



2018

ANNUAL REPORT

HORIZONS

OF LONG-TERM PLANNING





Approved by:

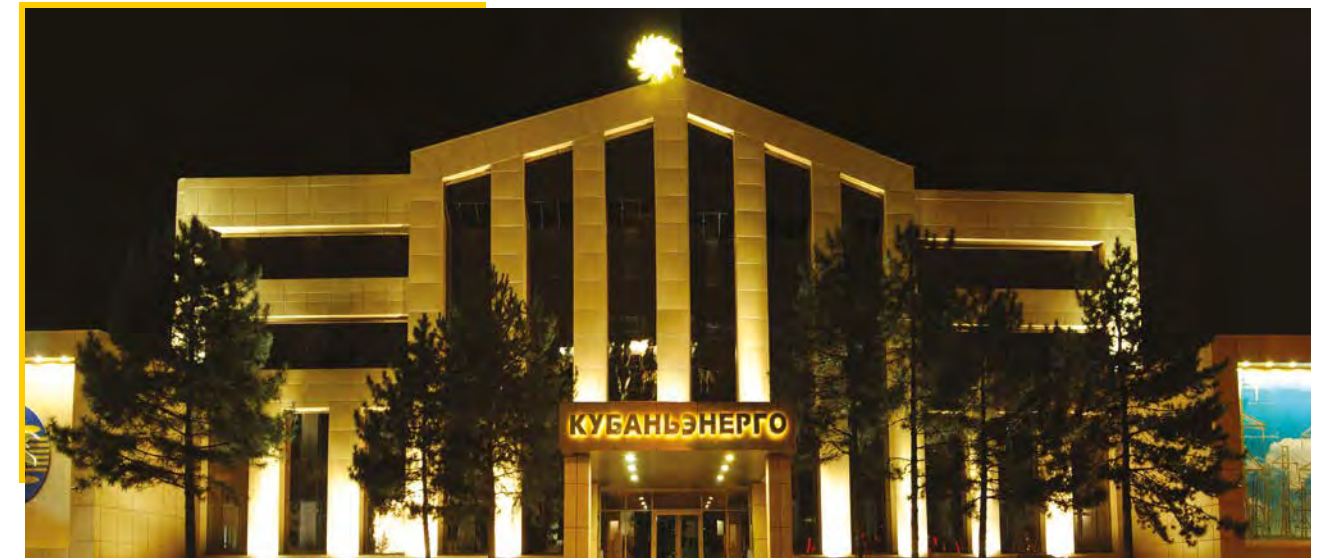
the decision of the Annual General Meeting of Shareholders
of Kubanenergo PJSC
(Minutes of meeting dated 20.06.2019, No. 42)

THE ANNUAL REPORT

BASED ON THE RESULTS
OF KUBANENERGO PJSC FOR 2018

General Director of Kubanenergo PJSC
Chief Accountant – Head of Accountance
and Tax Accounting

A.I. Gavrilov
I.V. Skiba



This Annual Report presents the results of the activity of the Kuban Power and Electrification Public Joint Stock Company for 2018, as well as some important events in its activities that occurred after the reporting date - from January 1, 2019 until the preliminary approval of the annual report by the Board of Directors on May 15, 2019. In the text of this annual report, Kuban Power and Electrification Public Joint Stock Company are also referred

to as Kubanenergo PJSC, Kubanenergo, Company and when mentioning events that occurred before June 22, 2015 (date of changing the name), – OJSC Kubanenergo. PJSC Rosseti (until April 4, 2013 – IDGC Holding JSC, from April 4, 2013, to July 17, 2015 – OJSC Rosseti) and other legal entities are referred to in the text of this annual report as were called in the periods mentioned.

LEGAL DISCLAIMER

This Annual Report (further referred to as the Report) was prepared on information available to Kubanenergo PJSC and its subsidiaries at the time of the Report preparation.

The report contains information, including on future production and business activities of the Company, based on forecasts and estimates of the Company's management, made on the basis of the current situation. Due to the influence of various objective factors, actual performance may differ from the forecasts and estimates given above.

The Report contains certain forward-looking statements regarding business activities, economic indicators and the financial condition of the Company, its plans, projects and expected results. Also, the Report may contain estimates of trends in changing the price for services/products, production and consumption volumes, costs, estimated costs, development prospects and other similar factors, as well as forecasts for the development of the industry and markets, dates for starting and ending individual projects the management of the Company.

Such words as "has intention", "strives for" "makes a project", "expects", "estimates", "plans", "considers", "assumes", "can", "must", "will do", "will continue" and other words or expressions similar to them or derived from these words, usually indicate the predictive nature of statements.

By their very nature, the forward-looking statements are associated with inherent risk and uncertainty, both general and private, and there is a danger that assumptions, forecasts, projects and other forward-looking statements will not materialize. In light of these risks, uncertainties and assumptions, the Company warns that actual results may differ significantly from the values expressed directly or indirectly in forward-looking statements and are valid only at the time of the Report.

The Company does not approve and does not guarantee that the results of activities indicated in the forward-looking statements will be achieved. The Company does not assume any responsibility for damages that may be incurred by individuals or legal entities acting on the basis of forward-looking statements. Such forward-looking statements in each specific case represent only one of many possible developments and should not be considered as the most likely.

Except for cases expressly provided for by the legislation of the Russian Federation, the Company does not assume obligations to publish updates and changes in forward-looking statements, based on both new information and subsequent events.

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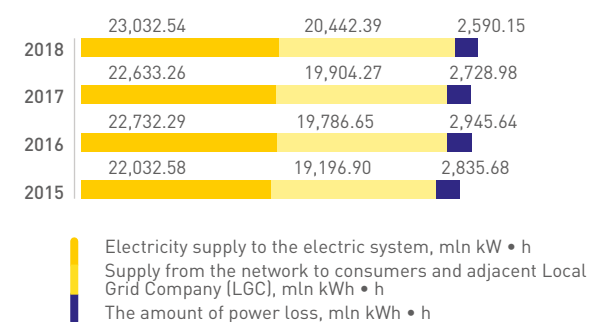
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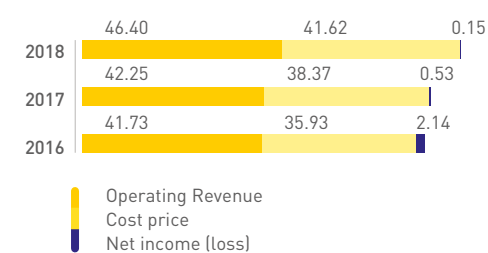
KEY PERFORMANCE INDICATORS

	UNIT OF MEASURE	2014	2015	2016	2017	2018	△
FINANCIAL INDICATORS							
Operating Revenue	million rubles	29,393.4	35,704.2	41,726.2	42,253	46,401.1	+9.8%
including:							
● from electricity transmission services	million rubles	28,464.2	34,403.0	39,262.4	41,485.7	45,583.5	+9.9%
● from technological connection services	million rubles	847.8	1,213.3	2,380.5	647.9	602.5	-7.0%
Cost price ¹	million rubles	29,918.8	33,149.3	35,927.8	38,369.0	41,616.9	+8.5%
Net income (loss)	million rubles	-3,632.3	1,452.5	2,140.5	525.3	151.2	-71.2%
Net Profitability of Equity (Return on Equity)	%	-11.55	4.69	6.32	1.48	0.43	-1.05%
Return on assets	%	-5.92	3.52	5.33	1.68	1.73	+0.05%
Cash at the end of the year	million rubles	7,071.0	2,577.5	1,245.6	1,667.7	2,194.5	+31.6%
Long-term loans and loans at the end of the year	million rubles	14,900.0	10,000	18,912.2	22,617.8	13,283.2	-41.3%
Short-term credits and loans at the end of the year	million rubles	2,517.0	7,071.0	79.1	91.0	11,395.3	in 125 more
Implementation of capital investment	million rubles	9,177	8,329	4,913	6,700	7,727	+15.3%

Electricity supply to and from the grid of Kubanenergo PJSC and losses during transmission of electricity, mln kWh • h:



Dynamics of key economic indicators of Kubanenergo PJSC in 2016–2018, mln rubles.



	UNIT OF MEASURE	2014	2015	2016	2017	2018	△
OPERATING PERFORMANCE							
The total length of overhead and underground power lines (by circuits)	km	89,793.8	90,420.63	90,661.0	91,106	91,000.94	-0.1%
Installed capacity of substations of 35–110 kV	MegaVolt-Amper (MVA)	9,166.10	9,446.13	9,519.1	9,696.63	9,937.1	+2.5%
Installed capacity of substations in the distribution network with voltage of 10–6 kV/0.4 kV	MegaVolt-Amper (MVA)	4,556.83	4,643.09	4,741.061	4,805.905	4,896.04	+1.9%
The average duration of interruptions of power supply to consumers in the network voltage of 6 kV and above	h	5.05	4.57	4.26	3.48	2.84	-18.4%
Electricity supply to Kubanenergo PJSC network	million kW • h	21,572.6	22,032.6	22,732.3	22,633.2	23,032.5	+1.8%
The volume of electricity transmission services rendered	million kW • h	17,081.7	17,457.2	18,059.1	18,204.1	18,766.5	+3.1%
Power loss	million kW • h	2,852.7	2,835.7	2,945.6	2,729.0	2,590.1	-5.1%
Connected power consumers	MW	543	691	618	684	723	+5.7%
Actual average number of employees	people	8,364	8,326	8,428	8,494	8,611	+1.4%
PERSONNEL STRUCTURE BY EDUCATION LEVEL							
higher professional	%	42.6	43.8	45.2	47.3	48.4	+1.1%
secondary and primary vocational education	%	36.2	36.8	39.4	39.2	36.5	-2.7%
general secondary education	%	21.2	19.4	15.4	13.5	15.1	+1.6%

Dynamics of the number of technological violations (accidents) in the network with voltage of 6 kV and above at the Company's electric grid facilities in 2016–2018, units



Dynamics of the volume of capital investments used by Kubanenergo PJSC in 2016–2018, mln rub. without VAT



1. With account for management expenses.

MESSAGE FROM THE CHAIRMAN BOARD OF DIRECTORS



O.A. SERGEEVA

CHAIRMAN OF THE BOARD OF DIRECTORS
KUBANENERGO PJSC

DEAR SHAREHOLDERS OF KUBANENERGO PJSC!

The activities of the Board of Directors in the reporting year were aimed at ensuring the interests of shareholders of Kubanenergo PJSC, improving its financial and economic condition, and increasing the level of trust in the Company on the part of shareholders, creditors, and investors. In the reporting year, the Board of Directors paid most attention to the approval of strategic plans and internal documents, regular control over the work of the Company's management in various aspects of the Company's financial and business activities, as well as implementation of decisions of the Board of Directors, preparation and holding of the General Meeting of Shareholders.

In the reporting year, to improve the level of corporate governance of Kubanenergo PJSC, at the suggestion of the Board of Directors, the General Meeting of Shareholders has approved the Company's Charter, Regulations for the Board of Directors, Management Board,

and remuneration to members of the Auditing Commission in the new edition.

The approval of the Company's long-term programs to reduce electricity losses, modernization (renovation) of power grid facilities, programs for decommissioning equipment containing polychlorinated biphenyls, business case conditions for the formation of the investment program – are among the most important decisions of the Board of Directors for the reporting year. The policy in the field of information technology, automation, and telecommunications, uniform for the Rosseti Group of Companies and a uniform procurement standard have been approved for use as the Company's internal documents. The new edition contains the approved Internal Regulations for the Company on Dividend Policy, information policy, insider information, the procedure for organizing the sale of non-core assets, guidelines for determining power reserves at the power centers of Kubanenergo PJSC.

In 2018, Kubanenergo held 34 meetings of the Board of Directors, decisions were made on all 147 issues considered.

To develop control functions, the Board of Directors determined the improvement of the risk management, internal (compliance) control, internal audit systems as priority areas of the Company's activities.

Completed in part of 2018 the plan of actions for the development and improvement of the internal control and risk management systems of Kubanenergo PJSC for 2016–2018. The implementation of plan allows focusing on improvement of the efficiency and effectiveness of the Company's activities, ensuring the safety of the Company's assets, reliability of accounting (financial) and other statements, compliance with the requirements of the legislation of the Russian Federation and local regulatory documents of the Company and ultimately contributes to achieving the goals and objectives set for the Company.

In order to increase the effectiveness and improve the financial and economic condition of Kubanenergo PJSC, to guarantee financial stability and achieve a stable positive financial performance, the Company has developed and is implementing a program to increase the operating efficiency and reduce costs of Kubanenergo PJSC for the period 2018- 2022, which includes a list of measures for achievement of the Company's strategic goals and increase of internal efficiency.

