Communication Arrangement
181	Public and Government Relations, Congress and Exhibition Activities



Personnel Policy

The key goals of Personnel and Social Policy of the Company (hereinafter the Policy) aimed at supporting the goal implementation for the Power Grid Industry Development Strategy of the Russian Federation are the following:

- personnel requirements planning – availability of accurate information on current and forecast labor demand, both quantitative and qualitative, as necessary and sufficient to achieve the Company goals set;
- timely fulfillment of the Company demand in qualified personnel;
- supporting the efficiency of personnel's work and labor performance improvement in the Company.

These key goals of the Personnel and Social Policy are met by implementing several actions in various aspects of Company activities and achieving the targets set including the following:

- organizational design;
- human resourcing and personnel development;
- personnel efficiency management (motivation);
- social benefits and guarantees;
- labor security and work culture.

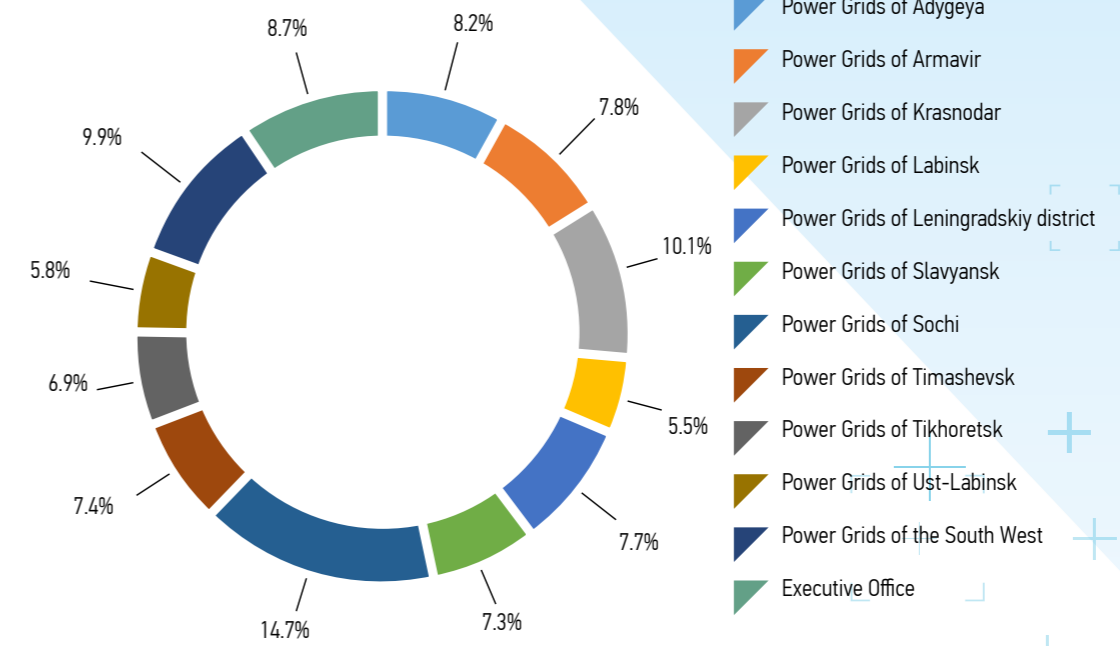
Personnel Numbers and Structure

THE AVERAGE HEADCOUNT DYNAMICS FOR 2017–2019.

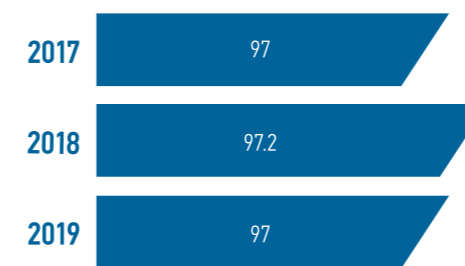


The average headcount at Kubanenergo PJSC in 2018 was 8644 people, which is 0.4% higher than in 2017. The increase of the personnel numbers is due to the hiring of the operational staff at the grid locations.

PERSONNEL DISTRIBUTION ACROSS THE COMPANY BRANCHES IN 2019



STAFF BREAKDOWN BY CATEGORY IN 2017-2019, %

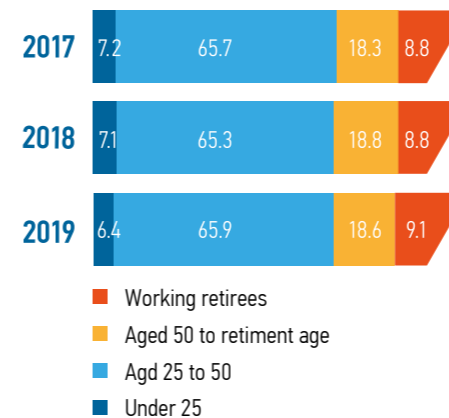


The staffing sufficiency in the Company for 2019 was 97%.

STAFF BREAKDOWN BY CATEGORY IN 2017-2019, %

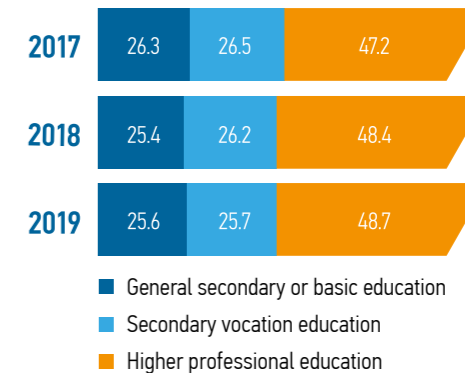


STAFF BREAKDOWN BY AGE IN 2017-2019, %



The average age of the Company employees in 2019 was 41.7, and it almost did not change as compared to 2018 and 2017 (41.5 and 41.6 respectively).

STAFF BREAKDOWN BY EDUCATION IN 2017-2019, %



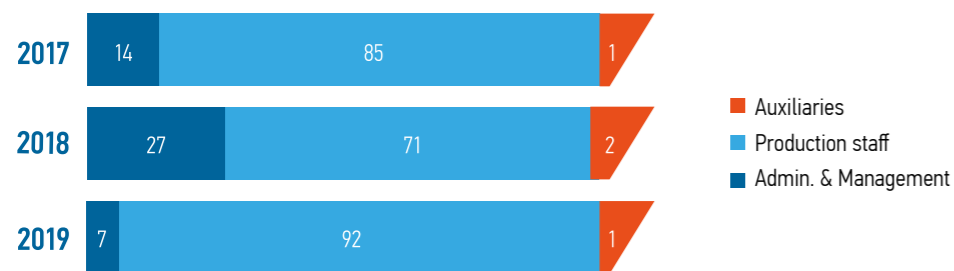
THE COMPANY PERSONNEL ARE HIGHLY QUALIFIED, AND THE PROPORTION OF EMPLOYEES WITH HIGHER EDUCATION HAS BEEN GROWING FOR SEVERAL YEARS: IN 2017, IT WAS 47.2%, IN 2018 – 48.4%, AND IN 2019 – 48.7%. AMONG THEM, THE PROPORTION OF THOSE WHO HAVE TWO OR MORE UNIVERSITY DIPLOMAS IS ALSO GROWING: IN 2017, IT WAS 6.5%, IN 2018 – 7.1%, AND IN 2019 – 7.4%. THE PROPORTION OF PEOPLE WITH A CANDIDATE DEGREE AMOUNTS TO 0.4%.

Personnel Training and Development

Personnel training is one of the key aspects of the Personnel and Social Policy of Kubanenergo PJSC, and it is regulated by the Rules for the Electric Power Industry of the Russian Federation approved by the Ministry of Fuel and Energy of the Russian Federation order No. 49 of 19.02.2000, and by the Procedures for Personnel Interactions of Kubanenergo PJSC approved by order No. 1048 of 25.09.2017.

The ratio of the number of employees that took part in training sessions in the reported year and the average headcount is 106% (9143 people), which is 18.8% higher as compared to 2018. This is due to the regular implementation of obligatory training programs for electrical personnel. The proportion of production staff that received training is 91.72% (8386 people).

THE STRUCTURE OF PERSONNEL RECEIVING FULL-TIME TRAINING PER CATEGORY IN %



The main facility for the Company personnel training is Kubanenergo PJSC Energy Institute for Advanced Training Further Professional Education Institution (hereinafter the Corporate Training Center). In 2019, the Corporate Training Center gave occupational training, retraining and advanced training to 8633 people, which amounts to 94.4% of the students in 2019 and 28.1 pp more than in 2018 (in 2018, the Corporate Training Center trained 4918 people – 66.3% of the total number of students).

The resource base of the Corporate Training Center includes an electric grid training range, 15 specialized classrooms fitted with video and multimedia equipment, 2 computer lab, laboratories, and a simulation center that allow the students to master practical skills on grid layouts imitating the work of real grid sections of the Company.

The actual personnel training expenses (irrespective of the funding sources) amounted to 106,018 thousand rubles, of which 77,667 thousand rubles (73.3%) were spent on the training at the Corporate Center. In 2018, 72,091 thousand rubles were spent on personnel training, of which 49,999 thousand rubles were spent to the Corporate Training Center (69.3%).

The key education providers, apart from the Corporate Training Center, include the Plekhanov Russian University of Economics, Petersburg Power Engineering Institute of professional Development, Saint Petersburg Academy of Security, EKRA Scientific and Educational Center.

To use the international experience in improving the quality of professional education and personnel vocational training, as well as to promote the prestige of vocational jobs in the power grid industry, the Company employees regularly participate in National Championships for cross-industry vocational jobs in high-tech industries based on the WorldSkills methodology. The employees of Kubanenergo PJSC achieved the following results in the Young Professionals WorldSkills Rosseti Group Championship of Professional Skills:

- 1st prize in the Smart Electricity Metering System competition;
- 11th prize in the Operation of Cable Power Transmission Lines competition.

Besides, a participant from Kubanenergo PJSC got the Medallion for Excellence in the Maintenance and Repair of Relay Protection and Automation Equipment competition.



Talent Pool

The formation and development of the talent pool are one of the priority goals of Kubanenergo PJSC in the implementation of the personnel policy.

To meet the Company demand for qualified and efficient managers in a timely manner and create conditions for the best fulfillment of the staff potential of Kubanenergo PJSC, the company constantly updates and improves its manager and young specialist talent pool.

The Management Talent Pool is created to implement the Company demand in management staff in a timely and efficient manner, including the following positions:

- top managers;
- mid-rank managers;
- managers and chief engineers for power distribution zones.

The Company puts special meaning to the talent pool of engineering unit managers. The key criteria for including employees in the management talent pool is their high professional qualifications, performance, practical experience, personal and business potential necessary for the professional development and career growth. As of 31.12.2019, the management talent pool of the Company comprised of 406 employees. The talent pool had reserves for 325 (60%) management positions in the Company out of 548. The Youth Talent Pool consists of young specialists of under 35 years of age who have high development potential and are motivated for professional development and career progress in

the Company.

The youth talent pool composition is updated and complemented with new young specialists of the Company every year. Each pool member has designated target positions and mentors from amongst the highly-qualified Company managers and specialists in the relevant area of operations.

By the end of the reporting year, the size of the young specialist talent pool in the Company amounted to 147 people; 11 people were promoted, and 7 of them were pool members appointed to their target positions.

Overall in 2019, 187 positions out of 320 (about 60%) were taken by internal candidates.

The employers in the management and the youth pools of the Company regularly take part in training programs, all-Russia, and regional industry conferences that allow them to familiarize themselves with the best practices of electric grid companies, study new technologies and master more efficient working methods.

To improve the engineering staff readiness to implement actions aimed at the reliable operation of electric grid equipment, prevent and eliminate emergencies in Russia's grid complex, as well as to make up a pool of highly potential and motivated engineering unit managers and support their further development, 75 of the Company employees positioned as RDZ heads participated in the All-Russian Leaders of Power

Engineering contest. The contest became the first industry-specific representation of the Leaders of Russia management contest. It was organized by Rosseti Group with methodological support from Russia, the Land of Opportunities ANO Apart from the standard selection stages and methods used in the Leaders of Russia contest, the industry-specific contest included a practical stage: technical audit of electric grid facilities in Chelyabinskaya oblast (area of responsibility of Rosseti Urals). In the contest finale, participants solved cases on the key aspect of the contemporary power industry under the supervision of practical experts from the Ministry of Energy of Russia, the government of Chelyabinskaya oblast, and Rosseti Group management. According to the results of the contest, 4 of the Company employees were included in the top 100 of the country's power engineers.



Social Responsibility

Key principles of the Social Policy of Kubanenergo PJSC include the creation of comfortable conditions for employees' work and rest, the improvement of their social security, as well as labor and social relations among the staff. Social activities of Kubanenergo PJSC are aimed at the development of the social partnership, improvement of employees' social security, and creation of development prospects for the Company as a whole.

Kubanenergo PJSC pays special attention to the social support of its employees while making decisions aimed at employee motivation and increasing their commitment to work. The benefits and guarantees in place in the Company, as well as social programs and employee support programs, help attract and retain the most valuable employees, promote staff loyalty to the Company, and facilitate the achievement of its goals.

While demanding the maximum commitment and improved performance from its staff, the Company acknowledges that it is necessary to provide the employees with extra social benefits and guarantees exceeding those prescribed by law and funded from the Company profits.

The Sectoral Tariff Agreement of the Electric Power Industry in Russia, the collective bargaining agreement, internal regulations, rules, and other local regulatory documents.

SOCIAL BENEFITS FOR THE COMPANY EMPLOYEES, THEIR FAMILY MEMBERS AND PENSIONERS IN 2017-2019

SOCIAL EVENTS	2017	2018	2019
Monetary support for employees and pensioners in thousands of rubles.	24,030.57	25,185.02	29,735.38
Spa treatment and health recovery for employees and their children in thousands of rubles.	13,986.12	14,195.56	16,723.20
Partial or full reimbursement of employees' proven expenses in thousands of rubles	594.91	760.73	782.77



In the reporting period, Kubanenergo PJSC teams participated in all-Russian and fuel and energy industry championships and competitions between the teams of Rosseti group, including:

- Rosseti Cup volleyball tournament;
- Rosseti Cup futsal tournament;
- Ready for Labor and Defense all-Russian sports festival for professional teams in Russia;
- swimming competitions among Rosseti Group teams;
- table tennis tournament among Rosseti Group teams;
- track-and-field competitions among Rosseti Group teams;
- World Corporate Games;
- basketball tournament among Rosseti Group professional teams;
- IX open chess tournament of power engineers in memory of M. M. Botvinnik;
- swimming competitions for Kubanenergo PJSC employees to celebrate the Day of Power Engineer and the 75th birthday of the Company.

Besides, employees of Kubanenergo PJSC were included in the Rosseti PJSC team that participated in industry-specific sporting events held with support from the Ministry of Energy.

Within the social benefits package, the Company employees may receive monetary support in case of childbirth, marriage registration, or death of close relatives (in case of emergency, to large families, in case of an employee's death). Besides, reimbursements are paid for children's attendance to kindergartens, etc.

The collective bargaining agreement of the Company also provides for supporting employees in the improvement of their housing conditions through financial aid in mortgage arrangement and partial payment of credit interest.

In the reporting period, the Company paid a total of 7415.13 thousand rubles to 275 employees as financial aid.

Being a socially responsible Company, Kubanenergo PJSC takes care of the Company veterans and pensioners. Non-working pensioners of Kubanenergo PJSC receive monetary support monthly. In the reporting period, over 2.8 thousand of the Company veterans and pensioners received various benefits (material support for the Victory Day, the Power Engineer Day, monthly monetary support and on-application monetary support, etc) to the total of 11,229.55 thousand rubles.

A key aspect of personnel workplace efficiency increase is health improvement and rest opportunities for them and their children.

In the reporting year, 890 spa treatment and vacation vouchers are purchased for the employees and their family members, as well as 206 children camp vouchers for the children of the employees.

Kubanenergo PJSC provides its employees with a high quality modern medical services by signing contracts for voluntary health insurance and full-time accident insurance for the employees. According to the standards in place, Kubanenergo PJSC provides 100% of its employees with voluntary health insurance and accident insurance agreements.

To improve the social security of the employees and moral encouragement, Kubanenergo PJSC develops programs for non-state pension coverage.

The non-state pension coverage is designed to provide decent welfare for senior employees, create conditions for efficient solution of HR issues related to recruiting, retaining, and motivation of the personnel.

To develop and maintain the healthy lifestyle of its employees, Kubanenergo PJSC promotes health, fitness, and participation sports among the employees and provides them with access to the sports facilities.



KUBANENERGO PJSC PROVIDES SOCIAL SUPPORT TO THE COMPANY VETERANS AND NON-WORKING PENSIONERS. IN 2019, THE COMPANY HAD INTENSIVE INTERACTIONS WITH THE VETERAN COMMUNITY:

During the celebration of the 74th anniversary of the Victory in the Great Patriotic War, Company branches and executive arm memorial events, such as the Victory Banner Hand-Off and St. George Ribbon.

Kubanenergo PJSC took part in the All-Russian Immortal Regiment event. Honoring the veterans and providing them with monetary support is an integral component of the Company's humanitarian work.

Kubanenergo PJSC pays significant attention to events that help unite and rally its personnel, thus improving the corporate culture.

IN 2019, THE FOLLOWING CULTURAL AND EDUCATIONAL EVENTS WERE HELD:

- the Rosseti Children Painting and Drawing competition;
- the celebration of March 8th;
- All-Russian Rosseti academic competition;
- preparing and holding events dedicated to the Spring and Labor Day;
- celebration of the 74th anniversary of the Victory in the Great Patriotic War of 1941-1945;
- holding events dedicated to the Children's Day;
- holding professional events for schoolchildren, such as #BrighterTogether at Orlyonok All-Russian Children's Center;
- the Energy of Talents children's creative contest
- New Year plays for the children of Company employees.

Over 230 children took part in the Rosseti Children Painting and Drawing Competition and the Energy of Talent competition, and 176 of them received valuable prizes and presents.

Special attention was paid to the preparation and celebration of the Power Engineer Day, the professional holiday of the Company.

The charity activities at Kubanenergo PJSC are conducted following the Regulations on the Sponsor Support and Charity Fund Formation and Use that determine the goals, types, and procedures for charity work and the sources of its funding. In 2019, the Company provided charity support for the development of mass sports, including by the implementation of projects to help chess federations in developing countries, backing the events popularizing the

game of chess, and introducing or expanding chess training programs to the tune of 5 million rubles.

COMPANY EMPLOYEE ENCOURAGEMENT THROUGH REWARDS IS ONE OF THE KEY MORAL INCENTIVES THAT IS DESIGNED TO IMPROVE EMPLOYEES' WORKING ACTIVITY.

In 2019, 182 of the Company employees received state, official (from the Ministry of Energy of Russia), industry-sponsored (from ERA of Russia Association), and regional rewards (from the government of the Krasnodar territory, the head of the Republic of Adygeya and the State Council of KHASe of the Republic of Adygeya). A total of 1514 employees received corporate rewards for the significant contribution to the development of the power grid and ensuring its reliable and seamless operation, among them 107 received rewards from Rosseti PJSC, and 1407 from the Company.

In celebration of the 75th anniversary of the Company association, 80 employees of the Company received rewards from the Ministry of Fuel, Energy, and Utilities of the Krasnodar territory, Rosseti PJSC, and Kubanenergo PJSC for their longstanding dedicated work, professional skills and personals contribution to the development of the fuel and energy sector. The Company personnel received an honorary certificate from the Russian Ministry of Energy and a badge of honor as an Organization of High Social Efficiency from ERA of Russia Association.

To celebrate the milestone dates of the Company branches (Power Grids of Adygeya - 55 years, Power Grids of Sochi - 70 years, Power Grids of the South-West - 45 years), 23 employees in the Company branches received rewards from ERA of Russia Association, Rosseti PJSC, and the Company for their commitment to the job and the employer, generational continuity, and helping to train the

new employees in the industry.

High professional qualities of the Company personnel showed in the implementation of the modern energy infrastructure project on the Taman Peninsula, the power supply project for the dry bulk area of the Taman seaport, and the transport corridor project over the Strait of Kerch were distinguished by the President of Russia, V. V. Putin. The efforts the Company made to provide quality construction control and tracking for construction and installation works to commission the Port 220 kV Substation ahead of the schedule were recognized: 2 employees got honorary certificates from the Russian Ministry of Energy, 3 employees received grade 2 badges of honor for the Contribution to the Development of the Power Grid from Rosseti PJSC, 26 employees received honorary certificates from Rosseti PJSC, 4 employees received certificates of acknowledgment from Rosseti PJSC, and 480 employees got Company rewards.

In 2018, to celebrate the professional holiday, the Power Engineer Day, and to acknowledge their contribution to the development of the Power Grid Industry in Russia, 915 employees of Kubanenergo PJSC received rewards from the following entities:

- the Russian Ministry of Energy (16 staff members, including 1 person who got the title of the Honored Energy Worker);
- ERA of Russia Association (25 staff members, including 2 employees who got the honorary title of Power Industry Veteran, and 2 employees who got the honorary title of Honored Power Industry Employee);
- the administration of the Krasnodar territory and the Ministry of Fuel, Energy, and Utilities in the Krasnodar territory (32 employees);
- the Head of the Republic of Adygeya and the State Council of KHASe of the Republic of Adygeya (11 employees);
- Rosseti PJSC (16 employees);
- the Company (290 employees).



Youth Policy

The Youth Policy of Kubanenergo PJSC is aimed at involving the young employees into the public activities of the Company, stimulating their professional and creative activity, the implementation of academic potential, finding and developing talented university and school students, promoting their training for jobs in the power industry with the subsequent employment at the Company, as well as improving the Company interactions with educational institutions.

Youth Policy activities of the Company are implemented in three key directions: early professional career guidance for schoolchildren, practice-oriented personnel training at intermediate vocational education, and higher education institutions developing young specialists employed at the Company.

To promote the development of talented school students and encourage them to study for a job in the power industry with further employment at the Company, Kubanenergo PJSC takes part in the arrangement of Rosseti Group All-Russian Academic Contest for Schoolchildren. In the spring of 2019, the first stage of Rosseti PJSC All-Russian Academic Contest for Schoolchildren was held at the A. V. Suvorov Vocational School No. 48, and 70 schoolchildren from Krasnodar took part in it. Two Contest prize winners qualified for participation in the Energy Project Session of the Rosseti Group at Orlyonok All-Russian Children's Center in 2019 where they worked on the projects related to the use of new power supply technologies and participated in the children's track of Energoproryv contest.

On Children's Day, Kubanenergo PJSC specialist conducted the Energozaryad mind game and arranged a Tesla show for 300 children aged

10-15 from 20 regions of Russia and neighboring countries at the opening ceremony of the #BrighterTogether educational session at Orlyonok All-Russian Children's Center. Among the session participants were the winners and runner-ups of the federal stage of the #BrighterTogether 2018 All-Russian Creative, Project, and Research Work Contest, the school league of CASE-IN International Engineering Championship, and the Starting Energy Program for Engineering Solutions.

To meet the future demands in personnel and practice-oriented staff training, the Company cooperated with educational institutions of higher and intermediate vocational education in the region. As of 31.12.2019, 29 cooperation agreements were made with universities and colleges for the following programs:

- target preparation of students for jobs in demand in the power grid industry, taking into consideration the prospective demand in new employees (in 2019, there were 16 sponsored education contracts in the Company);
- training, retraining and advanced training of the Company employees for further vocational education programs;

- arrangement of the work experience and pre-graduation internships for students and supporting graduate employment;
- undertaking career guidance activities to improve the prestige of the power engineer profession and attract young specialists to the industry;
- involving the Company employees with relevant qualifications in the training process;
- arranging internships for teachers and job training masters at Kubanenergo PJSC units;
- organizing the work of students' teams at power grid facilities.

The key Company partners in personnel training are the regional institutions of higher education that train specialists in Electric Power Industry and Electrical Engineering, Power Grids and Systems, and colleges training electricians and fitters: Kuban State Technological University, Kuban State Agrarian University n.a. I. T. Trubilin, colleges of electrical engineering in Krasnodar, Labinsk, Slavyansk, Sochi, etc.

The Company is interested in attracting young dedicated specialists to help them adapt to working in the Company, and



therefore 813 students from universities and colleges undertook internships at the units of Kubanenergo PJSC in 2019. At the beginning of July, the ceremony of opening the new labor season for energy industry students was held at Kubanenergo PJSC. 94 students from industry-specific educational institutions worked at the power grid facilities of Kuban and the Republic of Adygeya for almost 2 months. The student teams assembled electricity pylons, did power cabling, installed equipment, took meter readings, cleared forest corridors, and they also participated in social, sporting and creative events, gave lessons on electrical safety in children's camps, helped veterans, and visited orphanages.

The members of the students' teams of Kubanenergo PJSC took part in the Rosseti summer student labor season closing ceremony on October 21-27, 2019, which took place in Moscow within the framework of the All-Russian Convention to celebrate the 60th anniversary of the students' team movement. The Energiya Kubani team of Kubanenergo PJSC, consisting of the students from Kuban State Agrarian University, was recognized as the best team of the energy holding group in 2019 based on the contest results.

To build good interactions with young specialists, a Youth Work Council is set up at Kubanenergo PJSC. The main objectives of the Council are as follows:

- helping the younger employees to adapt to working in the company;
- supporting the shape-up and promotion of the principles of a uniform corporate culture of the Company.

The Company regularly holds various social events with support from the Youth Council, such as the celebration of the Great Victory Day, sporting and cultural events, including events for the children of Kubanenergo PJSC employees.

Within the scope of creative activity and challenging idea promotion, the young specialists of the Company took part in the Forsage 2019 youth forum for the Digital Transformation and Comprehensive Leadership in October 2019.

The employees of Kubanenergo PJSC, including young specialists, were involved as experts for the All-Russian contest of graduate qualification works for bachelor's and master's degrees with topics related to the industry from technical universities, as well as for Case-in International Engineering Championship.

The ERGON team (8 young specialists from the executive arm and the branches of the Company) took part in the final stage of the Youth Forecast for Global Energy Industry Development contest, aimed at developing and promoting the fuel and energy and mineral resource industries of the Russian Federation at the Russian Week of Energy Industry Youth Forum. The Company specialists presented their project for the Digital Energy Industry and Smart Grid Development Prospects at the event. To promote the work they undertook, the ERGON team participated in the 22nd All-Russian Science and Technology Conference for the Ways of Improving Reliability, Efficiency, and Safety in the Energy Production held in May 2020 in Gelendzhik, Divnomorskoye, Krasnodar territory.



Occupational and Industrial Security

OCCUPATIONAL SAFETY

The key principle of the Company occupational safety activities is recognition and supporting the priority of employees' lives and health as compared to the results of the Company industrial activities.

As required by the current legislation of the Russian Federation, Kubanenergo PJSC is constantly working on the improvement of working conditions and work-related and lateral injury prevention.

To set up a uniform system for working process arrangement and management at the Company and maintain safe and comfortable working conditions for the employees of all production stages, and occupational safety requirement implementation control, the Company uses Regulations on the System of Occupational Safety Management at all levels of management. The Integrated Management System organization standard STO 00104604-ISM 007-2018, complying with the requirements of GOST 12.0.230-2007, OHSAS 18001 international standard, regional standards on labor safety management systems, and the requirements of Russian labor legislation.

Maintaining safe working conditions and labor safety at Kubanenergo PJSC and their compliance with the requirements set is the responsibility of the Company management. The requirements of the Russian legislation for employer duties in the respect of employees labor safety are fulfilled to the full extent at the Company.

The Company controls the employees' compliance with the workplace safety rules for arranging and performing works at power units. A behavior audit is conducted at the Company (safe work arrangement observations). Based on the results of control measures performed, actions are prepared to eliminate the problems found and prevent new infringements, including the psychocorrective sessions. Occupational safety days are organized monthly, which helps involve more Company employees in the process of self-control and mutual control and increase the level of employee knowledge and experience in occupational safety and safety regulations.

In the reporting year, the Company performed occupational safety actions developed following the requirements of order No. 181n of the Ministry of Healthcare and Social Development of Russia of 01.03.2012. On Approval of Standard List of Annual Employer Events For Improvement of Working Conditions and Occupational Safety and Professional Risks Mitigation.

According to the analysis results for the existing executive documents of Rosseti PJSC, regulating the occupational safety processes and activities within the Rosseti Group, the Company approved and started implementing comprehensive programs to reduce injury risks for Kubanenergo PJSC personnel and third parties at the power grid facilities of the Company between 2018 and 2022 in order to reduce the injury risks at the power grid facilities and implement the long-term development program of Rosseti PJSC. The goals and objectives of the comprehensive programs include the prevention of work-related injuries and third-party deaths from electric trauma. Comprehensive program actions planned for 2019 have been performed to the full extent.

To coordinate the health care and occupational safety activities of Kubanenergo PJSC branches, monthly selector meetings were held in the reported year in the form of video conferences that involved first deputy directors - chief engineers and department heads of the Company branches. Some training sessions were held at the Company branches to explain the functioning of the occupational safety system and to determine potential threats and risks for employees' health and safety in a timely manner in a form of business games involving the specialists for psychophysiological reliability of professional activities.

To organize the work of an internal technical control system in 2019, targeted inspections were conducted at the Company branches, including the Power Grids of Krasnodar, Timashevsk, Tikhoretsk, and the South-West. Besides, all branches of the Company held systemic targeted department checks in 2019, which allowed them to find and solve occurring problems in a timely manner.

In 2019, there were no workplace accidents registered at the Company.

No occupational diseases were found among Kubanenergo PJSC personnel in 2019.

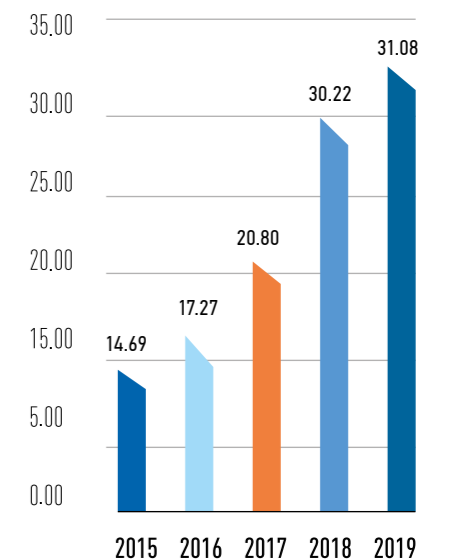
To promote employees' health and life-span, the Company purchased necessary protection and safety equipment for the performance of works in 2019. The annual purchase order for working wear and shoes was executed to the full extent.

The occupational safety expenses in the Company for 2019 increased by 3.2% as compared to 2018. Specific costs for occupational safety per one employee in 2019 amounted to 31.08 thousand rubles, which is 2.8% more than in the previous year.

The specific expenses on safety wear per one employee in 2019 amounted to 20.25 thousand rubles, which is more than the previous year's value by 6.4%.

Following the Labor Code of the Russian Federation, the actions aimed at improving the working conditions and occupational safety at the Company are funded to the tune of more than 0.2% of the manufacturing costs for products (works, services). In reality, these actions were funded to the tune of 0.55% of the same figure.

THE SPECIFIC OCCUPATIONAL SAFETY EXPENSES IN KUBANENERGO PER 1 EMPLOYEE IN 2015-2019 IN THOUSANDS OF RUBLES.:



INDUSTRIAL SAFETY

The operational supervision for industrial safety is performed following Company order No. 15 of 11.01.2019 On Operational Supervision for Industrial Safety Requirement Implementation at Hazardous Facilities of Kubanenergo OJSC and the Regulation of Operational Supervision for Industrial Safety Requirement Implementation at Hazardous Facilities of Kubanenergo OJSC of 27.07.2015 developed in compliance with the following:

- Federal Law No. 116-FZ dated 21.07.1997 On Industrial Safety of Hazardous Production Facilities;
- Order No. 533 dated 12.11.2013 of the Federal Service for Environmental, Technological and Nuclear Supervision On Approval of Federal Standards and Rules for Industrial Safety of Hazardous Production Facilities, Safety Rules for Hazardous Production Facilities with Hoisting Equipment;

Rules for arrangement and implementation of production monitoring of compliance with industrial safety requirements at hazardous production

facilities, approved in decree No. 263 of the Government of Russia dated 10.03.1999 On Arrangement and Implementation of Production Monitoring for Compliance with Industrial Safety Requirements at Hazardous Production Facilities.

At Kubanenergo PJSC, three hazardous production facilities are registered at the Federal Service for Environmental, Technological and Nuclear Supervision (certificate No. A30-00777 dated 07.04.2015). In 2019, the hazardous production facilities were operated following the requirements set out in technical reference documents.

Only the employees who went through proper training, pre-examination training and knowledge check for industrial safety rules were permitted to perform works related to the operation of the hazardous production facilities of the Company and the technical equipment installed there. Training, pre-examination training, initial and recurring knowledge assessment for engineering staff are done at specialized organizations holding relevant permits.

Environmental Protection and Key Environmental Aspects at the Company

The Environmental Policy of the Company sets out the goals to decrease the negative impact on the environment and support environmental safety at power grid facilities, upgrade equipment and employ innovative and eco-friendly technologies during reconstruction, retrofitting, and electric grid construction, as well as the rational use of natural resources.

In the reporting year, all of the environmental policy actions planned for 2019 were implemented, including the following:

- implementation of the requirements of the Stockholm Convention on Persistent Organic Pollutants: 1187 pieces of equipment were decommissioned due to the content of polychlorinated biphenyls in them (hereinafter PCB) and replaced with more eco-friendly options. The 1187 disassembled equipment pieces were handed over to a licensed contractor. The Environmental Policy sets out a goal for 100% decommissioning of equipment that contains PCBs, with its further disposal by 2025. The incremental decommissioning is done following the Plan for the Decommissioning of Equipment that Contains PCBs for 2018–2023, approved by the resolution of Kubanenergo PJSC Board of Directors (minutes No. 296/2018 dated 23.01.2018).
- The following requirements of the Russian Environmental Laws are respected at the Company:
 - industrial environmental monitoring is conducted at pollutant sources, sanitary protection zone borders, pollutant water discharge points to check the compliance with the set standards for acceptable environmental impact;
 - sanitary protection zone projects were developed and approved by controlling bodies for 15 units of the Power Grids of Adygeya, Slavyansk, Sochi, Timashevsk and the South West to designate special areas acting as buffers and providing the protection for the residents during the operation of the unit;

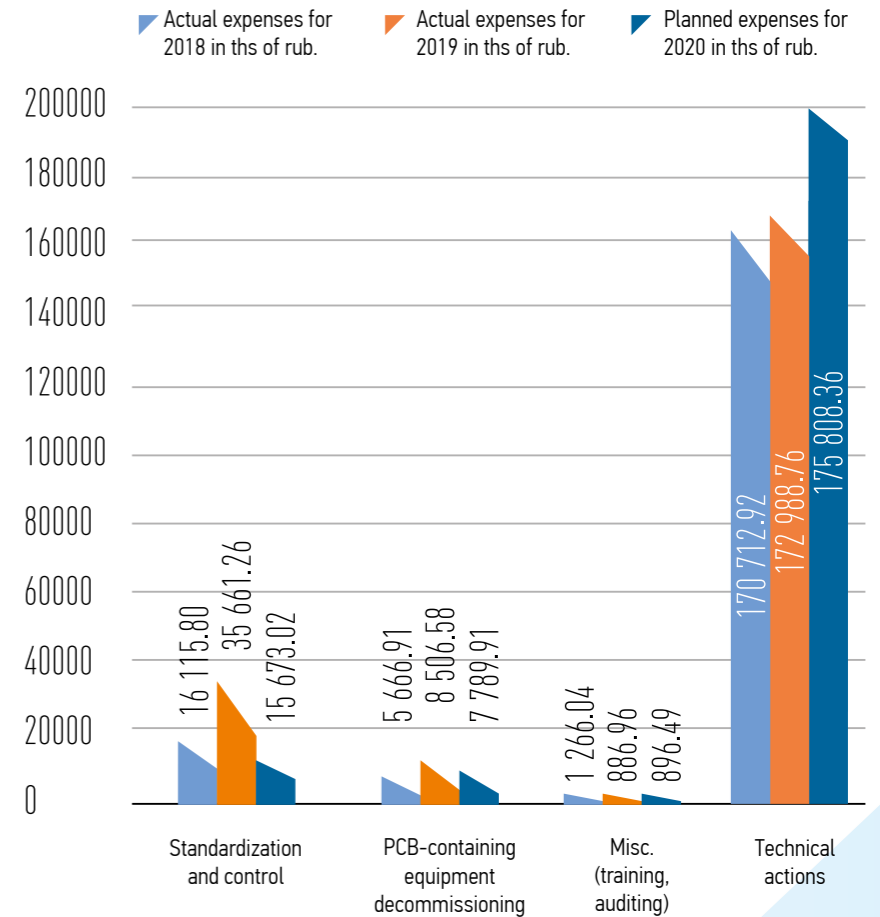
- 11 managers and specialists responsible for decision making concerning environmental protection received training on Ensuring Environmental Safety at Power Grid Facilities;
- technical actions were taken to reduce the adverse impact on the environment:
 - 34 oil circuit breakers were replaced with the vacuum or SF6 circuit breakers to reduce the risk of oil spillage and soil, groundwater, and air contamination;
 - 171 oil-filled bushings were replaced with solid-insulation bushings;
 - Emergency oil discharge systems and transformer oil receivers underwent repair (reconstruction) at 28 substations to prevent potential environmental contamination;
 - the construction/reconstruction of a 670-km long OPL was performed using steel-insulated wires, including to the purposes of preserving the biodiversity;
 - a total of 2304 bird guards were installed to preserve the biodiversity and prevent animal kills in production processes;
 - up to 20 tons of transformer oil is now being recycled/recovered (~10 % of the oil purchased per year) to reduce the amount of natural resources consumed;
 - a total of 1931 meters and control devices were installed to reduce the energy losses during its transportation, including the reduction of indirect greenhouse gas emissions from the power facilities;

- voluntary environmental responsibility mechanisms are maintained in operating conditions.

Kubanenergo environmental management system was introduced, assessed and certified as compliant with the requirements of ISO 14001:2004 international standards for the Systems of Environmental Management since March 2009, which allows the Company to efficiently control the environmental risks, prevent and mitigate the adverse environmental impact and improve its image.

According to the results of the recertification audit of 2019 conducted by the auditors from SGS Vostok Limited JSC, the Company successfully confirmed its compliance with the new revision of ISO 14001:2015 standard for the Systems of Environmental Management.

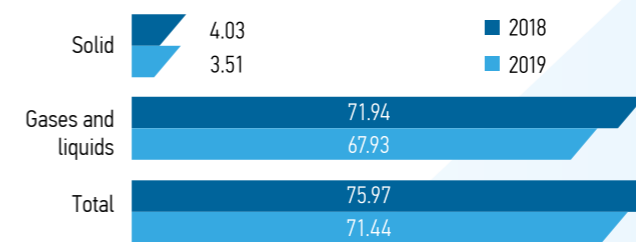
MONEY SPENT TO IMPLEMENT KUBANENERGO PJSC ACTION PLAN TO FULFILL ITS ENVIRONMENTAL POLICY, THOUSANDS RUB



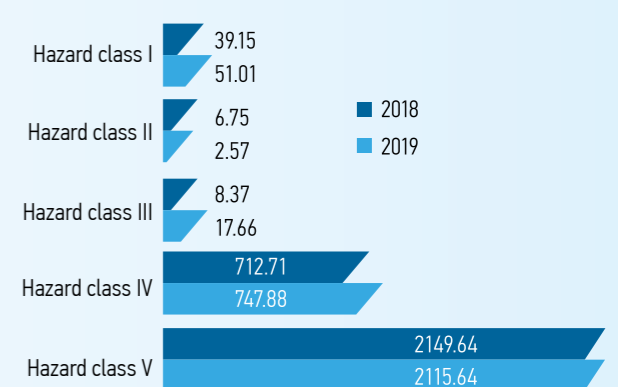
KEY ASPECTS OF THE COMPANY ENVIRONMENTAL IMPACT INCLUDE:

- operation of vehicles, machines (cutting, drilling, woodworking, turning and sharpening), the performance of welding and painting works, chemical analysis of transformer oils, transformer oil storage. The gross atmospheric emissions dropped by 6% as compared to 2018;
- accumulation of wastes from the Company operational and business activities and their further handling (handing-over to specialized companies for further processing, disposal, neutralization, and storage).
- Taking into consideration that the priority area of the current state policy for waste management is their disposal providing for the maximum use of all waste components, the Company in 2019 handed over 9% more of wastes to specialized disposal organizations than in 2018.