The Company share in the regional market for electricity transmission services (from the necessary gross revenue of the region) amounted to 75.5% in 2018. The high rates of reconstruction and renewal of power grid facilities of the Company, the same as dynamic growth of technological connection volumes, let to conclude that the Company

will retain a dominant position in the regional market for electricity transmission services in the future.

In 2018 Kubanenergo PJSC continued the implementation of several large investment projects. The main attention was paid to the development of the electric grid infrastructure of the Central Energy District. In particular, for the regional capital – the city of Krasnodar, the Black Sea coast of the Krasnodar Territory and the Taman Peninsula.

In view of the dynamic development of the Kuban territory, the timely and affordable technological connection of new consumers to the power grid remains a key activity of Kubanenergo PJSC. In 2018 The Company concluded 28.1 thousand contracts for technological connection with a total capacity of 1,091 MW.

During the reporting period, electrical installations of such large connection applicants as Tander JSC (11 MW), NCSP PJSC (9 MW), were connected to the Company's power grids. JSC "Krasnodar International Airport" (5 MW), Federal State Institution "2nd Center of the Customer-Developer of Internal Troops of the Ministry of Internal Affairs of the Russian Federation" (2 MW), JSC Pension Primorye (3 MW).

As a part of the energy efficiency program, Kubanenergo PJSC continued implementing the innovative projects to reach a higher quality of electricity transmission and metering at the expense of proprietary resources of the Company, and by attracting investors.

Kubanenergo PJSC has attracted private capital for development and improvement of electric power metering. At the moment, the Company has entered into 27 energy service contracts for a total investment of more than 5.1 billion rubles with covering of more than 156 thousand metering points. By the end of 2018, the loss reduction has been achieved more than 181 million kW • h.

The main production objectives of Kubanenergo PJSC for 2019 are the safe passage of peak seasons, timely receipt of a readiness certificate for work during the autumn-winter period, implementation of investment and maintenance programs, minimization of excess losses. Addressing the issues of increasing the availability and transparency of technological connection, the quality and efficiency of service provision, taking into account the increase in demand for electricity and the growth of loads, is no less significant.

Kubanenergo PJSC also aims to continuously improve financial and economic indicators, increase investment attractiveness, availability, and transparency of activities to maximize the interests of shareholders and other interested parties.

MESSAGE FROM THE DIRECTOR GENERAL

A.I. GAVRILOV

GENERAL DIRECTOR
OF KUBANENERGO PJSC



DEAR SHAREHOLDERS, PARTNERS AND COLLEAGUES!

The priority of Kubanenergo PJSC activity in 2018 was the fulfillment of the tasks assigned to the Company for reliable and uninterrupted power supply and technological connection of consumers to the Company's electrical networks.

During the reporting period, the Company demonstrated efficiency, reliability and stability in approaching the business goals.

The main volume of investments planned in the long-term investment program of Kubanenergo PJSC for 2018–2022 [approved by order of the Ministry of Energy of Russia of 12.12.2018, No. 18@] aimed at the technical re-equipment and reconstruction of power grid facilities. At the end of 2018 the Company has spent the capital investments for the amount of 7.7 billion rubles. The amount of financing of design and

survey, construction and installation, commissioning, purchase of equipment and materials amounted to 8 billion rubles. The company has commissioned 355 MVA of transformer capacity and 582 km of power lines.

In 2018 there was the most active construction of the national importance facilities, performed as a part of the title of the state project "Creation of the dry-cargo area of the Taman seaport, railway tracks, and development of the existing public railway infrastructure in the direction of the dry cargo seaport of Taman." During the project, a 220 kV Port substation with a capacity of 432 MVA and overhead transmission lines with a total length of 186 km were built.

In 2018, the total connected capacity under the executed grid connection agreements was 723 MW, which is 27% more than the planned amount.

The priority direction of the Company in the field of technological connection is a key part in the project of a national scale to create a modern energy infrastructure on the Taman Peninsula, providing electricity to the dry cargo area of the Taman sea port and transport passage through the Kerch Strait, construction of the substation 110/35/10 "Lesnoy Port" in Novorossiysk for supply of the projected refrigeration sites, meeting the demand for power capacity of the enterprises of the agro-industrial complex of the south of Russia, eliminating the shortage of capacity in large industrial and residential centers of the region – Krasnodar, Novorossiysk, Tuapse.

Electricity supply to the grid throughout the Company amounted to 23.033 billion kW • h. The increase in supply compared with the previous year amounted to 0.4 billion kWh (+ 1.8%). One of the Company's activities is improving the energy efficiency of the equipment in use. The program of energy saving and energy efficiency is elaborated annually. Its main objectives are to reduce technological losses and reduce the consumption of energy resources for production and economic needs. By the results of the program in 2018, the obtained an effect was expressed in reducing electricity losses by 236 million kWh (634 million rubles).

In 2018 The Company continued the implementation of Innovative Development Program activities for 2016 – 2020, with perspective up to 2025. The Company's goal within the framework of the implementation of this program is to switch to digital substations of various voltage classes of 35–110 kV, to digital active adaptive networks with distributed intelligent automation and control systems, to the integrated efficiency of business processes and automation of management systems, the use of new technologies and materials in the power industry. The improvement of partnerships with universities, research organizations, small and medium-sized businesses was continued.

Kubanenergo PJSC successfully passed the test of preparation of the electric grid complex for the autumn-winter period, which was conducted by the Ministry of Energy of Russia, and received a

readiness passport for work during the autumn-winter period of 2018/2019 on time.

The internal and external Operating Plan has been developed and is being implemented to improve the efficiency of Kubanenergo PJSC and improve its financial and economic condition. This plan is aimed at ensuring financial stability and achieving a stable positive financial performance of the Company.

Kubanenergo PJSC, being a part of the single distribution electric grid complex of Russia, seeks to achieve goals defined at the state level, – targets for the electric grid complex established by the Strategic profile of the Electric Grid Complex of the Russian Federation. The key task of the Company in this area is to maintain and develop the management and control system aimed at the efficient and optimal use of the Company's resources while introducing advanced management technologies and guidance papers. In the period 2016–2018 the Company approved and implemented two system documents, influencing the efficiency and quality of the Company's activities in a positive way: A set of measures to improve the management system of Kubanenergo PJSC and the Operating Plan for development and improvement of the internal control and risk management systems of Kubanenergo PJSC for 2016–2018.

Kubanenergo PJSC provided break-even activity, according to the results of 2018, net profit amounted to 151 million rubles.

The Company developed and is currently implementing the Program for improving operational efficiency and reducing expenses of Kubanenergo PJSC for the period 2018–2022, which comprises a list of measures ensuring the achievement of the Company's strategic goals, increasing in-process efficiency and ensuring profitability by optimizing the internal business processes.

The reduction in the specific operating expenses of Kubanenergo PJSC for 2018 is 2% with a target level for reducing specific operating expenses (costs) of at least 2-3% under the Directive of the Government of the Russian Federation No. 2303n-П13 dated 16.04.2015. This positive trend is an inference of the Company's regular work on the implementation of a set of measures of the Program for increasing operational efficiency and reducing expenses of Kubanenergo PJSC, aimed at optimizing costs, reducing unit costs for operating power equipment, reducing power losses in networks and increasing energy performance.

The company is interested in creating a single center of responsibility for high-quality and reliable power supply to consumers in the Krasnodar Territory and the Republic of Adygea. To increase the share of the electric grid services

market in the service area and reduce the number of LGCs, Kubanenergo PJSC is implementing a long-term program for the consolidation of power grid assets.

In 2018, Kubanenergo PJSC continued to develop the asset management system, the electric power transmission management system, and the 1C: Enterprise corporate information system. There were completed works for introducing changes to information systems based upon the results of the revision of procedures for assessing the consequences of refusal and with account for the risks of failure in monetary terms; automation of functional mobile solutions; automation of standard forms of test/measurement protocols for test units, groups, and types of equipment; automation of a prediction model for the probability of failure of production assets; creating a registry subsystem of non-financial capital; there was built a 218.6 km of fiber-optic communication line (FOCL). Communication channels in the direction of the 110 kV "Lazurnaya", "NovoRES", "Shapsug" substations, as well as in the direction of the Takhtamukaysky Power Distribution Zone (PDZ) were made with FOCL.

To improve the quality of service to electricity consumers in 2018, the Company has expanded the functionality of the client's personal account on the website of Kubanenergo PJSC in part of technological connection and customer service. Further

expansion of the Personal Cabinet functionality is planned in terms of submitting an application for capacity redistribution.

Being an environmentally oriented company, Kubanenergo PJSC fulfills the obligations of the Environmental Policy, to comply with the requirements of environmental legislation, to continuously improve the environmental management system and improve its performance, to comply with the established standards for permissible environmental impact.

In 2019, the Company faces the tasks of further development, modernization, and expansion of the region's electricity infrastructure. The focus will be on the South-Western and Central Energy Regions of the region.

The priority directions in the area of technological connection are the development of the Temryuk district of the Krasnodar Territory, including the power supply of the objects of the transport crossing to the Crimea.

By the results of the year, it may be noted that Kubanenergo PJSC has fulfilled the main task – it provided the reliable, high-quality power supply to consumers and strengthened the image of a Company of high importance for the stable socio-economic development of Krasnodar Region and the Republic of Adygea.

THE PRIORITY DIRECTIONS IN THE AREA OF TECHNOLOGICAL CONNECTION ARE THE DEVELOPMENT OF THE TEMRYUK DISTRICT OF THE KRASNODAR TERRITORY, INCLUDING THE POWER SUPPLY OF THE OBJECTS OF THE TRANSPORT CROSSING TO THE CRIMEA.

IN **2019**

THE COMPANY FACES THE TASKS OF FURTHER DEVELOPMENT, MODERNIZATION, AND EXPANSION OF THE REGION'S ELECTRICITY INFRASTRUCTURE.

ABOUT US

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KUBANENERGO PJSC MARKET POWER

The primary mission of Kubanenergo PJSC – is to take a profit in the conditions of long-term provision of reliable, high-quality and affordable power supply to consumers in the Krasnodar Territory and the Republic of Adygea by organizing the most efficient management of the distribution network infrastructure on advanced technologies and innovations based on international standards for quality of services and best practice corporate governance.

Kubanenergo PJSC provides a transmission and distribution of electricity to consumers through the electric power networks 110 kV and lower between residential areas, to the rural settlements, separate cities and regional centers of the Krasnodar Territory (including the City of Sochi) and the Republic of Adygea.

The whole service area of Kubanenergo PJSC in Krasnodar Region and the Republic of Adygea has 83.3 thousand square km and a population of more than 6 million people.

The principal purpose of the Company is to provide reliable and stable energy supply to consumers of this region and to meet the growing needs of the regional economy in electricity.

Kubanenergo PJSC is the largest taxpayer, which takes an active part in the social and economic life of the region, ensuring jobs and employment for the supplier plants from related industries, and bringing about various social programs and conducting charity events.

Kubanenergo PJSC is a public Company, which shares were admitted to trading on the Russian stock exchange – Moscow Exchange PJSC.

The Company conducts its main activity in the conditions of a natural monopoly regulated by the state in terms of:

- tariffication for electricity transmission services and payments for technological connection of power receivers of consumers to the electrical network of the Company;
- ensuring the open, non-discriminatory access of consumers to the specified services of the Company on equal terms.

Kubanenergo PJSC – is the largest power grid Company in the Krasnodar Territory and the Republic of Adygea. The Company share in the regional market for electricity transmission services (from the necessary gross revenue of the region) amounted to 75.5% in 2018. The high rates of reconstruction and renewal of power grid facilities of the Company, the same as dynamic growth of technological connection volumes, let to conclude that the Company will retain a dominant position in the regional market for electricity transmission services in the future.