GROSS POLLUTANT EMISSIONS TO THE ATMOSPHERE, TONS



TOTAL WASTE GENERATED, TON



Customer Communication Arrangement

The main function of the customer communication departments of Kubanenergo PJSC is supporting timely and unhindered problem solving for grid connection, power transmission, electricity metering arrangement, and extra services arrangement for individuals and legal entities on the Company area of operational responsibility.

To maintain the high quality of Company services, 13 customer service centers and 41 customer service offices are in operation within the power grid regions.

To provide remote services to customers, Kubanenergo PJSC runs a 24-hour call-center with the federal phone number 8-800-100-15-52. Call-center operations inform the residents of Krasnodar territory and the Republic of Adygeya about any power supply issues and recovery work and planned repair schedules. Besides, the call-center operators take messages from the customers concerning electricity theft and consult them about grid connection and other Company services.

Over 600 thousand customers contacted Kubanenergo PJSC call-center in 2019.

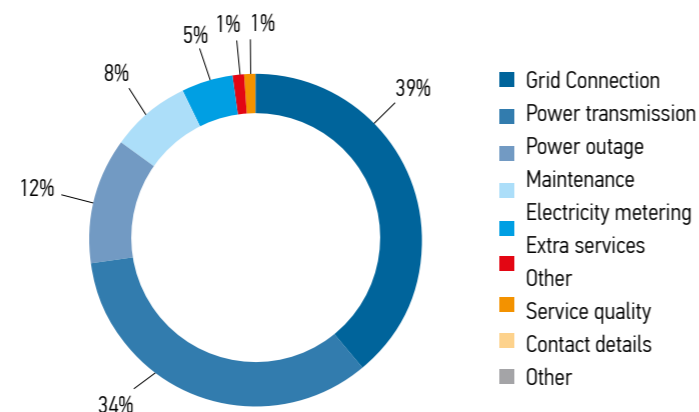
In the reporting year, Kubanenergo PJSC received 7955 complaints from customers, including 2796 legitimate complaints.

Customer complaints were investigated in a proper manner and actions were taken to solve the problems that caused them.

- Kubanenergo PJSC also provides remote services to its clients through the website www.kubanenergo.ru For Customers / Customer Service Centre via the following:
 - service orders and appeals are accepted through the personal office of the client;
 - customer appeals are accepted through interactive feedback system (internet office);
 - Information is provided to customers in the Questions and Answers subsection.

In 2019, Kubanenergo PJSC received 5849 petitions through interactive client services, including 3256 grid connection tickets, 752 of which were sent through the Power Grid Service Portal on the official website of Rosseti PJSC (it is 479 tickets (175.4%) tickets more than in 2018).

STRUCTURE OF CUSTOMER COMPLAINTS RECEIVED BY THE COMPANY IN THE REPORTED YEAR:



THE MAIN WORK RESULTS OF THE COMPANY IN CUSTOMER COMMUNICATIONS FOR 2019 INCLUDE THE FOLLOWING:

- launching the Main Center for Customer Service of Kubanenergo PJSC to provide company services in Krasnodar territory and the Republic of Adygeya;
- conducting 23 seminar meetings with representatives from the business world and the executive authorities of the regions of Russia, 46 public meetings with acting and potential applicants for power grid access information, including those dedicated to the possibility of applying for grid connection online;
- the Energodiolog program for Kuban power system customers managed by the Director-General of Kubanenergo PJSC S. V. Sergeev;
- supporting the work of automated workplaces with access to the Internet for customers in 13 customer service center areas;
- installing 20 pieces of payment equipment at the customer service centers;
- discovery of 465,172 kW of unaccounted electricity to the price of 1,198.264 thousand rubles after 125 inspections conducting following customers' messages of electricity thefts received via the call center.
- To develop the customer-oriented approach and improve the quality of services, Kubanenergo PJSC planned the following actions for 2020:
 - implementing actions to develop interactive customer service, extend the functionality of the personal office on the Company website;
 - organizing work on information support for acting and potential applicants, including seminar meetings with representatives from the business world and executive authorities of the regions of Russia;
 - conducting additional research on service quality and customer satisfaction.

Public and Government Relations, Congress and Exhibition Activities

Vladimir Aleksandrovich Sadym, Head of Public Relations Department:

"The information trends of 2019 for Kubanenergo PJSC include the shift to the usage of Rosseti Kuban brand in the public space, the implementation of actions within the Digital Transformation 2030 Concept, and commissioning a modern Port 220 kV substation on the Taman Peninsula in the Krasnodar Territory. The launch order was given by the President of the Russian Federation V. V. Putin himself. Within the reporting period, the information activities of the Company remained true to the principles of openness and social responsibility. Our main news topics traditionally included investment to the development of the regional power grid system, the renovation campaign and the improvement of power supply quality, grid connection accessibility, customer-oriented policies, interactions with small and medium-sized businesses, as well as the prevention of electric injuries with third parties at the power grid facilities in Krasnodar territory and the Republic of Adygeya, in particular children and teenager. The Company social communication programs received rewards at All-Russian PR contests and industry-specific festivals.



COMMUNICATIONS WITH GOVERNMENTAL BODIES AND PUBLIC ORGANIZATIONS

The key goals of Kubanenergo PJSC communications with governmental bodies and the public include building integrated information channels with target audiences and implementing the uniform communication policy of Rosseti PJSC.

In the reporting years, Kubanenergo PJSC was present in the public space of the region.

The Company provided information support for the working meetings of the Company management with the representatives of federal, regional, and municipal executive bodies.

It also provided information support for the participation of the top managers of Kubanenergo PJSC in events together with the Ministry of Energy of Russia, Rosseti PJSC, executive bodies of Krasnodar territory and the Republic of Adygeya, including:

- the working trip of Rosseti PJSC Director-General P. A. Livinskiy to Krasnodar territory, the end of construction meeting for the new main substation in Taman: the Port 220 kV substation and the 220–110–35–10 kV OPLs (January 2019);
- the working trip of Deputy Director-General – Chief Engineer of Rosseti PJSC A. V. Mayorov to Sochi, the visit to Yuzhnaya

110/10/6 kV substation, power supply readiness assessment for facilities utilized in the Russian Investment Forum (February 2019);

- the opening ceremony led by the President of Russia V. V. Putin (in the video conferencing mode) for the Port 220 kV substation, the key unit of Rosseti Group in Krasnodar territory and a strategic object for Krasnodar territory in terms of developing the investment potential of the region (March 18, 2019);
- the working trip of Rosseti PJSC Director-General P. A. Livinskiy to Krasnodar territory and the presentation of the Director-General of Kubanenergo PJSC S. V. Sergeev (July 2019);
- the working meeting of the head of the administration (the governor) of Krasnodar territory V. I. Kondratyev, the head of Rosseti PJSC P. A. A. Livinskiy and the Director-General of Kubanenergo PJSC

S. V. Sergeev (July 2019);

- the participation of the Director-General of Kubanenergo PJSC S. V. Sergeev in the meeting of the Board of Directors in Moscow conducted by the Board of Directors Chair A. I. Gavrilov (July 2019);
- the participation of the Director-General of Kubanenergo PJSC S. V. Sergeev in the selector meeting conducted by the head of the administration (the governor) of Krasnodar territory V. I. Kondratyev dedicated to the preparation of the Krasnodar territory utility system and social services to for the autumn and winter of 2019/2020 (September 2019);
- the signing of a cooperation agreement for workplace digitalization between Rosseti Kuban (Kubanenergo PJSC) and Automation, System, Technologies (AST) LLC at the Russian Energy Week International Forum. The agreement was signed by the Director-General of



Kubanenergo PJSC S. V. Sergeyev and the Director-General of AST LLC M. I. Kryuchkov (October 2019);

- the commissioning ceremony for the largest main substation in the suburbs of Krasnodar, Loris 110/35/10 kV substation. The participants of the event included the Director-General of Kubanenergo PJSC S. V. Sergeyev and the mayor of Krasnodar Ye. V. Pervyshov (November 2019);
- the meeting of the Director-General of Kubanenergo PJSC S. V. Sergeyev with the representatives from the business community of Krasnodar territory in Krasnodar in the Energodiolog format, concerning the development of the power grid facilities and connections for housing construction projects (November 2019);
- the seminar meeting concerning the implementation of the Digital Transformation 2030 Concept of the Rosseti Group in Krasnodar with the representatives from Rosseti PJSC, and the top managers and technical staff of Kubanenergo PJSC (November 2019);
- commissioning the distribution network facilities in Nikitino, Mostovkiy district,

Krasnodar territory to provide the power supply to the remote mountain settlement (this event was held with the Director-General of Kubanenergo PJSC S. V. Sergeyev, the representatives of the Ministry of Fuel, Energy, and Utilities of Krasnodar territory, and the administration of Mostovkiy district) (December 2019);

- signing a cooperation agreement for innovative solution and power industry efficiency and reliability improvement as well as information infrastructure creation between Kubanenergo PJSC and Lyudinovokabel JSC at the Power Grids International Forum (December 2019);
- launching the Main Center for Customer Service in Krasnodar with involving the following officials (through video conferencing): the minister of energy of Russia A. V. Novak, the Director-General of Rosseti PJSC P. A. Livinskiy, the Director-General of Kubanenergo PJSC S. V. Sergeyev, and Deputy Head of Administration of Krasnodar territory A. V. Voronovskogo (December 2019);
- the press conference of the Director-General of Kubanenergo PJSC S. V. Sergeyev with journalists from the leading media of Krasnodar territory and the Republic of Adygeya concerning the development of the power grid system of the region and network digitalization (February 2020);
- the working trip of Rosseti PJSC Director-General P. A. Livinskiy to Sochi during which he visited Khleborob where he met the residents to discuss a set of bilateral measures to improve the quality and reliability of the power supply to the consumers in the settlement.

THE PR PROGRAMS ON THE FOLLOWING WERE IMPLEMENTED:

- information support for the implementation of the Company investment and repair programs, the preparations to and operations during autumn and winter;
- preventing non-contractual and unaccounted consumption of electricity;
- preventing electric trauma in third parties at the power grid facilities;
- making explanations concerning the connection procedures for the Company grids (including the meetings with small and medium-sized business representatives), extending the list of additional services, the fulfillment of energy service contracts for the installation of remote electricity meters for the customers to reduce the energy losses;
- informing the customers in Krasnodar territory and the Republic of Adygeya about the acts of illegal electricity meter replacement by third parties;
- informational support for Kubanenergo PJSC drills for massive disconnection blackouts during hazardous natural phenomena;
- informational support for working trips of the Director-General of Kubanenergo PJSC S. V. Sergeyev to the regions of Company responsibility and meetings with the Company branch teams.



SOCIAL COMMUNICATIONS

In 2019, the Company continued implementing several target communication programs to promote the image of a socially responsible company.

In 2019, the Company continued implementing several target communication programs to promote the image of a socially responsible company.

Thus, the Program for the Prevention of Injury and Death of Children at Kubanenergo PJSC Power Grid Facilities in the reported year enveloped about 600 secondary schools of Krasnodar territory and the Republic of Adygeya. Over 1000 electric safety lectures and lessons were held, and about 35 thousand students from the region took part in them.

To prevent electric trauma among children, creative contests, theme tours, and open days were organized. Several themed lessons were arranged in recreation and school summer camps in all districts of Kuban during the summer holidays as part of the Safe Energy Happy Summer annual social event. A total of 220 field events were conducted, including themed lessons, meetings, and tours for general education students. The Company website runs an information platform for the Prevention of Child Electric Trauma, where various methodological materials for teachers arranging themed talks on electric trauma prevention can be found.

The Company specialists organized the Tesla Show and an energy safety workshop, talked about energy-saving technologies, and conducted the Energozaryad mind game on June 1-2, 2019 as part of the traditional Rosseti PJSC session at Orlyonok All-Russian Children's Center. Over 100 children from all over Russia took part in the mind game.

As part of the Brighter Together festival, the Company organized the Energozaryad mind game for the School of Young Power Engineer educational session at Smena All-Russian Children's Center in Anapa. In August 2019, the Company specialists held an in-field electric safety lesson for Orlyonok All-Russian Children's Center at the Lazurnaya substation. The power engineers told the students about the electric safety rules and about the peculiarities of working in the power industry.

In September 2019, the Company specialists held a city-wide electric safety lesson at the Kubanenergo – Good Power interactive



platform in Krasnodar as part of the Brighter Together festival.

The partners of Kubanenergo PJSC, participating in the program for the prevention of children's electric trauma within the frameworks of the cooperation agreements made, include the Ministry of Education, Science and Youth Policy of Krasnodar territory and the Republic of Adygeya, and the regional offices of the Russian Emergency Ministry in Krasnodar territory and the Republic of Adygeya.

WITHIN THE FESTIVAL «#ВМЕСТЕ РАЧЕ» THE COMPANY ORGANIZED THE INTELLIGENT GAME «ENERGY CHARGE» FOR THE PARTICIPANTS OF THE «SCHOOL OF YOUNG ENERGY ENGINEERING»

MEDIA COMMUNICATIONS

The Communications Policy of the Company is built around the principles of openness, accuracy, timeliness, and accessibility as part of the implementation of a uniform communications policy of Rosseti Group. To promote brand recognition, positive reputation, and image of Kubanenergo PJSC, and expand the audience of its media influence, the Company undertook close interactions with the leading regional and industrial media in 2019.



Public media events held together with the Company management were aimed at the formation of its positive overall image, the improvement of its business reputation, and the increase of the publicity capital within the market value structure of the Company. In 2019, the printed media of Krasnodar territory and the Republic of Adygeya published over 370 messages concerning the Company activities. According to the SKAN-Interfax monitoring system, Kubanenergo PJSC (the Company name) was mentioned 12,845 times in the media (including printed, electronic, radio, and TV). In social networks, 8985 messages were found. During the reporting period, 735 news items were posted on the corporate website of the Company. Besides, some information was published on the official pages of the Company in social media and blogs. The largest portion of the information on the Company activities in the reporting period is comprised of Internet media with a large portion of coverage from central information agencies. Over 65% of the messages concerning the activities of Kubanenergo PJSC initiated by the Company PR Departments were positive, and about 30% neutral. The most significant Company events represented in federal and regional media include the following:

- prevention of unauthorized electricity consumption and electrical equipment theft (over 140 press releases published on the official corporate website of the Company; about 40 TV spots went on air, 2910 messages were aired on Kuban TV channels and radio stations; about 1700 highlights for these problems can be found in online media, and 120 publications in printed media);
- prevention of children's electric injuries (1925 media mentions, including over 411 printed publications and 4670 broadcasts on radio stations and TV channels of the regions);
- prevention of unauthorized replacement of electricity meters in the area of responsibility of Kubanenergo PSC by third parties (messages for the Company customers were posted on the official website, over 60 news pieces went out in regional media, and over 18 TV spots were aired on the TV channels of Krasnodar territory and the Republic of Adygeya);
- PR support for society-oriented Laborer projects (78 articles published on the corporate website, 25 articles in printed media, and 120 reprints in the Internet media).

In 2019, the Company continues working on content filling and structural improvement of the Kubanenergo PJSC website. The Company undertook the technical upgrade of the website to comply with the standards for proper obligatory and voluntary disclosure of information in a timely manner to maintain the best level of transparency. In order to develop the corporate culture and Company traditions and form a positive image among the employees, the Company issues 6 supplements for Rossiyskiye Seti corporate newspaper between January and July 2019 where it published data on production accomplishments, honored employees, newcomers, and Company veteran stories. In the reporting period, the Company was working on preventing unauthorized electricity consumption and electrical equipment theft via publishing pieces on the official website of the company and regional media, broadcasting messages on TV channels and radio stations, as well as in social media and blogs.

CONGRESS AND EXHIBITION ACTIVITIES

To represent Kubanenergo PJSC at key economic, political and industry-specific platforms in the country, increase its investment attractiveness, form and maintain its image, develop and strengthen international and interregional cooperations, and exchange experiences, the Company took part in the following congresses and exhibitions in 2019:

- Russian Investment Forum (February, Sochi);
- VII National Practical Conference for Internal Control and Audit in Russia (February, Moscow);
- XI National Conference of the Institute of Internal Auditors for the Internal Audit in Russia: New Solutions in the New World (March, Moscow);
- SAPE 2019 International Exhibition and Conference for Labor Security in Fuel and Energy Companies (April, Sochi);
- V International Scientific and Practical Conference for Relay Protection and Automation in Electric Power Systems in Russia and RELAVEKSP0-2019 exhibition (April, Cheboksary);
- All-Russian Science and Technology Conference for the Ways to Improve Reliability, Efficiency, and Safety of Power Production (June, Divnomorskoye);
- St. Petersburg International Economic Forum (June, St. Petersburg);
- Rosseti PJSC subsidiary and affiliate accomplishment exhibition for 2018 as part of the annual General Meeting of Rosseti



- Shareholders (June, Moscow);
- Modern Trends in Distribution Networks exhibition and forum (July, Tervolovo);
- BrighterTogether All-Russian Energy Saving Festival (September Krasnodar);
- Russian Energy Week 2019 International Forum (October, Moscow);
- VIII National Scientific and Practical Conference for the Internal Control and Audit in Russia: efficiency assessment for company operations. Internal control role and position (November, Moscow);
- Electric Grids International Forum (December, Moscow);
- Labor Safety and Security 2019 (BiOT-2019) International Specialized Exhibition and All-Russian Congress of Organizations and Specialists in Labor Safety (December, Moscow);
- International conference for controlling (December, Moscow).



REFERENCE INFORMATION

100

REFERENCE INFORMATION

- 188 Contact details
- 190 Registrar's details
- 192 Terms and Abbreviations
- 192 Units of measurement



Contact details

Complete trade name	Kuban Power and Electrification Public Joint Stock Company
Abbreviated name	Kubanenergo
The company is not in the List of Strategic Enterprises and Joint-Stock Companies approved by Decree of the President of the Russian Federation No. 1009 dated 04.08.2004 (with further amendments)	
Address	Krasnodar, Russian Federation
Postal address	350033, Krasnodar, Russian Federation, 2A Stavropolskaya st.
OGRN	1022301427268
Banking details	INN/KPP 2309001660/997650001 transaction account 40702810330020101989 at office No. 8619 in Krasnodar, corresponding account 30101810100000000602, BIC 040349602
Telephone/fax	+7 (861) 268-59-13 / +7 (861) 268-24-93
Email	telet@kuben.elektra.ru
Web-site URL	www.kubanenergo.ru

CONTACTS FOR SHAREHOLDERS

Chief Specialist for the Corporate Governance and Shareholder Relations Department	Anna Ivanovna Yurchenko +7 (861) 212-26-72 yurchenkoai@kuben.elektra.ru
Chief Specialist for the Corporate Governance and Shareholder Relations Department	Irina Vladimirovna Podsvirova +7 (861) 212-22-76, fax: +7 (861) 212-27-08 podsvirovaiv@kuben.elektra.ru

CONTACTS FOR INVESTORS AND FINANCIAL ANALYSTS

Head of the Corporate Governance and Shareholder Relations Department	Yekaterina Yevgenyevna Didenko +7 (861) 212-23-09 didenkoe@kuben.elektra.ru
--	---

CONTACTS FOR CUSTOMERS

Head of Customer Relations Department	Aleksey Anatolyevich Voropayev +7 (861) 212-22-74 voropaevaa@kuben.elektra.ru
Internet office	Company web-site www.kubanenergo.ru – For Customers / Customer Service Centre/ Interactive feedback system (internet office)
Call center	8-800-100-15-52 (24-hour service)

CONTACTS FOR JOBSEEKERS

In Krasnodar: Leading Specialist for the Organizational Development Department	Alesya Vladimirovna Shmakova +7 (861) 212-26-36, 08:00 to 17:00 hr@kuben.elektra.ru
In Sochi Deputy Head of Personnel Management Department at the Power Grids of Sochi branch of Kubanenergo PJSC	Yuliya Nikolayevna Luzan +7 (8622) 690-218, 08:00 to 17:00 personal@elsetisochi.ru

Kubanenergo PJSC Press Office:

Telephone: +7 (861) 212-24-68, media request email: sadymva@kuben.elektra.ru

CONTACTS OF CUSTOMER SERVICE CENTERS

KUBANENERGO PJSC BRANCH	TELEPHONE	EMAIL
Main Customer Service Center of Kubanenergo PJSC executive arm	(861) 212-22-22	client.service@kuben.elektra.ru
Power Grids of Adygeya	+7 (8772) 59-22-02	client.service@adseti.ru
Power Grids of Armavir	+7 (86137) 698-03	uslugi@armset.ru
Power Grids of Krasnodar	+7 (861) 255-79-84	tsok@krasnodarseti.ru
Power Grids of Labinsk	+7 (86169) 691-53	cok@labnet.kuban.ru
Power Grids of Leningradskiy district	+7 (86145) 735-00	kazantsevali@lenseti.kuban.ru
Power Grids of Slavyansk	+7 (86146) 433-14	klient@slavseti.ru
Power Grids of Sochi	+7 (8622) 69-02-42	tsoksochi@elsetisochi.ru
Power Grids of Timashevsk	+7 (86130) 232-65	cok@timseti.kuban.ru
Power Grids of Tikhoretsk	+7 (86196) 704-17	goryainovane@tihset.ru
Power Grids of Ust-Labinsk	+7 (86135) 503-43	uslugi@useti.kuban.ru
Power Grids of the South-West	+7 (8617) 64-34-33 (Novorossiysk), +7 (86133) 566-72 (Anapa)	novolato@novuzs.ru

BRANCHES OF KUBANENERGO PJSC AS OF DECEMBER 31ST, 2019

NAME	ADDRESS
Power Grids of Adygeya	Russia, Republic of Adygeya, Maikop, 358 Shovgenova st.
Power Grids of Armavir	Russia, Krasnodar territory, Armavir 54, Vorovskogo st.
Power Grids of Krasnodar	Russia, Krasnodar territory, Krasnodar 131 Pashkovskaya st..
Power Grids of Labinsk	Russia, Krasnodar territory, Labinsk 334 Mira st.
Power Grids of Leningradskiy district	Russia, Krasnodar territory, Leningradskaya 6, 302 Divizii st.
Power Grids of Slavyansk	Russia, Krasnodar territory, Slavyansk-on-Kuban 49 Stroitel'naya st.
Power Grids of Sochi	Russia, Krasnodar territory, Sochi 42 Konstitutsii SSSR st.
Power Grids of Timashevsk	Russia, Krasnodar territory, Timashevsk 176 Lenina st.
Power Grids of Tikhoretsk	Russia, Krasnodar territory, Tikhoretsk 62 Dzerzhinskogo st.
Power Grids of Ust-Labinsk	Russia, Krasnodar territory, Ust-Labinsk 4 Krasnodarskaya st.
Power Grids of the South-West	Russia, Krasnodar territory, Novorossiysk, 1 Vostochnyi mol.

REGISTRAR'S DETAILS

COMPLETE TRADE NAME	ROST INDEPENDENT REGISTRAR JOINT-STOCK COMPANY
Abbreviated name	NRK-ROST JSC
INN / OGRN	7726030449/1027739216757
Address	107076, Moscow 18 Stromynka st., building 5B
License to keep a register:	
– license number	045-13976-000001
– date of issue	03.12.2002
– expiration date	Unlimited
– issuing authority	Russian Federal Securities Committee
Telephone/fax	+7 (495) 780-73-63 / +7 (495) 989-76-50
Email	info@rrost.ru
Web-site URL	www.rrost.ru

NRK-ROST JSC Keeps a register of the owners of the Company securities since December 16th, 2010. There are no transfer agents at NRK ROST JSC that can provide services to people registered as shareholders of Kubanenergo PJSC.

Terms and Abbreviations

AIMSCEM — automatic information and metering system for commercial electricity metering

AEMS — automated electricity metering system

ACS — automated control system

APCS — automated process control system

SCB — static capacitor battery

RES — renewable energy sources

OPL — overhead power line

HV — high voltage (110 kV or above)

FOCL — fiber-optic communication line

Loss of revenue — a shortfall in the income of the regulated organization due to providing grid connection benefits to customers consuming less than 15 kW that occur because of the discrepancy between the actual expenses for grid connections made and the payment received for them set in accordance with the current laws of the Russian Federation.

Last resort energy supplier — a commercial organization obliged to enter in contracts for electricity sale and purchase with any electricity consumer or a person acting on behalf of such consumer willing to buy electricity in accordance with Federal Law No. 35-FZ on Electrical Power dated 26.03.2003 or voluntarily assumed liabilities.

GTPP — gas turbine power plant

S&A, BA — subsidiaries and affiliates of the Company or Rosseti PJSC

PDP — phase-differential protection

3PY — closed switchgear — electric switchgear equipment located indoors

ENES — uniform national (Russian) power grid company

IHCD — integrated helium collection device

CL — cable power line

Corporate year — period between the election of members of the Board of Directors and the Auditing Commission at the General Meeting of Company Shareholders and the next Annual General Meeting of Company Shareholders.

Common pot revenue requirement — economically feasible amount of funds necessary for the organization to perform regulated activities within the reporting period of regulation, taking into account the costs of services of territorial grid companies, FGC UES PJSC, and the purchase of electricity to compensate losses.

Common pot tariffs for power transmission — uniform tariffs for power transmission services in Krasnodar territory and the Republic of Adygeya for all consumers of power transmission services irrespective of which power grid organization they are connected to, differentiated according to the voltage levels.

OSG — package distribution device for outdoor installation

GIS — package distribution device with SF6 insulation — electric plant for power receipt and distribution

PTS — package transformer substation

PTL — power transmission line

OCB — oil circuit breaker

Revenue requirement for the region, RR for the region — economically feasible amount of funds necessary for grid organizations functioning in Krasnodar territory and the Republic of Adygeya to perform regulated activities related to power transmission during the reporting period of regulation.

Company RR, Company revenue requirement — the economically feasible

amount of funds necessary for the organization to perform regulated activities within the reporting period of regulation without the costs of services of territorial grid companies, FGC UES PJSC, and the purchase of electricity to compensate losses.

Undersupply — undersupply of electric power to consumers due to technological breakage in the power grid

R&D — research and development works

RA — research activities

LV — low voltage

Volume of services rendered — the amount of electric power transmitted via the power grid facilities owned by Kubanenergo PJSC on any grounds compliant with the laws of the Russian Federation.

DW — development works

OVL — overvoltage limiter

Grid output — the amount of electric power, received in the distribution grid from the supply points of the uniform national power grid, generation points and other related systems, formed according to the voltage level on the balance responsibility border.

Kubanenergo PJSC, Kubanenergo OJSC, Company, Issuer, Rosseti Kuban — Kuban Power and Electrification Public Joint Stock Company.

AR — accounting regulations

Useful output of electricity — the amount of electric power transmitted (supplied) via distribution grids at power supply points of consumers and (or) downstream grid operators which was formed according to the voltage level on the balance responsibility borders. It corresponds with the physical process of power transmission via electric grids.

Losses of electric power:

Actual (reported) electricity losses — a discrepancy between the amount of electric power supplied to the power grid from other grids or power producers and the amount of electric power: consumed by the power receivers connected to the grid and transferred to other grid operators.

Normal electricity losses — calculated loss values set by authorized federal executive bodies for the aggregated power transmission lines and other facilities owned by the grid operator and differentiated according to the voltage levels. The cost of normal electricity losses is included in energy transmission payments (tariffs).

Excessive (commercial) electricity losses — the discrepancy between actual and normal electricity losses, paid to the full extent by the operator of the grid where these excessive losses occurred.

Load electricity losses — losses depending on the load in transformers and lines occurring during power transmission.

SS — substation.

Recloser — network automated sectioning point, comprising a high-voltage equipment cabinet with a vacuum circuit breaker, and a control cabinet with the microprocessor relay protection and automatic equipment.

RPA — relay protection and automation

RMUPL-01 — reflectometric monitoring unit for 35–220 kV power lines

PDGA — energy transmitting areas of power distribution grid in branches of Kubanenergo PJSC, comprising several grid sections and supervisory, mechanical aid, and transport groups and controlling them (via the Head of PDGA).

RAS — Russian accounting standards

RPC - PTD KT — regional power commission — the price and tariff department of Krasnodar territory — an executive body of Krasnodar territory in state tariff regulation

DD — distribution device of a substation or a power plant

DTS — distribution transformer substation

PGA — power grid areas in the branches of Kubanenergo OJSC

CAD — a computer-aided design system

ITCS — internal technical control system

Grid operator, distribution grid company — an organization responsible for transmission and/or distribution of electricity in power grids.

SSIW — self-supporting insulated wire

Cooperating grid operator — the grid operator than is a legal owner of the power grid facilities connected directly to the power grids of other operators (with which it cooperates).

MMO — mass media organizations

MV1, MVI — medium voltage I (35 kV)

CH2, CHII — medium voltage II (1–20 kV)

Average headcount — the overall number of employees for each calendar day of a period including holidays (banking holidays) and days-off divided by the number of calendar days in the period.

GS — grid section

PAMS — production asset management system

Technical losses — losses of electric power in power grid lines and equipment due to the physical processes occurring when transmitting power in accordance with the specifications and operating modes of grids and equipment taking into consideration the power consumption of substations.

Technical electricity metering — metering electricity consumption within power plants, substations, and companies to calculate and analyze the power losses in grids and account for the consumption of electric power for the company's own operational and production needs.

Technical breakdown (accident) — an unauthorized disconnection of normal power grid operations

TS — transformer substation.

Grid connection — technical connection of power recipients (power units) of legal and natural entities to the power grids of the company providing electricity transmission services.

M&R — maintenance and repair.

RPA setting — relay actuation (release) parameter or time set.

c.u. — conventional units for electric equipment

LGO — local grid operator — a commercial organization that owns power grid facilities by right of property or other grounds set of in federal laws and provides power transmission services using those, performs proper grid connection of power recipients (power units) of legal and natural entities to power grids, apart from signing power transmission contracts using the power grid facilities outside the uniform national (Russian) power grid.

HPP — heat power plant

Feeder — a power line connecting bus bars of electric switchgear with distribution and consumer power grids powered from them.

Power center — substation bars with a voltage of 110, 35, 6/10 kV

DSS — digital substation

ES — emergency situation

ECM — electronic computing machine

PG — power grids

EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization) — profits before paying taxes depreciation costs and loan interest.

ROE — (Return On Equity) — cost-effectiveness of equities; represents performance efficiency; a ratio of net profits for the period divided by equities of an organization.

ROTA — (Return on total assets) — cost-effectiveness of total assets; represents performance efficiency; a ratio of net profits (of before-tax profits) for the period divided by the total value of company assets for the period.

Units of measurement

VA – volt-ampere
W – watt
y – year
yrs – years
Gcal – gigacalorie
kV – kilovolt
kVA – kilovolt-ampere
kW – kilowatt
kWh – kilowatt-hour
km – kilometer

kop. – kopeck
m – meter
MVA – megavolt-ampere
MW – megawatt
mil – million
bln – billion
RUB – Russian ruble
pp – percentage point
s – second

d. – day
t – ton
toe – ton of oil equivalent
ths. – thousand
h – hour
ppl. – people
pcs. – pieces

Annexes to the Annual Report

THE FOLLOWING ANNEXES ARE AN INTEGRAL PART OF THIS ANNUAL REPORT:

ANNEX NO.	ANNEX TITLE
1	Annual accounting (financial) statements of Kubanenergo PJSC for 2019 compliant with RAS, including the auditor's conclusion about its accuracy
2	Reports on related-party transactions of Kubanenergo PJSC for 2019
3	Report on Kubanenergo PJSC compliance with the Corporate Governance Code as recommended by the Bank of Russia for 2019
4	Information on non-core assets of Kubanenergo PJSC. Company participation in commercial organizations
5	Functions of Kubanenergo Internal Control System participants



www.kubanenergo.ru



ROSSETI

KUBAN



APPENDICES

TO THE ANNUAL REPORT OF KUBANENERGO PJSC

Independent Auditor's Report
on Accounting (Financial) Statements of
**Public Joint Stock Company of
Power Industry and Electrification of Kuban**

Contents

page

Independent Auditor's Report

3

Appendices

Accounting (Financial) Statements of Public Joint Stock Company of
Power Industry and Electrification of Kuban for 2019:

Balance Sheet

9

Statement of Financial Result

11

Appendices to the Balance Sheet and Statement of Financial Results

12

APPENDIX 1

INDEPENDENT AUDITOR'S REPORT ON ACCOUNTING
(FINANCIAL) STATEMENTS OF PUBLIC JOINT
STOCK COMPANY OF POWER INDUSTRY AND
ELECTRIFICATION OF KUBAN FOR 2019

FEBRUARY 2020

Ernst&Young LLC
Krasnodar Branch
Sovetskaya Street, 30, offices 1106-1108
Krasnodar 350063, Russia
Phone: +7(861) 210 1212
Fax: +7(861) 210 1211
www.ey.com/ru

Independent Auditor's Report

To: the shareholders and the Board of Directors
of Public Joint Stock Company of Power Industry
and Electrification of Kuban

Opinion

We have audited the accompanying accounting (financial) statements of Public Joint-Stock Company of Power Industry and Electrification of Kuban (hereinafter – the Company) which comprise the balance sheet as of December 31, 2019, Statement of Financial Results for 2019, and appendixes thereto.

In our opinion, the accompanying accounting (financial) statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its accounting performance and cash flows for 2019 in accordance with the accounting (financial) statements preparation rules established by the Russian Federation.

Basics for Opinion

We conducted our audit in accordance with the International Standards of Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Accounting Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the accounting (financial) statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the accounting (financial) statements of the current period. These matters were addressed in the context of our audit of the accounting (financial) statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the accounting (financial) statements section of our report, including in relation to these matters. Accordingly, our audit included procedures designed to respond to our assessment of the risks of

material misstatement of the accounting (financial) statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying accounting (financial) statements.

Key audit matter	How the matter was addressed in our audit.
-------------------------	---

<p>Recognition and measurement of revenue from electricity transmission services</p> <p>Recognition and measurement of revenue from electricity transmission services was one of the most significance in our audit due to certain mechanisms of operation of retail electricity market that stipulate presence of disagreements between network, energy supply and other companies pertaining to the volume and cost of transmitted electricity. The sum of the disputable revenue is considered as material for the accounting (financial) statements of the Company. The assessment by the Company's management of favorable outcome of the dispute resolution is, to a large extent, subjective. The revenue is recognized when, with regard of assumptions, disputes are resolved in favor of the Company.</p> <p>Information on the revenue from electricity transmission services is disclosed in Clause XX of Notes to the Accounting Statements and Statement of Financial Results.</p> <p>Impairment of accounts receivable</p> <p>In our opinion, the matter of impairment of accounts receivable was one of the most significance in our audit due to significant balances of the Company's accounts receivable as of December 31, 2019 as well as due to the fact that the management estimate of collectability of the receivables is based on the assumptions, in particular, forecasting financial solvency of the Company's customers. Information on impairment of accounts receivable is disclosed in Clause XX of Notes to the Accounting Statements and Statement of Financial Results.</p>	<p>We have review the Company's policy on recognizing revenue from electricity transmission services; evaluated the system of internal control over revenue recognition; reviewed the accuracy of determined revenue amounts based on concluded electricity transmission contracts; on a sample basis obtained confirmations of accounts receivable balances from the counterparties; analyzed outcomes of litigations in respect of disputed amounts for the provided services, if any; and evaluated exiting procedures for confirming the volume of transmitted electricity.</p> <p>We have analyzed the adequacy of the Company's policy on reviewing accounts receivable and determining whether accounts receivables impairment allowance should be established, as well as procedures of confirming the reasonableness of the estimates made by the management of the Company, including review of accounts receivable payments, review of maturity dates and overdue debts, review of customers' financial solvency. We have performed audit procedures in respect of information used by the Company for determining the impairment of accounts receivable, in respect of classification of accounts receivable by their maturity dates; tested accuracy of calculating the allowance on the basis of the management estimates.</p>
--	--

Key audit matter	How the matter was addressed in our audit.
-------------------------	---

<p>Recognition, measurement and disclosure of provisions and contingent liabilities</p> <p>Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims of counterparties (including territorial electric grid companies and energy supply companies) were matters of the most significance in our audit because they require a lot of management judgments in respect of significant amounts of balance of payments between counterparties being in dispute in the course of litigations or in the process of pre-trial procedures. Information on provisions and contingent liabilities are disclosed in Clause XX of Notes to the Accounting Statements and Statement of Financial Results.</p>	<p>The audit procedures included review of court rulings made by courts of different levels, and review of adequacy of management judgments in respect of the assessment of possibility of outflow of economic resources following dispute resolutions, review of conformity of the prepared documentation with the existing contracts and compliance with the law.</p>
--	---

<p>Other information</p> <p>Audit of accounting (financial) statements of Public joint-stock company of power industry and electrification of Kuban for 2017 was conducted by other auditor that expressed unqualified audit opinion concerning the statements on February 22, 2018.</p>	
---	--

<p>Other information included in the annual report for 2019</p> <p>Other information includes information contained in the annual report for 2019, but does not include accounting (financial) statements and our audit report on it. The Management is responsible for other information. The annual report for 2019 is expected to be provided after the date of this audit report.</p> <p>Our opinion on the accounting (financial) statements does not apply to other information, and we do not provide a conclusion that provides in any form confidence in this information.</p> <p>Since we are conducting our audit of the accounting (financial) statements, our responsibility to study other above-mentioned information when it is provided to us, and, in doing so, consider whether the other information is materially inconsistent with the accounting (financial) statements our knowledge obtained in the course of audit or otherwise appears to be materially misstated.</p>	
--	--

Responsibilities of Management and the Audit Committee of the Board of Directors for the Accounting (Financial) Statements

The Management is responsible for the preparation and fair presentation of the accounting (financial) statements in accordance with the Russian Federation accounting (financial) statements preparation rules, and for such internal control as management determines is necessary to enable the preparation of accounting statements that are free from material misstatement, whether due to fraud or error.

In preparing the accounting (financial) statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors is responsible for overseeing the preparation of the accounting (financial) statements of the Company.

Auditor's responsibility for the Audit of the Accounting (Financial) Statements

Our objectives are to obtain reasonable assurance on whether the accounting (financial) statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounting (financial) statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the accounting (financial) statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the accounting statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on

the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the accounting (financial) statements, including the disclosures, and whether the accounting (financial) statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee of the Board of Directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Board of Directors of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Board of Directors of the Company, we determine those matters that were of most significance in the audit of the accounting (financial) statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Manager in charge of the audit resulting in this independent auditor's report is Kalmykova A.B.