The main production assets of the Company in 2015–2018 at the end of the reporting year

ASSET TYPE	UNIT OF MEASURE	2015	2016	2017	2018
Substations	number	23,223	23,568	23,767	23,805
Installed capacity (total), including:	MegaVolt-Ampere (MVA)	14,089.22	14,273.59	14,502.54	14,833.14
35–110 kV Substation	number	715	716	715	716
	MegaVolt-Ampere (MVA)	9,432.7	9,519.1	9,696.63	9,924.07
Transformer substations, distribution transformer substations 6–10 (35) /0.4 kV	number	22,508	22,852	23,052	23,089
	MegaVolt-Ampere (MVA)	4,656.516	4,754.491	4,819.34	4,909.07
The length of the overhead transmission line (OTL) on the highway (total), including:	km	86,003.2	86,169.4	86,545	86,480.71
OTL 220 kV and above	km	76.1	76.1	76.1	76.1
OTL 110–150 kV	km	4,962.8	4,908.3	4,907.21	4,924.34
OTL 35 kV	km	6,932.5	6,833.7	6,833.85	6,819.25
OTL 6–10 kV	km	32,556.276	32,621.765	32,710.729	32,382.92
OTL 0.4 kV	km	41,475.550	41,729.512	42,017.11	42,278.11
The length of cable lines (CL) (in total) including:	km	2,217.1	2,279.9	2,349.954	2,390.5
CL 110 kV	km	78.75	81.05	93.35	93.35
CL 35 kV	km	0.46	0.944	1.33	3.05
CL 6–10 kV	km	1,663.414	1,722.563	1,777.95	1,813.54
CL 0.4 kV	km	473.429	475.316	477.32	480.56

Key characteristics of the Company in 2018

The total length of power lines	91.0 thousand km
The maximum allowable design capacity of the power system ¹	7,464.7 MBA
The load level of the design capacity of the power system in 2018.	4,918 MVA (65.88% of the maximum capacity) incomplete loading of design capacity due to the need for spare capacity (back up) in case of emergency shutdown or scheduled maintenance
The total number of electricity metering points of consumers connected to the power grids of Kubanenergo PJSC under contractual electricity transmission	1,173,955
Grid branches	11

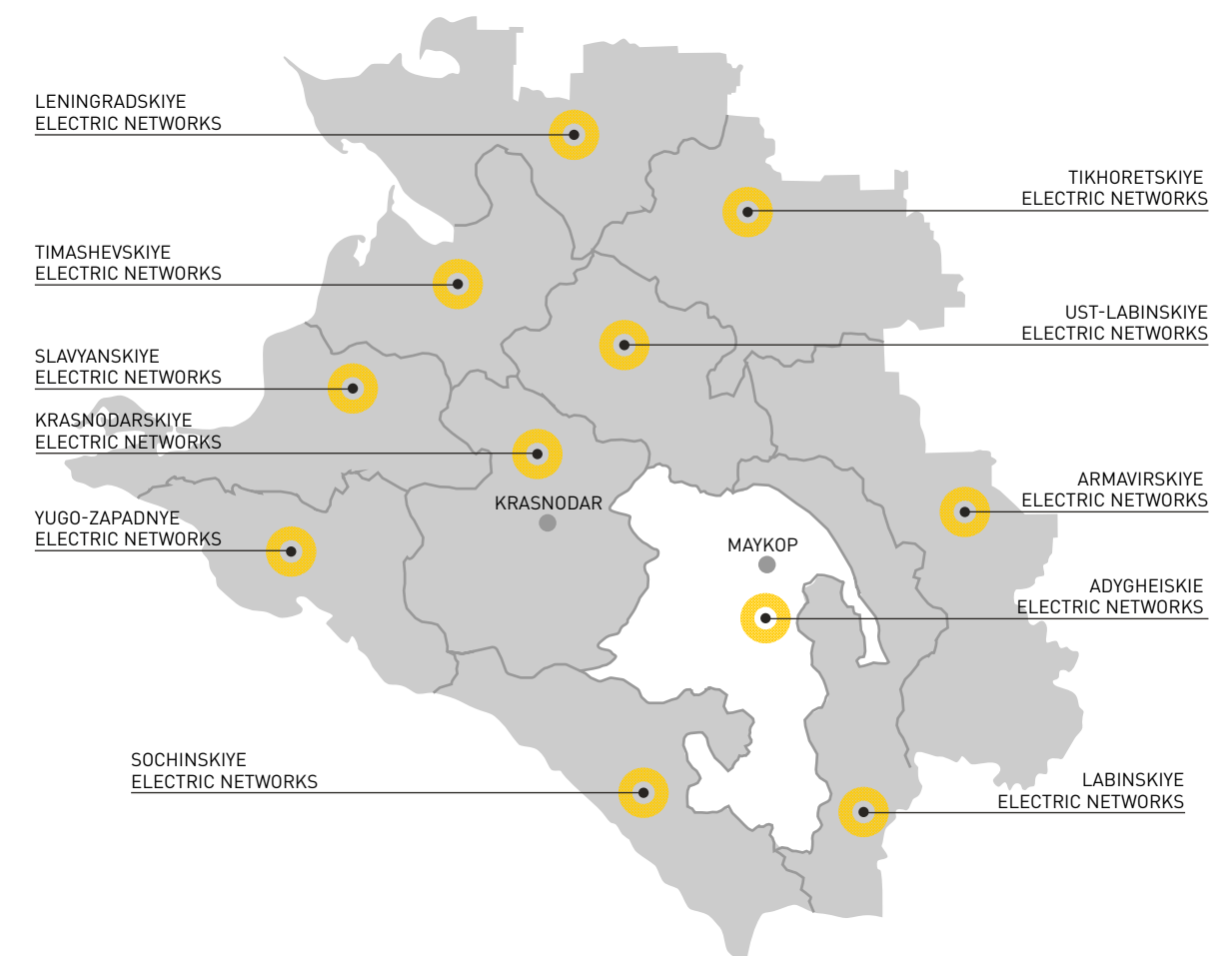
The Company's share in the regional market for electricity transmission services (based on the required gross revenues of the region) in 2016–2018, accounted for, in %

	2016	2017	2018
Share of Kubanenergo PJSC	73.9	73.9	75.5

The increase in the share of Kubanenergo PJSC is driven by the growth of the IGR for the maintenance of the electrical networks of Kubanenergo PJSC and the consolidation of power grid assets.

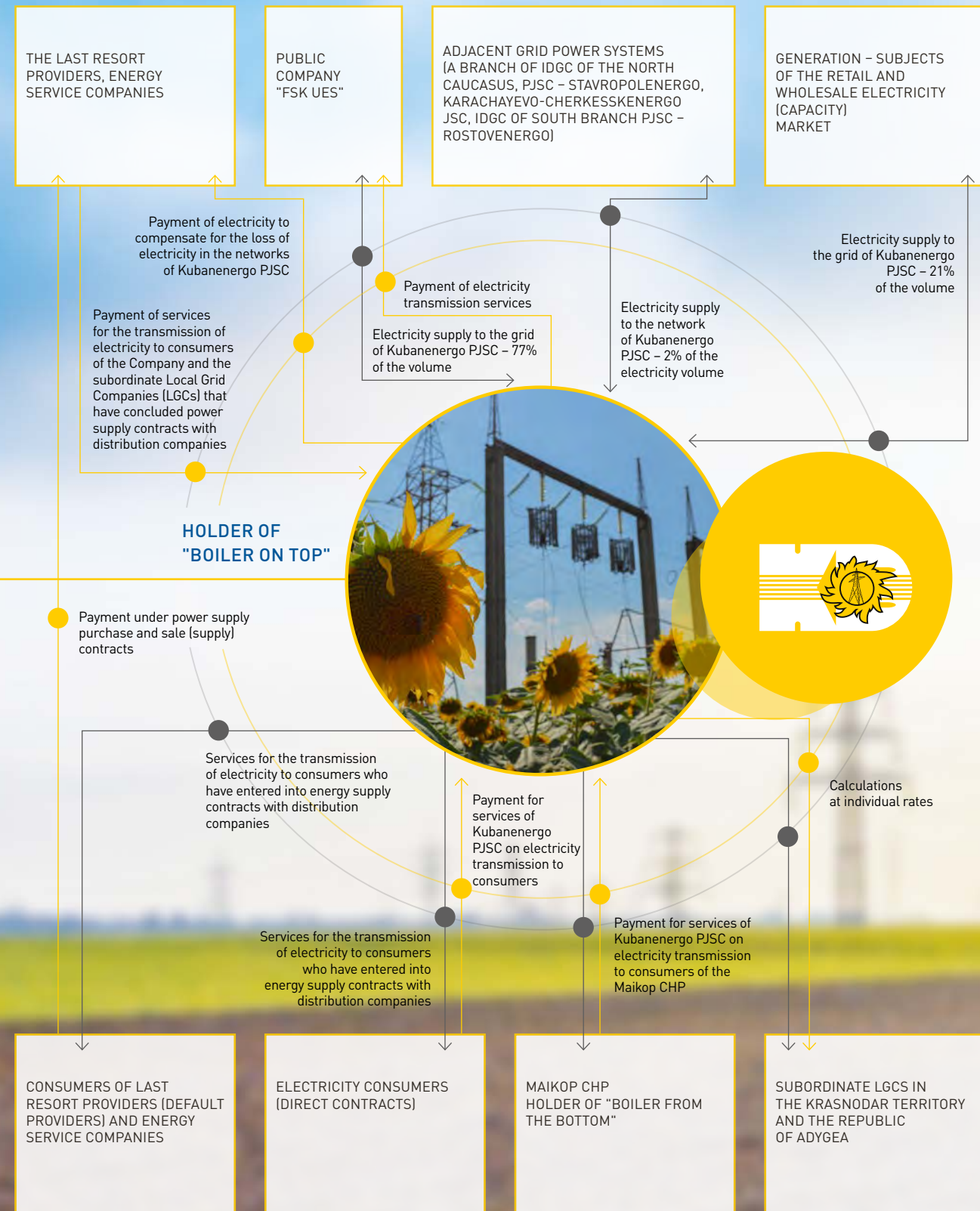
The following companies are among the largest companies carrying out similar activities in the Krasnodar Territory and the Republic of Adygea: JSC Independent Energy Service Company of Krasnodar region – NESK-Electricity Network, JSC Oboronenergo, JSC Russian Railways, JSC Neftegaztekhniya-Energy.

BRANCHES OF THE COMPANY



1. Only for 110 kV substations.

THE DIAGRAM OF THE COMPANY'S MAIN ACTIVITIES



● Financial Flows
● Electricity Flows

Electricity comes to the Company's networks:

- by the Unified National Power Grid (UNPG) networks from PJSC Federal Grid Company of the Unified Energy System of Russia (FGC UES), – 77% in the reporting year;
- 21% directly from Generation Facilities – in the reporting year;
- from adjacent energy systems (branch of IDGC of the North Caucasus PJSC, – Stavropolenergo, Karachayevo-Cherkesskenergo JSC, a branch of IDGC of South PJSC – Rostovenergo) – 2% in the reporting year.

Consumers of Kubanenergo PJSC services for electricity transmission are:

- individuals and legal entities, which electrical systems are connected to the Company's power grids and who have concluded power supply agreements with default providers (energy service companies)¹;
- consumers who have concluded contracts for electricity transmission services directly with the Limited Liability Company connected to the Company's power grids (94 consumers in the reporting year, including Novoroscement OJSC, Tamanneftegaz CJSC, LLC EuroChem-Belorechensk Mineral Fertilizers, LLC Poultry Farm "Primorskaya", JSC APF "Fanagoria", JSC Agrofirma-tribal plant "Victory", FSBI "Kubanmeliovodkhoz" Administration, LLC "Sad-Gigant", Novoroslesexport JSC, JSC "Abrau-Dyurso", JSC Verkhnebakansky Cement Plant, JSC Experimental Production Farm, Stud Farm "Leninsky Put", CJSC Stud Farm Gulkevichsky, JSC "RAMO-M", LLC "Novomol", PJSC "Novorossiysk Commercial Sea Port", LLC "Formica-Yug", LLC "Kanevskoy Gas Fitting Plant", JSC "IPP", etc.) .

Payment of the Company's services for the transmission of electricity, respectively, comes from energy sales companies and direct consumers.

To compensate for the loss of electricity arising from its transmission in the Company's networks, Kubanenergo PJSC acquires the corresponding amount of electricity from power supply companies.

THE INDIVIDUAL BOILER METHOD OF PAYMENT FOR THE TRANSMISSION OF ELECTRICITY HAS BEEN OPERATING IN THE REGION SINCE 2007

For all consumers of power transmission services of the Kuban and the Republic of Adygea, belonging to the same tariff group, there is a individual (boiler) tariff, regardless of the network of which grid organization they are connected to.

THE MAIN TARIFF-CONTRACTUAL MODEL, USED FOR CALCULATIONS, IS THE "BOILER AT THE TOP"

The status of the backbone network organization – the "boiler holder" was assigned to the Company. According to this model, consumer payments for electricity transmission services rendered to them (no matter which network organization they are connected to) are received by Kubanenergo PJSC, after which the Company makes settlements with the subordinate LGCs, which networks the consumer's power receivers are connected to, at individual rates.