Kalmykova A.B.
Partner
Ernst & Young LLC
Krasnodar

20 February 2020

Details of the audited entity

Name: Public Joint-Stock Company of Power Industry and Electrification of Kuban
Record made in the State Register of Legal Entities on 17 September 2002; Primary state registration number 1022301427268
Address: 2A Stavropolskaya Street, Krasnodar 350033, Russia

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: 77/1 Sadovnicheskaya naberezhnaya, Moscow 115035, Russia
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

A member firm of Ernst & Young Global Limited

Balance sheet		Appendix 1	
as at December 31 20 19		Codes	
Company	Kubanenergo PJSC	Form of OKUD	0710001
Company Identification Number		Date (day, month, year)	31 12 2019
Economic activity	electric power transmission	OKPO	00104604
Legal form/form of property	Public Joint Stock Company/ privately owned	TIN	2309001660
Unit of measurement: thousands of RUR		OKVED 2	35.12
Registered office (address)	350033, the Russian Federation, Krasnodar, 2A Stavropolskaya Street	OKOPF/OKFS	12247 16
Financial statements are audited	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	OKEI	384
Name of audit organization/surname, first name, patronymic (if any) of registered auditor	Limited Liability Company Ernst & Young	TIN	7709383532
Taxpayer Identification Number of audit organization/registered auditor		PSRN / PSRNSP	102773970203

Note	Line item	Line code	As at December 31 2019	As at December 31 2018	As at December 31 2017
ASSETS					
I. NON-CURRENT ASSETS					
5.1.1.-5.2.2.	Intangible assets	1110	134,682	38,621	33,456
5.2.2.	Including non-complete transactions on acquisition of intangible assets	1111	7,500	7,500	6,000
5.2.1.-5.2.2.	Research and development results	1120	33,756	107,450	69,571
5.2.2.	Including expenses for non-complete research and development	1121	33,756	107,450	69,571
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
5.3.1.-5.3.6.	Fixed assets	1150	63,343,130	62,534,635	59,659,050
	Lands and objects of nature management	1151	136,411	136,330	136,244
	Buildings, machinery, equipment, construction	1152	59,270,093	50,768,189	50,815,750
	Other fixed assets	1153	262,534	207,553	260,043
5.3.5.	Construction in progress	1154	3,069,476	10,190,196	6,737,703
5.3.6.	Advances issued for investment building and purchase of fixed assets	1155	30,056	341,336	1,054,174
	Raw materials intended to be used in case of fixed assets creation*	1156	574,560	891,031	655,136
5.3.1.	Income-bearing investments in tangible assets	1160	-	-	-
5.4.1.-5.4.3.	Financial investments	1170	39,050	37,556	36,004
	Investments in subsidiary companies	1171	39,049	37,555	36,003
	Investments in affiliates	1172	-	-	-
	Investments in other companies	1173	1	1	1
	Loans given to companies for the period of more than 12 months	1174	-	-	-
	Financial investments	1175	-	-	-
5.7.2.	Deferred tax assets	1180	792,989	764,948	881,948
	Other non-current assets	1190	291,676	130,725	84,981
	Total non-current assets	1100	64,635,283	63,613,935	60,765,010
II. CURRENT ASSETS					
5.5.1-5.5.2.	Inventory	1210	1,835,632	1,861,538	1,580,657
	Raw materials and other equivalent supplies	1211	1,832,183	1,861,538	1,580,657
	Work-in-progress	1212	-	-	-
	Finished goods and goods for resale	1213	1,396	-	-
	Shipped goods	1214	2,053	-	-
	Other inventories and expenses	1215	-	-	-
	VAT on purchased assets	1220	2,558	2,450	6,020
5.6.1.-5.6.4.	Accounts receivable	1230	7,433,109	7,057,410	6,847,388
	Payments expected beyond 12 months of the reporting date	1231	25,601	22,880	28,694
	Buyers and customers	123101	462	1,128	-
	Notes receivable	123102	-	-	-
	Advances issued	123103	-	-	-
	Other accounts receivable	123104	25,139	21,752	28,694
	Payments expected within 12 months of the reporting date	1232	7,407,508	7,034,530	6,818,694
	Buyers and customers	123201	6,610,771	6,205,537	6,155,946
	Notes receivable	123202	-	-	-
	Receivables from subsidiaries and affiliates for dividends	123203	-	-	-
	Receivables from participants (shareholders) for contributions to charter capital	123204	-	-	-
	Advances issued	123205	32,700	34,489	32,118
	Other accounts receivable	123206	764,037	794,504	630,630
5.4.1-5.4.3.	Financial investments (except cash equivalents)	1240	-	-	-
	Loans given to companies for the period of less than 12 months	1241	-	-	-
	Other short-term financial investments	1242	-	-	-
F.4	Cash and cash equivalents	1250	1,699,590	2,194,482	1,667,698
	Cash in bank	1251	-	-	-
	Current accounts	1252	1,699,590	2,194,307	1,667,376
	Foreign currency accounts	1253	-	-	-
	Other cash	1254	-	175	322
	Other current assets	1260	625,747	1,179,000	989,980
	Total current assets	1200	11,596,636	12,294,880	11,091,743
	BALANCE	1600	76,231,919	75,908,815	71,856,753

Note	Line item	Line code	As at December 31 2019	As at December 31 2018	As at December 31 2017
LIABILITIES					
III. EQUITY AND RESERVES					
3.1.	Charter capital (share capital, charter fund, contributions of partners)	1310	30,379,335	30,379,335	28,286,813
3.1.	Capital (before the amendments are registered)	1311	3,086,449	-	2,092,522
3.1.	Treasury shares	1320	-	-	-
5.3.1.-5.1.1.	Revaluation of non-current assets	1340	-	10,736,476	10,755,560
3.1.	Additional paid-in capital (without revaluation)	1350	6,481,916	6,481,916	6,481,916
3.1.	Capital reserve	1360	302,820	295,260	268,996
3.1.	Accumulated profit (accumulated losses) of past years	1370	359,366	(12,654,441)	(12,476,889)
	of reporting period	1371	(2,068,645)	(12,805,639)	(13,002,165)
	Total equity and reserves	1300	40,609,886	35,238,546	35,408,918
IV. NON-CURRENT LIABILITIES					
5.6.7.-5.6.8.	Borrowings	1410	19,432,911	13,283,239	22,617,796
	Bank loans subject to redemption beyond 12 months of the reporting date	1411	19,432,911	9,683,239	15,617,796
	Loans subject to redemption beyond 12 months of the reporting date	1412	-	3,600,000	7,000,000
5.7.2.	Deferred tax liabilities	1420	1,133,763	438,719	178,832
5.7.1.	Estimated liabilities	1430	-	-	-
5.6.5.-5.6.6.	Other liabilities	1450	1,161,583	1,248,675	989,505
	Total non-current liabilities	1400	21,728,257	14,970,633	23,786,133
V. CURRENT LIABILITIES					
5.6.7.-5.6.8.	Borrowings	1510	3,652,592	11,395,279	91,064
	Bank loans subject to redemption within 12 months of the reporting date	1511	19,652	7,915,101	13,120
	Loans subject to redemption within 12 months of the reporting date	1512	3,632,940	3,480,178	77,944
5.6.5.-5.6.6.	Accounts payable	1520	8,757,713	12,833,089	11,044,750
	Suppliers and contractors	1521	5,136,188	5,238,557	6,198,136
	Notes payable	1522	-	-	-
	Wages payable	1523	273,713	313,073	209,427
	Debts owed to state non-budgetary funds	1524	157,086	120,710	108,782
	Taxes and dues payable	1525	642,898	606,530	258,006
	Advances received	1526	1,876,504	5,164,803	2,889,096
	Delay from participants (shareholders) in paying revenues	1527	453	919	500
	Other accounts payable	1528	670,871	1,388,497	1,380,803
	Unearned revenues	1530	138,274	123,239	126,616
5.7.1.	Estimated liabilities	1540	1,339,596	1,348,029	1,399,272
	Other liabilities	1550	5,601	-	-
	Total current liabilities	1500	13,893,776	25,699,636	12,661,702
	BALANCE	1700	76,231,919	75,908,815	71,856,753

Chief Executive Officer _____ (signature) Sergeev S.V. _____ (signature) Chief accountant _____ (signature) Skiba I.V. _____

* 20 * February 20 20

Statement of Financial Results		Codes	
for January-December 2019		Form of OKUD	0710002
		Date (day, month, year)	31 12 2019
Company	Kubanenergo PJSC	OKPO	00104604
Taxpayer Identification Number		TIN	2309001660
Economic activity	electric power transmission	OKVED 2	35.12
Legal form/form of property	Public Joint Stock Company	OKOPF/OKFS	12247 16
Unit of measurement: thousands of RUR		OKEI	384

Note	Line item	Line code	for January-December 2019	for January-December 2018
1	Revenue	2110	51,003,699	46,401,079
	including			
	Revenue from electric power transmission	2111	46,515,696	45,583,484
	Revenue from technological connection	2112	4,206,155	602,467
	Revenue from organization of the functioning and development of unified energy system (UES) of Russia relating to integrated distribution power grid	2113	-	-
	Revenue from resale of electric power and capacity	2114	-	-
	Income derived from participatory interest in the charter capital of other companies	2115	-	-
	Lease revenue	2116	14,905	17,029
	Revenue from sales of other products, goods, works, services of a commercial character	2117	266,943	198,099
	Revenue from sales of other products, goods, works, services of a non-commercial character	2118	-	-
2.1.	Cost of sales	2120	(43,773,854)	(41,461,392)
	including			
	Cost of electric power transmission	2121	(42,302,088)	(40,465,545)
	Cost of technological connection	2122	(1,231,482)	(833,487)
	Cost of organization of the functioning and development of unified energy system (UES) of Russia relating to integrated distribution power grid	2123	-	-
	Cost resale of electric power and capacity	2124	-	-
	Cost of participatory interest in the charter capital of other companies	2125	-	-
	Cost of lease services	2126	(8,741)	(8,549)
	Cost of other products, goods, works, services of a commercial character	2127	(231,543)	(153,811)
	Cost of other products, goods, works, services of a non-commercial character	2128	-	-
	Gross profit (loss)	2100	7,229,845	4,939,687
2.1.	Selling costs	2210	-	-
2.1.	Administrative expenses	2220	(162,236)	(155,482)
	Profit (loss) from goods sold	2200	7,067,609	4,784,205
	Income derived from participatory interest in the charter capital of other companies	2310	635	9,068
	Interest receivable	2320	67,390	81,528
	Interest payable	2330	(1,971,069)	(1,911,383)
5.1.1.	Other revenues	2340	2,269,626	2,575,341
5.1.1.	Other expenses	2350	(3,909,428)	(4,258,941)
	Profit (loss) before tax	2300	3,524,763	1,279,818
2.3.	Current income tax	2410	(727,232)	(615,276)
2.3.	Including permanent tax liabilities (assets)	2421	676,838	675,921
2.3.	Changes in deferred tax liabilities	2430	(695,658)	(259,907)
2.3.	Changes in deferred tax assets	2450	41,099	(56,702)
2.3.	Other	2460	285,039	(196,735)
	Net profit (loss)	2400	2,428,011	151,198

Note	Line item	Line code	for January-December 2019	for January-December 2018
5.1.1.	BACKGROUND INFORMATION			
5.3.1.	Surplus on revaluation of non-current assets not included in the net profit (loss) of the period	2510	-	-
3.2.	Surplus on other operations not included in the net profit (loss) of the period	2520	-	-
	Comprehensive financial result for the period	2500	2,428,011	151,198
2.2.	Basic earnings (loss) per share	2900	7.7940	0.4980
2.2.	Diluted earnings (loss) per share	2910	7.7940	0.4980

Chief Executive Officer Sergeev S.V.
(signature)

Chief accountant Skiba I.V.
(signature)

" 20 " February 20 20

2.1. Cost of good sold, works, services according to elements of costs

Indication		for January-December 2019	for January-December 2018
Line item	Line code	2019	2018
Cost of production	6510	43,773,854	41,461,392
including			
Material cost	6511	9,591,487	8,992,760
Labour costs	6512	4,590,159	4,490,001
Compulsory insurance, insurance against accidents at work and work-related diseases	6513	1,346,895	1,298,452
Amortization	6514	4,245,097	3,966,930
Miscellaneous Expenditures	6515	24,000,216	22,713,249
For reference: Changes in inventories and reserves (increase [+], decrease [-]):	6520	-	-
including			
Work-in-progress	6521	-	-
Finished products	6522	-	-
Purchased goods	6523	-	-
Goods delivered	6524	-	-
Auxiliary materials	6525	-	-
Total cost of sales	6500	43,773,854	41,461,392
Selling expenses	6550	-	-
including			
Material cost	6551	-	-
Labour costs	6552	-	-
Compulsory insurance, insurance against accidents at work and work-related diseases	6553	-	-
Amortization	6554	-	-
Miscellaneous Expenditures	6555	-	-
Administrative expenses	6560	162,236	155,482
including			
Material cost	6561	-	-
Labour costs	6562	17,189	11,887
Compulsory insurance, insurance against accidents at work and work-related diseases	6563	4,772	3,516
Amortization	6564	-	-
Miscellaneous Expenditures	6565	140,275	140,079

Chief accountant Skiba I.V.
(signature)

" 20 " February 20 20

2.2. Earnings Per Share, diluted earnings per share

Indication		For January-December	For January-December
Line item	Line code	2019	2018
1	2	3	4
Net profit (accumulated losses) of the reporting period	6610	2,428,011	151,198
Preferred dividends ³	6611	-	-
Basic earnings (loss) of the reporting period	6612	2,428,011	151,198
Weighted average number of ordinary shares outstanding during the accounting period	6613	311,509	303,793
Basic earnings (loss) per share	6620	7.7940	0.4980
Weighted average market value per ordinary share	6621	71	60
Possible increment in profit and weighted average number of shares outstanding	6630	X	X
As a result of conversion of preferred shares into ordinary shares	6631	X	X
possible increment in profit	66311	-	-
additional number of shares	66312	-	-
As a result of conversion of the bonds into ordinary shares	6632	X	X
possible increment in profit	66321	-	-
additional number of shares	66322	-	-
As a result of performance of Share Sale and Purchase at a below-market price	6633	X	X
contract purchase price	66331	-	-
possible increment in profit	66332	-	-
additional number of shares	66333	-	-
Diluted Earnings per Share	6640	7.7940	0.4980
adjusted value of basic earnings	6641	2,428,011	151,198
adjusted value of weighted average the number of shares outstanding	6642	311,509	303,793
Chief accountant	Skiba I.V.		
(signature)	(signature)		
« 20 » February 20 20			

2.3. Profit taxation

Line item	Line code	For January-December 2019	For January-December 2018 года
1	2	3	4
Profit (loss) before tax	6710	3,524,763	1,279,818
as well as taxed at a rate:			
20%	67101	3,524,763	1,279,818
other rates	67102	-	-
untaxed	67103	-	-
Permanent difference	6711	3,384,191	3,379,607
Changes in temporary subtractive differences	6712	205,493	(283,512)
Changes in taxable temporary differences	6713	(3,478,291)	(1,299,533)
Income Tax Expense (Potential Tax Benefit)	6721	704,953	255,964
Permanent tax liability (asset)	6722	676,838	675,921
Changes in deferred tax asset	6723	41,099	(56,702)
Changes in deferred tax liability	6724	(695,658)	(259,907)
Current corporate income tax	6725	(727,232)	(615,276)
Amounts of corporate income tax for prior tax periods (according to adjusted declarations, tax inspections)	6726	305,493	(48,472)
Other tax payments and penalties from income	6727	(8,010)	(87,985)
Write-off of deferred taxes on profit and loss	6728	(12,444)	(60,278)
For reference: where the amounts of deferred tax assets and deferred tax liabilities have been written off because of retirement of assets or types of liabilities	67281	(12,444)	7,003
Profit (loss) from ordinary activities	6729	2,428,011	151,198
Chief accountant	Skiba I.V.		
(signature)	(signature)		

Statement of changes in equity for 2019		Codes	
Company	PJSC Kubanenergo	Form of OKUD	0710004
Taxpayer Identification Number		Date (day, month, year)	31.12.2019
Economic activity	electric power transmission	OKPO	00104604
Legal form/form of property	Public Joint Stock Company/privately owned	TIN	2309001660
Unit of measurement: thousands of RUR		OKVED 2	35.12
		OKOPF/OKFS	12247 16
		OKEI	384

3.1. Capital flows								
Line item	Line code	Charter capital	Capital (before the amendments are registered)	Treasury shares	Additional paid-in capital	Capital reserve	Accumulated profit (accumulated losses)	Total
Equity value as at December 31 2017	3100	28,286,813	2,092,522	-	17,237,476	268,996	(12,476,889)	35,408,918
Increase in equity - total:	3210	2,092,522	(2,092,522)	-	-	-	151,198	151,198
including:								
Net profit	3211	x	x	x	x	x	151,198	151,198
Revaluation of assets	3212	x	x	x	-	x	-	-
Income directly related to increase in equity	3213	x	x	x	-	x	-	-
Additional issue of shares	3214	2,092,522	(2,092,522)	-	-	x	x	-
increase in nominal value of shares	3215	-	-	x	x	x	-	x
reorganization of a legal entity	3216	-	-	-	-	-	-	-
Decrease in equity - total:	3220	-	-	-	-	-	(321,570)	(321,570)
including:								
loss	3221	x	x	x	x	x	-	-
revaluation of assets	3222	x	x	x	-	x	-	-
Income directly related to decrease in equity	3223	x	x	x	-	x	-	-
decrease in nominal value of shares	3224	-	-	-	x	x	-	-
decrease in number of shares	3225	-	-	-	x	x	-	-
reorganization of a legal entity	3226	-	-	-	-	-	-	-
dividends	3227	x	x	x	x	x	(321,570)	(321,570)
Changes in additional paid-in capital	3230	x	x	x	(19,084)	x	19,084	x
Changes in capital reserve	3240	x	x	x	x	26,264	(26,264)	x
Equity value as at December 31 2018	3200	30,379,335	-	-	17,218,392	295,260	(12,654,441)	35,238,546
Increase in equity - total:	3310	-	3,086,449	-	-	-	2,428,529	5,514,978
including:								
net profit	3311	x	x	x	x	x	2,428,011	2,428,011
revaluation of assets	3312	x	x	x	-	x	-	-
Income directly related to increase in equity	3313	x	x	x	-	x	518	518
additional issue of shares	3314	-	3,086,449	-	-	x	x	3,086,449
increase in nominal value of shares	3315	-	-	x	x	x	-	x
reorganization of a legal entity	3316	-	-	-	-	-	-	-
Decrease in equity - total:	3320	-	-	-	-	-	(143,638)	(143,638)
including:								
loss	3321	x	x	x	x	x	-	-
revaluation of assets	3322	x	x	x	-	x	-	-
expenses directly related to decrease in equity	3323	x	x	x	-	x	-	-
decrease in nominal value of shares	3324	-	-	x	x	x	-	-
decrease in number of shares	3325	-	-	-	x	x	-	-
reorganization of a legal entity	3326	-	-	-	-	-	-	-
dividends	3327	x	x	x	x	x	(143,638)	(143,638)
Changes in additional paid-in capital	3330	x	x	x	(10,736,476)	x	10,736,476	x
Changes in capital reserve	3340	x	x	x	x	7,560	(7,560)	x
Equity value as at December 31 2019	3300	30,379,335	3,086,449	-	6,481,916	302,820	359,366	40,609,886

3.3. Net assets				
Line item	Line code	As at December 31 2019	As at December 31 2018	As at December 31 2017
Net assets	3600	40,748,160	35,361,785	35,535,534

Chief Executive Officer	(signature)	Sergeev S.V.	(signature)
Chief accountant	(signature)	Skiba I.V.	(signature)

" 20 " February 20 20

3.4. Calculation of appraisal of Net Asset Value of the Stock Company				
Line item	Balance sheet line code	As at December 31 2019 □	As at December 31 2018 □	As at December 31 2017 □
1	2	3	4	5
I. Assets				
1. Intangible assets	1110	134,682	38,621	33,456
2. Research and development results	1120	33,756	107,450	69,571
3. Intangible development assets	1130	-	-	-
4. Tangible development assets	1140	-	-	-
5. Fixed assets	1150	63,343,130	62,534,635	59,659,050
6. Income-bearing investments in tangible assets	1160	-	-	-
7. Long-term and short-term investments	1170 + 1240	39,050	37,556	36,004
8. Other non-current assets ²	1180+1190	1,084,665	895,673	966,929
9. Inventory	1210	1,835,632	1,861,538	1,580,657
10. VAT on purchased assets	1220	2,558	2,450	6,020
11. Accounts receivable ³	1230	7,433,109	7,057,410	6,847,388
12. Cash and cash equivalents	1250	1,699,590	2,194,482	1,667,698
13. Other current assets ¹	1260	625,747	1,179,000	989,980
14. Assets accepted to calculation (the sum of items 1-13)		76,231,919	75,908,815	71,856,753
II. Liabilities				
15. Long-term borrowings	1410	19,432,911	13,283,239	22,617,796
16. Deferred tax liabilities	1420	1,133,763	438,719	178,832
17. Estimated liabilities	1430+1540	1,339,596	1,348,029	1,399,272
18. Other long-term liabilities	1450	1,161,583	1,248,675	989,505
19. Short-term borrowings	1510	3,652,592	11,395,279	91,064
20. Accounts payable ⁴	1520	8,757,713	12,833,089	11,044,750
21. Other short-term liabilities ⁵	1550	5,601	-	-
22. Total liabilities accepted to calculation (the sum of items 15-21)		35,483,759	40,547,030	36,321,219
23. Net Asset Value of the Stock Company (total assets accepted to calculation (page 14) by deducting total liabilities accepted to calculation (page 22))		40,748,160	35,361,785	35,535,534

Chief accountant Skiba I.V.
(signature) (signature)

« 20 » February 20 20

Statement of Cash Flows for January-December 20 19				
Line item	Line code	For January-December 2019	For January-December 2018	Codes
1	2	3	4	
Cash Flow from Operating Activities				
Receipts - total	4110	40,021,240	40,528,817	Form of OKUD 0710005 Date (day, month, year) 31 12 2019
including:				Company PJSC Kubanenergo OKPO 00104601 Taxpayer Identification Number TIN 2309001660 Economic activity electric power transmission OKVED 2 35.12 Legal form/form of property Public Joint Stock Company / privately owned OKOPF/OKFS 12247 16 Unit of measurement: thousands of RUR OKEI 384
from sale of products, goods, work and services	4111	38,862,997	39,666,582	
including from sale of products, goods, work and services to parent, subsidiary and affiliated companies	411101	2,148	1,597	
lease payments, license fees, royalties, commission charges and other similar payments	4112	29,914	23,117	
including from lease payments, license fees, royalties, commission charges and other similar payments from parent, subsidiary and affiliated companies	411201	543	644	
from resale of financial investments	4113	-	-	
including from resale of financial investments to parent, subsidiary and affiliated companies	411301	-	-	
other receipts	4119	1,128,329	839,118	
including other receipts from parent, subsidiary and affiliated companies	411901	292	292	
Payments - total	4120	(37,679,443)	(35,060,521)	
including:				
suppliers (contractors) for raw materials, materials, work and services	4121	(24,828,071)	(23,750,885)	
including to suppliers (contractors) for raw materials, materials, work and services of parent, subsidiary and affiliated companies	412101	(153,457)	(180,569)	
due to employee remuneration	4122	(4,963,781)	(4,742,943)	
interest on debenture	4123	(1,993,555)	(1,788,456)	
including interest on debenture to parent, subsidiary and affiliated companies	412301	-	-	
corporate income tax	4124	(388,307)	(614,877)	
other payments	4129	(5,505,729)	(4,163,360)	
including other payments to parent, subsidiary and affiliated companies	412901	(50,883)	(30,493)	
Balance of cash flows from current transactions	4100	2,341,797	5,468,296	
Cash Flow From Investing Activities				
Receipts - total	4210	463,923	279,889	
including:				
from sale of non-current assets (except financial investments)	4211	2,843	1,873	
including from sale of non-current assets (except financial investments) to parent, subsidiary and affiliated companies	421101	-	-	
from share sale of other entities (ownership interest)	4212	-	-	
including from share sale of other entities (ownership interest) to parent, subsidiary and affiliated companies	421201	-	-	
from repayment of extended loans, from sale of debt securities (claims for cash against third parties)	4213	-	-	
including from from repayment of extended loans, from sale of debt securities (claims for cash against third parties) of parent, subsidiary and affiliated companies	421301	-	-	
dividends, interest on debt financial investments and similar income from ownership interest in other entities	4214	68,486	91,576	
including dividends, interest on debt financial investments and similar income from ownership interest in other entities from parent, subsidiary and affiliated companies	421401	635	9,068	
other receipts	4219	392,594	186,440	
including other receipts from parent, subsidiary and affiliated companies	421901	-	-	
Payments - total	4220	(4,693,561)	(6,864,565)	
including:				
due to purchase, creation, modernization, reconstruction and preparation for use of non-current assets	4221	(4,394,586)	(6,314,591)	
including payments to parent, subsidiary and affiliated companies due to purchase, creation, modernization, reconstruction and preparation for use of non-current assets	422101	(4,171)	-	
due to share purchase of other entities (ownership interest)	4222	-	-	
including payments to parent, subsidiary and affiliated companies due to share purchase of other entities (ownership interest)	422201	-	-	
due to purchase of debt securities (claims for cash against third parties), granting loans to third parties	4223	-	-	
including payments to parent, subsidiary and affiliated companies due to purchase of debt securities (claims for cash against third parties), granting loans to third parties	422301	-	-	
interest on debenture included in the investment asset value	4224	(220,410)	(373,222)	
including interest on debenture, included in the investment asset value to parent, subsidiary and affiliated companies	422401	-	-	
other payments	4229	(78,565)	(176,752)	
including other payments to parent, subsidiary and affiliated companies	422901	(927)	(927)	
Balance of cash flows from investing activities	4200	(4,229,638)	(6,584,676)	

Line item	Line code	For January-December 2019	For January-December 2018
Cash Flows from Financing Activities			
Receipts - total	4310	25,225,092	39,098,182
including:			
receiving loans	4311	22,138,643	39,098,178
<i>including receiving loans from parent, subsidiary and affiliated companies</i>	431101	-	-
monetary contributions of owners (participants)	4312	-	-
<i>including monetary contributions of owners (participants) of parent, subsidiary and affiliated companies</i>	431201	-	-
from issue of shares, increase in ownership interest	4313	3,086,449	-
<i>including issue of shares, increase in ownership interest of parent, subsidiary and affiliated companies</i>	431301	3,086,449	-
from bond issue, promissory notes and other debt securities, etc.	4314	-	-
<i>including bond issue, promissory notes and other debt securities, etc. of parent, subsidiary and affiliated companies</i>	431401	-	-
other receipts	4319	-	4
<i>including other receipts from parent, subsidiary and affiliated companies</i>	431901	-	-
Payments - total	4320	(23,831,968)	(37,454,871)
including:			
to owners (participants) due to stock buyback (ownership interest) of their entities or their cessation of membership	4321	-	-
<i>including to owners (participants) due to stock buyback (ownership interest) of their entities or their cessation of membership of parent, subsidiary and affiliated companies</i>	432101	-	-
for payment of dividends and other payments on distribution of profits to owners (participants)	4322	(143,615)	(321,519)
<i>including for payment of dividends and other payments on distribution of profits to owners (participants) of parent, subsidiary and affiliated companies</i>	432201	(133,262)	(298,340)
due to payment (buyback) of promissory notes and other debt securities, buyback of loans	4323	(23,688,353)	(37,133,352)
<i>including due to payment (buyback) of promissory notes and other debt securities, buyback of loans to parent, subsidiary and affiliated companies</i>	432301	-	-
other payments	4329	-	-
<i>including other payments to parent, subsidiary and affiliated companies</i>	432901	-	-
Balance of cash flows from financing activities	4300	1,393,124	1,643,311
Balance of cash flows for the reporting period	4400	(494,717)	526,931
Cash balance and cash equivalents as of the beginning of the reporting period	4450	2,194,307	1,667,376
Cash balance and cash equivalents at the end of the reporting period	4500	1,699,590	2,194,307
Effect of exchange rate of foreign currency changes against the ruble	4490	-	-
Chief Executive Officer	Sergeev S.V.		
(signature)	(signature)		
Chief accountant	Skiba I.V.		
(signature)	(signature)		
" 20 " February 20 20			

Indication	Line code	Period	At the start of the year				Changes for period				At the end of the period							
			Original/current market value	Accumulated amortization	Impairment losses	Residual value	Increase	Decrease	Amortization charged	Impairment losses	Original/current market value	Accumulated amortization	Impairment losses	Residual value				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	5100	for 2019	59,493	(28,372)	-	31,121	113,313	(8,296)	8,296	-	(17,252)	-	-	-	164,510	(37,328)	-	127,182
	5110	for 2018	65,661	(38,225)	-	27,436	13,473	(19,661)	19,661	-	(9,808)	-	-	-	59,493	(28,372)	-	31,121
Intangible assets - total																		
Intellectual property objects (exclusive rights for the results of intellectual property)	5101	for 2019	30,056	(14,141)	-	15,915	92,381	1,908	-	-	(11,831)	-	-	-	124,345	(25,972)	-	98,373
including:	5111	for 2018	30,056	(9,650)	-	20,406	-	-	-	-	(4,491)	-	-	-	30,056	(14,141)	-	15,915
at patent owner for inventions, industrial sample, utility model	51011	for 2019	7,759	(1,911)	-	5,848	14,812	1,908	-	-	(1,670)	-	-	-	24,479	(3,561)	-	20,918
at the right holder for the computer software, database	51012	for 2018	7,759	(1,117)	-	6,642	-	-	-	(794)	(794)	-	-	-	7,759	(1,911)	-	5,848
at trademark owner, owner of a service mark, Protected Designation of Origin	51013	for 2019	22,105	(12,105)	-	10,000	77,569	-	-	-	(10,139)	-	-	-	99,674	(22,244)	-	77,430
Other	51112	for 2018	22,105	(8,430)	-	13,675	-	-	-	-	(3,675)	-	-	-	22,105	(12,105)	-	10,000
	51013	for 2019	192	(125)	-	67	-	-	-	(22)	(22)	-	-	-	192	(147)	-	45
	51113	for 2018	192	(103)	-	89	-	-	-	(22)	(22)	-	-	-	192	(125)	-	67
	5102	for 2019	29,437	(14,231)	-	15,206	20,932	(10,204)	8,296	-	(5,421)	-	-	-	40,165	(11,366)	-	28,800
	5112	for 2018	35,625	(28,575)	-	7,050	13,473	(19,661)	19,661	-	(5,317)	-	-	-	29,437	(14,231)	-	15,206

5.2. Results of research, development and technological works and intangible assets

5.2.1. The existence and turnover of R&D deliverables

Line item	Line code	Period	At the start of the year		Part of value written-off as expenses	Changes for period			At the end of the year	
			Historical cost	Part of value written-off as expenses		Increase	Decrease		Historical cost	Part of value written-off as expenses
							Historical cost	Part of value written-off as expenses		
1	2	3	4	5	6	7	8	9	10	11
Research and development (R&D) - total	5140	for 20 19	-	-	-	-	-	-	-	-
	5150	for 20 18	2,966	(2,966)	-	(2,966)	2,966	-	-	-
where:										
Patentable results of performed R&D	5141	for 20 19	-	-	-	-	-	-	-	-
	5151	for 20 18	-	-	-	-	-	-	-	-
Other	5142	for 20 19	-	-	-	-	-	-	-	-
	5152	for 20 18	2,966	(2,966)	-	(2,966)	2,966	-	-	-
For reference: out of the total amount of										
Research and development expenses made by own efforts	5143	for 20 19	-	-	-	-	-	-	-	-
	5153	for 20 18	-	-	-	-	-	-	-	-
Research and development expenses made by efforts of external companies	5144	for 20 19	-	-	-	-	-	-	-	-
	5154	for 20 18	-	-	-	-	-	-	-	-

(1) - the accounting year is indicated

(2) - the prior year is indicated

5.2.2. Incomplete and unexecuted R&D and incomplete operations on purchase of intangible assets

Line item	Line code	Period	At the start of the year		Expenses for period	Changes for period		Accepted for recording as intangible assets and R&D	At the end of the year	
			Historical cost	Part of value written-off as expenses		Costs written-off that had not given positive results	Historical cost		Part of value written-off as expenses	
1	2	3	4	5	6	7	8	9	10	
Expenses for non-complete research and development - bzero total:	5160	for 20 19	107,450	45,163	-	(118,857)	-	33,756	-	
	5170	for 20 18	69,571	44,920	-	(7,041)	-	107,450	-	
Patentable results of performed R&D	5161	for 20 19	91,424	38,244	-	(95,912)	-	33,756	-	
	5171	for 20 18	66,579	31,886	-	(7,041)	-	91,424	-	
Other	5162	for 20 19	16,026	6,919	-	(22,945)	-	-	-	
	5172	for 20 18	2,992	13,034	-	-	-	16,026	-	
Incomplete operations on purchase of intangible assets - total	5180	for 20 19	7,500	-	-	-	-	7,500	-	
	5190	for 20 18	6,000	7,932	-	(6,432)	-	7,500	-	
including:										
at patent owner of inventions, industrial sample, utility model	5181	for 20 19	-	-	-	-	-	-	-	
	5191	for 20 18	-	-	-	-	-	-	-	
at the right holder for the computer software, database	5182	for 20 19	-	-	-	-	-	-	-	
	5192	for 20 18	-	-	-	-	-	-	-	
at trademark owner, owner of a service mark, Protected Designation of Origin	5183	for 20 19	-	-	-	-	-	-	-	
	5193	for 20 18	-	-	-	-	-	-	-	
Other	5184	for 20 19	7,500	-	-	-	-	7,500	-	
	5194	for 20 18	6,000	7,932	-	(6,432)	-	7,500	-	

5.3. Fixed assets

5.3.1. The existence and movement of fixed assets

Line item	Line code	Period	At the start of the year				Changes for period						At the start of the year			
			Historical cost	Accumulated amortization	Residual value	Increase			Decrease			Revaluation		Historical cost	Accumulated amortization	Residual value
						Historical cost	Accumulated amortization of received objects	Historical cost	Historical cost	Accumulated amortization	Amortization charged	Historical cost	Accumulated amortization			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Fixed assets (excluding interest-bearing investments in material valuables) - total																
including:																
Depreciable fixed assets - total:																
including:																
industrial buildings	5201	for 2019	109,923,429	(58,947,687)	50,975,742	12,836,165	(1,145)	(409,123)	377,301	(4,246,313)	-	-	11,846,747	(62,817,844)	59,552,627	
	5211	for 2018	106,245,675	(55,169,882)	51,075,793	3,820,885	(7,155)	(243,141)	204,271	(3,974,921)	-	-	108,923,429	(58,947,687)	50,975,742	
constructions, except transmission lines	52011	for 2019	10,988,932	(5,370,420)	5,618,512	970,325	-	(92,510)	77,809	(213,472)	-	-	11,846,747	(6,506,083)	6,340,664	
	52111	for 2018	10,874,958	(5,170,825)	5,704,133	113,989	(6,784)	(20,825)	19,144	(211,955)	-	-	10,988,932	(6,370,420)	5,598,512	
transmission lines	52012	for 2019	2,965,463	(1,317,231)	1,668,232	740,303	3,522	(2,432)	1,478	(173,945)	-	-	3,723,334	(1,486,176)	2,237,158	
	52112	for 2018	2,861,327	(1,158,251)	1,703,076	124,851	(371)	(715)	715	(159,324)	-	-	2,965,463	(1,317,231)	1,668,232	
transmission lines and its devices	52013	for 2019	46,611,098	(16,925,968)	29,685,130	6,409,125	4	(50,261)	38,332	(1,949,884)	-	-	52,989,962	(18,837,516)	34,132,446	
	52113	for 2018	45,339,212	(15,237,604)	30,101,608	1,347,225	-	(75,339)	38,740	(1,727,104)	-	-	46,611,098	(16,925,968)	29,685,130	
machinery and equipment for production of electrical energy, electrical substations, equipment for electrical energy transformation	52014	for 2019	41,149,569	(29,520,286)	11,629,283	-3,528,656	(4,455)	(39,771)	39,410	(1,335,099)	-	-	44,638,454	(30,820,430)	13,818,024	
	52114	for 2018	39,205,445	(28,361,402)	10,844,043	2,042,311	-	(98,187)	96,816	(1,255,700)	-	-	41,149,569	(29,520,286)	11,629,283	
production and household inventory	52015	for 2019	47,683	(40,870)	7,013	45	-	(818)	801	(1,764)	-	-	47,110	(41,833)	5,277	
	52115	for 2018	47,012	(39,315)	7,687	1,633	-	(762)	762	(2,317)	-	-	47,883	(40,870)	7,013	
other	52016	for 2019	8,160,484	(5,772,912)	2,387,572	1,187,711	(216)	(223,331)	219,471	(572,149)	-	-	9,124,864	(6,125,806)	2,999,058	
	52116	for 2018	7,917,721	(5,202,485)	2,715,236	290,876	-	(48,113)	48,094	(618,521)	-	-	8,160,484	(5,772,912)	2,387,572	

unlimited useful life of fixed assets that are not subject to depreciation - total	5202	for 2019	136,330	-	136,330	105	-	(24)	-	-	-	-	136,411	-	136,411
including:															
Lands	5212	for 2019	136,244	-	136,244	86	-	-	-	-	-	-	136,330	-	136,330
objects of nature management	52021	for 2019	136,330	-	136,330	105	-	(24)	-	-	-	-	136,411	-	136,411
Capital investments in fundamental improvement of lands	52121	for 2018	136,244	-	136,244	86	-	-	-	-	-	-	136,330	-	136,330
Accounted as a part of interest-bearing investments in material valuables - total	52022	for 2019	-	-	-	-	-	-	-	-	-	-	-	-	-
including:															
Property for lease	52023	for 2019	-	-	-	-	-	-	-	-	-	-	-	-	-
Property provided under lease agreement	52122	for 2018	-	-	-	-	-	-	-	-	-	-	-	-	-
	5221	for 2019	-	-	-	-	-	-	-	-	-	-	-	-	-
	5231	for 2018	-	-	-	-	-	-	-	-	-	-	-	-	-
	5222	for 2019	-	-	-	-	-	-	-	-	-	-	-	-	-
	5232	for 2018	-	-	-	-	-	-	-	-	-	-	-	-	-

5.3.3. Change in fixed assets value as a result of further construction, further equipping, reconstruction and partial liquidation			
Line item	Line code	For 2019	For 2018
1	2	3	4
Increase in fixed assets value as a result of further construction, further equipping, reconstruction - total	5260	1,344,731	755,812
including:			
industrial buildings	5261	8,769	4,370
constructions except transmission lines	5262	7,926	9,793
transmission lines and its devices	5263	1,263,933	708,425
machinery and equipment for production of electrical energy, electrical substations, equipment for electrical energy transformation	5264	60,496	29,228
production and household inventory	5265	-	-
other	5266	3,607	3,996
Decrease in fixed assets value as a result of partial liquidation- total:	5270	(33,948)	(79,019)
including:			
industrial buildings	5271	-	(136)
constructions except transmission lines	5272	-	-
transmission lines and its devices	5273	(33,599)	(65,321)
machinery and equipment for production of electrical energy, electrical substations, equipment for electrical energy transformation	5274	(284)	(13,562)
production and household inventory	5275	-	-
other	5276	(65)	-

5.3.4. Other usage of fixed assets				
Line item	Line code	As at December 31 2019	As at December 31 2018	As at December 31 2017
1	2	3	4	5
Leased out fixed assets that are recorded on the balance sheet	5280	173,122	81,084	56,189
Leased out fixed assets that are not recorded on the balance sheet	5281	-	-	-
Fixed asset acquired by leasing that are recorded on the balance sheet	5282	-	-	-
Fixed assets acquired by leasing that are not recorded on the balance sheet	5283	3,820,737	3,092,597	3,041,044
Real estate accepted for operation and in use undergoing the state registration	5284	5,945,667	3,261,112	3,305,622
Preparing Fixed Assets for Mothballing	5285	20,125	20,125	23,584
Other usage of fixed assets (pawn and others)	5286	-	-	-

(1) - the reporting date of the reporting period is indicated
(2) - the prior period is indicated
(3) - year prior to the preceeding year is indicated