FROM SEPTEMBER 22, 2011, AN INDIVIDUAL "BOILER AT THE BOTTOM" MODEL FOR THE ARRANGEMENT OF LLC MAIKOP CHP NETWORK ALSO OPERATES IN THE REGION

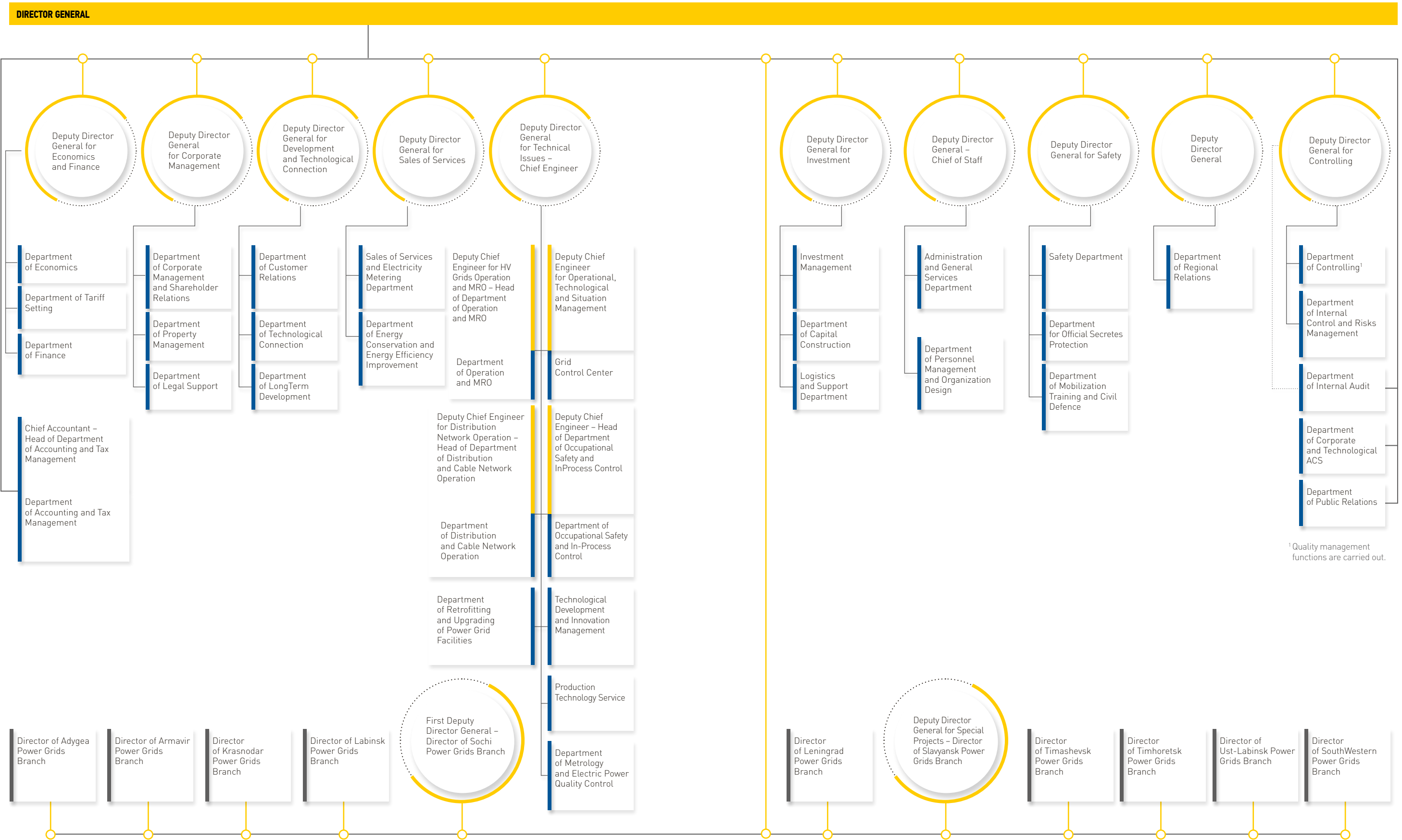
Under this pattern, payments for the transmission of electricity from consumers connected to LLC Maikop CHP come to this grid organization at a single boiler tariff, and LLC Maikop CHP pays for the transmission of electricity through the Company's grids at the individual tariff.



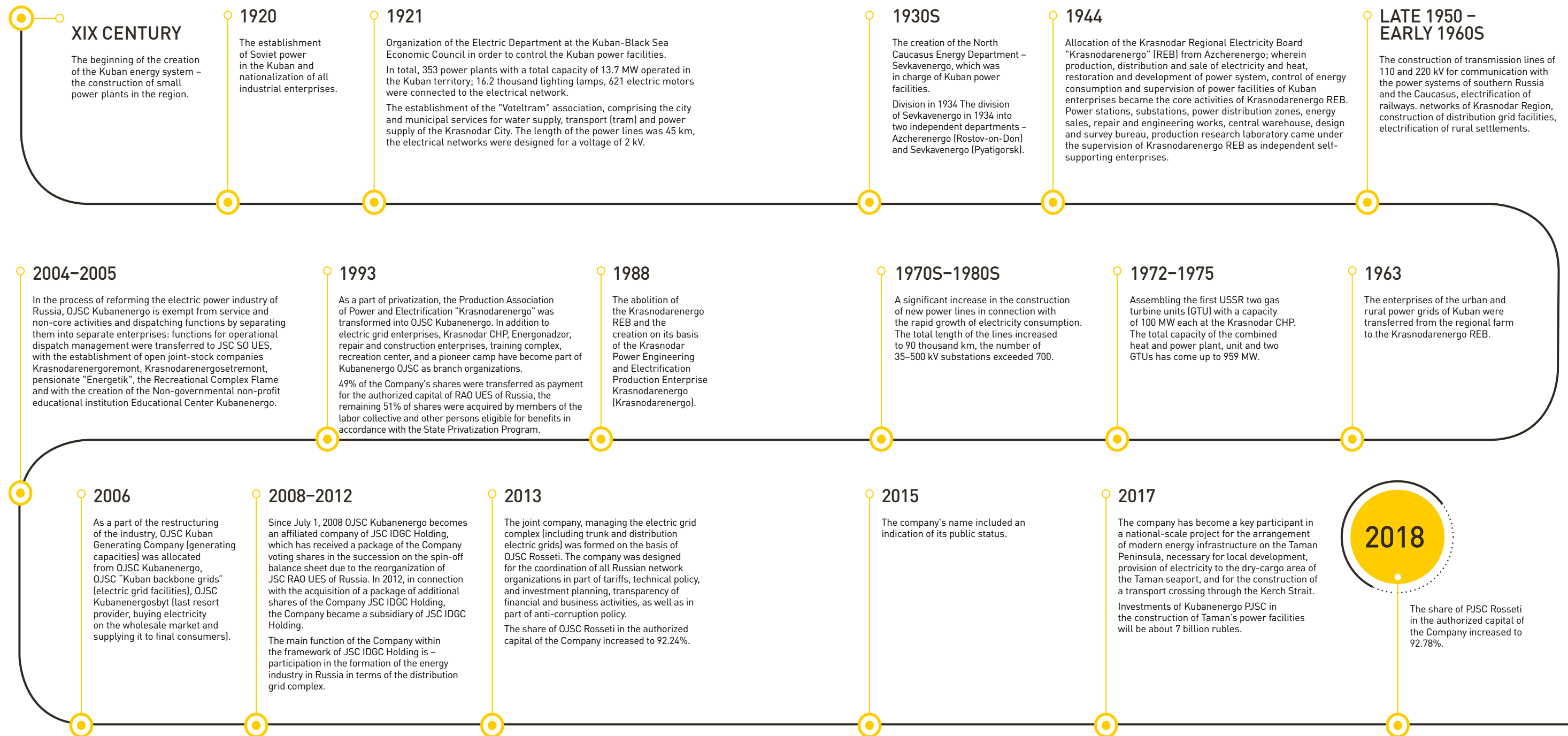
1. The last resort providers (energy service companies), in order to fulfill the specified energy supply agreements, in turn, concluded contracts for the provision of electricity transmission services with Kubanenergo PJSC. In 2018, the Company had contractual relationships with two default providers and 32 energy service companies, the largest of them are PJSC 'TNS energo Kuban' (46% of the revenue from the actually rendered services) and NESK JSC (36% of revenue).

ORGANIZATIONAL STRUCTURE

The current organizational structure of the Company meets its goals and objectives, approved by the decision of the Board of Directors of Kubanenergo PJSC on June 26, 2017 (Minutes No. 279/2017).



THE HISTORY OF CREATION AND DEVELOPMENT OF THE KUBAN ENERGY SYSTEM AND KUBANENERGO PJSC



RISK MANAGEMENT SYSTEM OF THE COMPANY

The Company has a risk management system (further in the text – RMS), designed with a purpose to ensure sustainable continuous operation and development of the Company through the timely identification, assessment and effective management of risks that pose a threat to the effective implementation of the Company's business, the health of employees, the environment, and property interests of shareholders and investors. The Board of Directors and Management control all key risks of the Company.

The main RMS participants

NAME OF PARTICIPANT	MAIN FUNCTIONS IN RMS PART
Board of Directors	<ul style="list-style-type: none"> approves the Company's internal documents defining the organization and operation of the Company's RMS analyzes the reports of the Company's executive bodies, concerning the organization, functioning and effectiveness of RMS, evaluates the operation of RMS and makes recommendations for improvement
Committee for Strategy, Development, Investments and Reform of the Board of Directors	monitors the effectiveness of risk management procedures, as well as evaluating the effectiveness of risk management activities and advancement of RMS
Executive bodies (Management Board, General Director)	<ul style="list-style-type: none"> establish the requirements for the format and completeness of information about the risks of the Company; form directions and plans for development and improvement of RMS; analyze the portfolio of risks and develop measures for the response strategy and reallocation of resources towards the relevant risks management
Risk owners	Responsible for the timely identification and assessment of risks, the choice of risk response method, the timely development, risk management measures, and the regular risks monitoring.
The Executors of risk management activities	responsible for the early detection and/or minimization of risks, implementation of measures aimed at risk management in a timely manner and in full
Directorate for internal control and risk management	performs functions of the overall coordination of risk management procedures
Internal Audit Department	carries out an independent internal assessment of the effectiveness of the RMS and issue recommendations to improve the efficiency and effectiveness of RMS

In 2018 the Company continued developing the risk management system in compliance with the Risk Management Policy, which was approved by the Board of Directors of the Company on March 17, 2016, in a new edition (minutes No. 233/2016).

















THE MAIN RISK FACTORS OF THE COMPANY









The risks information presented below contains the name of the risks most possible in the Company, a brief description of such risks, the main risk management measures implemented in 2018, as well as a graphical depiction of the risk significance assessment and the relevant dynamics compared to 2017

during 2018. The significance of risk is understood as a combination of the probability of occurrence of the risk and the scale of consequences for the Company in monetary and other terms. There was taken the following scale:

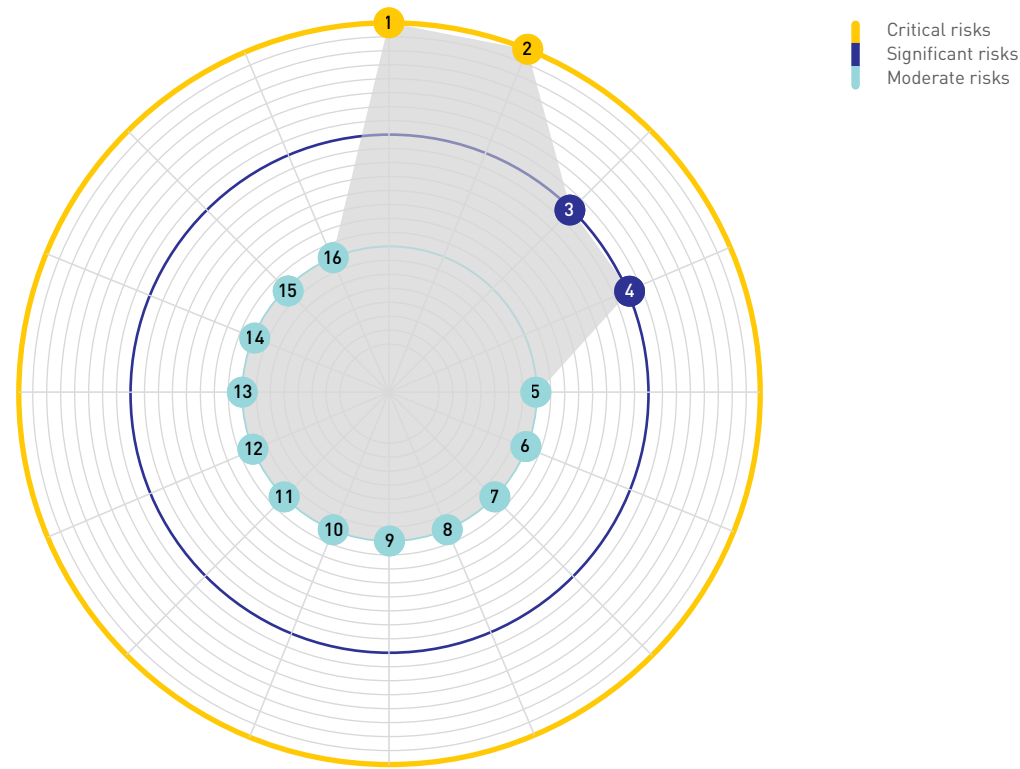
SIGNIFICANCE LEVEL	DYNAMICS
Critical	No changes (or the dynamics is insignificant)
Significant	Upward trend
Moderate	Downward trend

SEQ NO.	RISK NAME	RISK DESCRIPTION	RISK MINIMIZATION MEASURES	RISK ASSESSMENT AND DYNAMICS
Industry risks				
1	Tariff risks	Tariff regulation policy, pursued by the state, takes into account the need to contain inflation and provides for changes in regulated tariffs of network organizations in the 2017-2019 biennium below the actual inflation index with the growth of prices in the wholesale market, which leads to the risk of establishing tariff menu regulatory authorities, does not provide a reasonable revenue collection cost	To mitigate the consequences of the implementation of this risk, the Company submits substantiating materials to the regulatory bodies confirming the level of economically justified expenses of the Issuer, defends the position for the necessary faster growth of costs as a backbone Company, the "holder of the boiler" of the Krasnodar Territory and the Republic of Adygea, forms and directs disagreements to the Federal Anti-Monopoly Service of Russia	
2	Risk of reducing the volume of electricity transmission services	The risk is due to the possibility of reducing the demand for electricity and the optimization by large consumers of external power supply diagram	In view of the economic development of the regions, covered by the Company, there was a clear upward trend in electricity consumption over the past few years. Nevertheless, the Company carries out: <ul style="list-style-type: none"> monitoring of the current and forecast economic situation; conducts preparatory work for the proper functioning of power equipment in the respective seasons of the year, including carrying out maintenance and repair of power facilities; carries out activities aimed at identifying the volume of unaccounted power consumption; carries out activities aimed at identifying the volume of unaccounted power consumption; 	
3	Risks associated with the provision of technological connection services to the applicants	Risks are caused by the possible occurrence of a deficit in the source of funding for the implementation of contracts for the implementation of technological connection, failure of the applicants to fulfill obligations under contracts for the implementation of technological connection, failure to use by the applicants of the power obtained during technological connection. Due to the influence of these factors, a decrease in the Company's revenue is possible after technological connection	To mitigate the effects of the risk involvement, the Company: <ul style="list-style-type: none"> cooperates with tariff regulators in regard to the justification of fees, confirming the cost of individual projects; improves the process of technological connection 	
4	Risk associated with non-payment for electricity transmission services rendered (with appearing of contested and undisputed overdue receivables) on the part of consumers	This risk is conditioned by insufficiency of the existing mechanisms of bringing incentive to consumers for timely payments for electricity transmission services, same as the influence of macro-economic factors (reduction of consumer solvency)	To mitigate the consequences of this risk, the Company: <ul style="list-style-type: none"> analyzes the reasons for the differences in the volume of transmitted electricity; executes a schedule of measures to reduce receivables for electricity transmission services; conducts a claim work; accumulating the judicial practice to create a positive precedent in cases where the consumer unduly contesting his affiliation delivery points; carries out mounting of collective electricity metering devices 	

SEQ NO.	RISK NAME	RISK DESCRIPTION	RISK MINIMIZATION MEASURES	RISK ASSESSMENT AND DYNAMICS
Country and regional risks				
5	Risks associated with the political and economic situation in the country and the region	The risks are subject to a decrease in the economic activity of the constituent entities of the Russian Federation in the regions of presence, with an increase in the cost of credit, which, in turn, may be caused by instability of the external environment, international sanctions, lower credit ratings, and rising of inflationary pressure. The influence of these factors may lead to a reduction in the Company's revenue, in its shareholder value.	With a view of the economic advancement of the regions, covered by the Company, there is a clear upward trend in electricity consumption over the past few years. In connection with the improvement of the country's macroeconomic indicators, including an acceptable level of inflation, the Company has seen a decrease in the average capital borrowing rate. To strengthen its position, the Company undertakes: <ul style="list-style-type: none"> reduction of operating expenses; improving the energy efficiency and introduction of energy-saving technologies; import substitution to reduce the cost of purchased equipment 	 
6	Risks associated with possible conflicts and their occurrence, the imposition of emergency state and strikes in the regions	Risks are caused by possible acts of unlawful interference in the activities of the Society, including terrorist acts, in particular, caused by representatives of international terrorism, and nationalist elements of individual states. Such actions may have a negative impact on the Company's activities.	To prevent the occurrence of risks, the Company: <ul style="list-style-type: none"> carries out measures to protect against sabotage and terrorist acts of energy facilities; interacts with law enforcement agencies; insures property 	 
7	Risks associated with the geographical features of the country or region, including increased risk of natural disasters, the possible termination of transport communication	Risks due to emergency situations of natural and climatic character (impact of hurricanes, torrential rains, floods and high water, snow debris, icing), the same as disruptions in power supply as a result of fires, domestic explosions, etc. As a result, electricity supply, transport can be interrupted in the region	To prevent the occurrence of risks, the Company: <ul style="list-style-type: none"> insures property; creates an emergency reserve; if necessary, carries out the response of services crews to restore the supply of electricity; if necessary, take other measures of crisis management 	 
Financial risks				
8	Risks associated with currency fluctuations	Negative impact on the results of the Company's financial and economic activities due to changes in currency exchange rates	To prevent the occurrence of risks, the Company: <ul style="list-style-type: none"> buys power equipment from Russian manufacturers; reduces operating expenses; analyzes the possible impact due to the dynamics of exchange rates 	 
9	Risks associated with changes in interest rates	Influence on the possible growth of the Company's expenses of attracting credit funds for financing investment programs	In order to manage these risks, the Company: <ul style="list-style-type: none"> pursues a balanced credit policy aimed at optimizing the structure of the debt portfolio and the available credit limit, together with optimizing the conditions of credit agreements; works with creditors in order to reduce the cost of borrowed capital for the Company 	 
10	The risks associated with the effects of inflation	The influence of consumer price index growth on interest expenses, costs, profitability, and, consequently, on the financial condition and the ability to meet obligations by the Company	To prevent the occurrence of risks, the Company: <ul style="list-style-type: none"> draws up a business plan in accordance with the scenario conditions; implements an effective procurement policy; conducts a comprehensive analysis of financial risks 	 
Legal risks				
11	Legal risks	Risks associated with changes in legislation, judicial practice on the issues of the Company's activities, disbalance of interests between the Company and other electric power engineering entities	For risks mitigation, the Company undertakes to: <ul style="list-style-type: none"> prolongs the validity of licenses and permits necessary for conducting business activities; complies with the laws and Internal Regulations; monitors the legislation of the Russian Federation; plans financial and economic activities in view of changes in legislation 	 
12	Compliance risks	Risks associated with regulatory sanctions in the case of possible non-compliance of the Company's activities with the requirements of the legislation, local regulatory acts, and other mandatory regulatory documents	In order to manage these risks, the Company: <ul style="list-style-type: none"> improves the management and control system; complies with the laws and Internal Regulations; eliminates violations identified by the external control bodies; defends the interests of the Company in the courts 	 

SEQ NO.	RISK NAME	RISK DESCRIPTION	RISK MINIMIZATION MEASURES	RISK ASSESSMENT AND DYNAMICS
Risk of loss of business reputation				
13	Reputation risk	The risk is associated with the possible default of the Company in full liabilities towards customers and counterparties	Due to the fact that the Company is the subject of a natural monopoly and there is an annual increase in the number of electricity consumers, the Company has worked out a positive practice for long-term interaction with counterparties	 
Strategic risk				
14	Strategic risk	The risk of failure to achieve the strategic goals and objectives of the Company due to potential changes in the internal and external environment of the Company	In order to manage this risk, the Company <ul style="list-style-type: none"> elaborates proposals and scenarios for improving the implementation of a specific strategy or program; analyzes the effectiveness of the implementation of a specific strategy; introduces KPIs to fulfill strategies and their alignment with the bonus payment to managers;; monitors the structural subdivisions of the Company in relation to the ratio of the costs of a specific strategy to the benefit received and submits this information for consideration by the Board of Directors of the Company for making management decisions (including defining the volume and quality of resources) 	 
Risks associated with the Company's activities				
15	Operational and technological risk	Reducing the reliability of power supply to consumers, due to factors such as emergency situations of natural and man-made, leading to the disruption of the efficiency of electrical equipment; high proportion of equipment with excess service life; failure to comply with regulatory and technical requirements in terms of exceeding the established allowable values of the technological parameters of operation of electrical equipment	To prevent the implementation of risks, the Company carries out: <ul style="list-style-type: none"> scheduled and unscheduled repairs and maintenance of power grid equipment; technical re-equipment, reconstruction, and new construction; technical control; regular optimization of the structure and volume of components and spare parts; ensuring industrial safety and production control; introduction of a loss reduction program; planning of emergency measures (according to the results of the investigation of technological violations) aimed at mitigating the realization of risk and preventing the occurrence of similar cases in the future 	 
16	Investment risk	Reduction of sources of financing of the Company's investment programs in the event of a deterioration in its financial and economic condition and, as a result, reduction of tariff revenue in case investment programs are not implemented. Violation of the planned deadlines for the commissioning of investment program facilities for reasons of non-fulfillment/ untimely execution by contractors and suppliers of their obligations	To prevent the occurrence of risks, the Company: <ul style="list-style-type: none"> forms (corrects) the individual development program (IDP) in accordance with the scenario conditions; redistributes funds received from savings by results of bidding procedures for other IDP facilities; implements measures to reduce the volume of unfinished construction; controls compliance with the terms of the procurement procedures and contracts 	 

Distribution of risk by significance level for 2018



- | | |
|---|------------------------|
| 1. Tariff risks | 9. Geographical risks |
| 2. Risks of technological connection | 10. Investment risk |
| 3. Risk of non-payment for electricity transmission services | 11. Interest rate risk |
| 4. Operational and technological risk | 12. Currency risks |
| 5. Risk of reducing the volume of electricity transmission services | 13. Legal risks |
| 6. Risks of Conflicts and Emergency | 14. Compliance risks |
| 7. Inflation risks | 15. Reputation risk |
| 8. Political and economic risks | 16. Strategic risk |

ANTI-CORRUPTION POLICY OF THE COMPANY

The purpose of the Anti-Corruption Policy of PJSC Rosseti and subsidiaries and affiliates of PJSC Rosseti is a common approach to the implementation of requirements of Article 13.3 of the Federal Law No. 273-FZ dated 25.12.2008 "On Combating the Corruption" concerning the Company's responsibility for development and adoption of measures to prevent and combat corruption, including:

- identification and subsequent elimination of the causes of corruption (prevention of corruption);
- detection, prevention and suppression of corruption and other offenses;
- minimization and (or) liquidation of the consequences of corruption and other offenses.

During 2018, measures for introduction of the anti-corruption policy of the Company were carried out in the following main areas:

DIRECTION OF ANTI-CORRUPTION POLICY	ACTIVITIES TAKEN IN 2018
Organization of risk management process in preventing and combating corruption	The standard methodology for assessing the risk of corruption in the Rosseti Group of Companies was put into effect by the Order of Kubanenergo PJSC of March 27, 2018, No. 308 In accordance with the standard process control matrix, there was carried out a self-assessment of the effectiveness of control procedures of the "Anti-Corruption" activity for 2018. Measures have been completed under the Action Plan aimed at preventing and detecting corruption in the field of technological connection for 2018.
Identify and resolve conflicts of interest	The annual declaration of the conflict of interests of employees was carried out for 2017: there were collected 1,513 declarations and revealed 12 cases of pre-conflict situations. By the end of 2018, all cases of conflict of interest/pre-conflict situations were considered as resolved. There were held four meetings of the Kubanenergo PJSC Corporate Ethics and Conflict of Interest Commission and conflict of interest. Verification of the submitted certificates of income, property and property liabilities of the Company's executives (79 certificates) and their close relatives (319 certificates) was conducted for the year of 2017. As a result of the conducted verification, signs of affiliation, conflict of interests, pre-conflict situations were not revealed.
Development and introduction of standards and procedures aimed at ensuring fair work	The data of the concluded contracts, additional agreements, and subcontractors of the Company's counterparties were entered into an automated system for analysis and accumulation of information on beneficiaries on a daily basis; in 2018 there were loaded over 58 thousand contracts. There was declared the conflict of interest of candidates for vacancies in Kubanenergo PJSC
Monitoring compliance with the requirements of the legislation of the Russian Federation, in the Company, concerning countering the unlawful use of insider information and market manipulation	The control was carried out by the new Regulation on Insider Information of Kubanenergo PJSC, approved by the decision of the Board of Directors of the Company (Minutes No. 315/2018 dated 31.07.2018) in the following areas: <ul style="list-style-type: none"> • current control over compliance with the legislation of the Russian Federation; • methodological work; • coordination of development activities of the insider information control system. As of December 24, 2018 - the date of the last request of Moscow Exchange PJSC in the reporting year — 19 insiders — legal entities and 376 individual insiders — are on the Company's insiders list. During the year, 12 requests from Moscow Exchange PJSC to transfer the list of insiders to the exchange were received by the Company and processed. On the corporate website in the section "Shareholders and Investors/ Information for Company Insiders" contains the information for the Company's insiders.