5.5. Capital investments in progress

Line item	Line code	Period	At the start of the year	Changes for period			At the end of the period
				Expenses for period	Written off	Accepted for recording as fixed assets or increase in the value of capital investments	
			4	5	6	7	8
Construction in progress and incomplete operations on purchase, modernization, etc. of fixed assets - total	5240	for 20 19	10,190,196	6,991,468	(1,283,769)	(12,828,419)	3,069,476
	5250	for 20 18	6,737,703	9,310,773	(1,946,063)	(3,912,217)	10,190,196
including:							
Construction in progress	5241	for 20 19	8,632,834	6,307,536	(294,017)	(12,296,564)	2,349,789
	5251	for 20 18	4,715,427	7,663,934	(12,250)	(3,734,277)	8,632,834
purchase of fixed assets	5242	for 20 19	-	531,855	-	(531,855)	-
	5252	for 20 18	268	177,854	(268)	(177,854)	-
equipment to be installed	5243	for 20 19	1,557,362	152,077	(999,752)	-	719,687
	5253	for 20 18	2,021,964	1,468,899	(1,933,501)	-	1,557,362
Other	5244	for 20 19	-	-	-	-	-
	5254	for 20 18	44	86	(44)	(86)	-

5.3.6. Advances issued for investment building and purchase of fixed assets

Line item	Line code	Period	At the start of the period	Changes for period			At the end of the period
				Reserve amount for doubtful debts	Inflow	Reserve accrual	
			4	5	6	7	8
Advances issued for investment building	5291	for 20 19	416,684	(14,192)	34,964	-	(148)
	5292	for 20 18	1,346,285	(102,648)	-413,849	-	(3,709)
including:							
investment building	52911	for 20 19	384,216	(11,892)	32,354	-	-
	52921	for 20 18	1,323,597	(99,516)	350,719	-	(3,709)
purchase of fixed assets	52912	for 20 19	8,520	(2,300)	-	-	-
	52922	for 20 18	2,543	(2,300)	20,069	-	-
other	52913	for 20 19	13,948	-	2,610	-	(149)
	52923	for 20 18	20,125	(832)	43,061	-	(48,406)

5.4. Financial investments

5.4.1. The existence and turnover of financial investments

Line item	Code	Period	At the start of the year		Changes for period				At the end of the period		
			Historical cost	Accumulated adjustment	Increase	Decrease (redeemed)		Accrual of interests (including bringing historical value to nominal value)	Current market value (losses from impairment)	Historical cost	Accumulated adjustment
						Historical cost	Accumulated adjustment				
1	2	3	4	5	6	7	8	9	10	11	12
Long-term financial investments - total	5301	for 20 19	45,690	(8,134)	-	-	-	-	1,494	45,690	(6,640)
	5311	for 20 18	62,924	(26,920)	-	(17,234)	17,234	-	1,552	45,690	(8,134)
Contributions to the charter (share) capitals of other companies - total	53021	for 20 19	45,690	(8,134)	-	-	-	-	1,494	45,690	(6,640)
	53121	for 20 18	62,924	(26,920)	-	(17,234)	17,234	-	1,552	45,690	(8,134)
including:											
Subsidiary Business Entities	530211	for 20 19	45,687	(8,132)	-	-	-	-	1,494	45,687	(6,638)
	531211	for 20 18	62,921	(26,918)	-	(17,234)	17,234	-	1,552	45,687	(8,132)
Dependent Business Companies	530212	for 20 19	-	-	-	-	-	-	-	-	-
	531212	for 20 18	-	-	-	-	-	-	-	-	-
other	530213	for 20 19	3	(2)	-	-	-	-	-	3	(2)
	531213	for 20 18	3	(2)	-	-	-	-	-	3	(2)
Federal and municipal securities	53022	for 20 19	-	-	-	-	-	-	-	-	-
	53122	for 20 18	-	-	-	-	-	-	-	-	-
Securities of other organizations - total	53023	for 20 19	-	-	-	-	-	-	-	-	-
	53123	for 20 18	-	-	-	-	-	-	-	-	-
including:											
debt securities (bonds, promissory notes)	530231	for 20 19	-	-	-	-	-	-	-	-	-
	531231	for 20 18	-	-	-	-	-	-	-	-	-
Loans given	53024	for 20 19	-	-	-	-	-	-	-	-	-
	53124	for 20 18	-	-	-	-	-	-	-	-	-
Certificates of deposit	53025	for 20 19	-	-	-	-	-	-	-	-	-
	53125	for 20 18	-	-	-	-	-	-	-	-	-
Other	53026	for 20 19	-	-	-	-	-	-	-	-	-
	53126	for 20 18	-	-	-	-	-	-	-	-	-
Long-term financial investments, having current market value - total	5302	for 20 19	-	-	-	-	-	-	-	-	-
	5312	for 20 18	-	-	-	-	-	-	-	-	-
Contributions to the charter (share) capitals of other companies - total	53031	for 20 19	-	-	-	-	-	-	-	-	-
	53131	for 20 18	-	-	-	-	-	-	-	-	-
including:											
Subsidiary Business Entities	530311	for 20 19	-	-	-	-	-	-	-	-	-
	531311	for 20 18	-	-	-	-	-	-	-	-	-
Dependent Business Companies	530312	for 20 19	-	-	-	-	-	-	-	-	-
	531312	for 20 18	-	-	-	-	-	-	-	-	-
Other	530313	for 20 19	-	-	-	-	-	-	-	-	-
	531313	for 20 18	-	-	-	-	-	-	-	-	-
Federal and municipal securities	53032	for 20 19	-	-	-	-	-	-	-	-	-
	53132	for 20 18	-	-	-	-	-	-	-	-	-
securities of other organizations - total	53033	for 20 19	-	-	-	-	-	-	-	-	-
	53133	for 20 18	-	-	-	-	-	-	-	-	-
including:											
debt securities (bonds, promissory notes)	530331	for 20 19	-	-	-	-	-	-	-	-	-
	531331	for 20 18	-	-	-	-	-	-	-	-	-
Other	53034	for 20 19	-	-	-	-	-	-	-	-	-
	53134	for 20 18	-	-	-	-	-	-	-	-	-
Long-term financial investments, where the current market value is not determined - total	5303	for 20 19	45,690	(8,134)	-	-	-	-	1,494	45,690	(6,640)
	5313	for 20 18	62,924	(26,920)	-	(17,234)	17,234	-	1,552	45,690	(8,134)

5.4.2. Adjustments of estimates of financial investments

5.4.2. Adjustments of estimates of financial investments						
Indication		At the start of the year	Changes for period			At the start of the period
Line item	Line code		Increase	Decrease	Retirement of financial investments	
1	2	3	4	5	6	7
Long-term financial investments	7100	(8,134)	(100)	1,594	-	(6,640)
Difference between the current market value of financial investments and their initial estimate	7110	-	-	-	-	-
<i>including:</i>						
Contributions to the charter (share) capitals of other companies - total	7111	-	-	-	-	-
<i>including:</i>						
Subsidiary Business Entities	71111	-	-	-	-	-
Dependent Business Companies	71112	-	-	-	-	-
other	71113	-	-	-	-	-
Federal and municipal securities	7112	-	-	-	-	-
Securities of other organizations - total	7113	-	-	-	-	-
<i>including:</i>						
debt securities (bonds, promissory notes)	71131	-	-	-	-	-
Other	7114	-	-	-	-	-
Difference between the current value of debt securities and their original cost	7120	-	-	+	-	-
<i>including:</i>						
Securities of other organizations - total	7121	-	-	+	-	-
<i>including:</i>						
debt securities (bonds, promissory notes)	71211	-	+	-	-	-
Other	7122	-	-	-	-	-
Provision for impairment of financial investments, where the market value is not determined	7130	(8,134)	(100)	1,594	-	(6,640)
<i>including:</i>						
Contributions to the charter (share) capitals of other companies - total	7131	(8,134)	(100)	1,594	-	(6,640)
<i>including:</i>						
Subsidiary Business Entities	71311	(8,132)	(100)	1,594	-	(6,638)
Dependent Business Companies	71312	-	-	-	-	-
other	71313	(2)	-	-	-	(2)
Federal and municipal securities	7132	-	-	-	-	-
Securities of other organizations - total	7133	-	-	-	-	-
<i>including:</i>						
debt securities (bonds, promissory notes)	71331	-	-	-	-	-
Loans given	7134	-	-	-	-	-
Certificate of deposit	7135	-	-	-	-	-
Other	7136	-	-	-	-	-

Short-term financial investments	7200	-	-	-	-	-
Difference between the current market value of financial investments and their initial estimate, where the value is determined	7210	-	-	-	-	-
<i>including:</i>						
Contributions to the charter (share) capitals of other companies - total	7211	-	-	-	-	-
<i>including:</i>						
Subsidiary Business Entities	72111	-	-	-	-	-
Dependent Business Companies	72112	-	-	-	-	-
other	72113	-	-	-	-	-
Securities of other organizations - total	7212	-	-	-	-	-
<i>including:</i>						
debt securities (bonds, promissory notes)	72121	-	-	+	-	+
Other	7213	-	-	-	-	-
Difference between the current value of debt securities and their original cost	7220	-	-	-	-	-
<i>including:</i>						
Securities of other organizations - total	7221	-	-	-	-	-
<i>including:</i>						
debt securities (bonds, promissory notes)	72211	-	-	-	-	-
Other	7222	-	-	-	-	-
Provision for impairment of financial investments, without market value	7230	-	-	-	-	-
<i>including:</i>						
Contributions to the charter (share) capitals of other companies - total	7231	-	-	-	-	-
<i>including:</i>						
Subsidiary Business Entities	72311	-	-	-	-	-
Dependent Business Companies	72312	-	-	-	-	-
other	72313	-	-	-	-	-
Federal and municipal securities	7232	-	-	-	-	-
Securities of other organizations - total	7233	-	-	-	-	-
<i>including:</i>						
debt securities (bonds, promissory notes)	72331	-	-	-	-	-
Loans given	7234	-	-	-	-	-
Certificate of deposit	7235	-	-	-	-	-
Other	7236	-	-	-	-	-

5.5. Inventories

5.5.1. The existence of inventory and inventory turnover

Line item	Line code	Period	At the start of the period		Reserve amount for impairment of value	Income and expenses	Change for the period		Impairment loss	Inventory turnover between inventory groups (types of inventory)	At the period end	
			prime cost	Reserve amount for impairment of value			prime cost	Reserve amount for impairment of value			Prime cost	Reserve amount for impairment of value
1	2	3	4	5	6	7	8	9	10	11	12	
Inventories - total	5400	for 2019	1,869,872	(8,334)	2,972,336	(2,998,094)	2,638	(2,786)	x	1,844,114	(8,482)	
Raw materials	5420	for 2018	1,587,652	(6,995)	2,341,189	(2,058,969)	6,874	(8,213)	x	1,869,872	(8,334)	
	5401	for 2019	1,869,872	(8,334)	2,965,255	(2,994,462)	2,638	(2,786)	-	1,840,665	(8,482)	
	5421	for 2018	1,587,652	(6,995)	2,341,189	(2,058,969)	6,874	(8,213)	-	1,869,872	(8,334)	
Work in progress	5402	for 2019	-	-	-	-	-	-	-	-	-	
	5422	for 2018	-	-	-	-	-	-	-	-	-	
Goods delivered	5403	for 2019	-	-	2,063	-	-	-	-	2,053	-	
	5423	for 2018	-	-	-	-	-	-	-	-	-	
Finished products and goods	5404	for 2019	-	-	5,028	(3,632)	-	-	-	1,396	-	
	5424	for 2018	-	-	-	-	-	-	-	-	-	
Other inventories and expenses	5405	for 2019	-	-	-	-	-	-	-	-	-	
	5425	for 2018	-	-	-	-	-	-	-	-	-	

5.5.2. Pledged inventory

Line item	Line code	As at December 31		
		2018	2017	2016
1	2	(1)	(2)	(3)
		3	4	5
Unpaid inventory as of reporting date - total	5440	-	-	-
including:				
raw materials	5441	-	-	-
work in progress	5442	-	-	-
shipped goods	5443	-	-	-
finished goods and goods	5444	-	-	-
Other inventory and expenses	54442	-	-	-
Pledged inventory under the contract - total	5445	-	-	-
including:				
raw materials	5446	-	-	-
shipped goods	5447	-	-	-
finished goods and goods	5448	-	-	-
Other inventory and expenses	5449	-	-	-

(1) - the reporting date of the reporting period is indicated
 (2) - the prior period is indicated
 (3) - year, prior to preceding year is indicated

5.6 Accounts Receivable and Accounts Payable

5.6.1. The existence and turnover of accounts receivable

Line item	Line code	Period	Changes for period											At the end of the period		
			At the start of the year		Inflow							Retirement		Transferring from long-term debt to short-term debt	Accounted under the terms and conditions of the contract	Reserve amount for doubtful debts
			Accounted under the terms and conditions of the contract	Reserve amount for doubtful debts	As a result of business transactions (amount of debt under the deal of operation)	Interest payable, penalties and other accruals	Reserve accrual	Repayment	Written-off out of the previous accrued reserve	Write-off to financial result	Provision recovery					
Non-current accounts receivable - total	5501	for 20 19	22,880	-	17,606	-	-	(128)	-	-	-	-	(14,757)	25,601	-	
	5521	for 20 18	28,694	-	12,152	-	-	(217)	-	-	-	-	(17,749)	22,880	-	
including:																
Settlements with buyers and customers	5502	for 20 19	1,128	-	-	-	-	-	-	-	-	-	(666)	462	-	
	5522	for 20 18	-	-	1,857	-	-	-	-	-	-	-	(729)	1,128	-	
on electric power transmission	55021	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-	-	
on technological connection	55022	for 20 19	1,128	-	-	-	-	-	-	-	-	-	(666)	462	-	
on organization of the functioning and development of unified energy system (UES) of Russia relating to integrated distribution power grid	55023	for 20 19	-	-	-	-	-	-	-	-	-	-	(729)	1,128	-	
on resale of electric power and capacity	55024	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-	-	
on rental income	55025	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-	-	
on other issues	55026	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-	-	
Advances issued	5503	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-	-	
Notes receivable	5504	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other accounts receivable	5505	for 20 19	21,752	-	17,606	-	-	(128)	-	-	-	-	(14,091)	25,139	-	
	5525	for 20 18	28,694	-	10,295	-	-	(217)	-	-	-	-	(17,020)	21,752	-	
including:																
non-interest promissory notes	55051	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-	-	
on other issues	55052	for 20 19	21,752	-	17,606	-	-	(128)	-	-	-	-	(14,091)	25,139	-	
	55252	for 20 18	28,694	-	10,295	-	-	(217)	-	-	-	-	(17,020)	21,752	-	
Out of the total amount of non-current accounts receivable	5506	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-	-	
receivables from subsidiaries	55061	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-	-	
receivables from affiliates	55062	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-	-	
Short-term accounts receivable - total	5510	for 20 19	8,762,836	(1,728,306)	1,449,920	-	(307,659)	(1,072,332)	(23,171)	(7,184)	295,476	14,757	9,124,826	(1,717,318)		
	5530	for 20 18	8,846,691	(2,027,997)	1,153,428	-	(255,240)	(1,038,571)	(209,574)	(6,887)	345,357	17,749	8,762,836	(1,728,306)		
including:																
Settlements with buyers and customers	5511	for 20 19	7,312,143	(1,106,606)	866,805	-	(60,332)	(490,723)	(5,766)	-	88,818	666	7,683,125	(1,072,354)		
	5531	for 20 18	7,461,249	(1,305,303)	349,716	-	(115,577)	(497,222)	(2,009)	(320)	312,265	729	7,312,143	(1,106,606)		
on electric power transmission	55111	for 20 19	7,168,195	(1,076,834)	676,925	-	(45,527)	(458,097)	(5,710)	-	84,183	-	7,381,313	(1,032,468)		
on technological connection	55112	for 20 19	7,394,900	(1,290,248)	248,347	-	(96,309)	(474,276)	(776)	-	308,947	-	7,168,195	(1,076,534)		
on organization of the functioning and development of unified energy system (UES) of Russia relating to integrated distribution power grid	55113	for 20 19	58,731	(29,716)	33,431	-	(12,465)	(27,038)	-	-	4,635	666	65,820	(37,546)		
on resale of electric power and capacity	55114	for 20 19	37,260	(11,681)	27,415	-	(19,268)	(5,391)	(1,233)	(49)	-	729	58,731	(29,716)		
on rental income	55115	for 20 19	3,038	-	1,687	-	(216)	(1,977)	-	-	-	-	2,748	(216)		
on other issues	55116	for 20 19	82,179	(56)	154,762	-	(2,124)	(3,641)	(56)	-	-	-	233,244	(2,124)		
Advances issued	5512	for 20 19	39,843	(5,354)	19,413	-	(548)	(21,393)	(83)	(101)	840	-	37,679	(4,979)		
Notes receivable	5513	for 20 19	53,804	(21,686)	21,562	-	(997)	(23,374)	(12,004)	(145)	4,925	-	39,843	(5,354)		
Receivables from participants (shareholders) for contributions to charter capital	5514	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-		
Receivables from subsidiaries and affiliates for dividends	5515	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-		
Other accounts receivable	5516	for 20 19	1,410,850	(616,346)	563,702	-	(246,779)	(560,216)	(17,322)	(7,083)	205,818	14,091	1,404,022	(639,985)		
including:																
non-interest promissory notes	55161	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-		
overpayment on taxes and dues	55162	for 20 19	274,443	-	8,565	-	-	(48,377)	-	-	-	-	234,631	-		
Disposal of property	55163	for 20 19	43,375	-	961	-	-	(880)	-	(44)	-	596	44,028	-		
other	55164	for 20 19	1,093,032	(616,346)	554,156	-	(246,779)	(510,959)	(17,322)	(7,039)	205,818	13,495	1,125,363	(639,985)		
Out of the total amount of short-term accounts receivable	5517	for 20 19	250	-	222	-	-	(222)	-	-	-	-	38	-		
receivables from subsidiaries	55171	for 20 19	250	-	222	-	-	(222)	-	-	-	-	38	-		
receivables from affiliates	55172	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-		
Total	5500	for 20 19	8,785,716	(1,728,306)	1,467,526	-	(307,659)	(1,072,460)	(23,171)	(7,184)	295,476	-	9,150,427	(1,717,318)		
	5520	for 20 18	8,875,385	(2,027,997)	1,165,580	-	(255,240)	(1,038,788)	(209,574)	(6,887)	345,357	-	8,785,716	(1,728,306)		

5.6.3. Overdue accounts receivable

Line item	Line code	As at December 31, 2019		As at December 31, 2018		As at December 31, 2017	
		Accounted under the terms and conditions of the contract	Carrying value (less the reserve for doubtful debts)	Accounted under the terms and conditions of the contract	балансовая стоимость (за вычетом резерва по сомнительным долгам)	Accounted under the terms and conditions of the contract	Carrying value (less the reserve for doubtful debts)
1	2	3	4	5	6	7	8
Payments expected within 12 months of the reporting date	564	3,167,474	1,673,160	2,284,107	848,194	3,228,858	1,685,512
including:							
buyers and customers, including	5641	2,347,946	1,497,998	1,430,530	615,718	2,341,071	1,520,407
on electric power transmission	56411	2,257,021	1,446,811	1,378,243	593,202	2,288,770	1,479,843
on technological connection	56412	47,937	10,390	46,601	16,885	34,624	22,943
on organization of the functioning and development of unified energy system (UES) of Russia relating to integrated distribution power grid	56413	-	-	-	-	-	-
on resale of electric power and capacity	56414	-	-	-	-	-	-
on rental income	56415	763	546	1,715	1,715	1,729	1,729
on other issues	56416	42,225	40,251	3,971	3,916	15,948	15,892
notes receivable	5642	-	-	-	-	-	-
Receivables from subsidiaries and affiliates for dividends	5643	-	-	-	-	-	-
Receivables from participants (shareholders) for contributions to charter capital	5644	-	-	-	-	-	-
Advances issued	5645	4,552	170	5,987	1,231	22,641	956
Other accounts receivable	5646	814,976	174,992	847,590	231,245	865,146	164,149
Chief accountant					Skiba I.V.		
		signature			signature		
(1) - the reporting date of the reporting period is indicated							
(2) - the prior period is indicated							
(3) - year, prior to preceding year is indicated							

5.6.5. The existence and turnover of accounts payable

Line item	Line code	Period	Opening balance	Changes for period					Ending balance
				Inflow		Retirement		Transferring from long-term debt to short-term debt	
				As a result of business transactions (amount of debt under the deal of operation)	Interest accrued, penalties and other accruals	Repayment	Write-off to financial result		
1	2	3	4	5	6	7	8	9	10
Long-term accounts payable - total	5551	for 20 19	1,248,675	491,348	-	(1,089)	-	(577,351)	1,161,583
	5571	for 20 18	989,505	511,998	-	-	-	(252,828)	1,248,675
including:									
accounts payable of suppliers and contractors	5552	for 20 19	5,950	101,019	-	-	-	(2,337)	104,632
	5572	for 20 18	3,634	5,950	-	-	-	(3,634)	5,950
including:									
construction	55521	for 20 19	-	-	-	-	-	-	-
	55721	for 20 18	3,634	-	-	-	-	(3,634)	-
other	55522	for 20 19	5,950	101,019	-	-	-	(2,337)	104,632
	55722	for 20 18	-	5,950	-	-	-	-	5,950
Other accounts payable	5553	for 20 19	1,242,725	390,329	-	(1,089)	-	(575,014)	1,056,951
	5573	for 20 18	985,871	506,048	-	-	-	(249,194)	1,242,725
Out of the total amount of long-term debt	5554	for 20 19	-	-	-	-	-	-	-
	5574	for 20 18	-	-	-	-	-	-	-
Debt owed to subsidiaries	55541	for 20 19	-	-	-	-	-	-	-
	55741	for 20 18	-	-	-	-	-	-	-
Debt owed to affiliates	55542	for 20 19	-	-	-	-	-	-	-
	55742	for 20 18	-	-	-	-	-	-	-
Short-term accounts payable - total	5560	for 20 19	12,833,089	4,561,822	-	(9,171,253)	(43,296)	577,351	8,757,713
	5580	for 20 18	11,044,750	6,828,311	-	(5,275,025)	(17,775)	252,828	12,833,089
including:									
Settlements with suppliers and contractors	5561	for 20 19	5,238,557	2,480,026	-	(2,579,872)	(4,860)	2,337	5,136,188
	5581	for 20 18	6,198,136	2,209,396	-	(3,166,727)	(5,882)	3,634	5,238,557
including:									
construction	55611	for 20 19	750,583	1,164,146	-	(644,303)	(4,545)	-	1,265,881
	55811	for 20 18	551,360	694,195	-	(496,869)	(1,737)	3,634	750,583
other	55612	for 20 19	4,487,974	1,315,880	-	(1,935,569)	(315)	2,337	3,870,307
	55812	for 20 18	5,646,776	1,515,201	-	(2,669,858)	(4,145)	-	4,487,974
Advances issued	5562	for 20 19	5,164,803	666,424	-	(4,494,875)	(34,157)	(574,309)	1,876,504
	5582	for 20 18	2,889,096	2,574,402	-	(537,799)	(9,385)	248,489	5,164,803
including:									
on electric power transmission	55621	for 20 19	12,936	20,098	-	(8,606)	-	-	24,428
	55821	for 20 18	13,267	8,587	-	(8,686)	(32)	-	12,936
on technological connection	55622	for 20 19	5,144,416	625,406	-	(4,483,955)	(33,238)	574,309	1,826,938
	55822	for 20 18	2,867,111	2,560,769	-	(523,554)	(8,399)	248,489	5,144,416
on organization of the functioning and development of unified energy system (UES) of Russia relating to integrated distribution power grid	55623	for 20 19	-	-	-	-	-	-	-
	55823	for 20 18	-	-	-	-	-	-	-
on resale of electric power and capacity	55624	for 20 19	-	-	-	-	-	-	-
	55824	for 20 18	-	-	-	-	-	-	-
on participation in other organizations	55625	for 20 19	-	-	-	-	-	-	-
	55825	for 20 18	-	-	-	-	-	-	-
on lease services	55626	for 20 19	18	1,213	-	(17)	-	-	1,214
	55826	for 20 18	23	12	-	(17)	-	-	18
on other issues	55627	for 20 19	7,433	19,707	-	(2,297)	(919)	-	23,924
	55826	for 20 18	8,695	5,034	-	(5,342)	(954)	-	7,433
Delay from participants (shareholders) in paying revenues	5563	for 20 19	919	-	-	(466)	-	-	453
	5583	for 20 18	500	463	-	(44)	-	-	919
Notes payable	5564	for 20 19	-	-	-	-	-	-	-
	5584	for 20 18	-	-	-	-	-	-	-
Debts owed to state non-budgetary funds	5565	for 20 19	120,710	157,086	-	(120,710)	-	-	157,086
	5585	for 20 18	108,782	120,710	-	(108,782)	-	-	120,710
Settlements in respect of taxes and levies	5566	for 20 19	606,530	642,898	-	(606,530)	-	-	642,898
	5586	for 20 18	258,006	606,530	-	(258,001)	(5)	-	606,530
Payables owed to corporate staff	5567	for 20 19	313,073	273,713	-	(313,073)	-	-	273,713
	5587	for 20 18	209,427	313,073	-	(209,427)	-	-	313,073
Other accounts payable	5568	for 20 19	1,388,497	341,675	-	(1,055,727)	(4,279)	705	670,871
	5588	for 20 18	1,380,803	1,003,737	-	(994,245)	(2,503)	705	1,388,497
Out of the total amount of short-term debt	5569	for 20 19	5,771	26,205	-	(5,771)	-	-	26,205
	5589	for 20 18	58,758	4,048	-	(57,035)	-	-	5,771
Debt owed to subsidiaries	55691	for 20 19	5,771	26,205	-	(5,771)	-	-	26,205
	55891	for 20 18	58,758	4,048	-	(57,035)	-	-	5,771
Debt owed to affiliates	55692	for 20 19	-	-	-	-	-	-	-
	55892	for 20 18	-	-	-	-	-	-	-
Total	5550	for 20 19	14,081,764	5,053,170	-	(9,172,342)	(43,296)	-	9,919,296
	5570	for 20 18	12,034,255	7,340,309	-	(5,275,025)	(17,775)	-	14,081,764

5.6.6. Overdue accounts payable

Line item	Line code	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017
1	2	3	4	5
V. CURRENT LIABILITIES				
Accounts payable		2,623,405	3,058,041	3,938,683
including:				
Settlements with suppliers and contractors	5691	2,007,423	2,198,576	3,222,591
including:				
construction	56911	373,642	249,754	267,079
other	56912	1,633,781	1,948,822	2,955,512
Notes payable	5692	-	-	-
Wages payable	5693	-	-	-
Debts owed to state non-budgetary funds	5694	-	-	-
Taxes and dues payable	5695	-	-	-
Advances received	5696	493,336	704,179	523,158
Delay from participants (shareholders) in paying revenues	5697	-	-	500
Other accounts payable	5698	122,646	155,286	192,434

5.6.7. Loans and borrowings

Line item	Line code	Period	At the start of the year	Changes for period					At the end of the period
				Inflow	Accrual of interests	Principal repayment	Repayment of interest	Transferring from long-term debt to short-term debt	
1	2	3	4	5	6	7	8	9	10
Long-term borrowings - total	7410	for 20 19	13,283,239	19,916,920	-	(6,484,008)	-	(7,283,240)	19,432,911
	7430	for 20 18	22,617,796	38,940,412	-	(37,127,839)	-	(11,147,130)	13,283,239
including:									
Loans	7411	for 20 19	9,683,239	19,916,920	-	(6,484,008)	-	(3,683,240)	19,432,911
	7431	for 20 18	15,617,796	38,940,412	-	(37,127,839)	-	(7,747,130)	9,683,239
Borrowings	7412	for 20 19	3,600,000	-	-	-	-	(3,600,000)	-
	7432	for 20 18	7,000,000	-	-	-	-	(3,400,000)	3,600,000
Current borrowings - total	7420	for 20 19	11,395,279	2,221,723	2,170,660	(17,204,345)	(2,213,965)	7,283,240	3,652,592
	7440	for 20 18	91,064	157,765	2,166,511	(5,513)	(2,161,678)	11,147,130	11,395,279
including:									
Loans	7421	for 20 19	7,899,382	2,221,723	-	(13,804,345)	-	3,683,240	-
	7441	for 20 18	-	157,765	-	(5,513)	-	7,747,130	7,899,382
Interest on loans	74211	for 20 19	15,719	-	1,414,802	-	(1,410,869)	-	19,652
	74411	for 20 18	13,120	-	1,361,181	-	(1,358,682)	-	15,719
Borrowings	7422	for 20 19	3,480,178	-	755,858	(3,400,000)	(803,096)	3,600,000	3,632,940
	7442	for 20 18	77,944	-	805,330	-	(803,096)	3,400,000	3,480,178

5.6.8. Expenses for loans and borrowings

Indication		For long-term loans and borrowings	For short-term loans and borrowings
Line item	Line code		
1	2	3	4
Expenses for loans total:	7510	839,950	574,852
write-off as other expenses	7511	759,269	435,123
included in the cost of assets	7512	80,681	139,729
Expenses for borrowings total:	7520	375,840	380,018
write-off as other expenses	7521	375,840	380,018
included in the cost of assets	7522	-	-
Out of the total cost on borrowings and loans:	7530	1,215,790	954,870
interest accrued	7531	1,215,790	954,870
other expenses	7532	-	-

5.7.1. Estimated liabilities

Indication		Line code	Opening balance	Recognized	Redeemed	Written off as excessive amount	Ending balance
Line item	1	2	3	4	5	6	7
Estimated liabilities - total		5700	1,348,029	1,136,566	(1,009,302)	(135,697)	1,339,596
including:							
Forthcoming vacation pay		5701	265,565	444,152	(446,703)	-	263,014
Year-end benefit payment		5702	348,878	372,778	(280,604)	(68,274)	372,778
Outstanding litigation as of reporting date		5703	222,759	93,472	(100,160)	(12,741)	203,330
Claims of tax authorities on the results of tax inspections that remained unsolved as of reporting date		5704	-	-	-	-	-
Other estimated liabilities		5705	510,827	226,164	(181,835)	(54,682)	500,474
Out of the total amount of contingent liabilities:							
Created for the account of expenses for core activities		5706	925,899				
Created for the account of other expenses		5707	182,666				
Included in the cost of assets		5708	28,001				

5.7.2. Deferred taxes

Line item	Line code	Deductible temporary difference	Deferred tax assets	Taxable temporary difference	Deferred tax liabilities
1	2	3	4	5	6
Balance at the beginning of the reporting year	7700	3,824,738	764,948	2,193,596	438,719
Income	7710	1,533,640	306,728	3,971,203	794,240
Expense	7720	(1,328,147)	(265,629)	(492,912)	(98,582)
The result of change in tax rates	7730	X	-	X	-
The result of error correction for past years	7740	- +	-	-	-
Permanent differences in value of assets and liabilities	7750	-	-	-	-
Writing off beyond the tax consequences	7760	(65,284)	(13,058)	(3,072)	(614)
Balance at the end of the reporting period	7800	3,964,947	792,989	5,668,815	1,133,763

5.8. Securities				
Indication		As at December 31, 2019	As at December 31, 2018	As at December 31, 2017
Line item	Line code	3	4	5
Received — total	5800	303,376	578,597	1,923,541
including:				
promissory notes	5801	-	-	-
pledged property	5802	107	107	107
where:				
items of fixed assets	58021	107	107	107
securities and other financial investments	58022	-	-	-
other	58023	-	-	-
other received	5803	303,269	578,490	1,923,434
Issued under own obligations— total	5810	-	-	-
including:				
promissory notes	5811	-	-	-
pledged property	5812	-	-	-
where:				
items of fixed assets	58121	-	-	-
securities and other financial investments	58122	-	-	-
other	58123	-	-	-
other issued	5813	-	-	-

Line item	Line code	5.9. Government assistance						
		2019			2018			
		At the start of the year	Received during the year	Returned during the year	At the end of the year	Received during the year	Returned during the year	At the end of the year
Public funds received - total	5900	-	4,000	(4,000)	-	2,167	(2,167)	-
including:								
on current expenses	5901	-	1,025	(1,025)	-	409	(409)	-
compensations for Chernobyl victims	5902	-	-	-	-	-	-	-
for task performance on mobilization training	5903	-	-	-	-	-	-	-
for liquidation of interterritorial cross-subsidization	5904	-	-	-	-	-	-	-
for investments in non-current assets	5905	-	-	-	-	-	-	-
other purposes	5906	-	2,975	(2,975)	-	1,758	(1,758)	-
where:								
funding for preventive measures to reduce occupational injuries and occupational diseases	5911	-	2,959	(2,959)	-	1,757	(1,757)	-
funding for thorough medical check-ups for employees engaged in work with harmful and (or) occupational hazards factors	5912	-	-	-	-	-	-	-

5.11. Other revenues and expenses			
Indication		For January-December 2019	For January-December 2018
Line item	Line code		
1	2	3	4
Other revenues total	8000	2,269,626	2,575,341
including:			
From sale of fixed assets, except apartments	8001	2,063	222
From sale of apartments	8002	-	-
From sale of inventories	8003	10,042	9,791
From sale of currency	8004	-	-
From sale of intangible assets	8005	-	-
From sale of securities	8006	-	-
From sale of other assets	8007	-	-
From joint arrangements	8008	-	-
Profit for 2018 recognized in the reporting period	8009	198,679	-
Profit for 2017 recognized in the reporting period	8010	14,930	79,231
Profit for 2016 recognized in the reporting period	8011	9,350	39,352
Profit up to January 1, 2016 recognized in the reporting period	8012	10,328	78,916
Penalties, fines and forfeits recognized or for which the judgments (arbitration awards) for their recovery have been obtained	8013	422,610	767,250
Accounts payable for which the statute of limitations has expired (more than three years)	8014	43,296	17,775
Exchange differences	8015	-	-
Assets in surplus on the results of the inventory count	8016	158	433
Donated assets except fixed assets and intangible assets	8017	3,829	1,609
Revenue from donated fixed assets identified in accordance with established order	8018	20,722	20,123
Value of tangible assets remaining after the assets that are not subject to recovery and further use have been written off	8019	1,415	3,707
Revaluation of financial investments according to the current market value	8020	-	-
Revenue from decrease (write-off) of provision for doubtful debts	8021	299,342	345,357
Revenue from decrease (write-off) of reserve for estimated liabilities	8022	135,697	360,743
Revenue from decrease (write-off) of provision for depreciation of inventories	8023	2,825	6,874
Revenues under assignment of claim agreements	8024	-	-
Revenues from determination of freelance electric power consumption	8025	90,998	98,171
Insurance settlements receivable	8026	64,351	51,558
Revenues related to the Interest in the Charter Capital of other organizations	8027	-	-
Restoring accounts receivable previously written off	8028	92	152
Discount on promissory notes	8029	-	-
Compensations for difference in tariffs (budgetary funding)	8030	-	-
Revenue from decrease (write-off) of provision for impairment of financial investments	8031	1,594	18,786
Increase in value of items of fixed assets	8032	-	-
Revenue from increase in value of previously cut-price items of fixed assets	8033	-	-
Revenue from payment of promissory notes	8034	-	-
Other	8035	937,305	675,291

Other expenses total	8100	(3,909,428)	(4,258,941)
including:			
From sale of fixed assets, except apartments	8101	(4,766)	(1)
From sale of apartments	8102	-	-
From sale of inventories	8103	(9,079)	(7,908)
From sale of currency	8104	-	-
From sale of intangible assets	8105	-	-
From sale of securities	8106	-	-
From sale of other assets	8107	-	-
Other taxes	8108	-	-
Expenses for bank services	8109	(318)	(265)
Expenses for maintenance of financial investments	8110	-	-
Provision for doubtful debts	8111	(307,808)	(258,949)
Provision for impairment of financial investments	8112	(100)	-
Provision for impairment of tangible assets	8113	(2,786)	(8,401)
Provision for discontinued operations	8114	-	-
Reserve for estimated liabilities	8115	(107,988)	(610,651)
Retirement of assets without revenue	8116	-	(17,234)
VAT on donated property	8117	-	-
Loss for 2018 recognized in the reporting period	8118	(298,761)	-
Loss for 2017 recognized in the reporting period	8119	(189,736)	(442,284)
Loss for 2016 recognized in the reporting period	8120	(111,116)	(187,450)
Loss up to January 1, 2016 recognized in the reporting period	8121	(28,396)	(554,513)
Penalties, fines and forfeits recognized or for which the judgments (arbitration awards) for their recovery have been obtained	8122	(35,641)	(325,631)
State fees under the economic contracts	8123	(12,708)	(15,858)
Revaluation of financial investments according to the current market value	8124	-	-
Discount on promissory notes	8125	-	-
Expenses under assignment of claim agreements	8126	-	-
Non-refundable VAT	8127	(8,962)	(16,329)
Expenses for discovered non-contractual electricity consumption	8128	-	-
Contributions to associations and funds	8129	(3,328)	(3,737)
Accounts receivable for which the statute of limitations has expired (more than three years)	8130	(7,184)	(6,887)
Exchange differences	8131	-	-
Court costs	8132	(2,100)	(1,653)
Theft, shortages	8133	(39,611)	(9,426)
Expenses for execution proceedings	8134	-	-
Payment of the cost of employees' apartments	8135	-	-
Other financial aid and other cash payments to employees	8136	(267,808)	(272,401)
Financial aid to retired employees (including lump-sum payments, compensations for community charges)	8137	(10,230)	(7,354)
Expenses for sporting events	8138	(4,694)	(5,191)
Expenses for social activities	8139	(8,473)	(5,356)
Charitable expenditures	8140	(5,000)	-
Value of redeemable promissory notes	8141	-	-
Residual value of written-off fixed assets	8143	-	-
Reduction in prices of items of fixed assets	8144	-	-
Other	8145	(2,442,835)	(1,501,462)

Chief Executive Officer _____ Sergeev S.V.
(signature) (signature)

Chief executive _____ Skiba I.V.
(signature) (signature)

« 20 » February 20 20

5.13. Information on reportable segments

Line item	Line code	Period	Electric power transmission	Technological connection	Reportable segment name 6	Reportable segment name 7	Reportable segment name 8	Other segments 9	Total 10
Revenue from external buyers	8310	2019	46,515,696	4,206,155	-	-	-	281,848	51,003,699
	8311	2018	45,583,484	602,467	-	-	-	215,128	46,401,079
Sales revenue between segments	8320	2019	-	-	-	-	-	-	-
	8321	2018	-	-	-	-	-	-	-
Total Revenue of segment	8300	2019	46,515,696	4,206,155	-	-	-	281,848	51,003,699
including	8400	2018	45,583,484	602,467	-	-	-	215,128	46,401,079
Revenue from transmission	8301	2019	46,515,696	-	-	-	-	-	46,515,696
	8401	2018	45,583,484	-	-	-	-	-	45,583,484
Revenue from technological connection	8302	2019	-	4,206,155	-	-	-	-	4,206,155
	8402	2018	-	602,467	-	-	-	-	602,467
Other revenue	8303	2019	-	-	-	-	-	281,848	281,848
	8403	2018	-	-	-	-	-	215,128	215,128
Interest receivable	8303	2019	-	-	-	-	-	67,390	67,390
	8403	2018	-	-	-	-	-	81,528	81,528
Interest payable	8304	2019	1,971,069	-	-	-	-	-	1,971,069
	8404	2018	1,911,383	-	-	-	-	-	1,911,383
Income Tax Expenses	8305	2019	1,096,752	-	-	-	-	-	1,096,752
	8405	2018	1,128,620	-	-	-	-	-	1,128,620
Gains/(losses) of segment	8306	2019	(666,388)	3,092,746	+	-	-	1,653	2,428,011
	8406	2018	498,740	(190,380)	-	-	-	(157,162)	151,198
Assets of segments	8307	2019	74,212,496	960,876	-	-	-	1,058,547	76,231,919
including non-current assets	8407	2018	73,940,841	1,329,403	-	-	-	638,571	75,908,815
	8308	2019	63,453,378	859,721	-	-	-	322,184	64,635,283
	8408	2018	62,259,163	1,165,387	-	-	-	189,385	63,613,935
Liabilities of segments	8309	2019	71,756,977	3,749,629	-	-	-	725,313	76,231,919
	8409	2018	67,743,703	7,472,163	-	-	-	692,949	75,908,815
Amortization of fixed assets and intangible assets	8390	2019	4,186,821	55,426	-	-	-	21,318	4,263,565
	8490	2018	3,913,180	59,624	-	-	-	11,925	3,984,729



PUBLIC JOINT STOCK
COMPANY OF POWER INDUSTRY
AND ELECTRIFICATION OF KUBAN
(PJSC KUBANENERGO)

NOTES TO THE ACCOUNTING STATEMENTS
FOR 2019

Krasnodar
2020

BACKGROUND INFORMATION

PJSC Kubanenergo is the largest electric grid company in the territory of Krasnodar Region and the Republic of Adygeya that transmits and distributes electricity to the distribution grid with a voltage of 110 kV and lower located in populated areas, village settlements, separate cities and neighborhood centre of Krasnodar Region and the Republic of Adygeya, including Sochi.