DIRECTION OF ANTI-CORRUPTION POLICY	ACTIVITIES TAKEN IN 2018
The adoption of measures to prevent corruption in cooperation with partners and contractors	Approval of the procurement documentation was carried out for the execution of instructions of the Government of the Russian Federation dated 28.12.2011 No. ВП-П113-9308 and dated 05.03.2012 No. ВП-П24-1269. In 2018, 1.6 thousand packages of documents from counterparties were reviewed, 463 sets of documents were agreed upon before being sent to procurement procedures. Anti-corruption clause and counterparty obligations to provide information about beneficiaries were included in more than 36 thousand contracts
Legal education and the formation of the foundations of law-abiding behavior of employees, consulting and training of employees	The regulatory legal base is continuously updated, the necessary measures and anti-corruption procedures that promote the formation of an intolerant attitude towards corrupt behavior in the Company are carried out on a regular basis. In order to comply with the anti-corruption legislation of the Russian Federation, organizational and administrative documents on the conflict of interests were updated in the Company. Participation in three meetings of the working group, in one seminar-meeting on the advanced training program, in the meeting of the Central Commission of PJSC Rosseti for the observance of corporate ethics and conflict of interest, in the meeting at the end of the year, was taken jointly with representatives of the security department and countering corruption in PJSC Rosseti
Participation in collective initiatives to combat and prevent corruption	The results of the fourth stage of the special project of the Chamber of Commerce and Industry of the Russian Federation "Business Barometer of Corruption" were studied and used in the work; more than 40 thousand entrepreneurs from 85 regions of the country took part in the project

For 2019, it is planned to approve and implement the annual anti-corruption plan, as well as to improve the mechanisms:

- risk management and internal control in the field of preventing and combating corruption;

- systems for identifying and resolving conflicts of interest;
- verification of information about the chain of ownership of counterparties;

CODE OF CORPORATE ETHICS AND OFFICIAL CONDUCT OF COMPANY EMPLOYEES

The Code of Corporate Ethics and Official Conduct of Employees of Kubanenergo PJSC (hereinafter referred to as the Code), approved by a decision of the Board of Directors of May 23, 2017 (Minutes No. 275/2017 dated 26.05.2017), is valid in the Company.

By Order No. 525 of May 26, 2017 "Concerning the implementation of the Code of Corporate Ethics and official conduct of Kubanenergo employees, all employees of the Company are familiar with the Code. The requirements of the provisions of the Code, norms and rules of professional ethics and internal corporate behavior are observed by the Company's employees in full.



KEY EVENTS OF THE COMPANY

2018

January

Sochinskiye electric networks provided a technological connection of a new kindergarten in the Loo settlement to the systems. The latest technologies and materials were used in technological connection during the construction of a transformer substation. In particular, there were used two power transformers of the latest generation with low noise, having a sealed enclosure, as well as environmentally friendly and safe equipment with hexafluorated sulfur insulation.

During the working visit to Sochi, Pavel Livinsky, General Director of PJSC Rosseti, conducted an unscheduled inspection of the Vereshchaginskaya and Bocharov Ruchei 110/10/6 kV substations. At the "Vereshchaginskaya" substation, he examined microchannel of the 110 kV cable-overhead lines "Vereshchaginskaya-Dagomys" and "Vereshchaginskaya-Alpiyskaya". The Head of PJSC Rosseti has noted a good level of operation of power facilities by the Sochi branch of Kubanenergo PJSC.

February

Krasnodarskiye electric networks completed the next stage of reconstruction of an important power supply center for Krasnodar – the 110 kV substation "Loris."

A delegation of Kubanenergo PJSC under the leadership of the Company's General Director, Gavrilov Alexander Ilyich, took part in the business program of the Russian Investment Forum, which took place from 15 to 16 February 2018 in Sochi. As a part of the participation in the forum, the General Director of Kubanenergo PJSC told the media about the Company's participation in state-scale projects, creating a modern and reliable energy infrastructure in the Krasnodar Territory and the Republic of Adygea.

March

Kubanenergo PJSC performed the maintenance of 17 substations in the power district Labinskiy. From the beginning of the year, employees of the Labinsk branch of Kubanenergo PJSC have carried out maintenance of 17 supply centers, providing electricity to consumers and more than a hundred objects of social importance in the settlements of Labinskoe, Kurganinskoe and Mostovskiy districts of the Krasnodar Region.

The alignment meeting was held at the Sochi branch of Kubanenergo PJSC, in which representatives of the public and business community were involved directly. Energy and the business community of Sochi discussed issues of technological connection.

122 thousand rubles damage was recovered by the plundering of electricity in the power district Labinskiy. In total, since the beginning of 2018, 43 cases of unauthorized consumption of electricity were detected in the power district Labinskiy during the energy raid activities. 33 acts on unaccounted consumption of electricity and 10 acts on consumers using electricity without a contract were drawn up with the recognition or their illegal actions.

On the day of the election of the President of the Russian Federation, March 18, 2018, specialists of Kubanenergo PJSC provided reliable power supply to more than 3 thousand polling stations during the election of the President of the Russian Federation in the Krasnodar Territory and the Republic of Adygea.

April

Chairman of the Krasnodar Territory Election Commission Alexey Chernenko thanked Kubanenergo PJSC for substantial assistance to the Krasnodar Territory election commissions in organizing and conducting the election of the President of the Russian Federation, which took place on March 18, 2018

Since the beginning of 2018, the specialists of the branch of Kubanenergo PJSC Labinskiye electric networks conducted a thermal imaging survey of 18 substations and six overhead transmission lines.

Exercises to work out the interaction in emergency response in the electric grid complex during the flood period were held in all branches of Kubanenergo PJSC. 1324 people and 363 units of equipment, as well as 44 backup power sources, were involved in the activities.

Awarding of the winners and prize-winners of the first stage of the All-Russian Olympiad of PJSC Rosseti School Students was held in the executive office of Kubanenergo PJSC, this stage was held in early April in Krasnodar based on Lyceum No. 48 named after them. A.V. Suvorov.

5 million rubles recovered from the plunderer of electricity in the Adygeiskiy power district. Since the beginning of 2018, violators have indemnified damage for 1.5 million kW • h to the amount of about 5 million rubles.

A delegation of Kubanenergo PJSC, under the leadership of the Company's Deputy General Director for Technical Issues, Chief Engineer Igor Shishigin, took part in the business program of the 4th All-Russian Week of Labor Protection held in Sochi from April 9 to 13, 2018 in the Main Media Center of the Olympic Park.

Kubanenergo PJSC team (Rosseti Group of Companies) won the mini-football tournament for the PJSC Rosseti Cup, which was held on April 13 of this year in Moscow at the Peschanaya stadium at the Sports School CSKA.

Specialists of the Adygea branch of Kubanenergo PJSC completed the repair of the 35 kV Kurskaya substation in the Giaginsky district.

In the Republic of Adygea there were summed up the results of the Republican competition "The best organization of labour safety" in 2017. The Adygheiskie Electric Networks, branch of Kubanenergo PJSC, took the third place in terms of scores for conditions and indicators of labor safety.

May

On May 25, 2018, the annual General Meeting of Shareholders of Kubanenergo PJSC was held in Krasnodar under the leadership of the Chairman of the Board of Directors of Kubanenergo PJSC, Chief Advisor to PJSC Rosseti Alexander Fadeev. The meeting summarized the production and financial activities of the Company in 2017.

The branch of Kubanenergo PJSC Ust-Labinskiye electric networks carried out a comprehensive repair of the substation "AGNKS" in the power district Ust-Labinskiy. In the course of the work, the branch specialists repaired the power transformers and short-circuit for power transformers, as well as performed maintenance of a sectional oil circuit breaker.

In settlement of Dolzhanskaya, Eiskiy district, the specialists of the Leningrad branch of Kubanenergo PJSC carried out a complete overhaul of 45 km of the Morevskaya – Urozhaynaya 35 kV overhead line with HVL branch line to the station Dolzhanskaya. Repair costs amounted to more than 3 million rubles.

Since the beginning of 2018, specialists of the South-Western branch of Kubanenergo PJSC have built 75 power facilities and introduced 3.37 MW of additional capacity for consumers in the preferential category of the suburbs of Novorossiysk, Anapa, Gelendzhik, as well as the Abinsk and Crimea districts of the region. About 55.7 million rubles was allocated for the construction of power facilities.

June

Specialists of Kubanenergo PJSC, at the request of the administration in Sochi, provided prompt assistance in eliminating technological disruptions on subscriber networks in the gardening partnerships Oasis, Funduchnoye, Russkaya Polyana, which are not included in the responsibility zone of Kubanenergo PJSC.

Specialists of the South-Western branch of Kubanenergo PJSC completed the overhaul of the equipment of the 110 kV Dzhiginskaya substation. The high-voltage substation provides electricity to residential consumers and dozens of social facilities in suburban settlements of Anapa.

The specialists of the Labinsk branch of Kubanenergo PJSC completed the overhaul of the equipment of the substations Rodnikovskaya, Andreedmitrievskaya and Zassovskaya. Energy facilities provide electricity to households and 15 social facilities in a number of settlements of Krasnodar

Since 2016, the Adygea branch of Kubanenergo PJSC has installed over 18.5 thousand innovative electricity metering devices with the remote transmission of information.

The Armavir branch of Kubanenergo PJSC fixed new indicators for identifying damage sites on high-voltage transmission lines in Armavir. The introduction of the latest technical devices facilitates to the rapid detection of defects and reduce the time of emergency restoration work.

The maintenance gangs of the Krasnodar branch of Kubanenergo PJSC completed the overhaul of the overhead transmission line 35 kV "Severnaya – Voengorodok", with increased throughput in the result.

Specialists of Kubanenergo PJSC held the energy charge intellectual game for the participants of the thematic "#Vmeste-Yarche" educational session at the Orlyonok All-Russian Children's Center.

July

In the Timashevskiy district of the Krasnodar Territory, specialists of the Kubanenergo Timashevsk branch completed a major overhaul of the high-voltage 110 kV "APK-Sadovod" line with a length of over 10 km. The works carried out by Kubanenergo specialists will increase the level of reliability of the power supply in this energy area and reduce the risk of technological disruptions.

Power engineers have resumed the power supply to the victims of the hail of the village. The Kubanenergo crews have restored the energy supply of the village of Novokorsunskaya, which suffered the most from a strong hail.



August

According to the results of the regional stage of the All-Russian competition of mass media, press services of fuel and energy companies and regional administrations "Media TEK-2018", Kubanenergo's PR projects took first place in the nominations "The best press service of the regional Company TEK", "Popularization of occupations of the fuel and energy complex" and "Safe Energy".

Specialists of Kubanenergo PJSC successfully completed all the activities and completed participation in the All-Russian exercises in the Republic of Dagestan. The solemn closing ceremony, during which the management and specialists of Kubanenergo were awarded diplomas and thanks on behalf of the leadership of the republic and PJSC Rosseti held in the city of Makhachkala.

The review-competition of teams of Kubanenergo student energy groups was held on August 15–16, 2018 in the city of Krasnodar, on the basis of the training area of the Energy Advanced Training Institute of Kubanenergo PJSC.

According to the results of participation in the All-Russian competition of professional skills of personnel for repair and maintenance of overhead transmission lines 110 kV in Nizhnevartovsk, the team of Kubanenergo PJSC took the honorable third place.

On August 10, 2018, in Krasnodar, on the open corporate championship of professional skill of PJSC Rosseti, the Young Professionals were selected and awarded according to the WorldSkills grades.

September

In Kubanenergo PJSC, extensive exercises were launched to prepare the power grid complex for operation in the autumn-winter period. Activities, held in the exercise framework will be primarily located in the foothills and mountain areas of the Krasnodar region and the Adygea Republic, within the operational area of responsibility of the Company.