Full name: Public Joint Stock Company of Power Industry and Electrification of Kuban .

Short name: PJSC Kubanenergo.

Registered on February 10, 1993.

Entered in the Single State Register of Legal Entities by Inspection of the Federal Tax Service of Russia No. 3 in Krasnodar under No. 1022301427268 of September 17, 2002. Certificate 23 No. 001806938.

TIN (KPP): 2309001660 (997650001).

Legal form / form of property PJSC Kubanenergo – Public Joint Stock Company (Code OKOPF 47) / private ownership (Code OKFS 16).

Registered office (legal address) PJSC Kubanenergo – 350033, the Russian Federation, Krasnodar, 2A Stavropolskaya Street.

The core activities of the Company are:

- providing services for distribution and transmission of energy that is transferred out of the electrical system;
- services for technological connection of consumers to electric networks.

Table 1 – Licences

Branch of activities	Issuing authority	Details	Validity period
1	2	3	4
For extraction licence (fresh groundwater mining for household drinking process water supply in Krasnodar)	Ministry of Natural Resources of the Russian Federation	КРД No. 03378 БЭ	From July 17, 2007 – to July 20, 2034
Permission for construction works, overhaul and refurbishment works	Self-regulatory organization NPO Energostroy	0212.04-2013-2309001660-C-060	From December 16, 2013 – unlimited
Work permission for preparation of external electrical grid projects with voltage up to 35 kV inclusive and its buildings	Self-regulatory organization NPO Energoproekt	П-0263-03-2010-0274	From February 3, 2014 – unlimited
For extraction licence (fresh groundwater mining for household drinking process water supply)	Ministry of Natural Resources of Krasnodar Region	КРД No. 80380 БЭ	From October 26, 2015 – January 1, 2035
For the operation of explosion and fire hazardous manufacturing facilities	Federal Service for Environmental, Technological, and Nuclear Supervision	БП-30-003995 Series AB No. 087343	From November 11, 2011– unlimited

Accounting Statements of PJSC Kubanenergo contain operational performance of all branch offices, representative offices and other business units, as follows:

Table 2 – Branch offices of PJSC Kubanenergo

№	Name	Registered office
1.	Krasnodar Electrical Networks	350000, Krasnodar, 131 Pashkovskaya Str.
2.	Sochi Electrical Networks	354000, Sochi, 42 Konstitutsii USSR Str.
3.	Armavir Electrical Networks	352900, Armavir, 54 Vorovskogo Str.
4.	Adygeya Electrical Networks	385000, Maykop, 358 Shovgenova Str.
5.	Timashevsk Electrical Networks	352700, Timashevsk, 176 Lenina Str.
6.	Tikhoretsk Electrical Networks	352122, Tikhoretsk, 62 Dzerzhinskogo Str.
7.	Leningrad Electrical Networks	353745, Leningradskaya village, 6 Divizii 302 Str.
8.	Slavyansk Electrical Networks	353560, Slavyansk-na-Kubani, 49 Stroitelei Str.
9.	South-West Electrical Networks	353902, Novorossiysk, 1 Vostochnyy Mol
10.	Labinsk Electrical Networks	352503, Labinsk, 334 Mira Str.
11.	Ust-Labinsk Electrical Networks	352232, Ust-Labinsk, 4 Krasnodarskaya Str.

The average annual number of employees in PJSC Kubanenergo for the reporting period amounted to 8,644, in 2018 amounted to 8,611, prior to preceding 2017 amounted to 8,494.

Company's auditor:

Full name: Limited Liability Company Ernst & Young
 Legal address: 115035, Moscow, 77 Sadovnicheskaya naberezhnaya, building 1
 Current address: 115035, Moscow, 77 Sadovnicheskaya naberezhnaya, building 1
 TIN: 7709383532
 PSRN: 1027739707203
 Phone/fax: 8 (495) 755-97-00/8; (495) 755-97-01

Management Board of the Company is the General Meeting of Shareholders, the Board of Directors of the Company, Management Board (Collegial Executive Body of the Company), General Director (Chief Executive Officer of the Company).

Chief Executive Officer of the Company: Sergeev Sergey Vladimirovich.

Chief accountant of the Company: Skiba Inna Viktorovna.

Table 3 – Members of the Board of Directors of the Company (as of December 31, 2019):

No.	Full name	Principal place of employment and official capacity	Position on the Board of Directors of PJSC Kubanenergo
1.	Gayrilov Aleksandr Ilich	Chairman of the Board of Directors of PJSC Kubanenergo	Chairman of the Board of Directors
2.	Sergeeva Olga Andreevna	Member of the Board, Principal Counsellor of PJSC Rosseti	Member of the Board of Directors
3.	Kiryukhin Sergey Vladimirovich	Acting Deputy General Director – Chief of PJSC Rosseti Staff	Member of the Board of Directors
4.	Varvarin Aleksandr Viktorovich	Vice-president for Legal Regulation and Law Enforcement of the Russian Union of Industrialists and Entrepreneurs (RSPP)	Member of the Board of Directors
5.	Larionov Dmitriy Vitalevich	Deputy Director of Department - Head of Department of Agricultural and Property Relations and Disposition of Property of Property Management Department of PJSC Rosseti	Member of the Board of Directors
6.	Osipova Elena Nikolaevna	Head of Department of Financial Analysis and Liquidity Management of Department of Finance of PJSC Rosseti	Member of the Board of Directors
7.	Medvedev Mikhail Vladimirovich	Adviser to the Director General of JSC Avangard	Member of the Board of Directors
8.	Rozhkov Vasiliy Vladimirovich	Director of the Department of Production Activity – Deputy Chief Engineer of PJSC Rosseti	Member of the Board of Directors
9.	Khokholkova Kseniya Valerevna	Chief Expert of Securities Management and Information Disclosure of Corporate Management Department of PJSC Rosseti	Member of the Board of Directors
10.	Shagina Irina Aleksandrovna	Director of the Department of Tariff Policy of PJSC Rosseti	Member of the Board of Directors
11.	Yavorskiy Viktor Korneevich	Member of the Presidium of the Board of "OPORA RUSSIA"	Member of the Board of Directors

Table 4 – Composition of Management of the Company (as of December 31, 2019):

No.	Full name	Principal place of employment and official capacity	Status in the Management of PJSC Kubanenergo
1.	Sergeev Sergey Vladimirovich	General Director of PJSC Kubanenergo	Chairman of the Board
2.	Shishigin Igor Nikolaevich	Deputy General Director for Technical Issues – Chief Engineer of PJSC Kubanenergo	Deputy Chairman of the Board
3.	Ocheredko Olga Vyacheslavovna	Deputy General Director for Economics and Finance of PJSC Kubanenergo	Member of the Board
4.	Armaganyan Edgar Garrievich	First Deputy General Director of PJSC Kubanenergo– Branch Manager of PJSC Kubanenergo Sochi Electrical Networks	Member of the Board
5.	Khazikova Zanda Ivanovna	Deputy General Director for Corporate Management of PJSC Kubanenergo	Member of the Board
6.	Nishchuk Oleg Fedorovich	Deputy General Director of Implementation Services of PJSC Kubanenergo	Member of the Board
7.	Belenko Roman Alekseevich	Deputy General Director of PJSC Kubanenergo	Member of the Board
8.	Shchepakina Maksim Mikhailovich	Deputy General Director – Chief of PJSC Kubanenergo Staff.	Member of the Board
9.	Skladchikov Vladimir Andreevich	Deputy General Director of Development and Utility Connection of PJSC Kubanenergo	Member of the Board

The Auditing Committee of the Company is the supervisory authority for financial and operational activities of the Company.

Table 5 – Composition of the Company's Auditing Committee (as of December 31, 2019):

No.	Full name	Principal place of employment and official capacity	Status in the Auditing Committee
1.	Lelekova Marina Alekseevna	Director of the Internal Control and Risk Management Department of PJSC Rosseti	Chairman of the Auditing Committee
2.	Kim Svetlana Anatolevna	Head of Supervisory Activities Department of the Internal Control and Risk Management Department of PJSC Rosseti	Member of the Auditing Committee
3.	Erandina Elena Stanislavovna	Chief Expert of Monitoring-Expert Management of the Department of Audit Activities of PJSC Rosseti	Member of the Auditing Committee
4.	Kabizskina Elena Aleksandrovna	Chief Expert of the Internal Control and Risk Management Department of PJSC Rosseti	Member of the Auditing Committee
5.	Malyshev Sergey Vladimirovich	Lead Expert of the of Supervisory Activities Department of the Internal Control and Risk Management Department of PJSC Rosseti	Member of the Auditing Committee

Table 6 – The Main Subsidiaries and Affiliates

Name of the subsidiary	Participatory interest (%)	Registered office	Line of business
1	2	3	4
Joint-Stock Company Energetik Holiday Facility	100	353490, Krasnodar Region, Gelendzhik, Divnomorskoye village, 4 Pionerskaya Str.	Provision of medical, sanatorium and health-resort, health and fitness services, accommodation services (temporary accommodation services), food and nutrition services and services to the population
Joint-Stock Company Kuban Energoservis	100	350080, Krasnodar Region, Krasnodar, 47 Novorossiyskaya Str.	Implementation of programs on energy conservation and increasing the energy efficiency of final consumers in the regions by means of implementation of the multilevel system of energy services.

FUNDAMENTAL PRINCIPLES OF ACCOUNTING POLICIES

PJSC Kubanenergo keeps accounting records in accordance with the requirements for Russian Accounting Standards and Federal Law of December 6, 2011 No. 402-FZ “On Accounting” and also in accordance with Corporate Standard of PJSC Rosseti “*Uniform Corporate Accounting Principles for accounting purposes*”.

Data from Accounting Statements are presented in thousands Russian Rubles (if not otherwise mentioned).

Assets and liabilities in foreign currencies

The Company does not have assets and liabilities denominated in foreign currency at the beginning and the end of the reporting period.

Expenses for research, development and technological works (R&D)

Accounting of expenses for research, development and technological works is incurred in accordance with Accounting Regulation 17/02, approved by Order of the Ministry of Finance of the Russian Federation No. 115Н of November 19, 2002 and subsequent changes. Writing off the expenses for each facility of R&D is made using the straight-line method.

Intangible assets

Accounting for intangible assets is kept by the Company in accordance with the Accounting Regulation 14/2007 “*Intangible asset accounting*”, approved by Order of the Ministry of Finance of the Russian Federation No. 153Н of December 27, 2007.

Straight-line method is used for the amortization of the cost of the intangible assets with definite useful lives.

Fixed assets and construction in progress

Accounting for fixed assets is kept by the Company in accordance with the Accounting Regulation 6/01 “*Accounting for fixed assets*”, approved by Order of the Ministry of Finance of the Russian Federation No. 26Н of March 30, 2001 and

Accounting Guidelines on fixed assets, approved by Order of the Ministry of Finance of the Russian Federation No. 91H of October 13, 2003.

Accounting for construction in progress is kept by the Company in accordance with the Regulation of Accounting and Reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation No. 34H of July 29, 1998 and in accordance with the Accounting Regulation of long-term investments (letter of the Russian Ministry of Finance No. 160 of December 30, 1993), if not at variance with subsequent regulatory legal acts on accounting.

Items of fixed assets are accepted for recording at original cost, determined according to the method of receipt-purchase for a fee, implementation by own efforts, construction, receiving without compensation and so on.

Assets are recognized as a part of inventories and written-off as manufacturing expenses in accounting and accounting statements as far as they release to production or into operation and to relation of which the terms for attribution of assets to the fixed assets (with the value less than 40,000 rubles inclusive) are fulfilled. The following items are included in the fixed assets regardless of their value:

- transmission lines;
- lands;
- buildings;
- constructions;
- vehicles

Costs on borrowings and loans related to investment asset formation (items of fixed assets, asset groups and other similar assets demanding much time and purchasing costs and (or) construction) are included in the cost of the depreciable asset.

Amortization of the items of fixed assets is calculated using the straight-line method on the basis of their useful lives.

Useful life is regulated by the Committee of the Company on receipt of fixed assets in accordance with the final report of the technical employees taking into consideration the information specified in technical documentation of the construction site.

The following useful lives are determined for accounting purposes in accordance with the technical rules and regulations and instructions for the operation of equipment of manufacturing plants and newly introduced items of fixed assets related to the groups such as “Transmission lines and transmission facilities” and “Vehicles and machinery”.

Item of fixed assets	Useful life, years
<i>Material-working machinery and equipment</i>	
Power transformer	30
Shunt reactor	30
Current limiting reactor	30
Cell of gas-insulated switchgear	30
Cell of the complete distribution device	25
Current transformer (CT)	30
Voltage transformer (VT)	30
Switch	30
Disconnecter, isolating switch and short-circuiting device	30
<i>Constructions and transfer mechanisms (transmission lines)</i>	
Overhead transmission lines (OTL)	35
Cable transmission lines	30
Overhead and cable transmission lines	30

Fully amortizing (depreciated) fixed assets are not measured at amortized cost.

The result due to retirement, write-off and donation of fixed asset is reflected in the Statement of financial results and as a part of other revenues and expenses.

Fixed asset value has not changed, except for further construction, modernization and reconstruction of fixed assets. Expenses for reconstruction of fixed assets are reflected on the balance sheet of the reporting period to which the expenses relate.

Accounting for the property acquired under leasing is carried out in accordance with the Federal Law No. 164-FZ of October 29, 1998 “On financial lease (leasing)”.

Inventories

Inventory accounting is kept by the Company in accordance with the Accounting Regulation 5/01 “Inventory accounting”, approved by Order of the Ministry of Finance of the Russian Federation No. 44H of June 9, 2001 and Accounting guidelines on inventory accounting, approved by Order of the Ministry of Finance of the Russian Federation No. 119H of December 28, 2001.

When inventories are included in the accounting, inventory valuation is made by the following ways:

- when purchase for a charge – in the amount of actual expenses for purchasing except for VAT and other recoverable taxes from the budget (Clause 6, Accounting Regulation 5/01);
- during production by own efforts – on the basis of actual expenses related to the production of the current expenses. Accounting and formation of expenses for production of inventories are carried out in accordance with the procedure established for the determination of prime cost of the appropriate types of production (Clause 7, Accounting Regulation 5/01);
- entered against contribution to the charter capital – on the basis of monetary value agreed upon with shareholders (participants), unless otherwise required by the legislation of the Russian Federation in accordance with the actual expenses for delivery of inventories and bring them up to an acceptable standard for use (Clause 8, 11, Accounting Regulation 5/01);
- donation or received under the donation agreement and also remaining after disposal of fixed assets and other property, recognition of inventories that were recognized as the surplus on the results of the inventory count – on the basis of current market value for delivery of inventories and bring them up to an acceptable standard for use (Clause 9, 11, Accounting Regulation 5/01);
- received under the agreements providing for fulfilment of obligations (payment) by non-monetary assets – according to the value of assets transferred or subject to transfer to the Company, established on the basis of the price for which the Company usually identifies the value for the similar assets under comparable circumstances. When it is not possible to establish the value of assets that are transferred or subject to transfer to the Company, the inventory cost according to the agreements providing for fulfilment of obligations (payment) by non-monetary assets is identified on the basis of the price for which the Company usually purchases the similar inventories under comparable circumstances. The actual expenses for delivery of inventories and bring them up to an acceptable standard for use are included in the actual cost of these inventories (Clause 6, 10, 11, Accounting Regulation 5/01);
- cost of inventories received under the barter contracts where the contractual value of barterable property is established, official contractual value is recognized.

Inventories are measured at average cost of every type of inventory when the inventories release to production or their disposal in accordance with Clause 16 and Accounting Regulation 5/01 “Inventory accounting”.

Special clothes before putting into operation are recognized according to the account 10 "Materials" on the separate sub-account “Dedicated tooling and special clothes at stock”. The cost of special clothes that have useful lives more than 12 months is repaid using the straight-line method on the basis of their useful lives according to the industry standards requiring free issue of work clothes, special shoes and other personal protective equipment and in accordance with the Rules of Provision of Employees with special clothes, special shoes and other personal protective equipment, approved by Decree of the Ministry of Health and Social Development of July 1, 2009 No. 290H. Special clothes that have useful lives more than 12 months are reflected on the balance sheet as a part of other non-current assets.

The Company creates the reserve for depreciation of inventories for the account of financial results.

Deferred expenses

The principled approach established in the Company is to recognize incurred expense in the balance sheet and accounting as a part of deferred expense and its equating to the asset. This approach is based on the fact that the future economic benefits (temporary benefits) related to the asset and appraisal of the asset value is probable.

The Company has established that the balance of deferred expenses is recorded in the lines “Other non-current assets” and “Other current assets”.

For this purpose the distribution between section I and section II of the balance sheet occurs on the basis of repayment period of the relevant expenses, i.e. the expenses where the repayment period is more than 12 months are to be recorded in the section I of the balance sheet and the other expenses are to be recorded in the section II.

Financial investment

Accounting for financial investments is kept by the Company in accordance with the Accounting Regulation 19/02 “Accounting for financial investments”, approved by Order of the Ministry of Finance of the Russian Federation No. 126H of December 10, 2002.

Contributions to charter capitals of other organizations are recognized by the financial investments of the organization and recorded in accounting in the amount of actual expenses of the investor, i.e. according to the cost of assets entered against contribution in which the assets were recorded on the balance sheet.

Financial investments in which the current market value is not determined are subject to reflection in accounting and accounting statements at original cost as of reporting date (Clause 21, Accounting Regulation 19/02).

Financial investments in which the current market value is determined are subject to reflection in the accounting statements at the current market value at the end of the reporting period by means of adjustment of evaluation of investments for the previous reporting date (Clause 20, Accounting Regulation 19/02).

Debt securities are reflected at historical cost. Difference between nominal value of acquisition and nominal value of the securities is to be included in other revenues and expenses.

Borrowings and loans.

Accounting for borrowings and loans is kept by the Company in accordance with the Accounting Regulation 15/2008 “*Accounting for borrowings and loans*”, approved by Order of the Ministry of Finance of the Russian Federation No. 107H of October 6, 2008.

Estimated liabilities

Accounting for estimated liabilities is kept by the Company in accordance with the Accounting Regulation 8/2010 “*Estimated liabilities, contingent liabilities and contingent assets*”, approved by Order of the Ministry of Finance of the Russian Federation No. 167H of December 13, 2010.

Deferred taxes

Accounting for deferred taxes is kept by the Company in accordance with the Accounting Regulation 18/02 “*Accounting for corporate income tax*”, approved by Order of the Ministry of Finance of the Russian Federation No. 114H of November 19, 2002.

The amounts of deferred tax asset and liability are to be reflected in expanded form on the balance sheet during the preparation of the accounting statements.

Revenue and other income

Accounting for revenue and other income is kept by the Company in accordance with the Accounting Regulation 9/99 “*Organization's income*”, approved by Order of the Ministry of Finance of the Russian Federation No. 32H of May 6, 1999.

Revenue is recognized in accounting of the Company, provided that the following conditions are met:

- 1) The organization has the right to receive revenue under the specific contract or it should be confirmed by other appropriate means;
- 2) The amount of revenue is to be defined;
- 3) There is confidence that there will be increase in economic benefits of the organization as a result of the concrete operation. There is confidence that there will be increase in economic benefits of the organization as a result of the concrete operation when the organization receives an asset in payment or there is no uncertainty about receipt of an asset;
- 4) If the ownership (possession, use and control) of production (goods) was transferred from the organization to the buyer or the work was accepted by the client (the service was provided);
- 5) Expenses that were incurred or will be incurred due to this operation may be identified.

Receipts related to the equity interest in other organizations; receipts from sale of fixed assets and other assets; fines, penalties and forfeitures for the breach of contract terms and conditions; receiving of assets without compensation; profit for past years; amounts of accounts payable for which the statute of limitations has expired; exchange differences and other income are the other income of the Company in accordance with the Clause 7, Accounting Regulation 9/99.

Other revenues are recorded in the statement of financial results less the expenses related to these revenues, in case that:

- Corresponding rules of accounting require and do not prohibit such recognition of revenues;
- Revenues and expenses related to them, as a result of one and the same or similar business activity (such as assignment for temporary use (temporary possession and use) of own assets) are not essential for financial characteristics of the Company.

Cost of goods sold, production, works, services, selling costs, administrative expenses and other expenses.

Accounting for expenses is kept by the Company in accordance with the Accounting Regulation 10/99 “*Organization's expenses*”, approved by Order of the Ministry of Finance of the Russian Federation No. 33Н of May 6, 1999. General business expenses are fully recognized in the cost of goods sold and services in the reporting period and distribution by types of activities is carried out in proportion to the revenue.

Administrative expenses are recorded in the account 26 “General business expenses” showing individual cost centers and nomenclature. Administrative expenses are recorded in the statement of financial results in the line “Administrative expenses”.

Government assistance

Accounting for funds received under government assistance is kept by the Company in accordance with the Accounting Regulation 13/2000 “*Accounting for government assistance*”, approved by Order of the Ministry of Finance of the Russian Federation No. 92Н of December 16, 2000.

Associates and affiliates

Information on associates and affiliates is disclosed by the Company in accordance with the Accounting Regulation 11/2008 “*Information on associates and affiliates*”, approved by Order of the Ministry of Finance of the Russian Federation No. 48Н of April 29, 2008.

Information on segments

Information on segments is disclosed by the Company in accordance with the Accounting Regulation 12/2010 “*Information on segments*”, approved by Order of the Ministry of Finance of the Russian Federation No. 143Н of November 8, 2010.

Cash flow information

Cash flow information is disclosed by the Company in accordance with the Accounting Regulation 23/2011 “*Statement of cash flows*”, approved by Order of the Ministry of Finance of the Russian Federation No. 11Н of February 2, 2011.

CHANGES IN ACCOUNTING POICIES IN 2019

In 2019 PJSC Kubanenergo changed the Accounting policies as to accounting model of fixed assets in accordance with the Federal Accounting Standards.

As of 2019 the Company evaluates the fixed assets after recognition at original cost (historical cost) to improve the quality of information and in accordance with Statutory Accounting Principles (Clause 6, Accounting Regulation 1/2008). Revaluation is not applicable.

Taking into account that it is impossible to identify with sufficient reliability the monetary valuation of effects of changes in accounting policies related to the periods prior to reporting period, changes in accounting will be applied in the future (Clause 15, Accounting Regulation 1/2008). It is understood that the current (recovered) value of fixed assets (that was established up to the date of changes in accounting policies) is taken as deemed cost and the balance of additional capital, formed as of January 1, 2019 from previously fixed asset revaluation is to be transferred to the accumulated profit.

Balance sheet line code	Before adjustment	Adjustment	After adjustment
1340 “Revaluation of non-current assets”	10 736 476	(10 736 476)	–
1370 “Accumulated profit (accumulated loss)”	(12 654 441)	10 736 476	(1 917 965)
1371 “Accumulated profit (accumulated loss) for past years”	(12 654 441)	10 736 476	(1 917 965)

CHANGES IN ACCOUNTING POICIES IN 2019

There were no significant changes in Accounting Policies in 2020.

The new version of Accounting Regulation 18/02 “*Accounting for corporate income tax*” shall come into force from the January 1, 2020.

The Company expects that changes in Accounting Policies due to the new version of the above mentioned Accounting Regulation will have a significant impact on the financial position of the Company and its financial results as of January 1, 2020 and in particular lead to:

- Reduction of the balance sheet line 1730 “Accumulated profit” approximately for the amount of 642,745 thousand rubles;

- Increase of the balance sheet line 1180 “Deferred tax assets” approximately for the amount of 167,015 thousand rubles.
- Increase of the balance sheet line 1420 “Deferred tax liabilities” approximately for the amount of 809,760 thousand rubles.

The Company is in the phase of final evaluation of the amounts that have an impact on indications of Accounting (Financial) Statements as of January 1, 2020.

These changes in the Accounting Regulation will be recorded on the Accounting (Financial) Statements for the first quarter (Q1) of 2020 and will lead to the changes in comparative indicators for the periods prior to reporting period.

ADJUSTMENTS AND OTHER CHANGES IN ACCOUNTING RELATED TO THE PRIOR PERIODS

There are no adjustments and other changes in accounting related to the prior periods.

INFORMATION DISCLOSURE ON SPECIFIC INDICATIONS OF ACCOUNTING STATEMENTS FOR 2019

Fixed assets

Real estate assets accepted for operation and in use undergoing the state registration are recorded in the account 01.06 “Real estate assets the ownership of which is not registered”. As of December 31, 2019 the original value of the real estate assets accepted for operation and in use undergoing the state registration amounted to 5,945,667 thousand rubles.

Fixed assets under the agreements providing for fulfilment of obligations by non-monetary assets were missing for the period from January 1 to December 31, 2019.

Information on fixed asset groups, change in value and usage are specified in Appendices 5.3.1; 5.3.3; 5.3.4.

Capital investments in-progress

Amount of advances and advance payment of services related to the construction and purchase of fixed assets without VAT; raw materials intended to be used for the purpose of creation of fixed assets are recorded on the balance sheet of the Company as capital investments in-progress. As of December 31, 2019 the amount of advances and advance payment of services related to the construction and purchase of fixed assets amounted to 30,056 thousand rubles, VAT from advances and advance payment of services related to the construction and purchase of fixed assets is recorded in the line 1260 “Other current assets” in the amount of 5,984 thousand rubles. As of December 31, 2019 the amount of raw materials intended to be used for the purpose of creation of fixed assets amounted to 574,560 thousand rubles.

Information on the presence and flow of construction in progress assets is disclosed in Appendix 5.3.5.

Fixed assets received for lease

There are no fixed assets received for lease in the current reporting period. In the coming period lease payments are not planned.

Other non-current assets and current assets

As of December 31, 2019, deferred expenses amounted to 265,609 thousand rubles depending of the date of write-off, fixed as of the date of acceptance for recording. These expenses are recorded on the balance sheet:

1) Non-exclusive rights for computer software:

- Useful life more than 12 months (line 1190) amounted to 184,569 thousand rubles;
- Useful life during 12 months (line 1260) amounted to 79,906 thousand rubles.

2) Other:

- Useful life more than 12 months (line 1190) amounted to 931 thousand rubles;
- Useful life during 12 months (line 1260) amounted to 203 thousand rubles.

Cost of special clothes with useful lives more than 12 months in the amount of 106,176 thousand rubles is recorded in the line 1190 as a part of non-current assets.

The amount of VAT from advances received amounted to 517,157 thousand rubles is recorded in the line 1260 as a part other current assets.

Financial investments

Commission for inspection of depreciation of financial investments of PJSC Kubanenergo had been performed the analysis of financial investments for the presence of impairment indicators as of December 31, 2019. As a result of reserve for decrease in financial investments was restored in the amount of 1,594 thousand rubles and accrued in the amount of 100 thousand rubles. Information on the presence and flow of financial investments is disclosed in Appendices 5.4.1 and 5.4.2.

Government assistance

The decision was made by the Territorial authorities of Social Insurance Fund of the Russian Federation (SIF RF) concerning the funding for preventive measures to reduce occupational injuries.

Information is disclosed in Appendix 5.9

Equity and reserves

At the beginning of 2019 the charter capital of the Company amounted to 30,379,335,000 rubles (thirty billion three hundred and seventy nine million three hundred and thirty five thousand rubles) and consist of 303,793,350 ordinary shares at par value of 100 (one hundred) rubles per share.

PJSC Kubanenergo carried out the issuance of additional shares by means of public subscription in the reporting period. 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 of November 19, 2019 No. 28-1-2/6479 from the register of securities was received by the Company. This extract contained information on outstanding stock issue. According to the present extract, 334,657,837 units of the ordinary shares of PJSC Kubanenergo at par value of 100 (one hundred) rubles per share are in circulation at the moment. The total make at par value amounted to 33,465,783,700 rubles (thirty three billion four hundred and sixty-five million seven hundred and eighty-three thousand seven hundred rubles).

As at December 31, 2019 the official registration of amendments to the Charter of PJSC Kubanenergo related to the above-mentioned increase of share capital was not carried out.

Preferred shares did not issued by the Company.

Additional capital of the Company is formed as a result of paid-in capital in excess of par.

The company creates the capital reserve intended for loss coverage. These losses are not specifically defined but may occur in economic turnover. The capital reserve is created out of net profits of the Company.

Accounts receivable

Information on the presence and flow of accounts receivable for the reporting period is disclosed in the Table 5.1. Notes to the balance sheet and statement of financial results are represented in a tabular format. Accounts receivable that is arisen and paid off in the one reporting period is not included in the turnover.

Table 7 – Settlements with the budget

(thousands of RUB)

Indication	Debt as of December 31, 2018		Accrued for 2019	Paid for 2019	Debt as of December 31, 2019	
	Debit	Credit			Debit	Credit
VAT	–	327 621	2 593 982	2 511 399	–	410 204
Property tax	14 550	214 514	626 589	653 462	721	173 812
Income tax	258 102	–	421 738	388 306	224 670	–
Land charge	1 067	1 040	4 826	4 554	857	1 102
Personal income tax	1	60 140	665 944	670 409	3	55 677
Transport tax	–	1 971	8 083	7 951	–	2 103
Total taxes	273 720	605 286	4 321 162	4 236 081	226 251	642 898
Tax Penalties	2	–	–	–	2	–
Fines	722	1 244	8 126	17 024	8 376	–
Total	274 444	606 530	4 329 288	4 253 105	234 629	642 898

The amount of accounts receivable for taxes and dues is decreased for 39,815 thousand rubles in 2019.

There was a considerable decrease in accounts receivable related to the income tax in the amount of 33,432 thousand rubles. Accounts receivable for income tax in the amount of 224,670 thousand rubles arose due to the fact that advance payments (paid in 2019) had exceeded the amount of income tax, calculated for year results.

Table 8 – Settlements for insurance contributions to compulsory health insurance

(thousands of RUB)

Indication	Debt for December 31, 2018		Accrued for 2019	Paid for 2019	Debt as of December 31, 2019	
	Debit	Credit			Debit	Credit
Insurance contributions – total	4 192	120 706	1 503 032	1 467 931	5 471	157 086
including:						
Pension contribution	22	91 131	1 087 513	1 060 355	2	118 269
Compulsory health insurance	–	25 472	262 174	252 885	1	34 762
Social insurance	4 170	4 103	153 345	154 691	5 468	4 055
Penalties – total	–	–	–	–	–	–
Fines – total	2	4	30	36	4	–
Total	4 194	120 710	1 503 062	1 467 967	5 475	157 086

There are no considerable changes in the dynamics of account receivable and accounts payable related to the insurance contributions to compulsory health insurance in 2019.

Table 9 – Allocation of taxes, penalties and fines according to the levels of budget.

(thousands of RUB)

Indication	Debt for December 31, 2018		Accrued for 2019	Paid for 2019	Debt for December 31, 2019	
	Debit	Credit			Debit	Credit
Taxes – total	273 720	605 286	4 321 162	4 236 081	226 251	642 898
Federal budget	38 692	387 761	3 335 387	3 236 923	18 352	465 885
Regional tax, national tax	233 961	216 485	980 951	994 603	207 040	175 912
Local tax	1 067	1 040	4 824	4 555	859	1 101
Penalties – total	2	–	–	–	2	–
Federal budget	1	–	–	–	1	–
Regional tax, national tax	–	–	–	–	–	–
Local tax	1	–	–	–	1	–
Fines – total	722	1 244	8 126	17 024	8 376	–
Federal budget	578	1 206	257	8 991	8 106	–
Regional tax, national tax	88	38	7 824	8 032	258	–
Local tax	56	–	45	1	12	–
Total	274 444	606 530	4 329 288	4 253 105	234 629	642 898

Accounts receivable of buyers and clients, other accounts receivable are disclosed in Appendices 5.6.1-5.6.3.

Accounts payable, loans and borrowings

Information on the presence and flow of accounts payable for the reporting period is disclosed in the Table 5.3. Notes to the balance sheet and statement of

financial results are represented in a tabular format. Accounts payable that is arisen and paid off in the one reporting period is not included in the turnover.

The amount of accounts payable for tax payments to the federal budget is increased in 2019. The amount of accounts payable related to the tax payments is increased for 36,368 thousand rubles.

There was a considerable increase in accounts payable related to the value added tax. Accounts payable related to the value added tax increased for 82,583 thousand rubles due to the fact that VAT charges for the fourth quarter (Q4) 2019 in the amount of 465,495 thousand rubles had exceeded the VAT charges in the amount of 324,744 thousand rubles for the fourth quarter (Q4) 2018.

The amount of accounts payable related to the property tax is decreased due to the fact that charges forming ending cash balance had decreased.

The difference between the charges in 2019 versus 2018 amounted to 327,222 thousand rubles due to the fact that changes in the tax legislation have taken place from January 1, 2019. There was an exception of movables out of the objects of taxation with simultaneous increase of tax rate up to 2,2%, used in 2019 in relation to the transmission lines and buildings being an integral part of them in accordance with Clause 1 Section 374 of Tax Code of the Russian Federation. In accordance with Clause 3 Section 380 of Tax Code of the Russian Federation, there was the 1,9% tax rate in 2018 in relation to the such movables.

Table 10 – Amounts and repayment periods of borrowings and loans of PJSC Kubanenergo as of December 31, 2019

(thousands of RUB)

Name of the bank	No. of loan agreement	The amount of the actual debt	Interest debt	Repayment period
PAO Sberbank	№ 5400/380	0	5 052	less than 1 month
PAO Sberbank	№ 5400/449	0	2 548	less than 1 month
PAO Sberbank	№ 5400/634	0	2 548	less than 1 month
PAO Sberbank	№ 5400/635	0	2 008	less than 1 month
VTB Bank (PJSC)	KC-ЦБ-730750/2018/00069	0	1 249	less than 1 month
VTB Bank (PJSC)	KC-ЦБ-730750/2018/00070	0	1 249	less than 1 month
VTB Bank (PJSC)	KC-ЦБ-730750/2018/00071	0	2 499	less than 1 month
VTB Bank (PJSC)	KC-ЦБ-730750/2018/00072	0	2 499	less than 1 month
Bond-secured loan	4B02-01-00063-A-001P	3 600 000	32 940	less than 1 month
Total line 1510	–	3 600 000	52 592	
PAO Sberbank	№ 5400/380	2 746 698	0	2-3 years
PAO Sberbank	№ 5400/449	2 000 000	0	3 years
PAO Sberbank	№ 5400/634	2 000 000	0	2 years
PAO Sberbank	№ 5400/635	1 576 301	0	2 years
Bank GPB (JSC)	№ 0719-030-0000-K	999 734	0	3 years
Bank GPB (JSC)	№ 0719-031-0000-K	1 000 000	0	3 years
VTB Bank (PJSC)	KC-ЦБ-730750/2018/00069	1 000 000	0	1,5 year
VTB Bank (PJSC)	KC-ЦБ-730750/2018/00070	1 000 000	0	1,5 year
VTB Bank (PJSC)	KC-ЦБ-730750/2018/00071	2 000 000	0	1,5 year
VTB Bank (PJSC)	KC-ЦБ-730750/2018/00072	2 000 000	0	1,5 year
Bank "RRDB"(JSC)	355ю	1 253 174	0	2-3 years
Bank "RRDB"(JSC)	356ю	596 004	0	3 years
Bank "RRDB"(JSC)	357ю	1 261 000	0	3 years
Total line 1410	–	19 432 911	0	

Interest rates for loan portfolio have been formed in the range of 7,60% to 7,75% per annum, rate of coupon yield on bond loan is 10,44% as of December 31, 2019.

Information is disclosed in Appendices 5.6.5-5.6.8.

Securing obligations

As of December 31, 2019, the amount of bank guarantees received to insure the fulfilment of obligations under the contractor agreements/supply and repayment (return of advances) amounted to 303,269 thousand rubles on the off-balance sheet item 008 “Fulfilment of obligations and payments received” (Appendix 5.8.). Pledged property under the agreement for purchase and sale of apartments amounted to 107,000 thousand rubles (Appendix 5.8.).

Information on opportunities of the Company to raise additional cash as of reporting date

Table 11 – Unused credit facilities by the Company

(thousands of RUB)

Creditor bank	Name and date of the contract	Amount of unutilized limit	Termination date of drawdown
PAO Sberbank	№ 5400/343 of May 3, 2017	2 000 000	April 30, 2020
PAO Sberbank	№ 5400/344 of May 3, 2017	2 000 000	April 30, 2020
PAO Sberbank	№ 5400/345 of May 3, 2017	1 500 000	April 30, 2020
PAO Sberbank	№ 5400/375 of December 28, 2017	500 000	December 25, 2020
Bank GPB (JSC)	№ 0717-035 of December 29, 2017	500 000	December 28, 2020
PAO Sberbank	№ 5400/406 of December 29, 2017	2 000 000	December 28, 2020
PAO Sberbank	№ 5400/407 of December 29, 2017	2 000 000	December 28, 2020
VTB Bank (PJSC)	№ KC-30750/0001/B-19 of March 29, 2019	1 000 000	March 27, 2021
VTB Bank (PJSC)	№ KC-30750/0002/B-19 of March 29, 2019	1 300 000	March 27, 2021
VTB Bank (PJSC)	№ KC-30750/0003/B-19 of March 29, 2019	1 400 000	March 27, 2021
VTB Bank (PJSC)	№ KC-30750/0004/B-19 of April, 22 2019	1 300 000	April 21, 2021
PAO Sberbank	№ 5400/380 of September 25, 2017	253 302	September 23, 2022
Bank "RRDB"(JSC)	№ 355ю of November 6, 2018	7 826	May 5, 2023
Bank "RRDB"(JSC)	№ 356ю of November 6, 2018	664 996	May 5, 2023
Bank GPB (JSC)	№ 0719-030-0000-K of September 18, 2019	266	September 18, 2024
Bank GPB (JSC)	№ 0719-120-0000-K of November 20, 2019	3 000 000	November 15, 2024
PAO Sberbank	№ 5400/635 of November 18, 2019	423 699	November 16, 2024
Bank "RRDB"(JSC)	№ 369ю of December 11, 2019	1 000 000	December 11, 2024

Available credit limits are opened up by the Company which makes it possible to refund borrowings subject to prompt repayment in 2020. As of December 31, 2019 the total amount of credit limit with termination of drawdown period in 2021-2024 amounted to 10,350,089 thousand rubles, including in the amount of 677,001 thousand rubles – in PAO Sberbank, in the amount of 1,672,822 thousand rubles - in Bank “RRDB” (JSC), in the amount of 5,000,000 thousand rubles – in VTB Bank (PJSC) and in the amount of 3,000,266 thousand rubles in – Bank GPB (JSC). Besides, overdraft limits are opened up by the

Company and they are provided by PAO Sberbank and Bank GPB JSC in the total amount of 1,000,000 thousand rubles.

Information on risks of business activity

Internal Control Policy and Risk Management Policy are approved by the Board of Directors of the Company (Minutes No. 233/2016 of March 18, 2016), the main objective of which is to recognize and ensure the fulfilment of prevention measures intended to minimize the risks (control procedures) according to the deadlines, with the purpose of reducing the probability of financial and other losses that have an impact on achieving goals of the Company. There are specific core principles in regards to risk management:

- 1) Creation and protection of values of the Company (risk management contributes to achievement of the goals, performance improvement, maintaining health and human safety, maintaining security for all types of Company's operations, observation of statutory and regulatory requirements, environment control, improvement of quality of services, operational efficiency, management and company image);
- 2) Risk management is an integral part of all organizational processes (risk management is not a separate activity that is separated from the core activity and operations of the company; risk management is a part of management commitment including the strategic planning, processes of project management and adjustments);
- 3) Risk management is a part of decision making procedure;
- 4) Risk management is a systematic, structured and well timed process;
- 5) Risk management is based on the best available information;
- 6) Risk management should be transparent, all-inclusive and respect the interests of concerned parties;
- 7) Risk management should be dynamic, repeated and adaptable to changes;
- 8) Risk management contributes to the permanent improvement of the company;
- 9) Responsibility for risk management – all participants of risk management are responsible for recognition, evaluation, analysis and continuous monitoring of risks as a part of its activities, development and implementation of necessary measures for risk management and continuous monitoring the efficiency of measures for risk management.
- 10) Principle of optimality is analyzed as relation of costs relating to the implementation of measures for risk management and the impact of the

implementation of these measures, including the compliance of degree of complexity of risk management with the importance of the object subject to examination depending of risks.

11) The unity of methodological framework. Risk management (recognition, evaluation, analysis and monitoring of risks, development and monitoring the efficiency of measures for risk management) is carried out on the basis of approaches and standards common to all structural units of the Company.

The Company carries out collection and analysis of information characterizing the external and internal factors that have a negative impact on achieving goals of the Company every three months. The Company has developed and fulfills the measures in order to minimize the consequence of risk realization. These measures are focused on preventing the negative effects. At the same time political and economic factors have an impact on the activity of PJSC Kubanenergo. Because of these factors the Company can't guarantee that the measures intended to prevent the probability of negative effects will be able to remedy the situation, because these risk factors are out of the Company's control.

Industry risks

Risks of tariff setting

In connection with the limitation of tariff growth for services for electric power transmission to the ultimate consumers at the Russian Federation government level, there is a high probability that published tariffs will not cover the full economically justified expenditures for electric power transmission.

To prevent and mitigate the consequences of realization those risks, the Company provides supporting materials to the Regulatory Authorities. These materials confirm the level of economically justified expenditures of the Company. Therefore, the Company maintains its position about necessity of accounting for economically justified expenditures in its entirety, being the power provider for Krasnodar Region and the Republic of Adygeya and also forms and sends the disputes to the Federal Antimonopoly Service of the Russian Federation.

Besides, the Company is subject to the risk of reduction of total revenue due to the changes of the actual structures of electric power transmission concerning the accepted one at the adoption of tariffs, and also the risks related to the legislative amendments in the sphere of tariff setting.

The following events are implemented to minimize the risks:

- 1) cooperation with tariff regulatory authorities concerning questions related to accounting of losses that were caused by determining at the federal level the

sums of falling out income from applying non-regulated price at necessary gross revenue of the Company in the next period of tariff regulation;

2) preparation and submission to state tariff regulatory agencies the propositions on technological electric energy/power consumption taking into account dynamics of productive supply for purposes of forming of consolidated balance forecast for production and delivery of electricity for the next year;

3) development and implementation of the Programme of increasing of electric energy efficiency and its coordination with administration of the regions;

4) formation and implementation of Power Supply Program on improvement of operational efficiency and reduction of costs of PJSC Kubanenergo for 2020-2024.

The Company's sphere of influence on the tariff regulation agencies is limited, and the Company cannot guarantee that the measures aimed at minimizing the consequences will be as effective as possible.

The Company is subject to the risk of scarcities of source of funding of events on agreements on implementation of technological connection due to approving by regulating authority of paying rate for technological connection lower of economically justified level. One of the factors of this risks arising is introduction of amendments to legislation of the Russian Federation (Federal Law of March 26, 2003 No. 35-FZ "On power industry") on excluding of power receivers of maximum capacity 150 kW from paying for technological connection of investment component for covering of charges for construction of power supply network facilities (from October 1, 2015 – no more than 50% from amount of specified expenditures, from October 1, 2017 – excluding this expenditures from paying for technological connection).

To minimize risk, the Company cooperates with tariffs regulatory authorities, forms correct scope of obligation on technological connection agreements, develops project documents on scope of obligations on technological connection agreements, submits in regulatory authorities the additional supporting materials, and adopts economic feasibility of paying rate for technological connection.

Risk of antimonopoly legislation is evaluated by Company as medium. The reason of the risk implementation may become non-fulfillment of obligations of the Company on technological connection on concluded agreement on technological connection (because of scarcity of funds and large number of agreements on technological connection). To prevent the risk realization the Company is going to carry out its obligations in its entirety under the agreements of technological connection.

Risk of reducing the amount of services on electric energy transmission.

Risk of reducing the amount of services on electric energy transmission is industry risk. The reducing of electric energy consumption can be the consequence of external factors influence such as economy crisis and production decline, construction of electrical generation facilities by customers, extreme weather events, industrial accidents, and industrial disasters. Potential influence of these factors may influence on changing of revenue of the Issuer.

In connection with economic development of the region where the Issuer operates, there is a dynamic of increasing of amounts of electric energy consumption for the last few years. This risk is evaluated as medium. The Company implements monitoring of current and expected economic situation in region and in country, fulfills preparation works for appropriate work of power.

Operational risks

In the process of its activity the Issuer is exposed to risks associated with physical deterioration, abuse and critical changes in the parameters of the equipment.

The main ones are:

- 1) deterioration of performance and economic indicators of electric equipment;
- 2) threat of failures with partial or full undersupply of electricity with corresponding negative social consequences;
- 3) failure to comply with the obligations under the contracts for the provision of electricity transmission services;
- 4) negative environmental effects.

In order to decrease the risk of the group the issuer takes the following steps:

- 1) scheduled repair and maintenance of equipment
- 2) technical re-equipment, reconstruction and new construction
- 3) regular optimization of structure and amount of components and spare parts in reserve and other
- 4) providing of industrial security and manufacturing control.

The company assesses the level of risk above the average and believes that the negative factors will not materially affect its activities and performance of obligations on its securities.

Price risks

Provision of electricity transmission services includes as well the purchase of raw materials, services, equipment and other materials used by the Company in its operations. The price increase is mainly explained by inflationary pressures and the impact of macroeconomic factors. During the economic instability the risk of augmentation of cost for goods and services used by the Company increases.

In order to minimize these risks, the issuer uses the position of a large consumer and purchases the material and technical resources, and selects the service providers through competitive and regulated procurements.

Risks of financial loss owing to external and political situations and regional risks

Risks associated with the political and economic situation in the country and region.

The indicators of economic progress in the regions where the Company operates (Krasnodar Region and the Republic of Adygeya) are stable for several years; these regions are attractive for investments.

The worsening of economic and political situation in the country and the region under the influence of external factors (including sanctions) are main risks for the Company. Since the Company operates only on internal market, government of the Russian Federation develops programmes on import substitution including in regions where the Company operates, it leads to increasing of amount of electric energy consumption. Increasing of energy efficiency and adoption of energy-efficient technologies are development priorities of economics.

In the event of significant political instability, which can negatively affect the operations and earnings, the Issuer takes measures of crisis management, reduces as much as possible the expenses, and investment plans.

Additionally, there are risks associated with military conflicts, introduction of a state of emergency, natural disasters that may have consequences as follows:

- deterioration of the whole national economy status and, consequently, of the Issuer's financial status;
- damage to Company property that may negatively affect its ability to timely and fully fulfil its liabilities to consumers and counterparties.

The regions where the Company operates are politically stable with the risk of a military conflict or a state of emergency occurrence there due to internal causes being minimal. The Company has elaborated and is carrying out target arrangements for protection of the Company's energy facilities against subversive or terrorist acts. The Company established a permanent working group on combating terrorism in the power distribution facilities in the region. Besides, cooperation with law enforcement authorities is carried out. To compensate for damage of the effect of emergency circumstances associated, inter alia, with natural disasters, the Company concludes property insurance contracts.

Sharp regional scale changes (environmental, political, demographic and social) are unlikely, but their emergence will doubtlessly affect the Company's activity. Taking into account the level of the region's transport infrastructure development, the risks of interruption of transport communication due to difficulty of access or remoteness of location are minimal.

In the Company's opinion, the situation in the region will have a favorable effect on the Issuer's activity; there is no reason to expect that a change of the situation in the region will entail the Issuer's failure to fulfil its liabilities.

Financial risksInterest rate risk

The Company attracts short-term and long-term borrowings from the Russian financial market. Since Company operates in the Russian Federation, inflation growth in the Russian Federation is one of the factors of overall growth of interest rates. Significant increase in interest rates on loans and borrowings can lead to debt service increase. But nowadays because of low level of inflation and regular decline in key rate, the risk of rising interest rates on loans is estimated as low (since the beginning of 2017 there has been a consistent decline in the interest rate from 10% per annum to 6,25 % per annum by the end of 2019). For optimization of the debt portfolio structure and reduction of its servicing costs, the Company strains after use of loans and borrowings with the fixed interest rate which results in significant reduction of the above risk. The Company's supposed actions in the event of negative effect of interest rates change on one's activity: attraction of longer-term loans to avoid negative effect of interest rates short-term fluctuations and diversify funding sources.

Risk of changes of foreign currencies exchange rates:

Carrying out its core business activity within the territory of the Russian Federation, the Company has neither investment into foreign companies which

value of net assets is exposed to the risk of currency exchange rates fluctuations, nor revenues or expenses expressed in terms of foreign currency. Risks connected with exchange rate fluctuations, are not factors of direct impact on the financial and economic activities of the Company, but may lead to augmentation of prices for energy equipment. In connection with the strengthening of the national currency, as well as a decrease in the volatility of exchange rates, at present this risk is estimated as medium. In order to reduce the risk, the Company is implementing a programme of import substitution. In case of a further weakening of the national currency the issuer plans to analyse the risks and make appropriate decisions in each particular situation

Risk of reducing the customer prices

Changes in the consumer price index to some extent affect the Company's rate of return and one's financial and business activity results, but their effect is not a direct dependence factor. Indirect dependence of the Company's rate of return on changes of the consumer price index is mainly conditioned by the fact that tariffs for services for transmission of electric energy cross electric power grids are established by state tariff bodies on the basis of justified expenses on their provision and fully or partially compensate for growth of the Company's expenses associated with inflation.

Due to the decreasing of inflation rate, the risk is evaluated as moderate.

Inflation risks

The current inflation level cannot have a significant effect on the financial status of the Company. The Ministry of Economic Development of the Russian Federation has reviewed the Macroeconomic forecast related to the inflation rate for 2019-2022 in favor of its reduction against the background of forthcoming deceleration of consumer demand level, caused by the loan cycle. According to the data of the Federal State Statistics Service, the rate of the annual inflation continued to decline faster at the end of 2019, than expected by the Bank of Russia. Nevertheless, for minimization of financial risks associated with inflation processes and affecting the financial results of activity, the Company is implementing an integrated programme for analysis of financial risks, planning and appraisal of actual profitability of activity; one identifies return rate indices that are indicative of the Company's level of cost-efficiency, normative values of financial coefficients characterizing the Company's solvency and liquidity, which enable one to promptly detect drawbacks in the Company's work and take measures for their elimination. As well as in accordance with Decree of the Government of the Russian Federation of December 29, 2011 No. 1178 "On price formation in sphere of regulated prices (tariffs) in power industry" when regulating electricity tariffs

inflation level should be taken into consideration (consumer price index), that was defined in the prognosis of social and economic development of the Russian Federation. Thus, the Company considers these risks as moderate.

The occurrence of these financial risks can have an impact on the issuer's financial statements. The indicator which is most affected in the Company's statements is the index of accounts receivable arising from the inability of counterparties to pay for services of the Company. The probability of this risk is assessed as moderate. The deterioration of the economic situation in Russia may affect the growth of the cost of electricity transmission through electric grids of the Company, which, while maintaining the established tariffs will reduce the profits. To reduce this risk, the Company carries out the work on the management of debt receivable directed to optimization of its amount and repayment of debts.

Legal risks

The Company carries out its activity only on domestic market; consequently, the legal risks are considered only from the corresponding point of view.

Risks associated with tax and environmental legislation and customs and currency regulation

Since no special taxation mode is applicable to the Company's activity and the Company has no overdue tax and levy indebtedness to budgets of all levels, the Company's tax risks are considered as the minimum within the framework of a conscientious taxpayer's activity.

In the shorter term, the Company does not foresee emergence of any significant risks in its financial and business activity associated with changes in tax and civil legislation.

Changes of currency and customs legislation of the Russian Federation are of no relevance for the Company's activity and, consequently, do not entail emergence of legal risks.

In case of changes and/or launch of requirements for licensing the Company's core activity, the Company will take all necessary measures for obtaining the licenses and permissions required.

The Company carries out regular work for prolongation of the licenses necessary for conduction of its business activity. The Company's exposure to the above risk may be considered insignificant. In case of change of requirements on licensing of the basic kinds of activity, the Issuer will take necessary steps to obtain the appropriate licenses and permits. Risks connected with absence of

possibility to extend the license of the Company are minimal and cannot influence on Company's fulfillment of obligations on outstanding securities.

Reputational risk

The risk that the Company incurs losses due to such factors as a reduction in the number of customers (counterparties) because of the formation of negative image of financial stability, the financial position of the issuer, the quality of the work, is considered as minimal. The Company is a natural monopoly, there is an annual increase in the number of electricity consumers. In addition, the Company developed good practice for long-term cooperation with its partners.

Strategy risk

The Company, being a part of the unified integrated distribution power grid of Russia, seeks to achieve the objectives defines at the national level. The Strategy for development of integrated power grid of the Russian Federation was approved by the Decree of the Government of the Russian Federation of April 3, 2013 No.511-p. Since the Company is a subsidiary of PJSC Rosseti, the largest Russian systemically important electric grid company, the Company is a participant in implementation of policies and programmes on activities (business processes) of PJSC Rosseti.

The decision to start the implementation of a specific strategy (programme) in the activities of the Company shall be accepted by the Board of Directors.

The probability of the risk of losses arising from errors (defects) made in management decisions, defining the strategy and activities of the Company, is assessed as low.

Measures to prevent the occurrence of this risk are:

- elaboration of proposals and scenarios to improve the implementation of specific policies and programmes;
- analysis of effectiveness of particular strategy, adoption of managerial solutions by the results of analysis;
- development and implementation of key performance indicators to achieve policies, linking them with bonuses of managers of the Company;

81

- continuous monitoring by the structural units of the Issuer's the ratio of the cost of implementing a specific strategy to the received profit and submission to the Board of Directors of the Company of the information for decision-making (including, by definition, the quantity and quality of resources).

Risks connected with Company's activity

Risks connected with the current legal trials of the Company

The Company participates in legal trials the results of which can materially affect its financial and operational activities. The Company regularly monitors the judicial practice that allows to use this information for reaching positive judicial decision for the Company.

Currently there are no changes in judicial practice that can negatively affect at results of current trials and thus on the results of business activity of the Company.

Risks connected with potential liability of the Issuer on debts of third parties including affiliates of the Company.

The Company has affiliate joint stock companies with owning of 100% shares in the authorized capital. As the parent Company for subsidiaries and affiliates, the Company can be responsible for their debts. These liabilities can negatively effect on results of financial and operational activities of the Issuer. The possibility of specified risks is evaluated as medium.

Risks connected with possibility of loss of customers that constitute at least 10% of total revenue from sales of products (work, services) of the Company

The Company cooperates with main customers and is monopolist in sphere of services rendering on electric energy transmission in the regions of the Issuer's activity. The possibility of loss of main customers is minimal.

Risks in manufacturing activity of the Company:

- 1) systematic interruption of power supply of customers in the result of accidents and disturbances at grid sections and substation equipment;
- 2) violation of requirements of GOST 31144-2013 on providing the quality of electric energy;
- 3) disturbance of regime of electric energy transmission and reducing of quality of rendered services;
- 4) non-implementation of maintenance (including diagnosis) and repair on time;

82

- 5) emergency situations in related networks, that can breakdown the equipment of the Company;
- 6) excessive losses of electric power.

To reduce these risks, the Company focuses on development of electric grid complex with using of science based engineering decisions and technologies, tested in operation, modern electric equipment.

Increasing of tariffs on rendered services by the Company, due to increasing of “external” expenses influence on risks: purchased electric energy on losses compensation, changing of amount of payment of services for electric energy transmission of “FGC UES” PJSC and other factors.

Investment risk

Implementation of investment programme of the Company demands fund raising both owned and loaned, on conditions satisfying the requirements of tariff system.

One of the investment risks is risk of reduction of sources of financing of Company’s investment programme. Currently this risk is rated as minimal and is determined by influence of the following factors: decline in the ruble, upturn in inflation, and rise in cost of debt capital.

To decrease the investment risk, the investment programmes of the Company are planned taking into account following key criterions of efficiency:

- increasing of reliability and availability of network infrastructure;
- decreasing of amortization and modernization of facilities of power supply network system;
- reaching of high load of commissioned capacity;
- optimization of engineering solutions out of necessity of excluding the usage of imported equipment and materials, cost of which has high dependence from rate of exchange.

To minimize risk of untimely and incorrect implementation of investment programme, the Company approved several local document aimed to fulfillment of control of terms and quality of investment projects.

Deferred taxes

In order to recognize revenues and expenses when calculating the income tax, the Company applies accrual method of accounting. The company accounts and includes in the report deferred tax assets and obligations on income tax. Deferred tax assets and obligations are accounted for temporary differences that are incomes

and expenditures, which form the profit (loss) in one reporting period and taxable base on income tax in other reporting periods.

Current income tax is tax for taxation purposes defined in accounting on the basis of the amount of conditional tax, adjusted sum of permanent tax assets and liabilities as well as deferred tax assets and liabilities of reporting period. The future (deferred) component of income tax expense is reflected in the Statement of Financial Results.

Current income tax is recognized as obligation to budget equal to the amount of tax payable to the budget for the reporting period.

Income tax expense (qualified income tax) is calculated by multiplying accounting income (loss) by income tax rate, established in accordance with the legislation of the Russian Federation on taxes and dues.

The Company determined the following components of income tax in 2019, thousands of RUB:

Table 12 – **Income tax**

(thousands of RUB)

Line item	Amount	Tax rate	Amount	Income tax component
Profit/(loss) before tax	3 524 763	20%	704 953	Income tax expense (qualified income tax)
Change of taxable temporary difference	(3 478 291)	20%	(695 658)	Changes in deferred tax liabilities
including:				including:
- differences appeared	(3 971 203)	20%	(794 240)	accrued deferred tax liabilities
- differences are repaid	492 912	20%	98 582	deferred tax liabilities are repaid
Changes in deductible temporary differences	205 493	20%	41 099	Changes in deferred tax liabilities
including:				including:
- differences appeared	1 533 640	20%	306 728	accrued deferred tax liabilities
- differences are repaid	(1 328 147)	20%	(265 629)	deferred tax liabilities are repaid
Taxable (deductible) permanent differences	3 384 191	20%	676 838	Temporary tax asset (liability)
Taxable base	(3 636 158)	20%	(727 232)	Current tax

There are no reasons for changes in used tax rates versus the prior reporting period.

Deferred tax liability in the amount of 614 thousand rubles and deferred tax asset in the amount of 13,058 thousand rubles were written off to the profit and loss account in the reporting period due to the retirement of an asset (sale, transfer on a non-repayable basis or liquidation).

Information on profit taxation, deferred taxes flow is disclosed in Appendices 2.3 and 5.7.2.

Cost of goods sold, production, works, services, selling costs, administrative expenses and other expenses.

Expenses (costs) are recognized in that reporting period where they occurred, regardless the time of the actual cash payment or another implementation (accrual principle assumption).

Table 13 – Explanation of the balance item “Miscellaneous expenditures” as a part of prime cost.

(thousands of RUB)

Indication		2018	2019
Line item	Line code		
Cost of goods sold	6510	41 461 392	43 773 854
including			
Miscellaneous expenditures	6515	22 713 249	24 000 216
Including			
Services of distribution grid companies		12 631 704	12 371 771
Services of “FGC UES” PJSC		7 081 576	7 647 277
Other expenses		2 999 969	3 981 168

Information on costs of energy resources use

Table 14 – Information on costs of energy resources use

Ser. No.	Accepted target indicators/indicators	Measurement unit	2018 (fact)	2019 (fact)
1.	2	3	4	5
1.1.	Electric power losses, including	Million rubles with VAT	9 091,283	9 433,909
		million kWh	2 590,145	2 426,390
1.1.1.	Expenditure for electrical substation own needs	Million rubles with VAT	50,700	64,496
		million kWh	17,118	16,590

Ser. No.	Accepted target indicators/indicators	Measurement unit	2018 (fact)	2019 (fact)
1.	2	3	4	5
1.2.	Consumption of resources for business needs including according to the type of resources	Million rubles with VAT	133,484	140,730
1.2.1.	fuel and energy, including	Million rubles with VAT	130,388	137,690
		tonne of oil equivalent	4 488	4 166
1.2.1.1.	electric power	Million rubles with VAT	119,854	128,818
		thousand kWh	30 968,873	29 914,193
		thousand kWh for sqm of floor area	0,264	0,201
1.2.1.2.	heat energy	Million rubles with VAT	9,505	8,137
		Gcal	4 369,918	3 214,236
		Gcal for sqm of floor area	0,134	0,131
1.2.3.	Hot-water supply	thousand m3	–	–
		Million rubles with VAT	–	–
1.2.4.	cold-water supply	thousand m3	82,318	73,191
		Million rubles with VAT	3,095	3,040
1.2.5.	natural gas	thousand m3	127,327	101,577
		Million rubles with VAT	1,029	0,735
1.3.	Equipped with devices for energy resources accounting, consumed for housekeeping needs of the Company	%	100	100
1.4.	Equipped with smart devices for energy accounting of consumers at the retail market in accordance with the Programme for future development of electricity metering systems	%	73,1	73,25

Information on cash flows

In accordance with the Accounting Regulation 23/2011, the cash flows of organizations in the form of receipts and payments of value added tax (receipts from the buyers and clients, payments to suppliers and contractors and payments to the budget system of the Russian Federation and reimbursement from it) are recorded as compressed in the line 4129 “Other payments” of the form of balance sheet “Statement of Cash Flows” in the amount of (395,290) thousand rubles including:

- VAT as part of amounts received 7,762,299 thousand rubles;
- VAT as a part of amounts paid (5, 637, 214) thousand rubles;

- VAT, paid to the budget (2,520,375) thousand rubles.

The result: (395,290) thousand rubles

Highly liquid investments (cash equivalents) that can most quickly and easily be converted into previously known cash and subject to low risk of changes in value for the period from January 1, 2019 to December 31, 2019 amounted 12,702,000 thousand rubles (certificate of deposit). Cash transfer into certificate of deposit that is recognized as cash equivalents, is not cash flow and is not reflected in the Statement of Cash Flows.

Table 15 – The amount of a minimum cash balance on the current accounts of the Company as of December 31, 2019

(thousands of RUB)

Foundation (additional agreement, trade confirmation)	Transaction starting date	Transaction expiration date	Amount of a minimum cash balance
1	2	3	4
Application No. 254 of December 31, 2019 to the General Agreement No.M3-0191/2014/007 of September 2, 2014	December 31, 2019	January 10, 2020	400 000
Application No. 255 of December 31, 2019 to the General Agreement No. M3-0191/2014/007 of September 2, 2014	December 31, 2019	January 10, 2020	600 000
Application No. 256 of December 31, 2019 to the General Agreement No. M3-0191/2014/007 of September 2, 2014	December 31, 2019	January 10, 2020	80 000
Total according to JSC Gazprombank			1 080 000
Total			1 080 000

There is no overdraft debt of PJSC Kubanenergo as of December 31, 2019.

As of December 31, 2019 there are no guarantees of third-parties received and not used by the Company in order to receive a loan where the amount of cash (raised by the Company) is indicated.

Cash (or cash equivalents) that cannot be used by the Company (for example, letters of credit opened in favour of other organizations related to the transactions in progress as of reporting date) is absent as of December 31, 2019.

Information on segments

According to Accounting Regulations 12/2010, the management and decision-making structure of the organization and the internal reporting system were taken as bases of segmentation in the Company.

The Company determined the structure of the reportable segments:

- 1) Electric power transmission;
- 2) Technological connection to electric networks.

The Company discloses information in the Accounting Statements only by the reportable segments. The remaining segments are recorded as the other segments in the Accounting Statements. Information on the reportable segments does not contain data on the cash flow from operating, investment and financial operations because of the labour intensity of its presentation in the accounting statements

Table 16 – Customers, revenue from sales which is less than 10% of the total revenue of the Company

(thousands of RUB)

№ n/n	Line item (client)	Total amount of revenue	Including: electric power transmission	Including: other services
1.	Independent Energy Selling Company of Krasnodar Region JSC	16 061 606	16 061 606	–
2.	TNS Energo Kuban PJSC	22 075 390	21 975 765	99 625

Besides, information on reportable segments is disclosed in Appendix 5.13.

Related party disclosure

List of related parties

The operations of PJSC Kubanenergo are strongly affected by following individuals/legal entities, which are affiliated to the Company. In accordance with the legislation of the Russian Federation, PJSC Kubanenergo publishes the lists of affiliates on its website at <http://www.kubanenergo.ru> in the section “For Shareholders and Investors/Lists of Affiliates”, as well as at: <http://www.e-disclosure.ru/portal/company.aspx?id=2827>

Individuals/legal entities affecting the Company’s activity:

- the largest shareholder of the Company – PJSC Rosseti (owns 92,78%¹ of the Company shares);
- persons that are members of the management bodies of the Company (members of the Board of Directors, Management Board members, Chief Executive Officer of PJSC Kubanenergo).

PJSC Kubanenergo supervises the operations of its subsidiaries: Energetik Holiday Facility JSC and Kuban Energoservis JSC by methods of corporate management.

Operations carried out with related parties and transactions in progress with related parties where the settlements are executed through the bank under the terms of the contracts

Table 17 – Revenues and debts related to them for 2018.

(thousands of RUB)

Contractor	As of December 31, 2017	Accrued	Paid	As of December 31, 2018
Energetik Holiday Facility JSC	38	2 660	(2 438)	260
Kuban Energoservis JSC ***	359	68	(427)	–
PJSC Rosseti***	–	1 049	(1 049)	–
Rosseti – Engineering Supervision Centre branch PJSC	–	350	(350)	–
Main Data Processing Center of Power Engineering JSC	15	–	–	15
PJSC IDGC of Volga	–	5 658	(5 658)	–
PJSC IDGC of the South	–	1 000	(1 000)	–
PJSC IDGC of the North Caucasus	–	42 444	–	42 444
PJSC MOESK	13 252	–	(13 252)	–

Table 18 – Revenues and debts related to them for 2019

(thousands of RUB)

Contractor	As of December 31, 2018	Accrued	Paid	As of December 31, 2019
Energetik Holiday Facility JSC	260	2 694	(2 916)	38
Kuban Energoservis JSC ***	–	181	(181)	–
PJSC Rosseti	–	1 422	(1 422)	–
JSC Fiber Optic Transmission Systems Management	–	19 149	(19 149)	–
Main Data Processing Center of Power Engineering JSC	15	–	(15)	–
PJSC IDGC of the North Caucasus	42 444	43 464	(1 000)	84 908

¹ Outstanding shares Interest is 93,44%.

Table 19 – Expenses, other transactions and debts related to them for 2018

(thousands of RUB)

Contractor	As of December 31, 2017	Accrued	Paid	As of December 31, 2018
1	2	3	4	5
PJSC IDGC of the South				
- other debts	-	(1 252)	1 252	-
PJSC IDGC of Centre and the Volga Region*				
- other debts	-	(413)	413	-
PJSC Rosseti***				
- other debts	(5 297)	(160 736)	141 827	(24 206)
- dividends	-	(298 340)	298 340	-
Rosseti – Engineering Supervision Centre branch, PJSC				
- other debts	-	(4 505)	4 505	-
PJSC FSK EES*				
- trading transactions	(2 294 001)	(9 639 146)	10 694 906	(1 238 241)
- other debts	(33 863)	(453 396)	191 449	(295 810)
- other debts	197 453	1 029 709	(1 042 486)	184 676
provision	(168 409)	-	960	(167 449)
PJSC IDGC of the North Caucasus*				
- other debts	(54)	-	-	(54)
Energetik Holiday Facility JSC***				
- other debts	(139)	(11 953)	12 092	-
Technical Customer Centre JSC*				
- other debts	(75)	(27 526)	20 926	(6 675)
IT Energy Service LLC*				
- other debts	(116)	-	116	-
JSC Kuban Energoservis***				
- other debts	(58 619)	(38 425)	91 273	(5 771)
- dividends	-	(9 068)	9 068	-
JSC Engineering Supervision Centre FSK EES*				
- other debts	-	(50)	50	-
JSC Fiber Optic Transmission Systems Management*				
- trading transactions	-	(22 844)	-	(22 844)
- other debts	(1 992)	(39 931)	26 201	(15 722)
JSC Electrosetservis Unified National Electricity Grid*				
- trading transaction	-	(158 448)	112 517	(45 931)
- other debts	-	(250 879)	205 045	(45 834)

Table 20 – Expenses, other transactions and debts related to them for 2019

(thousands of RUB)

Contractor	As of December 31, 2018	Accrued	Paid	As of December 31, 2019
1	2	3	4	5
PJSC IDGC of the South*				
- other debts	-	(869)	869	-
Training Centre "IDGS of Urals" Non-State Privately Owned Educational Institution of Continuing Professional Education*				
- other debts	-	(150)	150	-
PJSC IDGC of Urals				
- other debts	-	(2 665)	2 665	-
PJSC Rosseti***				
- other debts	(24 206)	(168 629)	168 218	(24 617)
- dividends	-	(133 262)	133 262	-
- settlements with shareholders	-	(3 086 449)	3 086 449	-
PJSC FSK EES*				
- trading transactions	(1 238 241)	(10 145 002)	10 515 684	(867 559)
- other debts	(295 810)	(182 837)	466 646	(12 001)
- other debts	184 676	7 779	(181 960)	10 495
provision	(167 449)	-	167 449	-
PJSC IDGC of the North Caucasus*				
- other debts	(54)	-	-	(54)
Energetik Holiday Facility JSC***				
- other debts	-	(15 098)	14 968	(130)
Technical Customer Centre JSC*				
- other debts	(6 675)	(5 722)	10 190	(2 207)
JSC Kuban Energoservis***				
- other debts	(5 771)	(86 680)	66 376	(26 075)
- dividends	-	(635)	635	-
JSC Engineering Supervision Centre FSK EES*				
- other debts	-	(50)	50	-
JSC Fiber Optic Transmission Systems Management*				
- trading transactions	(22 844)	(121 366)	43 191	(101 019)
- other debts	(15 722)	(112 729)	51 755	(76 696)
JSC Electrosetservis Unified National Electricity Grid*				
- trading transactions	(45 931)	-	45 931	-
- other debts	(45 834)	(123 167)	169 001	-

* The legal entity is a member of the same group of persons to which the Company belongs.

** The legal entity is entitled to manage more than 20% of shares of the Company.

*** The Company is entitled to manage more than 50% of total votes, attached to the shares that constitute the charter capital, the interest of this legal entity.

Write-off of accounts receivable for which the statute of limitations has expired and other bad debts, including write-off out of provision for doubtful debts, has not been made.

Benefits payable to key management personnel

Table 21 – Information on the amounts of key management personnel benefits

Types of benefits	Members of the Board of Directors		Members of the Auditing Committee		Members of the Board	
	2018	2019	2018	2019	2018	2019
1. Short-term benefits, including	9 917	17 557	1 039	1 030	1 827	1 727
1.1. Employee Remuneration for the reporting period (without vacation pay)	7 605	13 765	797	790	1 401	1 459
a) bonus	0	0	0	0	0	0
b) fringe benefits	0	0	0	0	0	0
c) other types of compensation given to employees as a result of specific labor indications and bottom line	0	0	0	0	0	0
1.2. Annual paid leave for the work in the reporting period	0	0	0	0	0	0
1.3. Other benefits in favour of key management personal (regardless terms and conditions of an Employment Contract) total, including	0	0	0	0	0	0
a) compensations for community charges;	0	0	0	0	0	0
b) health benefits (insurance);	0	0	0	0	0	0
c) lump-sum payments related to financial aid for vacation	0	0	0	0	0	0
d) full or partial payment for recreation;	0	0	0	0	0	0
e) full or partial payment for education for Company's personal benefit;	0	0	0	0	0	0
f) other (please specify) including:	0	0	0	0	0	0
Compensation for residential lease	0	0	0	0	0	0
Severance pay	0	0	0	0	0	0
1.4. Accrued taxes and other compulsory payments to the corresponding budgets and extra-budgetary funds	2 312	3 792	242	240	426	268
2. Long-term benefits, including:	0	0	0	0	0	0
2.1. Post-employment benefits, including	0	0	0	0	0	0
a) payments under the voluntary insurance agreements concluded with the insurance companies	0	0	0	0	0	0
b) payments under non-state pension agreements, concluded with non-state pension funds;	0	0	0	0	0	0
c) other payments, guaranteeing payment of pension benefits and other social guarantees after termination of labor activity;	0	0	0	0	0	0
2.2. Other long-term benefits	0	0	0	0	0	0

93

Types of benefits	Members of the Board of Directors		Members of the Auditing Committee		Members of the Board	
	2018	2019	2018	2019	2018	2019
2.3. Long-term benefits accrual	0	0	0	0	0	0
3. Total benefits (short-term and long-term benefits) excluding accruals on them	7 605	13 765	797	790	1 401	1 459
4. Total benefits accruals (short-term and long-term benefits)	2 312	3 792	242	240	426	268

94

The going concern principle

Accounting statements of PJSC Kubanenergo for 2019 were drawn up in accordance with the going concern principle, which assumes that the Company is able to sell its assets and fulfil its liabilities in the normal course of business in the foreseeable future. As reflected in the present accounting (financial) statements the Company's net profit in 2019 amounted to 2,428,011 thousand rubles (in 2018 net profit amounted to 151,198 thousand rubles), short-term liabilities of the Company as of December 31, 2019 amounted to 13,893,776 thousand rubles; including debt obligations in the amount of 3,652,592 thousand rubles. Available credit limits are opened up by the Company which makes it possible to refund borrowings subject to prompt repayment in 2020. As of December 31, 2019 the total amount of credit limit with termination of drawdown period in 2021-2024 amounted to 10,350,089 thousand rubles, including in the amount of 677,001 thousand rubles – in PAO Sberbank, in the amount of 1,672,822 thousand rubles - in Bank "RRDB" (JSC), in the amount of 5,000,000 thousand rubles – in VTB Bank (PJSC) and in the amount of 3,000,266 thousand rubles in – Bank GBP (JSC).

According to the forecasts of the Company Management, the net operating cash flow in 2020 will be sufficient to cover Company's liabilities payable in 2020.

Thus, despite the shortage of working capital, the Company's management believes that the Company will be able to meet all its current obligations in 2020.

Estimated liabilities, contingent liabilities and assets

In 2019 the Company recognized in the accounting the estimated liabilities related to the possible compensation payments for unused vacations in the amount of 444,152 thousand rubles, previously formed estimated liability in the amount of 446,703 thousand rubles, ending balance of the reporting period amounted to 263,014 thousands rubles. As of December 31, 2019, the estimated liability was formed, related to the possible benefits pay according to the results of the year in the amount of 372,778 rubles.

The amount of the estimated liability according to the unsettled claims of the suppliers at the beginning of the reporting period is recorded in the Accounting Statements in the amount of 510,827 thousand rubles, including 244,422 thousand rubles as related to non-consensual amount of loss, 231,609 thousand rubles as related to services for transmission of energy. Charges amounted to 226,164 thousand rubles, including 6,668 thousand rubles as related to non-consensual amount of loss, 218,634 thousand rubles as related to services for transmission of energy. The amount of estimated liability according to the unsettled claims of the suppliers at the end of the reporting period amounted to 500,474 thousand rubles, including 208,963 thousand rubles as related to non-consensual amount of loss, 290,650 thousand rubles as related to services for transmission of energy.

As of December 31, 2019, the amount of provision for lawsuits amounted to 203,330 thousand rubles (Appendix 5.7.1.).

Discounting of the amounts of estimated liabilities, recognized by the Company is not applicable, because the expected deadline for the fulfilment of obligations is less than 12 months after the reporting date.

The expected amounts of counter-claims or amounts of the third party claims in reimbursement of expenses that the Company is going to incur during the fulfilment of obligations, and also the assets recognized on such claims in accordance with the Clause 19 of the Accounting Regulation 8/2010 as of the reporting date are absent.

The Company does not disclose the numerical information concerning the possible contingent liabilities because of incomplete tax inspection for 2016-2018.

According to the continuous development of practical application of taxation rules, the property tax may be disputed by the tax authorities and courts related to the movables and immovable, used by the Company. The Company'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 as at December 31, 2019 were correctly interpreted and the position "Group" may be well-reasoned and secured with regard to tax compliance.

Events after the reporting period

Accounting for events after the reporting date and disclosure of information concerning these events in the statements is kept by the Company in accordance with the Accounting Regulation 7/98 "Events after the reporting date", approved by Order of the Ministry of Finance of the Russian Federation No. 56H of November 25, 1998.

Economic events that have or may have an impact on financial position or operating results of the Company, that occur between the reporting date (December 31, 2019) and the date of signing of the Accounting Statements of PJSC Kubanenergo for 2019 are absent.