The national team of Kubanenergo PJSC won the silver medal in swimming competition among the teams of the Rosseti Group of Companies, which took place in the city of Saratov, 12-14 of September 2018.

Oktober

On October 25, the "Illuminated Country" Portal of the Rosseti Group of Companies began work in a test mode in the regions of responsibility of Kubanenergo PJSC.

Kubanenergo specialists provided the supply of electricity to the populated areas of the Tuapse, affected by the rampant. About 250 specialists in 44 crews, as well as more than 80 pieces of equipment, including all-terrain vehicles, and emergency power supply sources were involved in emergency recovery work.

Employees of the branch of Kubanenergo PJSC Slavyanskiye electric networks revealed a violation in the electricity metering scheme at the building materials plant in the village of Taman, Temryuk District, as a result of which over 1.4 million kWh of electricity worth over 9.7 million rubles was consumed without an account.

The students' team Kubanenergo – named "Kuban Energy" became the bronze medalist of the creative festival of student groups of the Rosseti Group of Companies.

The PR service of Kubanenergo PJSC was awarded two awards at the same time as a result of participation in the IV All-Russian competition of mass media, press services of fuel and energy companies and regional administrations MediaTEK-2018.



November

Kubanenergo crews have promptly eliminated local technological disturbances in the suburbs of Novorossiysk, caused by gale-force winds with gusts up to 35-38 m/s, precipitation and ice.

Kubanenergo PJSC has confirmed the readiness to pass the maximum load of the autumn-winter period of 2018-2019. The decision of readiness of the electric power engineering entities was confirmed by the order of the Ministry of Energy of Russia dated 14.11.2018, No. 1031 "Concerning the results of the readiness rating of electric power engineering entities to work during the heating season 2018-2019".

Kubanenergo specialists are among the top three participants in two professional competencies in the V National Championship, WorldSkills Hi-Tech 2018, of the cross-industry professions in high-tech industries.



December

General Director of Kubanenergo PJSC, Gavrilov Alexander Ilyich, reported to the Deputy Minister of Energy of the Russian Federation Andrei Cherezov about the onset of the final stage in the construction of a new power center – the 220 kV Port substation, which the Company is building on the Taman Peninsula.

2019

January

Pavel Livinsky, Director General of PJSC Rosseti, inspected the completion of construction of a new power center on the Taman Peninsula – Substation "Port" 220 kV and OTL 220-110-35-10 kV during a working visit to the Krasnodar Territory.

February

On the eve of the Day of the Fatherland Defender, the meeting under the slogan "Military duty – is honor and destiny" was held within the framework of military-patriotic activity and continuity of generations with the active support of the trade union organization in the Krasnodar branch of Kubanenergo PJSC.

A seminar-meeting for representatives of small and medium-sized businesses was held at the branch of Kubanenergo PJSC Armavirskiy electric networks. At this meeting, the energy sector and the business community discussed the issues of technological connection to power grids, as well as the obligations and responsibilities of consumers in case of failure to complete the process connection procedure.

In 2018, specialists of the Krasnodar branch of Kubanenergo PJSC had identified 50 Internet resources offering services for the sale of "charged" electricity metering devices.

Deputy General Director – Chief Engineer of PJSC Rosseti Andrey Mayorov, conducted an unscheduled check at the substation "Yuzhnaya" 110/10/6 kV during his working visit to Sochi. This power center, in particular, provides power supply infrastructure facilities involved in the Russian Investment Forum, which takes place in Sochi.

As a part of his participation in the Russian Investment Forum in Sochi, General Director of Kubanenergo PJSC, Gavrilov Alexander Ilyich, told to journalists about the results of the development of the regional power grid complex in 2018

Kubanenergo PJSC will create a digital network in the Krasnodar Territory. The question is about a digital substation based on the basis of the existing 110 kV substation in Tuapse, installing reclosers (automatic control devices) in the Lazarevsky district of Sochi, and also continuing the construction of fiber-optic communication lines. In addition, it is planned to build a new digital substation in the Sochinskiy Power District.

March



March 18, 2019 – President of the Russian Federation, Vladimir Putin, solemnly opened the substation "Port" for 220 kV – strategically important object for Krasnodar region in terms of developing the investment potential of the region – on the fifth anniversary of signing of the Treaty on the entry of the Republic of Crimea to the Russian Federation in the videoconferencing mode. At the command of the President, the Director General of Rosseti PJSC, Pavel Livinsky, pressed the start button. The General Director of Kubanenergo PJSC, Alexander Gavrilov, and the corporate personnel attended the grand opening ceremony.

Investments in the creation of new energy infrastructure on the Taman Peninsula (construction of a substation and line facilities) amounted to more than 7.69 billion rubles.

The substation will provide traction for the Crimean Bridge railway and will supply electricity to the dry cargo part of the Taman seaport, as well as highways, in particular, the M25 Novorossiysk – Kerch Strait. The "Port" substation will also power all the industrial facilities under construction on the Taman Peninsula. The substation has no analogs throughout the south of Russia for its technical characteristics. It is equipped with modern high-tech equipment and based on digital technologies. The project has a high social and economic significance for the Krasnodar Territory in general.



CORPORATE STRATEGY AND PRIORITIES

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CORPORATE STRATEGY AND PRIORITIES

SHMAKOV
IGOR VLADIMIROVICH

DEPUTY GENERAL DIRECTOR FOR MONITORING

(coordinates the development of the Company's management and control systems, including in the areas of quality management, internal control, risk management, and internal audit)



TO ENSURE THE STRATEGIC GROWTH AND DEVELOPMENT OF THE ELECTRIC GRID COMPLEX OF THE KRASNODAR TERRITORY AND THE REPUBLIC OF ADYGEA, IN THE NEXT FEW YEARS, IT IS NECESSARY TO QUICKLY AND EFFECTIVELY ADAPT TO MODERN TECHNOLOGICAL TRENDS, MEET THE DEMANDS OF CONSUMERS, ACTIVELY DEVELOP AND IMPLEMENT SOLUTIONS FOR DIGITAL TRANSFORMATION OF PROCESSES, DEVELOPMENT OF NEW SERVICES, WHILE MAINTAINING INVESTMENT ATTRACTIVENESS AND WITHOUT INCREASING THE TARIFF LOAD. SUCH ACTIVITY HAS BEEN STARTED IN 2018.

THE ROSSETI GROUP OF COMPANIES HAS ALREADY SWITCHED TO A RISK-BASED MANAGEMENT MODEL, WITH THE SUBSEQUENT POSSIBILITY TO RESPOND IN ADVANCE TO POSSIBLE THREATS.

THE READINESS FOR CURRENT CHALLENGES AND IMMUNITY TO EMERGING THREATS ARE STRENGTHENED BY THE CONTINUALLY IMPROVING MODERN MANAGEMENT AND CONTROL MODEL OF THE COMPANY – IN 2018, THE COMPANY'S MANAGEMENT SYSTEM CONTINUED THE PROGRESSIVE DEVELOPMENT, BUILT ON THE PRINCIPLES OF QUALITY MANAGEMENT SYSTEMS, INTERNAL CONTROL, AND RISK MANAGEMENT.

The Company, being a part of the unified distribution electric grid complex of Russia, strives to achieve the goals defined at the state level, – targets for the electric grid complex established by the Strategy for development of the Electric Grid Complex of the Russian Federation¹.

To fulfill the above targets, as well as to ensure efficient operation and development, the Company sets the following strategic goals:

- Improving the reliability of the power supply of the Krasnodar Territory and the Republic of Adygea.
- Improving the quality of customer service and increasing the availability of power grid infrastructure.
- The advanced development of the network and the introduction of new technologies.

- The growth of investment attractiveness and capitalization.
- Decent working conditions, increase of professionalism and loyalty of the Company's staff.
- Non-exceedance of the established standard for losses of electricity during its transmission.

1. It was approved by the order of the Government of the Russian Federation dated 03.04.2013, No. 511-p.

REPORT OF THE BOARD OF DIRECTORS ON DEVELOPMENT OF THE COMPANY IN PRIORITY AREAS OF OPERATION

A number of activities of the Company the Board of Directors has identified as preferable. In order to achieve strategic goals, the Company sets itself specific targets and implements measures aimed at developing the Company in the following priority areas:

SEQ NO.	ORDER OF PRIORITY	FOUNDATION	BASIC BASES FOR SETTING TARGET VALUES FOR 2018	INFORMATION TO DEVELOP IN THE DIRECTION IN 2018
1.	Ensuring the newly established level of reliability and quality of services provided in accordance with the regulatory legal acts	The decision of the Board of Directors on the issue "Concerning the priority areas of the Company's activities: about the promotion of the established level of reliability and quality of the services provided by the Company" (Minutes No. 121/2011, dated November 21, 2011)	Order of the Regional Energy Commission – Department of Prices and Rates of Krasnodar Region (REC-DPR KR) dated October 12, 2012, No. 59/2012-e	<p>In accordance with the Guidelines for calculating the level of reliability and quality of goods supplied and services rendered to the organization managing the unified national (All-Russian) electric power grid and local grid companies, approved by Order of the Russian Ministry dated 29.11.2016, No.1256, one of the essential components of the evaluation of the Company is a comprehensive indicator of the quality of services, provided by the grid operator, which value is used in making price (rates) adjustments, planned for a long-term regulatory period. The quality indicator of the services provided by the grid operator is determined by the quality level of technological connection to the network. Also, this order sets up the procedure for calculating the indicator of the reliability level of the services provided.</p> <p>By the Order of REC-DPR KR dated December 27, 2017, No. 62/2017-e "Concerning setting the rates for the companies, providing services for the transmission of electric energy", the long-term regulation characteristics were set for 2018–2022. The following values were set for 2018:</p> <ul style="list-style-type: none"> • indicator of the quality level of the technological connection to the network (an indicator of technological connection – ITC), which is equal to 1.009; • indicator of average duration of stopping the electricity transmission to the point of delivery, which is equal to 4.5832 hours; • indicator of the average frequency of electricity transmission to the point of delivery, which is equal to 1.0570 pcs. <p>According to the Kubanenergo PJSC performance in 2018, the average value of indicator was as follows:</p> <ul style="list-style-type: none"> • by the indicator of the quality level of technological connection to the network (ITC) – 1.0369, the planned value of the indicator is considered to be reached by Kubanenergo PJSC with account for allowable variation factor of 35%; • by the of average duration of stopping the electricity transmission at the point of delivery – 1.1138 h; • by the indicator of the average frequency of electricity transmission to the point of delivery – 0.5012 pcs.

SEQ NO.	ORDER OF PRIORITY	FOUNDATION	BASIC BASES FOR SETTING TARGET VALUES FOR 2018	INFORMATION TO DEVELOP IN THE DIRECTION IN 2018
2.	Ensuring the availability of energy infrastructure and the quality of technological connection to the Company's power grids	The decision of the Board of Directors on the issue "Concerning the priority direction of the Company's activities: concerning the availability of energy infrastructure and the quality of technological connection to the Company's power grids" (Minutes No. 196/2014 dated September 12, 2014)	Decision of the Board of Directors (Minutes No. 196/2014 of September 12, 2014) and Order of the Company No. 131 of February 18, 2014 "On Improving Technological Connection"	<p>Currently, the technological connection procedure takes three steps:</p> <ul style="list-style-type: none"> filing an application, the conclusion of the contract execution of the contract. <p>To increase the availability and reduce the cost of technological connection for small and medium-sized businesses, from 01.10.2017, the cost of technological connection of power receiving devices with a maximum power of up to 150 kW does not include the costs associated with the construction of transmission facilities – from the existing transmission facilities to the connected power receiving devices and (or) electricity generation facilities (in accordance with the Federal Law of March 26, 2003, No. 35-ФЗ "On Electric Power Industry").</p> <p>Determining the technical solutions for interconnection, an approach is used which consists in the optimality from the point of view of reducing the volume of reconstruction (construction) of electric grid infrastructure facilities on the part of the Company.</p> <p>The possibility of a preliminary calculation of the cost of technological connection according to the specified parameters is already available on the website of the Company.</p> <p>The possibility of a preliminary calculation of the cost of technological connection according to specified parameters also functions on the Company's website.</p> <p>Information about the total capacity is published for each section of the electrical network, the current power reserve for connecting consumers.</p> <p>In accordance with the order of PJSC Rosseti dated December 02, 2016 No. 148 "Concerning the creation of favorable conditions for conducting small and medium business", the average time for execution of technological connection contracts for this category of applicants was 100 days, while the average time for consideration of the application and the direction of the contract offer decreased from 8 to 6 days compared with 2017.</p> <p>Further reduction in the technological connection terms for privileged categories of applicants was scheduled for 2019.</p>
3.	Planning the development of the distribution grid complex of Kubanenergo PJSC	The decision of the Board of Directors on the issue "Concerning the priority direction of the Company's activities: about planning the development of the distribution power grid of OJSC Kubanenergo (Minutes No. 116/2011 dated 07.09.2011)	The Operating Procedure for the РП00104604-ИСМ-003-2016 process "Management of the distribution power grid development"	<p>The Company took a hands-on approach to the development of the Scheme and Program for the future development of the electric power industry in the Krasnodar Territory for the period 2019-20236 and the Schemes and Programs for the Development of the Power Industry of the Republic of Adygea for 2018–2022. In the reporting year, the Integrated Program for the Development of Electric Networks 35 kV and higher in the Krasnodar Territory and the Republic of Adygea for 2019–2023 was developed by request of JSC "Institute ENERGOSETPROEKT" of Kubanenergo PJSC This program is the basis for the annual formation of proposals for the inclusion of activities in the Schemes and Programs for the future development of the power industry of Krasnodar Territory and the Republic of Adygea for a five-year period.</p>