Chief Executive Officer of
PJSC Kubanenergo

S.V. Sergeev

Chief Accountant-Head of the
Accounting and Tax Accounting
Department of PJSC Kubanenergo

I.V. Skiba

February, 20 2020

Appendices to the Balance Sheet and Statement of Financial Results

Appendix 5.1.1 “The existence of intangible assets and intangible assets turnover”
 Appendix 5.2.1 “The existence and turnover of R&D deliverables”
 Appendix 5.2.2 “Incomplete and unexecuted R&D and incomplete operations on purchase of intangible assets”
 Appendix 5.3.1 “The existence and movement of fixed assets”
 Appendix 5.3.3 “Changes in value of fixed assets as a result of further construction, further equipping, reconstruction and partial liquidation”
 Appendix 5.3.4 “Other usage of fixed assets”
 Appendix 5.3.5 “Capital investments in progress”
 Appendix 5.3.6 “Advances issued for investment building and purchase of fixed assets”
 Appendix 5.4.1 “The existence and turnover of financial investments”
 Appendix 5.4.2 “Adjustments of estimates of financial investments”
 Appendix 5.5.1 “The existence of inventory and inventory turnover”
 Appendix 5.5.2 “Pledged inventory”
 Приложение 5.6.1 “The existence and turnover of accounts receivable”
 Приложение 5.6.3 “Overdue accounts receivable”
 Appendix 5.6.5 “The existence and turnover of accounts payable”
 Appendix 5.6.6 “Overdue accounts payable”
 Appendix 5.6.7 “Loans and borrowings”
 Appendix 5.6.8 “Expenses for loans and borrowings”
 Appendix 5.7.1 “Estimated liabilities”
 Appendix 5.7.2 “Deferred taxes”
 Appendix 5.8 “Securities”
 Appendix 5.9 “Government assistance”
 Appendix 5.11 “Other revenues and expenses”
 Appendix 5.13 “Information on reportable segments”
 Appendix 2.1 “Cost of goods sold, works and services according to elements of costs”
 Appendix 2.2 “Profit accrued to one share, diluted earnings per share”
 Appendix 2.3 “Profit taxation”

Information on transactions with interested parties, the size of which was less than 2% of the book value of assets

DATE OF TRANSACTION	DATE OF APPROVAL (OBTAINING CONSENT FOR THE TRANSACTION) THE BODY OF THE COMPANY THAT MADE THE DECISION TO GRANT CONSENT TO THE TRANSACTION	SUBJECT OF THE TRANSACTION AND ITS ESSENTIAL TERMS	INFORMATION ABOUT THE ENTITY (PERSONS) INTERESTED IN THE TRANSACTION, GROUNDS OF INTEREST
04.04.2019	<p>03/18/2019 to the persons specified in clause 1 of Art. 81 of the Federal Law of 26.12.1995 No. 208-FZ «On Joint Stock Companies», no later than fifteen days before the date of the transaction, a notice of the transaction in which there is an interest was sent.</p> <p>Requirements to hold a meeting of the Board of Directors of Kubanenergo PJSC to resolve the issue of obtaining consent to the transaction, in which there is an interest, from the persons specified in paragraph 1 of Art. 83 of the Federal Law of 26.12.1995 No. 208-FZ «On Joint Stock Companies», were not received</p>	<p>Agreement for the provision of services for the provision of access to anchorage points on overhead power lines for the placement and operation of the customer's communication line</p> <p>Parties to the contract: PJSC «Kubanenergo» - the Contractor, JSC «FOCL-VL Management» - Customer.</p> <p>Subject of the contract: The Contractor undertakes to provide services to provide the Customer with access to the Contractor's property for the purposes of placement and subsequent operation of the Customer's communication line, and the Customer undertakes to accept and pay for the services provided by the Contractor. The Customer's communication line is located on the property of the Contractor based on the technical specifications issued by the Contractor. The customer undertakes to transfer the property specified in the contract into his ownership in partial payment of the cost of the Contractor's services. The Customer undertakes to provide maintenance of the Contractor's property in the volumes and within the time frames specified in the contract, and the Contractor undertakes to accept and pay for this service in the manner prescribed by the contract.</p> <p>Contract price: The cost of the Contractor's services for providing access to the Contractor's property for a period of 25 years is 157,042,305.64 rubles. excluding VAT, according to the calculation of the cost of the Contractor's services for providing access to anchorage points on overhead power transmission lines for the placement and operation of the communication line, specified in the contract.</p> <p>VAT is additionally charged at the rate established in accordance with the legislation of the Russian Federation, and its value is indicated in financial documents as a separate amount as of the date of fulfillment of obligations under the agreement.</p> <p>The term of the service: within 25 years from the date of the actual suspension of the FOCL on the Contractor's overhead power lines, that is, from 03/01/2016 to 03/01/2041.</p> <p>Contract time: The agreement comes into force from the date of its signing by the authorized representatives of the parties and is valid until the parties fully fulfill their obligations under the agreement. The agreement extends its effect to the legal relations of the parties arising from 01.03.2016</p>	<p>The controlling entity of the Company is PJSC ROSSETI, which is at the same time the controlling person of JSC FOCL-VL Management, which is a party to the transaction, Member of the Board of Directors of PJSC Kubanenergo O.A. Sergeeva, who is also a member of the Board of Directors of JSC «FOCL-VL Management»</p>

APPENDIX 2

REPORT ON INTEREST DEALS CONCLUDED
BY KUBANENERGO PJSC IN 2019

Information on transactions with interested parties, the size of which was 2% or more of the book value of assets

DATE OF TRANSACTION DATE OF APPROVAL (OBTAINING CONSENT FOR THE TRANSACTION)	THE BODY OF THE COMPANY THAT MADE THE DECISION TO GRANT CONSENT TO THE TRANSACTION	SUBJECT OF THE TRANSACTION AND ITS ESSENTIAL TERMS	INFORMATION ABOUT THE ENTITY (PERSONS) INTERESTED IN THE TRANSACTION, GROUNDS OF INTEREST
Interested party transactions, the size of which was 2% or more of the book value of the assets of Kubanenergo PJSC, were not concluded in 2019			



APPENDIX 3

REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE, RECOMMENDED BY THE BANK OF RUSSIA IN LETTER DATED 10.04.2014, NO. 06-52/2463 FOR APPLICATION BY JOINT-STOCK COMPANIES, WHICH SECURITIES ARE ADMITTED TO ON-EXCHANGE TRADING

This report on compliance with the principles and recommendations of the Corporate Governance Code, recommended by the Bank of Russia by letter dated 10.04.2014, No. 06-52/2463, for use by joint-stock companies, which securities are admitted to on-exchange trading (further referred to as the Code) was reviewed by the Board of Directors of Public Joint Stock Company of Power Industry and Electrification of Kuban (further – Kubanenergo PJSC, the Company, Parent Company) at the meeting on 15.05.2019 (minutes No.342/2019 dated 17.05.2019) as a part of the Company's Annual Report for 2018.

SL.NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSING COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSMENT THE COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE
1.1	The Company must ensure equal and fair treatment of all shareholders in the exercise of their right to participate in the management of the Company.			
1.1.1	The Company creates the most favorable conditions for shareholders for participation in the General Meeting, conditions for developing a reasonable position on the agenda of the General Meeting, coordination of their their actions, and the opportunity to express their opinion on the issues under consideration.	<ol style="list-style-type: none"> The internal document of the Company, approved by the General Meeting of shareholders, and regulating the procedures for holding a General Meeting, are publicly available. The Company provides an affordable way to communicate with the public, such as a hotline, e-mail or a forum on the Internet, which allows shareholders to express their views and send questions about the agenda during preparation to the General Meeting. The Company took these actions on the eve of each General Meeting held in the reporting period. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
1.1.2	The procedure for reporting the General Meeting and providing materials for the General Meeting allows shareholders to be properly prepared for participation in the meeting.	<ol style="list-style-type: none"> Notice about holding a General Meeting of shareholders is posted (published) on a website in the Internet at least 30 days before the date of General Meeting. The announcement of the meeting contains the location of the meeting and the documents necessary for admission to the premises. Shareholders were provided with access to information about the perdon, who proposed agenda items and who nominated candidates to the Board of Directors and to the Company's Auditing Commission. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
1.1.3	During the preparation and conduct of the General Meeting, shareholders had an opportunity to receive information about the meeting and materials hereto, to ask questions to executive bodies and members of the Board of Directors of the Company, and communicate with each other freely and in a timely manner.	<ol style="list-style-type: none"> In the reporting period, shareholders were given the opportunity to ask questions to members of the executive bodies and members of the Board of Directors of the Company on the eve and during the Annual General Meeting. The position of the Board of Directors (including the special opinions included in the minutes) on each item of the agenda of General Meetings, held during the reporting period, were included in the materials for the General Meeting of shareholders. The Company granted access to shareholders, who have a right for such access, to the list of persons entitled to participate in the General Meeting, starting from the date of its receipt by the Company, in all cases of holding General Meetings in the reporting period. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
1.1.4	The realization of a shareholder rights to demand the convocation of a General Meeting, to nominate candidates to governing bodies and to make proposals for inclusion in the agenda of a General Meeting was not associated with unjustified difficulties.	<ol style="list-style-type: none"> In the reporting period, shareholders had the opportunity to make proposals for inclusion on the agenda of the Annual General Meeting during at least 60 days after the end of a calendar year. In the reporting period, the Company did not refuse to accept proposals on the agenda or candidacies to the Company's bodies due to typographical errors and other minor defects in a shareholder's proposal. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
1.1.5	Each shareholder had an opportunity to freely exercise the right to vote in the simplest and most convenient way for him.	<ol style="list-style-type: none"> An internal document (internal policies) of the Company contains provisions pursuant to which each member of the General Meeting may, before completion of the relevant meeting to request a copy of the completed ballot certified by the Counting Commission. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
1.1.6	The established procedure for conducting a General Meeting provides an equal opportunity to all those present at the meeting to express opinion and ask questions of interest.	<ol style="list-style-type: none"> 1. During the course of General Meetings of shareholders in the reporting period in a meeting form (joint attendance of shareholders), sufficient time was provided for reports on agenda items and time for discussion of these issues. 2. Candidates to the management and control bodies of the Company were available to answer questions from shareholders at a meeting, which put their candidatures were put to the vote. 3. The issue of using telecommunications to provide shareholders with remote access to attend General Meetings during the reporting period was considered by the Board of Directors in course of making decisions related to the preparation and holding the General Meetings of shareholders. 	<ul style="list-style-type: none"> Totally met ■ Partially met Not met 	<p>Criterion 2 is partially met.</p> <p>Regarding the availability of candidates for members of the management and control bodies for the responses of shareholders at the General Meeting of Shareholders, the Regulations on the General Meeting of Shareholders of the Company, approved by the Annual General Meeting of Shareholders in 2018, established that in preparation for the General Meeting of Shareholders in the form of joint presence, the Company ensures that invitations are sent to members of the executive bodies of the Company, members and candidates for members of the Board of Directors, members and candidates for members of the Audit Commission of the Company, the auditor of the Company for participation in the General Meeting of Shareholders.</p> <p>Candidates are sent invitations to participate in the General Meeting of Shareholders, however, not always invited candidates can ensure their presence at it due to various factors of a work and personal nature. Nevertheless, shareholders can ask any questions to those candidates who are present at the meeting.</p> <p>Criterion 3 is not met.</p> <p>As regards the use of telecommunications facilities to provide shareholders with remote access to participate in General Meetings of Shareholders, the Charter of the Company provides for such a possibility, if such a method of participation in the meeting is provided for by a decision of the Board of Directors in preparation for the General Meeting of Shareholders.</p> <p>Taking into account the structure of the share capital, a significant number of elderly people among shareholders, and low activity of minority shareholders in the reporting period, the Board of Directors did not consider the issue of using telecommunications to provide shareholders with remote access to participate in the General Meeting of Shareholders. At the same time, the Company's shareholders, who are clients of nominee shareholders, have the opportunity to participate remotely through the depository. The society will revise the established practice as necessary.</p>

SL.NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSING COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSMENT THE COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE
1.2	Shareholders are provided with an equal and fair opportunity to participate in the Company's profits by receiving dividends.			
1.2.1	The Company has developed and implemented a transparent and understandable mechanism for determining the amount of dividends and for their payment.	<ol style="list-style-type: none"> 1. A Dividend Policy has been developed by the Company, approved by the Board of Directors and disclosed. 2. If the Company's Dividend Policy is based upon the reporting indicators to determine the number of dividends, the relevant Regulations of the Dividend Policy, in this case, shall consider the consolidated financial statements. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
1.2.2	The Company does not decide on the payment of dividends if such a decision is not formally violating the restrictions established by law and is economically unreasonable, as it may lead to formation of false notions about the Company activities.	<ol style="list-style-type: none"> 1. The Company's Dividend Policy contains clear indications of the financial/economic circumstances under which the Company should not pay dividends. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
1.2.3	The Company does not allow any deterioration of the dividend rights of existing shareholders.	<ol style="list-style-type: none"> 1. In the reporting period, the Company did not undertake any actions leading to the deterioration of the dividend rights of existing shareholders. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
1.2.4	The Company seeks to eliminate the use of other means of obtaining profit (income) by shareholders at the expense of the Company, in addition to dividends and residual value.	<ol style="list-style-type: none"> 1. In order to exclude other means of obtaining profit (income) by shareholders at the expense of the Company, in addition to dividends and residual value, the internal documents of the Company establish control mechanisms that ensure the timely identification and approval of transactions with persons affiliated (associated) with significant shareholders (persons entitled to vote on voting shares), when the law does not formally transactions as interested-party transactions. 	<ul style="list-style-type: none"> Totally met ■ Partially met Not met 	<p>At present, the internal documents of the Company do not establish control mechanisms that ensure the timely identification and procedure for approving transactions with persons affiliated with significant shareholders. The Company is analyzing the necessary amendments and additions to internal documents, the implementation of which will be carried out after approval at the level of management bodies, as well as with the shareholders of the Company.</p> <p>However, the Company has a Regulation on contractual work, which regulates the qualification process and subsequent control of transactions for the presence of interest in their execution in accordance with the criteria established by the current legislation. In addition, the list of affiliated persons of the Company meets all the requirements of the current legislation and includes the most complete and up-to-date information on related parties.</p> <p>At the same time, the current procedure for the procurement of goods (works, services) in the Company, established by the unified procurement standard of the controlling person, approved as an internal document of the Company by the decision of the Board of Directors of the Company, is an effective mechanism aimed at observing principle 1.2.4 of the Code. The main principles of building the procurement policy of the Company are information transparency of procurement, equality, fairness, absence of discrimination and unreasonable restrictions on competition in relation to procurement participants. At the same time, the choice of suppliers, contractors, performers is carried out mainly through competitive selection, on the basis of equal competitive opportunities.</p> <p>A.3.9. The Regulation on the Board of Directors of the Company also contains the obligation of the members of the Board of Directors (elected by the shareholders of the Company) to notify the Company of the existence of circumstances due to which they may be recognized as interested in the transactions by the Company.</p> <p>In the opinion of the Company, the mechanisms operating in the Company are effective and sufficient to prevent any persons, including persons affiliated with (connected) with material shareholders, from receiving unjustified income at the expense of the Company</p>
1.3	The system and practice of corporate governance ensures equal conditions for all shareholders - owners of shares of the same			
1.3.1	The Company created conditions for fair treatment of each shareholder by the management bodies and controlling persons of the Company, including conditions ensuring the inadmissibility of abuses by large shareholders in relation to minority shareholders.	<ol style="list-style-type: none"> 1. During the reporting period, the procedures for managing potential conflicts of interest of significant shareholders are effective, and the Board of Directors paid due attention to disputes between shareholders if any. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
1.3.2	The Company does not take actions that lead or may lead to the artificial redistribution of corporate control.	<ol style="list-style-type: none"> 1. There are no quasi-treasury shares or did not participate in voting during the reporting period. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
1.4	Shareholders are provided with reliable and effective ways of recording rights to shares, as well as the possibility of free and unhindered alienation of their shares.			
1.4.1	Shareholders are provided with reliable and efficient ways of recording rights to shares, as well as the possibility of free and unhindered alienation of their shares.	<ol style="list-style-type: none"> 1. The quality and reliability of the activities carried out by the Company's registrar in maintaining the register of owners of securities corresponding to the needs of the Company and its shareholders. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
2.1	The Board of Directors carries out strategic management of the Company, determines the basic principles and approaches to organizing risk management and internal control system in the Company, controls the activities of the Company's executive bodies and also implements other key functions.			

SL.NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSING COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSMENT THE COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE
2.1.1	The Board of Directors is responsible for making decisions related to the appointment and dismissal of executive bodies, including in connection with the inadequate performance of their duties. The Board of Directors also controls that the executive bodies of the Company act under the approved development strategy and the main activities of the Company.	<ol style="list-style-type: none"> The Board of Directors has the powers stipulated in the charter for the appointment, dismissal, and determination of contract terms concerning members of executive bodies. The Board of Directors reviewed the report (reports) of the sole executive body and members of the collegial administrative authority on the implementation of the Company's strategy. 	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	
2.1.2	The Board of Directors establishes the main guidelines for the Company's activities in the long term, evaluates and approves key performance indicators and the main business goals of the Company, assesses and approves the strategy and business plans for the main activities of the Company.	<ol style="list-style-type: none"> During the reporting period, the Board of Directors discussed issues related to the implementation and updating of the strategy, approval of the Company's financial and business plan (budget), and consideration of criteria and indicators (including intermediate ones) for the implementation of the strategy and business plans of society. 	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	
2.1.3	The Board of Directors determines the principles and approaches to the organization of the risk management and internal control system in the Company.	<ol style="list-style-type: none"> The Board of Directors determined the principles and approaches to the organization of the risk management and internal control system in the Company. The Board of Directors conducted an assessment of the risk management and internal control systems of the Company during the reporting period. 	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	
2.1.4	The Board of Directors determines the Company's policy for remuneration and (or) reimbursement of expenses (compensation) to members of the Board of Directors, executive bodies, and other key managers of the Company.	<ol style="list-style-type: none"> The policy (policies) on remuneration and reimbursement of expenses (compensation) of members of the Board of Directors, executive bodies of the Company and other key managers, approved by the Board of Directors of the Company, was developed and implemented in the Company. During the reporting period, the Board of Directors discussed issues related to this policy(s). 	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	
2.1.5	The Board of Directors plays a crucial role in preventing, identifying, and resolving internal conflicts between the Company's bodies, shareholders, and Company employees.	<ol style="list-style-type: none"> The Board of Directors plays a key role in the prevention, detection, and resolution of internal conflicts. The Company has created a system for identifying transactions related to a conflict of interest and a system of measures aimed at resolving such conflicts. 	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	
2.1.6	The Board of Directors plays a key role in ensuring the transparency of the Company, the timeliness and completeness of information disclosure by the Company, and easy access of shareholders to the Company's documents.	<ol style="list-style-type: none"> The Board of Directors approved the Regulation on information policy. The Company has defined persons responsible for the implementation of the information policy. 	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	
2.1.7	The Board of Directors oversees corporate governance practices in the Company and plays a key role in significant corporate events of the Company.	<ol style="list-style-type: none"> During the reporting period, the Board of Directors considered the issue of corporate governance practices in the Company. 	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	
2.2	The Board of Directors is accountable to the shareholders of the Company.			
2.2.1	Information on the work of the Board of Directors is disclosed and provided to shareholders.	<ol style="list-style-type: none"> The Company's annual report for the reporting period includes information on attendance at meetings of the Board of Directors and committees by individual directors. The annual report contains information on the main results of the evaluation of the work of the Board of Directors conducted in the reporting period. 	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	Criterion 2 is not met. In the reporting year, the performance of the Board of Directors was not assessed. At the same time, the Company has developed a methodology for assessing the effectiveness of the Board of Directors and is planned to be approved by the Board of Directors and applied in 2020.
2.2.2	The Chairman of the Board of Directors is available to communicate with shareholders of the Company.	<ol style="list-style-type: none"> The Company has a transparent procedure that provides shareholders with the opportunity to send questions and their position on them to the Chairman of the Board of Directors. 	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	
2.3	The Board of Directors is an effective and professional governing body of the Company, capable of making objective independent judgments and making decisions that meet the interests of the Company and its shareholders.			
2.3.1	Only persons with impeccable business and personal reputation and possessing the knowledge, skills, and experience necessary for making decisions related to the competence of the Board of Directors and required for the adequate performance of its functions are elected by the members of the Board of Directors.	<ol style="list-style-type: none"> The procedure adopted by the Company for evaluating the performance of the Board of Directors includes, among other things, an assessment of the professional qualifications of the members of the Board of Directors. Evaluation of candidates to the Board of Directors in terms of their necessary experience, knowledge, business reputation, no conflicts of interest, etc. was carried out in the reporting period by the Board of Directors (or its nominations committee). 	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	Criteria 1 and 2 are not met. The Company does not comply with the recommendation on the procedure for evaluating the effectiveness of the Board of Directors, as well as the availability of a procedure for assessing candidates for the Board of Directors since such an assessment was not conducted due to the lack of a developed and agreed assessment methodology. The HR and Remuneration Committee did not make any special assessment of candidates to the Board of Directors, the Company has developed the practice of requesting consent for nomination from candidates. In this document, candidates reflect brief information about themselves, including information about education and work experience. This information is included in the list of materials for shareholders and is posted on the official website. In addition, after being elected to the Board of Directors, the newly elected member of the Board of Directors fills out a questionnaire in which he provides detailed information about himself, including education, work experience, ownership of the Company's shares, positions in other organizations, etc.

SL.NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSING COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSMENT THE COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE
2.3.2	Members of the Company's Board of Directors are elected through a transparent procedure that allows shareholders to obtain information about candidates sufficient to form an idea of their personal and professional qualities.	1. In all cases of the General Meeting of shareholders in the reporting period, the agenda of which included questions on the election of the Board of Directors, the Company submitted the biographical data of all the candidates to the Board of Directors, the results of the evaluation of such candidates by the Board of Directors to all shareholders (or its nomination committee), as well as information on whether a candidate meets the criteria for independence, in accordance with recommendations 102–107 of the Code and the written consent of candidates for election to the Board of Directors.	Totally met Partially met Not met	The results of the evaluation of candidates conducted by the Board of Directors (or its Human Resources and Compensation Committee), as well as information on the candidate's compliance with the criteria of independence, were not included in the materials for the General Meeting of Shareholders. At the same time, there was submitted the information needed to determine the status of the candidate.
2.3.3	The composition of the Board of Directors is balanced, including the qualifications of its members, their experience, knowledge, and business skills, and enjoys the confidence of shareholders.	1. As a part of the procedure for evaluating the work of the Board of Directors conducted during the reporting period, the Board of Directors analyzed its own needs in the field of professional qualifications, experience, and business skills.	Totally met Partially met Not met	In the reporting year, the performance of the Board of Directors was not assessed. At the same time, the Company has developed a methodology for assessing the effectiveness of the Board of Directors and is planned to be approved by the Board of Directors and applied in 2020. The Company considers the composition of the Board of Directors to be balanced, the qualifications of its members, their experience, knowledge and business qualities are fully consistent with the tasks and goals set for the Board of Directors. Considering that the shareholders in accordance with Art. 53 of the Federal Law «On Joint Stock Companies» nominated candidates who were elected by the annual General Meeting of Shareholders - the members of the Board of Directors enjoy the confidence of shareholders.
2.3.4	The quantitative composition of the Company's Board of Directors makes it possible to organize the activities of the Board of Directors in the most efficient way, including the possibility of forming committees of the Board of Directors, as well as providing essential minority shareholders of the Company the opportunity to elect a candidate for whom they vote.	1. As a part of the evaluation procedure of the Board of Directors conducted in the reporting period, the Board of Directors considered the issue of whether the size of the Board of Directors meets the needs of the Company and the interests of shareholders.	Totally met Partially met Not met	In the reporting year, the performance of the Board of Directors was not assessed. At the same time, the Company has developed a methodology for assessing the effectiveness of the Board of Directors and is planned to be approved by the Board of Directors and applied in 2020. The number of members of the Board of Directors is determined by the Charter of the Company (11 people), and is sufficient to achieve the tasks and goals set for the Board of Directors.
2.4	The Board of Directors includes a sufficient number of independent directors.			
2.4.1	An independent director is a person, which is armed with sufficient professionalism, experience, and independence to form his position, is able to make objective and honest judgments, independent of the influence of the executive bodies of the Company, certain groups of shareholders or other interested parties. It should be borne in mind that under normal conditions it cannot be considered a candidate (elected member of the Board of Directors) who are associated with the Company, its significant shareholder, significant counterparty or competitor of the Company or is associated with the state.	1. During the reporting period, all independent members of the Board of Directors met all independence criteria specified in recommendations 102–107 of the Code, or were recognized as independent by a decision of the Board of Directors.	Totally met Partially met Not met	
2.4.2	An assessment is made of the compliance of candidates for board members with the criteria for independence, and regular analysis of the compliance of independent members of the Board of Directors with the independence criteria is carried out. When conducting such an assessment, the content should prevail over the form.	1. In the reporting period, the Board of Directors (or the committee for nominations of the Board of Directors) made an opinion on the independence of each candidate to the Board of Directors and presented the relevant opinion to shareholders. 2. During the reporting period, the Board of Directors (or the committee for nominations of the Board of Directors) at least once considered the independence of current members of the Board of Directors whom the Company indicates in the annual report as independent directors. 3. The Company has developed procedures that determine the necessary actions of a member of the Board of Directors in the event that it stops being independent, including the obligation to timely inform the Board of Directors about this.	Totally met Partially met Not met	Criteria 1 and 2 are not met. In the reporting period, the Board of Directors and the Human Resources and Remuneration Committee did not assess the independence of each candidate The Board of Directors in the reporting period included: <ul style="list-style-type: none"> until 20.06.2019 — two independent directors, from 20.06.2019 — two independent directors.
2.4.3	Independent directors comprise at least one third of the elected members of the Board of Directors.	1. Independent directors comprise at least one-third of the Board of Directors.	Totally met Partially met Not met	The Board of Directors in the reporting period included: <ul style="list-style-type: none"> until 20.06.2019 — two independent directors, from 20.06.2019 — two independent directors. The Board of Directors of the Company is elected by the General Meeting of Shareholders. At the same time, the share of independent members on the Board of Directors currently meets the issuer's corporate governance requirements established by the Listing Rules of Moscow Exchange PJSC.
2.4.4	Independent directors play a crucial role in the prevention of internal conflicts in society and the commission of significant corporate actions by the Company.	1. Independent directors (who do not have a conflict of interest) preliminarily assess significant corporate actions related to a possible conflict of interest, and the results of such an assessment are provided to the Board of Directors.	Totally met Partially met Not met	Evaluation of material corporate actions by independent directors was not provided to the Board of Directors. At the same time, there were no conflicts of interests of members of the Board of Directors in the reporting year.
2.5	The Chairman of the Board of Directors contributes to the most effective implementation of the functions assigned to the Board of Directors.			

SL.NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSING COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSMENT THE COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE
2.5.1	An independent director was elected Chairman of the Board of Directors, or a senior independent director was appointed from among the elected independent directors, who coordinates the work of independent directors and interacts with the Chairman of the Board of Directors.	<ol style="list-style-type: none"> The Chairman of the Board of Directors is an independent director, or a senior independent director is appointed among independent directors. The role, rights and duties of the Chairman of the Board of Directors (and, if applicable, the senior independent director) are duly defined in the Company's internal documents. 	Totally met ■ Partially met Not met	Criterion 1 is not met. The Chairman of the Board of Directors is not an independent director.
2.5.2	The Chairman of the Board of Directors provides a constructive atmosphere for holding meetings, free discussion of the issues included in the meeting agenda, control over the implementation of decisions taken by the Board of Directors.	<ol style="list-style-type: none"> The effectiveness of the work of the Chairman of the Board of Directors was assessed as a part of the procedure for evaluating the effectiveness of the Board of Directors in the reporting period. 	Totally met Partially met ■ Not met	In the reporting year, the performance of the Board of Directors was not assessed. At the same time, the Company has developed a methodology for assessing the effectiveness of the Board of Directors and is planned for approval by the Board of Directors and application in 2020.
2.5.3	The Chairman of the Board of Directors takes the necessary measures to timely provide the members of the Board of Directors with the information required for making decisions on agenda items.	<ol style="list-style-type: none"> The duty of the Chairman of the Board of Directors to take measures to ensure the timely provision of materials to members of the Board of Directors on the agenda items of the meeting of the Board of Directors is enshrined in the Company's internal documents. 	■ Totally met Partially met Not met	
2.6	Members of the Board of Directors act in good faith and reasonably in the interests of the Company and its shareholders based on sufficient awareness, with due care and discretion.			
2.6.1	Members of the Board of Directors make decisions based on all available information, in the absence of a conflict of interest, with respect for equal treatment of the Company, as a part of ordinary business risk.	<ol style="list-style-type: none"> Internal documents of the Company establish that a member of the Board of Directors is obliged to notify the Board of Directors if he has a conflict of interest regarding any issue on the agenda of a meeting of the Board of Directors or a Committee of the Board of Directors, prior to the discussion of the relevant agenda item. The Company's internal documents provide that a member of the Board of Directors should abstain from voting on any matter in which he has a conflict of interest. The Company has established a procedure that allows the Board of Directors to receive professional advice on matters within its competence at the Company's expense. 	Totally met ■ Partially met Not met	Criterion 3 is partially met. The norm allowing a member of the Board of Directors, a member of a committee of the Board of Directors, to receive professional advice on matters within its competence, at the expense of the Company, is specified in the Regulations for the Committees. This norm is planned to be included in other relevant internal documents as necessary.
2.6.2	The rights and obligations of members of the Board of Directors are clearly defined and enshrined in the Company's internal documents.	<ol style="list-style-type: none"> The Company has adopted and published an internal document that clearly defines the rights and obligations of members of the Board of Directors. 	■ Totally met Partially met Not met	
2.6.3	Board members have ample time to fulfill their duties.	<ol style="list-style-type: none"> Individual attendance at meetings of the Board and Committees, as well as the time taken to prepare for participation in meetings, were taken into account as a part of the procedure for evaluating the Board of Directors during the reporting period. In accordance with the Company's internal documents, members of the Board of Directors are required to notify the Board of Directors of their intention to become members of the governing bodies of other organizations (besides controlled and dependent organizations of the Company), as well as the fact of such appointment 	Totally met ■ Partially met Not met	Criterion 1 is not met. In the reporting year, the performance of the Board of Directors was not assessed. At the same time, the Company has developed a methodology for assessing the effectiveness of the Board of Directors and is planned to be approved by the Board of Directors and applied in 2020. The high participation of the members of the Board of Directors in the reporting year confirms that the members of the Board of Directors have time to fulfill their duties. Criterion 2 is partially met. The internal documents do not provide for the obligation of the members of the Board of Directors to notify the Board of Directors of their intention to become a member of the management bodies of other organizations (apart from the controlled and dependent organizations of the Company), as well as the fact of such appointment. However, in practice, the Society: <ul style="list-style-type: none"> quarterly sends inquiries to members of management bodies containing information about their positions, and has the opportunity to receive up-to-date information, carries out regular monitoring of open sources of information on the membership of members of the Board of Directors of the Company in the management or control bodies of other organizations.
2.6.4	All members of the Board of Directors equally have access to the Company's documents and information. Newly elected members of the Board of Directors are provided with sufficient information about the Company and the work of the Board of Directors as soon as possible.	<ol style="list-style-type: none"> By the Company's internal documents, members of the Board of Directors have the right to access documents and make inquiries concerning the Company and its subsidiaries, and the Company's executive bodies are required to provide relevant information and materials. The Company has a formalized awareness program for newly elected members of the Board of Directors. 	■ Totally met Partially met Not met	
2.7	The meetings of the Board of Directors, the preparation for them, and the participation in them of members of the Board of Directors ensure the efficient operation of the Board of Directors.			

SL.NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSING COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSMENT THE COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE
2.7.1	Meetings of the Board of Directors are held as necessary, taking into account the scale of activity and the tasks facing the Company in a certain period of time.	1. The Board of Directors held at least six meetings in the reporting year.	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	
2.7.2	The Company's internal documents set forth the procedure for preparing and conducting meetings of the Board of Directors, which ensures that members of the Board of Directors are able to properly prepare for it.	1. The Company has approved an internal document defining the procedure for preparing and conducting meetings of the Board of Directors, which, among other things, stipulates that notification of a meeting should be made, as a rule, at least five days before the date of the meeting.	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	
2.7.3	Decisions on the most critical issues of the Company are made at a meeting of the Board of Directors by a qualified majority or majority of all elected members of the Board of Directors.	1. The Charter or internal document of the Company stipulates that the most critical issues (according to the list given in recommendation 16 of the Code) should be considered at the inperson meetings of the council.	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	
2.7.4	Decisions on the most critical issues of the Company are made at a meeting of the Board of Directors by a qualified majority or majority of all elected members of the Board of Directors.	1. The Company's charter provides that decisions on the most essential issues outlined in recommendation 17 of the Code should be taken at a meeting of the Board of Directors by a qualified majority of at least threequarters of the votes or the votes of all elected members of the Board of Directors.	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	
2.8	The Board of Directors sets up committees for preliminary consideration of the most important issues of the Company's activities.			
2.8.1	For preliminary consideration of issues related to control over the financial and economic activities of the Company, an audit committee has been established	<ol style="list-style-type: none"> 1. has formed an audit committee consisting exclusively of independent directors. 2. The internal documents of the Company define the tasks of the audit committee, including the functions contained in recommendation 17 of the Code. 3. At least one member of the audit committee, who is an independent director, has experience and knowledge in the preparation, analysis, evaluation, and audit of accounting (financial) statements. 4. Meetings of the audit committee were held at least once a quarter during the reporting period. 	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	<p>Criteria 1 and 3 are not met.</p> <p>The audit committee has been established, but has no independent directors (see clause 2.4.1). The Company will review the current practice based on the results of the election of a new Board of Directors (in the case of the election of independent members to it). At the same time, the composition of the Audit Committee includes persons with experience and knowledge in the field of preparation, analysis, evaluation, and audit of accounting (financial) statements.</p>
2.8.2	For the preliminary consideration of issues related to the formation of an effective and transparent remuneration practice, a remuneration committee was established, consisting of independent directors and headed by an independent director who is not the Chairman of the Board of Directors.	<ol style="list-style-type: none"> 1. The Board of Directors has established a remuneration committee, which consists only of Independent Directors. 2. The Chairman of the Remuneration Committee is an independent director who is not the Chairman of the Board of Directors. 3. The Company's internal documents define the tasks of the remuneration committee, including the functions contained in recommendation 18 of the Code. 	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	<p>Criterion 1 is not met.</p> <p>The Company has established a Human Resources and Remuneration Committee. It does not include independent directors (clause 2.4.1).</p> <p>Criteria 2 and 3 are partially met. The tasks of the Committee are defined in the Regulation for the Personnel and Remuneration Committee, however, since this version of the document was approved in 2014, it does not contain all the rules listed in Recommendation 180 of the Code. The tasks of this body do not meet the recommendations of the Code in terms of the Regulations for the motivation of the Corporate Secretary and implementation report.</p> <p>The Committee is headed by a person who is not the Chairman of the Board of Directors.</p> <p>The Company plans to change the current practice as necessary.</p>
2.8.3	For the preliminary consideration of issues related to the implementation of personnel planning (succession planning), professional composition and efficiency of the Board of Directors, a committee for nominations (appointments, staff) was created, the majority of whose members are Independent Directors.	<ol style="list-style-type: none"> 1. The Board of Directors has a nominations committee (or its tasks, indicated in recommendation 18 of the Code, are implemented within the framework of another committee), the majority of whose members are independent directors. 2. The tasks of the nominations committee (or the corresponding committee with combined functions) are defined in the Company's internal documents, including the functions contained in recommendation 18 of the Code. 	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	<p>Criterion 1 is not met.</p> <p>The Company has established a Human Resources and Remuneration Committee. It does not include independent directors (clause 2.4.1).</p> <p>Criterion 2 is partially met.</p> <p>Of those specified in the recommendations of the Code, this Committee is only entrusted with the tasks of electing and terminating the powers of members of the Management Board, as well as agreeing on candidates for certain positions of the executive office.</p> <p>The tasks of the Committee are defined in the Regulations on the HR and Remuneration Committee, however, due to the fact that this version of the document was approved in 2014, it does not contain all the norms listed in the recommendations of the Code.</p> <p>The company plans to change the established practice as needed.</p>
2.8.4	Taking into account the scale of activity, and the level of risk, the Board of Directors made sure that the composition of the Company's committees is entirely consistent with the goals of society. Additional committees were either formed or were not deemed necessary (a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee, health, safety, and environmental committee, etc.).	1. In the reporting period, the Board of Directors of the Company considered the issue of the compliance of the composition of its committees with the tasks of the Board of Directors and the objectives of the Company. Additional committees were either formed or were not deemed necessary.	<ul style="list-style-type: none"> ■ Totally met ■ Partially met ■ Not met 	

SL.NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSING COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSMENT THE COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE
2.8.5	The composition of the committees is defined in such a way allowing for a comprehensive discussion of the previously considered issues, taking into account different opinions.	<ol style="list-style-type: none"> Independent directors head board committees. The internal documents (policies) of the Company contain Regulations according to which persons who are not members of the audit committee, the nomination committee, and the remuneration committee are admitted for meetings of the committees only at the invitation of the Chairman of the relevant committee. 	Totally met Partially met ■ Not met	Criteria 1.2 are not met. The Board of Directors elected the composition of the committees, guided by the skills and qualifications of the candidates, and approved the regulations on the committees. At present, the composition of the committees of the Board of Directors is fully consistent with its tasks and objectives. If necessary, the Company will revise the established practice and make appropriate changes to the internal documents.
2.8.6	The chairmen of the committees regularly inform the Board of Directors and its Chairman about the work of their committees.	<ol style="list-style-type: none"> During the reporting period, the chairmen of the committees regularly reported on the work of the committees to the Board of Directors. 	■ Totally met Partially met Not met	
2.9	The Board of Directors provides for an assessment of the quality of work of the Board of Directors, its committees and members of the Board of Directors.			
2.9.1	Assessing the quality of work of the Board of Directors is focused on determining the degree of efficiency of the Board of Directors, committees and members of the Board of Directors, matching their work to the development needs of the Company, revitalizing the Board of Directors and identifying areas in which their work can be improved.	<ol style="list-style-type: none"> Self-assessment or external evaluation of the work of the Board of Directors conducted in the reporting period included an assessment of the work of committees, individual members of the Board of Directors and the board as a whole. The results of the selfassessment or external evaluation of the Board of Directors conducted during the reporting period were reviewed at the in-person meeting of the Board of Directors. 	Totally met Partially met ■ Not met	Criteria 1.2 are not met. In the reporting year, the performance of the Board of Directors was not assessed. At the same time, the Company has developed a methodology for assessing the effectiveness of the Board of Directors and is planned for approval by the Board of Directors and application in 2020.
2.9.2	Evaluation of the work of the Board of Directors, committees, and members of the Board of Directors is carried out regularly at least once a year. An external organization (consultant) is invited to conduct an independent assessment of the quality of work of the Board of Directors at least once every three years.	<ol style="list-style-type: none"> To conduct an independent assessment of the quality of work of the Board of Directors during the last three reporting periods, the Company has engaged an external organization (consultant) at least once. 	Totally met Partially met ■ Not met	Experts for external evaluation of the effectiveness of the Board of Directors were not involved since the costs of expert services were not included in the Company's budget for the reporting year.
3.1	The corporate secretary of the Company carries out effective ongoing interaction with shareholders, coordinating the Company's actions to protect the rights and interests of shareholders, and support the effective work of the Board of Directors.			
3.1.1	The corporate secretary has the knowledge, experience, and qualifications sufficient to perform the duties assigned to him, an impeccable reputation and enjoys the confidence of shareholders.	<ol style="list-style-type: none"> The Company has adopted and disclosed an internal document – the Regulation of the corporate secretary. The Company's website on the Internet and the annual report contain biographical information about the corporate secretary, with the same level of detail as for members of the Board of Directors and executive management of the Company. 	■ Totally met Partially met Not met	
3.1.2	The corporate secretary is sufficiently independent of the executive bodies of the Company and has the necessary powers and resources to carry out the tasks assigned to him.	<ol style="list-style-type: none"> The Board of Directors approves the appointment, removal from office and additional remuneration of the corporate secretary. 	■ Totally met Partially met Not met	
4.1	The level of remuneration paid by the Company is sufficient to attract, motivate, and retain individuals with the competence and qualifications necessary for the Company. Payment of remuneration to members of the Board of Directors, executive bodies, and other key managers of the Company is carried out by the remuneration policy adopted by the Company.			
4.1.1	The level of remuneration provided by the Company to members of the Board of Directors, executive bodies and other key managers creates sufficient motivation for their practical work, allowing the Company to attract and retain competent and qualified specialists. At the same time, the Company avoids a greater than necessary level of remuneration, as well as an unjustifiably large gap between the remuneration levels of the said persons and the Company's employees.	<ol style="list-style-type: none"> The Company has adopted an internal document (documents) – a policy (policies) on remuneration of members of the Board of Directors, executive bodies and other key executives, which clearly defines the approaches to the remuneration of these persons 	■ Totally met Partially met Not met	

SL.NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSING COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSMENT THE COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE
4.1.2	The Company's remuneration policy was developed by the remuneration committee and approved by the Company's Board of Directors. The Board of Directors, with the support of the remuneration committee, ensures control over the adaptation and accomplishment of the remuneration policy in the Company, and reviews and amends it, if necessary.	1. During the reporting period, the remuneration committee reviewed the remuneration policy(s) and the practice of its (their) implementation and, if necessary, made appropriate recommendations to the Board of Directors.	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
4.1.3	The Company's remuneration policy contains transparent mechanisms for determining the remuneration of members of the Board of Directors, executive bodies and other key managers of the Company, as well as regulates all types of payments, benefits, and privileges granted to these persons.	1. The Company's remuneration policy(s) contains (contain) transparent mechanisms for determining the remuneration of members of the Board of Directors, executive bodies and other key managers of the Company, as well as regulates (regulate) all types of payments, benefits, and privileges granted to specified persons.	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
4.1.4	The Company determines the policy of reimbursement of expenses (compensation), specifying the list of costs subject to refund, and the level of service to which members of the Board of Directors, executive bodies and other key managers of the Company can apply. Such a policy may be an integral part of the Company's remuneration policy.	1. The remuneration policy (policies) or other Company internal documents establish rules for reimbursement of expenses of members of the Board of Directors, executive bodies, and other key managers of the Company.	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
4.2	The remuneration system for members of the Board of Directors provides for the convergence of the financial interests of directors with the long-term commercial interests of shareholders.			
4.2.1	The Company pays a fixed annual remuneration to members of the Board of Directors. The Company does not pay remuneration for participation in individual meetings of the board or committees of the Board of Directors.	1. Fixed annual remuneration was the only monetary form of remuneration of members of the Board of Directors for their work on the Board of Directors during the reporting period.	<ul style="list-style-type: none"> Totally met ■ Partially met Not met 	<p>In the reporting year, there were two Regulations on the payment of remuneration and compensation to members of the Board of Directors of Kubanenergo PJSC:</p> <p>Valid until 20.06.2019:</p> <p>In accordance with the Regulations on the Payment of Remuneration and Compensation to Members of the Board of Directors of Kubanenergo PJSC, approved by the Annual General Meeting of Shareholders on June 10, 2015 (Minutes No. 36 dated June 11, 2015), remuneration to the members of the Board of Directors was made at a time based on the results of work for the period from the date of election a candidate to the Board of Directors until a new Board of Directors is elected.</p> <p>The amount of remuneration for participation in the Board of Directors of each member of the Board of Directors of the Company was calculated taking into account the total number of meetings of the Board of Directors of the Company for the past corporate year and the number of meetings in which the member of the Board of Directors took part. At the same time, the size of the basic part of remuneration was established proceeding from the Company's revenue, calculated according to RAS for the financial year. In addition to the above remuneration, the following premiums were established:</p> <ul style="list-style-type: none"> - 30% - to the Chairman of the Board of Directors of the Company; - 20% - to the chairman of a specialized committee under the Board of Directors; - 10% - for membership in a specialized committee under the Board of Directors of the Company. <p>Members of the Board of Directors were also paid additional remuneration from net profit in the event of an increase in the size of the market capitalization of the Company during the period of work of the Board of Directors.</p> <p>In accordance with the said Regulations, remuneration was accrued and paid to members of the Issuer's Board of Directors elected by the annual General Meeting of Shareholders on May 25, 2018 and working until June 20, 2019, that is, for the 2018/2019 corporate year, in the amount of RUB 8,250 thousand.</p> <p>In accordance with these Regulations, members of the Board of Directors were entitled to compensation for expenses related to participation in a meeting of the Board of Directors in accordance with the norms for reimbursement of travel expenses established by the Company at the time of the meeting.</p> <p>The current Regulation on the payment of remuneration and compensation to the members of the Board of Directors of the Company is applicable to the members of the Board of Directors of the Company elected at the annual General Meeting of Shareholders of the Company on June 20, 2019, and subsequent General Meetings of Shareholders of the Company.</p> <p>The amount of remuneration accrued and paid to the members of the Board of Directors of the current staff for the period from 20.06.2019 to 31.12.2019 amounted to 5,515 thousand rubles.</p> <p>In accordance with these Regulations, members of the Board of Directors are entitled to compensation for expenses related to participation in meetings of the Board of Directors, committees of the Board of Directors, General Meetings of Shareholders of the Company in accordance with the norms for reimbursement of travel expenses established for top managers of the Company in force at the time of the meeting (meeting).</p>

SL.NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSING COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSMENT THE COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE
				<p>Regulations on payment of remuneration and compensation to members of the Board of Directors of Kubanenergo PJSC in both versions:</p> <ul style="list-style-type: none"> • does not apply to members of the Board of Directors who are simultaneously members of executive bodies, • stipulates that remuneration to the chairman and members of the Board of Directors of the Company, who are persons in respect of whom the federal law provides for a restriction or prohibition on receiving any payments from commercial organizations, are not accrued or paid. <p>Effective from 20.06.2019:</p> <p>06/20/2019 The General Meeting of Shareholders approved the Regulations on the payment of remuneration and compensation to members of the Board of Directors of Kubanenergo PJSC in a new version. In accordance with this Regulation, remuneration to members of the Board of Directors is paid on a quarterly basis for the period from the date of election of a candidate to the Board of Directors until the date of termination of the powers of a member of the Board of Directors.</p> <p>The amount of remuneration for participation in the Board of Directors of each member of the Board of Directors of the Company is calculated taking into account the total number of meetings of the Board of Directors of the Company for the reporting quarter and the number of meetings in which the member of the Board of Directors took part. At the same time, the amount of the basic part of remuneration is established based on the Company's revenue, calculated according to Russian accounting standards for the last completed reporting year preceding the election of the Board of Directors. The remuneration is paid within 30 calendar days after the end of the reporting quarter.</p> <p>In addition to the above remuneration, the following allowances are established:</p> <ul style="list-style-type: none"> - 30% - to the Chairman of the Board of Directors of the Company; - 20% - to the chairman of a specialized committee under the Board of Directors; - 10% - for membership in a specialized committee under the Board of Directors of the Company. <p>Bonuses for chairmanship and / or membership of the Committee are not paid to the Board of Directors if no meetings of the Committee were held during the reporting quarter.</p> <p>Remuneration is not paid if the member of the Board of Directors did not participate in more than 50% of the meetings held in the reporting quarter. The current Regulation on the payment of remuneration and compensation to the members of the Board of Directors of the Company is applicable to the members of the Board of Directors of the Company elected at the annual General Meeting of Shareholders of the Company on June 20, 2019, and subsequent General Meetings of Shareholders of the Company. The amount of remuneration accrued and paid to the members of the Board of Directors of the current staff for the period from 20.06.2019 to 31.12.2019 amounted to 5,515 thousand rubles.</p> <p>In accordance with these Regulations, members of the Board of Directors are entitled to compensation for expenses related to participation in meetings of the Board of Directors, committees of the Board of Directors, General Meetings of Shareholders of the Company in accordance with the norms for reimbursement of travel expenses established for top managers of the Company in force at the time of the meeting (meeting).</p> <p>Regulations on payment of remuneration and compensation to members of the Board of Directors of Kubanenergo PJSC in both versions:</p> <ul style="list-style-type: none"> • does not apply to members of the Board of Directors who are simultaneously members of executive bodies, • stipulates that remuneration to the chairman and members of the Board of Directors of the Company, who are persons in respect of whom the federal law provides for a restriction or prohibition on receiving any payments from commercial organizations, are not accrued or paid.
4.2.2	Long-term ownership of shares of the Company is most conducive to the convergence of the financial interests of members of the Board of Directors with the long-term benefits of shareholders. At the same time, the Company does not condition the right to sell shares by achieving certain performance indicators, and the members of the Board of Directors do not participate in option programs.	1. If the internal document (documents) – the policy (policies) on the Company's remuneration provide for the granting of shares of the Company to members of the Board of Directors, clear rules for holding shares of board members aimed at encouraging long-term ownership of such shares should be provided and disclosed.	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
4.2.3	The Company does not provide for any additional payments or compensation in the event of early termination of the powers of the members of the Board of Directors in connection with the transfer of control over the Company or other circumstances.	1. The Company does not provide for any additional payments or compensation in the event of early termination of the powers of members of the Board of Directors in connection with the transfer of control over the Company or other circumstances.	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
4.3	The system of remuneration of members of the executive bodies and other key managers of the Company provides for the dependence of remuneration on the result of the Company's work and their contribution to achieving this result.			

SL.NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSING COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSMENT THE COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE
4.3.1	The remuneration of members of the executive bodies and other key managers of the Company is determined in such a way as to ensure a reasonable and reasonable ratio of the fixed part of the remuneration and the variable part of the remuneration, depending on the performance of the Company and the personal (individual) contribution of the employee to the final result.	<ol style="list-style-type: none"> During the reporting period, annual performance indicators approved by the Board of Directors were used in determining the size of the variable remuneration of members of executive bodies and other key managers of the Company. During the last assessment of the remuneration system for members of executive bodies and other key managers of the Company, the Board of Directors (remuneration committee) made sure that the Company applies an adequate ratio of the fixed remuneration part and the variable remuneration part. The Company has a procedure that ensures the return to the Company of bonuses that were illegally received by members of the executive bodies and other key managers of the Company. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
4.3.2	The Company introduced a program of the long-term motivation of members of the executive bodies and other key managers of the Company using the Company's shares (options or other derivative financial instruments, the basic asset for which are the Company's shares).	<ol style="list-style-type: none"> Criteria 1.2 are not met. Such a program has not been implemented in the Company due to the lack of a positive decision of the shareholders. The Company is considering the possibility of organizing an option program for members of executive bodies and other key managers of the Company. 	<ul style="list-style-type: none"> Totally met Partially met ■ Not met 	Criteria 1 and 2 are not met. Such a program in the Company is not implemented due to the absence of a positive decision of the shareholders. The Company is considering the possibility of organizing an option program for members of the executive bodies and other key executives of the Company.
4.3.3	The amount of compensation (the golden parachute) paid by the Company in the event of early termination of the powers of members of the executive bodies or key managers at the initiative of the Company and in the absence of unfair acts on their part does not exceed twice the fixed part of the annual remuneration.	<ol style="list-style-type: none"> The amount of compensation (the golden parachute) paid by the Company in the event of early termination of the powers of members of the executive bodies or critical managers at the initiative of the Company and in the absence of unfair actions on their part did not exceed twice the fixed part of the annual remuneration in the reporting period. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
5.1	The Company has established an efficiently functioning risk management and internal control system aimed at ensuring reasonable confidence in achieving the goals set for the Company.			
5.1.1	The Board of Directors of the Company determined the principles and approaches to the organization of the risk management and internal control system in the Company.	<ol style="list-style-type: none"> the Company has clearly defined functions of various management bodies and subdivisions in the risk management and internal control system in the internal documents/relevant policies of the Company approved by the Board of Directors. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
5.1.2	The executive bodies of the Company ensure the creation and maintenance of effective risk management and internal control system in the Company.	<ol style="list-style-type: none"> The executive bodies of the Company ensured the distribution of duties and powers in regards to risk management and internal control among the managers (heads) of departments and subdivisions accountable to them. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
5.1.3	The system of risk management and internal control in the Company ensures an objective, fair and transparent picture of the current state and prospects of the Company, the integrity, and transparency of the Company's reporting, and the reasonableness and acceptability of the risks assumed by the Company.	<ol style="list-style-type: none"> The Company approved a policy to counter corruption. The Company has organized an accessible way of informing the Board of Directors or the audit committee of the Board of Directors about the facts of violation of the law, internal procedures, and the Company's code of ethics. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
5.1.4	The Company's Board of Directors is taking the necessary measures to ensure that the Company's risk management and internal control system complies with the principles and approaches to its organization defined by the Board of Directors and functions effectively.	<ol style="list-style-type: none"> During the reporting period, the Board of Directors or the audit committee of the Board of Directors conducted an assessment of the effectiveness of the Company's risk management and internal control systems. Information on the main results of such an assessment is included in the Company's annual report. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
5.2	For a systematic independent assessment of the reliability and effectiveness of the risk management and internal control system and the practice of corporate governance, the Company organizes an internal audit.			
5.2.1	A separate structural subdivision was created in the Company to conduct an internal audit, or there was involved an independent external organization. The functional and administrative accountability of the internal audit unit is delimited. Functionally, the internal audit subdivision reports to the Board of Directors.	<ol style="list-style-type: none"> For the internal audit, a separate internal audit subdivision has been created in the Company, functionally accountable to the Board of Directors or the Audit Committee, or an independent external organization was involved with the same principle of accountability. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	

SL.NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSING COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSMENT THE COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE
5.2.2	The internal audit subdivision conducts an assessment of the effectiveness of the internal control system, an evaluation of the effectiveness of the risk management system, and the corporate governance system. The Company applies generally accepted standards of internal audit activities.	<ol style="list-style-type: none"> During the reporting period, the internal audit assessed the effectiveness of the internal control and risk management system. The Company uses generally accepted approaches to internal control and risk management. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
6.1	The Company and its activities are transparent to shareholders, investors and other interested parties.			
6.1.1	The Company has developed and implemented an information policy that ensures effective information interaction between the Company, shareholders, investors and other stakeholders.	<ol style="list-style-type: none"> The Board of Directors of the Company approved the information policy of the Company, developed taking into account the recommendations of the Code. The Board of Directors (or one of its committees) reviewed issues related to the Company's compliance with its information policy at least once during the reporting period. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
6.1.2	The Company discloses information on the system and practice of corporate governance, including detailed information on compliance with the principles and recommendations of the Code.	<ol style="list-style-type: none"> The Company discloses information about the corporate governance system in the Company and general principles of corporate governance applied in the Company, including on the Company's website on the Internet. The Company discloses information on the composition of the executive bodies and the Board of Directors, the independence of the board members and their membership in the committees of the Board of Directors (following the definition of the Code). If a person is controlling the Company, the Company publishes a controlling person's memorandum regarding the person's plans for corporate governance in the Company. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
6.2	The Company timely discloses complete, current, and reliable information about the Company to ensure the possibility of making sound decisions by the Company's shareholders and investors.			
6.2.1	The Company discloses information by the principles of regularity, consistency, and efficiency, as well as the availability, reliability, completeness, and comparability of the disclosed data.	<ol style="list-style-type: none"> The Company's information policy defines the approaches and criteria for determining the information that could have a significant impact on the Company's valuation and the value of its securities and procedures that ensure the timely disclosure of such information. If the Company's securities circulate in regulated foreign markets, the disclosure of material information in the Russian Federation and such markets is carried out simultaneously and equivalently during the reporting year. If foreign shareholders own a significant number of shares of the Company, during the reporting year, information was disclosed not only in Russian but also in one of the most common foreign languages. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
6.2.2	The Company avoids a formal approach in disclosing information and discloses material information about its activities, even if the disclosure of such information is not provided for by law.	<ol style="list-style-type: none"> During the reporting period, the Company disclosed annual and semi-annual financial statements prepared in compliance with IFRS. The Company's annual report for the reporting period includes annual financial statements prepared in accordance with IFRS, together with an audit report. The Company discloses full information on the capital structure of the Company by recommendation 290 of the Code in the annual report and on the Company's website on the Internet. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
6.2.3	The annual report, being one of the essential tools of information interaction with shareholders and other interested parties, contains information that allows evaluating the results of the Company's activities for the year.	<ol style="list-style-type: none"> The Company's annual report contains information on critical aspects of the Company's operations and its financial results. The Company's annual report contains information on the environmental and social aspects of the Company's operations. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
6.3	The Company provides information and documents on the requests of shareholders by the principles of equal access and ease.			
6.3.1	The Regulation of information and documents by the Company at the request of shareholders is carried out following the principles of equal access and ease.	<ol style="list-style-type: none"> The information policy of the Company determines the non-burdensome procedure for providing shareholders with access to information, including information about legal entities controlled by the Company, at the request of shareholders. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	
6.3.2	When a Company provides information to shareholders, a reasonable balance is maintained between the interests of specific shareholders and the interests of the Company itself, which is interested in maintaining the confidentiality of important commercial information that may have a significant impact on its competitiveness.	<ol style="list-style-type: none"> During the reporting period, the Company did not refuse to satisfy the requests of shareholders for information, or such refusals were justified. In cases determined by the Company's information policy, shareholders are cautioned about the confidential nature of the information and undertake to keep it secret. 	<ul style="list-style-type: none"> ■ Totally met Partially met Not met 	

SL.NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSING COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSMENT THE COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE
7.1	Actions that largely affect or may affect the structure of share capital and the financial condition of the Company and, accordingly, the position of shareholders (significant corporate actions) are carried out on fair conditions ensuring compliance with the rights and interests of shareholders and other interested parties.			
7.1.1	Significant corporate actions include the reorganization of the Company, the acquisition of 30 percent or more of the Company's voting shares (takeover), the Company makes significant transactions, the increase or decrease in the Company's authorized capital, the listing and delisting of the Company's shares, as well as other actions that may lead to a significant change in rights of shareholders or violation of their interests. The Company's charter defines a list (criteria) of transactions or other actions that are significant corporate actions, and such actions are within the competence of the Company's Board of Directors.	<ol style="list-style-type: none"> The Company's charter defines a list of transactions or other actions that are significant corporate actions and criteria for their determination. Decision making concerning material, corporate actions falls within the competence of the Board of Directors. In those cases where the implementation of these corporate actions is directly referred by law to the competence of the General Meeting of shareholders, the Board of Directors provides relevant recommendations to shareholders. The Company's Charter include at least the following significant corporate actions: the reorganization of the Company, the acquisition of 30 percent or more of the Company's voting shares (takeover), the execution by the Company of material transactions, the increase or decrease in the authorized capital of the Company, the listing, and delisting of the Company's shares. 	Totally met ■ Partially met Not met	Criterion 1 is partially met. The Charter of the Company does not define a list of transactions or other actions that are significant corporate actions and criteria for their determination. The issue requires elaboration and detailed coordination with subsequent approval by the General Meeting of Shareholders of the Company. At the same time, the Charter of the Company considers the following issues related to the competence of the General Meeting of Shareholders only at the suggestion of the Board of Directors: <ul style="list-style-type: none"> reorganization of the Company, increase in the authorized capital of the Company by increasing the nominal value of shares or by placing additional shares; making decisions on consent to the commission or on the subsequent approval of transactions in the cases provided for by art. 83 of the Federal Law «On Joint-Stock Companies»; deciding whether to consent to or about the subsequent approval of major transactions in the cases provided for in art. 79 of the Federal Law «On Joint Stock Companies». The following issues are related to the competence of the Board of Directors of the Company: <ul style="list-style-type: none"> application with listing of the Company's shares and (or) equity securities of the Company convertible into the Company's shares, preliminary approval of decisions for the conclusion of individual transactions by the Company: the subject of which are non-current assets of the Company in the amount of more than 10% of the book value of these assets, related to the alienation or the possibility of separation of property constituting fixed assets, intangible assets, construction in progress, the purpose of which is the production, transmission, dispatching, distribution of electrical and thermal energy, as well as other types of property determined by individual decisions of the Board of Directors, concerning transfer (reception) to the temporary possession (use) of real estate and electric grid facilities for more than five years, related to the gratuitous transfer of the Company's property or property rights (claims) to itself or to a third party; transactions related to exemption from property obligations to themselves or to a third party; transactions related to the granting of services by the Company to third parties, which may entail the emergence of liabilities denominated in foreign currency transactions with derivative financial instruments. Criterion 2 is not met. The Company is developing relevant changes and will be introduced into the Company's Charter, subject to a positive decision by the shareholders
7.1.2	The Board of Directors plays a key role in making decisions or making recommendations for significant corporate actions; the Board of Directors relies on the position of independent directors of the Company.	<ol style="list-style-type: none"> The Company has a procedure under which independent directors declare their position on significant corporate actions before their approval. 	Totally met ■ Partially met Not met	This procedure is not reflected in the Company's internal documents; however, in practice, an independent director voices his position on significant corporate actions before their approval.
7.1.3	When making significant corporate actions affecting the rights and legitimate interests of shareholders, equal opportunities are provided to all shareholders, and in case of insufficiency of the mechanisms provided for by legislation aimed at protecting the rights of shareholders, additional measures protect the rights and legitimate interests of the Company's shareholders. At the same time, the Company is guided not only by compliance with the formal requirements of the law but also by the principles of corporate governance outlined in the Code.	<ol style="list-style-type: none"> The Company's Charter, taking into account the peculiarities of its activities, establishes lower minimum criteria for classifying the Company's transactions as significant corporate actions than those provided by law. During the reporting period, all material, corporate actions were approved prior to their implementation. 	■ Totally met Partially met Not met	
7.2	The Company provides such a procedure for carrying out significant corporate actions, which allows shareholders to receive full information about such activities on time, which will enable them to influence the commission of such actions and guarantees compliance with an adequate level of protection of their rights when committing such actions.			
7.2.1	Information on the commission of significant corporate actions is disclosed explaining the causes, conditions and consequences of such actions.	<ol style="list-style-type: none"> During the reporting period, the Company promptly and in detail disclosed information about the significant corporate actions of the Company, including the reasons and deadlines for such actions. 	■ Totally met Partially met Not met	

SL.NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSING COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE	EXPLANATIONS OF DEVIATIONS FROM THE CRITERIA FOR ASSESSMENT THE COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE
7.2.2	The rules and procedures related to the implementation of significant corporate actions by the Company are enshrined in the Company's internal documents.	<ol style="list-style-type: none"> The Company's internal documents provide for a procedure for engaging an independent appraiser to determine the value of the property being alienated or acquired in a major transaction or an interested party transaction. The Company's internal documents provide for the procedure for attracting an independent appraiser to estimate the cost of acquiring and redeeming shares of the Company. The Company's internal documents provide for an expanded list of the grounds on which members of the Company's Board of Directors and other persons provided for by law are deemed to be interested in the Company's transactions. 	Totally met ■ Partially met Not met	Criteria 1 and 2 are partially met. The Charter of the Company establishes the involvement of an independent appraiser (appraisers) to determine the value of shares, property and other assets of the Company in cases provided for by the Federal Law «On Joint Stock Companies,» as well as by individual decisions of the Board of Directors of the Company. Criterion 3 is not met. The Company is considering the possibility of developing appropriate changes.



APPENDIX 4

INFORMATION ON NON-CORE ASSETS OF KUBANENERGO PJSC. PARTICIPATION OF KUBANENERGO PJSC IN COMMERCIAL ORGANIZATIONS

INFORMATION

ON NON-CORE ASSETS OF KUBANENERGO PJSC. PARTICIPATION OF KUBANENERGO PJSC IN COMMERCIAL ORGANIZATIONS

REGISTER OF NON-CORE ASSETS OF THE COMPANY

Pursuant to the Decree of the President of Russia dated May 7, 2012 No. 596, Directives of the Government of Russia dated July 7, 2016 No. 4863p-P13 and the Order of the Russian Government dated May 10, 2017 No. 894-r by the Board of Directors of Kubanenergo PJSC on December 23, 2016 (Minutes dated December 26, 2016 No. 259/2016), the Program for the disposal of non-core assets of PJSC Kubanenergo was approved, which was approved in a new version on February 22, 2018 by the decision (Minutes No. 300/2018) (hereinafter - the Program).

The program defines the main approaches, principles and procedures for identifying and selling non-core assets, establishes criteria for classifying assets as non-core assets, the procedure for maintaining a register of non-core assets, approaches to determining the value of non-core assets, basic provisions for their disposal, as well as the procedure for submitting reports on the progress of the register of non-core assets.

By the decision of the Board of Directors of the Company dated February 21, 2020 (Minutes No. 377/2020), the current register of non-core assets was approved, formed in accordance with the requirements of the Program.

INFORMATION ON THE SALE OF NON-CORE ASSETS FOR 2019

ASSET NAME	STOCK NUMBER (IF APPLICABLE)	LINE OF THE BALANCE SHEET WHERE THE ASSET WAS REFLECTED AT THE REPORTING DATE PRIOR TO THE SALE OF THE ASSET	ACCOUNTING ACCOUNTS (TAKING INTO ACCOUNT ANALYTICS), WHICH REFLECT INCOME AND EXPENSES FROM THE DISPOSAL OF AN ASSET (91.1 AND 91.2)	BOOK VALUE OF THE ASSET, THOUSAND RUBLES	ACTUAL COST OF REALIZATION, THOUSAND RUBLES	DEVIATION OF THE ACTUAL REALIZABLE VALUE FROM THE BOOK VALUE OF THE ASSET, THOUSAND RUBLES	REASONS FOR DEVIATION OF THE ACTUAL REALIZABLE VALUE FROM THE BOOK VALUE OF THE ASSET
Non-residential building - building of a car repair shop. Location of the object: Krasnodar Territory, Labinsk, st. Kalinin, house number 309.	33003	1132	91.1 91.2	2049.24			
Non-residential premises - material warehouse. Location of the object: Krasnodar Territory, Labinsk, st. Kalinin, house number 309.	33001	1132	91.1 91.2	1477.30	2062.71	2735.78	Auction for the sale of non-core property with an initial price equal to the book value was declared invalid due to the absence of applications for participation
Non-residential premises-warehouse for oils Object location: Krasnodar region, Labinsk, st. Kalinin, house number 309.	33004	1132	91.1 91.2	1134.56			
Warehouse-shed Location of the object: Krasnodar Territory, Labinsk, st. Kalinin, house number 309.	33005	1132	91.1 91.2	137.39			
Total				4798.49	2062.71		

PARTICIPATION OF KUBANENERGO PJSC IN COMMERCIAL ORGANIZATIONS

As of December 31, 2019, Kubanenergo PJSC owned stakes in four joint-stock companies, including two subsidiaries.

NAME AND ADDRESS OF COMPANIES	REGION OF ACTIVITY	ACTIVITY	SHARE OF THE COMPANY IN THE AUTHORIZED CAPITAL OF THE JOINT-STOCK COMPANY, %
1. SUBSIDIARIES OF KUBANENERGO PJSC			
Joint-stock company «Recreation boarding house» Energetik « (JSC P / o «Energetik»), 353490, Krasnodar region, from. Divnomorskoe, st. Pionerskaya, 4	Krasnodar region	Organization of recreation and health improvement for children and adults, primarily employees of PJSC «Kubanenergo» and members of their families; organization and holding of seminars and conferences	100
Joint Stock Company «Energoservice Kuban» (JSC «Energoservice Kuban») 350080, Krasnodar, st. Novorossiyskaya, 47	Krasnodar region	Design, installation and commissioning of metering units for electricity, gas and technological equipment, hot and cold water supply	100
2. OTHER COMMERCIAL ORGANIZATIONS OWNED BY THE COMPANY			
Closed Joint Stock Company «Regional Engineering and Technological Energy Company - SOYUZ» (RITEK-SOYUZ CJSC) Legal address: 350033, Krasnodar, Central Administrative District, st. Stavropolskaya, 2 Mailing address: 350080, Krasnodar, st. Demus, d. 50	Krasnodar region	Organization, implementation and support of research and development, engineering, construction and installation and commissioning works; monitoring and controlling	1
Closed Joint Stock Company «North Caucasus Scientific and Production Joint Stock Corporation» Turbogaz «(CJSC) Turbogaz» Legal address: 353470, Krasnodar region, Gelendzhik Mailing address: 350000, Krasnodar, st. Ordzhonikidze, 66	Krasnodar region	Development of energy saving technologies; manufacturing, operation, maintenance and repair of power plants; production and sale of electricity	4

Blocks of shares of the above joint stock companies are included in the register of non-core assets.

With regard to blocks of shares, the method of disposal is "retaining participation". The method of disposal is established prior to making a separate systemic decision regarding these assets.

The size of the stake in the voting shares of CJSC Turbogaz and CJSC RITEK-SOYUZ owned by the Company does not allow him to independently make decisions on the functioning of these commercial organizations, including determining the composition of their management and control bodies. Interaction of PJSC «Kubanenergo» with subsidiaries (hereinafter - subsidiaries) is carried out in accordance with the requirements of the legislation of the Russian Federation, charters and internal documents of the Company and its subsidiaries, including the Procedure for interaction of the Company with business entities, shares (interests) of which are owned by the Company, approved by the decision of the Board of Directors of the Company (minutes of March 27, 2009 No. 69/2009).

THE MAIN GOALS OF THE COMPANY'S INTERACTION WITH SUBSIDIARIES:

- ensuring stable financial development and profitability of subsidiaries;
- ensuring the protection of the rights and interests of shareholders of the Company and subsidiaries;
- increasing the investment attractiveness of the Company and subsidiaries by providing the investment community with complete, timely, reliable information

about the activities of subsidiaries, as well as the balance and predictability of corporate policy in general;

- development and implementation of a coordinated and effective investment policy of subsidiaries.

Management and control of the activities of subsidiaries is carried out by the Company through the following corporate governance mechanisms:

- in accordance with the Articles of Association of PJSC Kubanenergo, the functions of general meetings of shareholders of 100% subsidiaries are performed by the Management Board of the Company;
- general management of the subsidiaries' activities is carried out by their boards of directors, most of whose members are representatives of PJSC Kubanenergo;
- on the main issues of the agenda of general meetings of shareholders and meetings of the boards of directors of subsidiaries, the position of PJSC "Kubanenergo" is determined by the Board of Directors of the Company;
- regular control of the financial and economic activities of subsidiaries is carried out by their audit commissions, consisting of representatives of PJSC Kubanenergo.

The operational management of each subsidiary is carried out by the sole executive body - the general director. Collegial executive bodies (boards) are not provided for by the charters of subsidiaries.

FINANCIAL AND ECONOMIC PERFORMANCE

INDICATORS OF JSC «P / O ENERGETIK»

Nº	NAME	2019	2018	2017
1	Revenue, thousand rubles	58 784	64 289	57 146
2	Gross profit, thousand rubles	1 355	730	-410
3	Net profit (retained earnings / uncovered loss), thousand rubles	316	-784	4
4	Return on equity (ROE) *, %	0.92	-2.26	0.01
5	Return on Total Assets (ROTA) by profit before tax *, %	1.3	0.3	2.2
6	Net profitability ratio, %	0.5	-1.2	0
7	Product (sales) profitability, %	2.3	1.1	-0.7
8	The amount of uncovered loss as of the reporting date, thousand rubles	581	897	113
9	The ratio of uncovered loss as of the reporting date and balance sheet currency, %	1.6	2.5	0.3

FINANCIAL AND ECONOMIC PERFORMANCE

INDICATORS OF JSC «ENERGOSERVICE KUBAN»

Nº	NAME	2019	2018	2017
1	Revenue, thousand rubles	100 737	39 895	102 364
2	Gross profit, thousand rubles	17 527	12 924	55 681
3	Net profit (retained earnings / uncovered loss), thousand rubles	1 335	1 269	36 271
4	Return on equity (ROE) *, %	9.0	6.9	858.6
5	Return on Total Assets (ROTA) by profit before tax *, %	4.5	3.1	105.3
6	Net profitability ratio, %	1.3	3.2	35.4
7	Product (sales) profitability, %	2.6	9.6	46.2
8	The amount of uncovered loss as of the reporting date, thousand rubles	-	-	-
9	The ratio of uncovered loss as of the reporting date and balance sheet currency, %	-	-	-

The indicator «Return on equity (ROE)», «Return on total assets (ROTA) on profit before tax» are calculated in accordance with the following methodology:

Return on Equity (ROE) = Net Income / Avg. equity value * 100%

Return on Total Assets (ROTA) in Profit before Tax = Profit before Tax / Avg. total assets value * 100%

Detailed information about the subsidiaries and affiliates of PJSC Kubanenergo is posted on the Company's website in the section "About the Company / Subsidiaries".

APPENDIX 5

FUNCTIONS OF THE PARTICIPANTS OF THE INTERNAL CONTROL SYSTEM OF KUBANENERGO PJSC

NO.ITEM NUMBER	ICS PARTICIPANTS	THE MAIN FUNCTIONS IN THE FIELD OF ICS
1	Auditing Commission	<ul style="list-style-type: none"> exercises control over the Company's financial and economic activities, on the basis of which prepares proposals/ recommendations for improving the ICS; carries out an independent assessment of the reliability of the data contained in the annual report of the Company and in the annual financial statements of the Company
2	Board of Directors	<ul style="list-style-type: none"> determines the principles and approaches to the organization of the ICS of the Company, including approving the Company's internal documents defining the organization and strategy for the development and improvement of the ICS, supports the Company's internal control policy; monitors the activities of the executive bodies of the Company in the main (priority) areas; considers the report of the Board on the organization and functioning of the ICS of the Company; annually reviews reports of the internal auditor on the effectiveness of the ICS considers the results of external independent assessment of the effectiveness of ICS
3	Board Audit Committee	<ul style="list-style-type: none"> carries out preliminary consideration before approval by the Board of Directors of the Company's internal documents defining the organization and strategy for the internal control policy and subsequent changes to them; carries out a preliminary review before the Board of Directors reviews the results of evaluating the effectiveness of ICS according to the report of the internal auditor on the effectiveness of ICS, as well as information on the results of the external independent assessment of the efficacy of ICS; prepares proposals/ recommendations for improving the Company's ICS; monitors the ICS: regarding consideration of issues related to control over the accuracy of the Company's accounting (financial) statements, selection of an external auditor and conducting an external audit, for ensuring compliance with regulatory legal requirements, in terms of consideration of the report of the Board on the organization and functioning of ICS, and also in review of the issues related to the analysis and evaluation of implementation of internal control policies
4	Other committees of the Board of Directors: Human Resources and Remuneration Committee; Reliability Committee; Strategy Committee; Technological Connection Committee	<ul style="list-style-type: none"> within the competencies established by the Board of Directors, monitor the implementation of the established financial and operational indicators, oversee compliance with applicable laws, established local regulations of rules and procedures, as well as the accuracy and timeliness of reporting generated by the Company
5	Executive bodies:	<ul style="list-style-type: none"> ensure the creation and effective functioning of ICS; responsible for the implementation of decisions of the Board of Directors in the organization of ICS
5.1	Management Board of the Company	<ul style="list-style-type: none"> Forms directions and plans for the development and improvement of ICS; prepares reports on the financial and economic activities of the Company, the organization and functioning of the Company's ICS; considers the results of external independent assessment of the effectiveness of ICS; develops measures for the development and improvement of ICS
5.2	General Director of the Company	<ul style="list-style-type: none"> approves the regulatory and methodological documents of the Company on the organization and functioning of the ICS, with the exception of documents whose approval falls within the competence of the Board of Directors of the Company; ensures the implementation of the plans of the Company's activities necessary for the solution of its tasks; organizes the maintenance of accounting and management accounting, preparation of accounting (financial) and other statements; submits to the Board of Directors for consideration reports on the financial and economic activities of the Company, on the organization and functioning of the Company's ICS
6	Collective working bodies, of which the most important are:	<ul style="list-style-type: none"> within their authority, they carry out control procedures and (or) develop recommendations for improving control procedures, individual components (elements) of internal control and ICS
6.1	Commission for settlement of receivables of Kubanenergo PJSC	<ul style="list-style-type: none"> evaluates the reasonableness and prospects for resolving disputes between the Company and counterparties with regard to financial settlements; evaluates the effectiveness of measures implemented in order to reduce accounts receivable, including for services rendered for the transmission of electricity; considers issues in terms of receivables management submitted by the structural subdivisions of the Company to the Commission for consideration; determines the position of the Company in relation to the management of receivables
6.2	Commission for the evaluation of the activities of contracting organizations involved in the construction, technical re-equipment and reconstruction of the Company	<ul style="list-style-type: none"> identifies problems in the areas of production activities of the counterparty that may cause risks of non-fulfillment (improper performance) of contractual obligations to the Company by him; provides a comprehensive assessment of the effectiveness of counterparties in the context of the production direction in capital construction; draws up a list of bona fide contracting organizations duly fulfilling their obligations under contracts for the construction, technical re-equipment and reconstruction of electric grid facilities

6.3	Power Supply Consolidation Commission of the Company	<ul style="list-style-type: none"> determines the technical and economic feasibility of the acquisition of power facilities, taking into account the submitted documents; determines the position of the project submitted for its consideration on the expediency (inexpediency) of the acquisition of power facilities; organizes a transaction for the acquisition of power facilities; concludes an agreement on the acquisition of objects and the organization of the registration of objects
6.4	Compliance Commission for corporate ethics and conflict of interest	<ul style="list-style-type: none"> resolves pre-conflict situations arising in the Company's structural subdivisions, information about which is sent by the structural subdivision of anti-corruption compliance procedures for consideration at Commission meetings; resolves conflicts of interests in relation to the Company's employees; considers the facts and cases of violation of the norms of corporate ethics and standards of corporate behavior in the Company; performs the requirements of art. 13.3 of the Federal Law of the Russian Federation of December 25, 2008, No. 273-FZ «On Countering Corruption»
7	Heads of units and structural subdivisions of the Company	<ul style="list-style-type: none"> perform the functions of developing, documenting, introduction, monitoring and improving the internal control system in the functional areas of the Company, responsibility for the organization and coordination/fulfillment of which is entrusted to them by the Company's regulatory documents/ regulations for structural subdivisions, including: <ul style="list-style-type: none"> complies with the principles of compliance control; organize the construction of effective processes (areas of activity), including the development and implementation, taking into account the risks identified, of new control procedures or the modification of existing ones; provide regulation of supervised processes (activities); organize the execution of control procedures; assess (monitor) the implementation of control procedures; assess the supervised processes (activities) for the need to optimize them to improve efficiency and meet the changing conditions of the external and internal environment, organize the development of proposals for improving the control procedures; provide elimination of identified deficiencies in control procedures and processes (activities)
8	Employees of the Company's subdivisions performing control procedures by virtue of their official duties	<ul style="list-style-type: none"> perform control procedures; timely inform direct managers about cases, in which the execution of control procedures for any reason has become impossible and (or) a change in the design of control procedures is required due to a change in the internal and (or) external conditions of the Company's operation; submit to direct management proposals for the implementation of control procedures in relevant areas of activity
2nd line of protection		
9	Directorate for internal control and risk management	<ul style="list-style-type: none"> develops and ensures the implementation of basic and methodological documents on the construction and improvement of ICS; assists management in the construction of ICS business processes, making recommendations on the description and implementation of control procedures in processes (activities) and securing responsibility for officials; prepares information on the state of ICS for interested parties; interacts with government regulatory bodies on compliance control issues
10	Functional control subdivisions:	
10.1	Economic Security Administration	<ul style="list-style-type: none"> carries out counteraction to the facts of unfair competition; conducts official investigations into the facts (preconditions) of damage to the interests of the economic security of the Company; organizes the fight against theft of electricity, financial and material resources, intellectual property, the prevention of other crimes against the Company's property; conducts independent audits and participates in joint inspections of the financial and economic subdivisions of the Company to prepare its own opinion on violations and form an evidence base to protect the Company's legitimate interests
10.2	Anti-Corruption Compliance Department	<ul style="list-style-type: none"> develops and organizes the implementation in the Company of a unified system for the implementation of corporate and anti-corruption compliance procedures; organizes the Company's activities in the conduct of corporate and anti-corruption compliance procedures
10.3	Overdue Receivables Department	<ul style="list-style-type: none"> coordinates and controls the activities of the Company's subdivisions to reduce overdue receivables for electricity transmission services

10.4	Controlling department	<ul style="list-style-type: none"> builds and continuously improves the integrated management support system of the Company, aimed at coordinating and controlling the interaction of management systems; ensures the adaptation of the Company strategic goals, the organization, control and methodological guidance of the Company's subdivisions in terms of strategic planning; carries out the improvement and assessment of the quality of management systems and methods, based on the principles of an integrated management system; organizes methodological support and coordination of the Company's subdivisions on the functioning of the integrated management system, ensuring the realization of the Company's policies and objectives in the field of quality in accordance with the requirements of international standards ISO 9001, ISO 14001 and OHSAS 18001, as well as monitoring the status of the integrated management system
10.5	Legal Support Department	<ul style="list-style-type: none"> supervises the Company's compliance with legal requirements by conducting legal review and coordination in the manner prescribed by the organizational and administrative documents of the Company, drafts of contracts and agreements, drafts of organizational and administrative documents, drafts of powers of attorney to represent the Company's interests to third parties, drafts of statements, letters complaints sent on behalf of the Company to the legislative and executive authorities, courts of law, enforcement agencies; monitors and informs the Company's management of the adopted regulatory legal acts of the Russian Federation, which significantly affect the Company's activities in order to minimize the risks of non-compliance with the requirements of the legislation and the interests of the Company