SEQ NO.	ORDER OF PRIORITY	FOUNDATION	BASIC BASES FOR SETTING TARGET VALUES FOR 2018	INFORMATION TO DEVELOP IN THE DIRECTION IN 2018
4.	Certification of equipment, materials, and systems at the Company's facilities	The decision of the Board of Directors regarding "The definition of priority activities: on certification of equipment, materials and systems at the Company's facilities (Minutes No. 190/2014 dated 06.06.2014)	The absence of facts regarding the equipment, materials, and acquisition of systems, not certified in PJSC Rosseti or not approved for use at the Company's facilities by the decision of the Company's commission for the approval of equipment, materials, and systems	<p>As a part of the implementation of the priority direction, as well as pursuant to the order of PJSC Rosseti of 02.09.2013, No. 546 [as amended], pursuant to the decision of the Board of PJSC Rosseti (Minutes No. 225np dated 31.03.2014), in order to prevent deliveries of products that do not meet the requirements of industry regulatory and technical documentation (hereinafter referred to as NTD) to the Company's facilities, as well as internal standards and NTD of the Company, Order of Kubanenergo PJSC dated 30.05.2014, No. 476 "Concerning certification of equipment, materials and systems" entered into force as the Company's internal documents:</p> <ul style="list-style-type: none"> Methods of certification of equipment, materials and systems in the integrated power grid; The procedure for certification of equipment, materials, and systems in the integrated power grid; there was appointed the Company's Commission for approval of equipment, materials and systems (hereinafter – Company CAE) and was approved the operating procedure for the Company CAE (R 054-2014) (hereinafter – the Operating Procedure). <p>Kubanenergo PJSC strictly complies with the requirements of the Regulations of PJSC Rosseti "On Unified Technical Policy in the Integrated Power Grid" approved by the Board of Directors of Kubanenergo PJSC (minutes No. 267/2017 of 31.03.2017) and enforced by order of the Company dated 31.03.2017, No. 859.</p> <p>At the same time, Kubanenergo PJSC in its production activities uses a list of equipment, materials and systems that have passed the certification procedure and have a valid conclusion of the attestation commission and recommended for use at the grid facilities of the subsidiaries and dependent companies of PJSC Rosseti, posted on the official website of PJSC Rosseti www.rosseti.ru in the section "Investments and Innovations".</p> <p>The requirement for the availability of certification by PJSC Rosseti for the equipment, materials, and systems proposed for procurement is specified in the procurement documentation.</p> <p>The technical expert appointed by the order for regulated procedures, within the framework of the selection stage of the procurement procedure, checks the availability of equipment, materials, and systems proposed by the participants in the above list and at the identification of machinery, materials, and systems not certified by PJSC Rosseti, brings this issue for the consideration of the Head of Department for the arrangement of bidding procedures and to the meeting the Company CAE.</p> <p>Thus, all activities of Kubanenergo PJSC in this direction are carried out based on the relevant decisions and documents of PJSC Rosseti, which excludes the possibility of using the equipment, materials, and systems not certified in the prescribed manner at Kubanenergo PJSC facilities.</p>

SEQ NO.	ORDER OF PRIORITY	FOUNDATION	BASIC BASES FOR SETTING TARGET VALUES FOR 2018	INFORMATION TO DEVELOP IN THE DIRECTION IN 2018
5.	Increasing the level of anti-terrorism and anti-sabotage security of the Company's electric grid facilities	Decisions of the Board of Directors on the following matters: <ul style="list-style-type: none"> Concerning the definition of priority activities: on measures to increase the level of anti-terrorism and anti-sabotage security of the Company's facilities" (Minutes No. 94/2010, dated 06.08.2010) Concerning the approval of the internal document – Policy for ensuring the integrated security of Kubanenergo OJSC (minutes No. 202/2015 dated 30.01.2015) 	The policy of ensuring the integrated security of Kubanenergo PJSC, approved by a decision of the Board of Directors (minutes No. 202/2015 dated 30.01.2015)	<p>In its efforts to improve the level of anti-terrorism protection of the facilities of Kubanenergo PJSC, it is guided by the regulatory legal acts of the Russian Federation and the Krasnodar Territory, as well as decisions of the Company's management bodies.</p> <p>In order to ensure the safety of the Company's facilities, in 2018 the following measures were implemented:</p> <ul style="list-style-type: none"> local Regulations of the Company to enhance anti-terrorist protection of facilities and personnel actions upon detection of suspicious objects or signs of a terrorist nature were published and executed in a timely manner; the state of engineering security equipment at the Company's facilities was regularly examined; inspections of the state of protection of objects were carried out together with representatives of law enforcement agencies; there were performed the unscheduled inspections of the service performed by employees of private security organizations engaged in the protection of the Company's facilities; instruction of the duty operators and operational staff in outreach activities in cases of detection of signs of a terrorist nature at the Company's facilities were carried out on a weekly basis; in all branches of the Company, training was conducted on personnel actions when foreign objects and persons were found at energy facilities; the plans for joint actions of the Company with the law enforcement bodies of the Krasnodar Territory and the Republic of Adygea were developed in the event of an emergency, same there were developed and agreed upon the relevant interaction schemes; measures to improve the level of anti-terrorism protection of facilities were included in the Company's long-term investment program for the period 2019–2023; measures to prepare the integrated security system of the Company's facilities for the 2018 World Cup. <p>In close cooperation with the territorial bodies of the Federal Security Service of Russia, the Ministry of Internal Affairs of Russia, the Russian Guard, the security of the Company's power facilities involved in the energy supply of the infrastructure facilities of the FIFA World Cup 2018;</p> <ul style="list-style-type: none"> measures were taken to ensure the safety of the Company's energy facilities involved in holding social and political events (Russian Investment Forum in Sochi, Congress of the Syrian National Dialogue in Sochi, the election of the President of Russia, etc.)
6.	Improving the system of in-process monitoring and risk management, the development of the internal audit function	The decision of the Board of Directors on the issue "Concerning the priority direction of the Company's activities: improving the system of internal control and risk management, the development of the internal audit function" (minutes No. 196/2014 dated 12.09.2014)	Strategy for the development and improvement of the internal control system of PJSC Rosseti and subsidiaries and affiliates PJSC Rosseti (minutes of the meeting of the Board of Directors of Rosseti OJSC dated 13.02.2014, No. 143), Company's order dated 12.01.2016, No. 6 "On implementation of the Efficiency Assessment Method in the internal control and risk management systems of the Rosseti Group of Companies, decision of the Audit Committee of the Company's Board of Directors (minutes No. 36/2016, dated 17.03.2016)	Measures implemented in the reporting year aimed at improving the internal control system, see the section "Internal Control System"

SEQ NO.	ORDER OF PRIORITY	FOUNDATION	BASIC BASES FOR SETTING TARGET VALUES FOR 2018	INFORMATION TO DEVELOP IN THE DIRECTION IN 2018
7.	Comprehensive programs of Kubanenergo PJSC to reduce the risk of injuries to the personnel of Kubanenergo PJSC and third parties at the facilities of the electric grid complex of Kubanenergo PJSC for the period 2018–2022.	<ul style="list-style-type: none"> Order of PJSC Rosseti dated 29.03.2018, No. 55 "On approval of programs to reduce injury risks at the facilities of the integrated electric grid"; the decision of the operational meeting under the leadership of the General Director of PJSC Rosseti (Minutes No. 108, dated 24.10.2017); Order of PJSC Rosseti dated 14.12.2017, No. 156 "On approval of the Program for improving the quality of production control of PJSC Rosseti" 	Order of PJSC Rosseti dated 29.03.2018, No. 55	The Company progress report in 2018 for implementation of integrated programs to reduce the risks of injuries to the personnel of Kubanenergo PJSC and third parties at the facilities of the Company's integrated electric grid for the period 2018–2022 was noted at a meeting of the Reliability Committee of the Board of Directors of Kubanenergo PJSC (extract from the minutes, dated 20.02.2019, No. 57/2019)
8.	Reduction of specific investment expenses by 30% compared to 2012	The Order of the Company dated 08.10.2013 No. 1226 "Concerning the Approval of the planning Procedure for Reducing Investment Costs by 30% Relative to the Level of 2012 when Forming the Investment Program of Kubanenergo OJSC" (as amended by the Order dated 20.03.2016, No. 209)	Order of the Company dated 20.03.2016, No. 209 "Concerning the Amendments to the Order of OJSC Kubanenergo, No. 1026 dated 08.10.2013"	In connection with the end of the first stage of performing the Strategy for the Development of the Electric Grid Complex of the Russian Federation, approved by Decree of the RF Government dated 03.04.2013, No. 511-p, adopted to achieve in 2017 a target for reducing specific investment costs by 30% compared to 2012, as well as the cancellation of the order of PJSC Rosseti dated 10.03.2016, No. 99p, which approved the method of planning to reduce investment costs by 30% relative to the 2012 level at elaboration of investment programs of subsidiaries and affiliates of PJSC Rosseti (order of PJSC Rosseti No. 474p dated 26.10.2018), the event has been replaced with "Not exceeding the actual unit costs over the planned unit costs (for facilities that were fully put into work in the reporting period)." By the end of 2018, this measure was totally completed
9.	Reduction of operating expenses (costs) by at least 2-3% annually	Decisions of the Board of Directors on the following matters: <ul style="list-style-type: none"> "Reducing the operating expenses [costs] by minimum 2-3% annually" (minutes dated 11.06.2015, No. 214/2015); "Approval of the Company internal document – the Operating Procedure for Increase in Operating Efficiency and Reduce of Costs of Kubanenergo PJSC (minutes No. 228/2015, dated 30.12.2015); "Approval of the business plan of Kubanenergo PJSC for 2018 and the forecast indicators for 2019–2022, including, among other things, the Program for improving operating efficiency and reducing the Company's expenses for the period 2018–2022" (minutes dated 28.12.2017, No. 294/2017) 	The decision of the Board of Directors of the Company (minutes dated 28.12.2017, No. 294/2017), minutes of the meeting with deputy general directors for economics and finance of the subsidiaries and dependent companies of PJSC Rosseti dated 29.03.2018, No. 3	According to the results of 2018, the target percentage of reduction in specific operating expenses (expenses) of at least 2% was taken into account (minutes with Deputy General Directors for economics and finance of subsidiaries and dependent companies of PJSC Rosseti dated 29.03.2018, No. 3). Obtained in 2018, the effect of reducing operating costs is at least 2%, which corresponds to the target value
10.	Measures to centralize and automate the treasury function	Decisions of the Board of Directors on the following matters: <ul style="list-style-type: none"> "Determining the priority directions of the Company's activities: implementation of measures to centralize and automate the treasury function by the Company" (Minutes of the Board of Directors dated 16.03.2015, No. 205/2015); "implementation of the scheduled plan of the Company for integration into the unified IT system of the Single Treasury of PJSC Rosseti (minutes No. 212/2015 dated 25.05.2015) 	Integration and transfer of treasury and financial functions into an automated system of centralization and automation of treasury and business services of PJSC Rosseti on the 1C: Enterprise platform	The Company carried out in full within the established period the measures for integration into the unified IT system of the Single Treasury of PJSC Rosseti in accordance with the regulatory documents of Kubanenergo PJSC and PJSC Rosseti, planned for 2018

DEVELOPMENT OF THE ELECTRIC GRID COMPLEX OF THE COMPANY AND THE REGION

KOSTETSKY

YYACHESLAV YUREVICH

BY THE DEPUTY GENERAL DIRECTOR FOR DEVELOPMENT AND TECHNOLOGICAL CONNECTION



THE MAIN OBJECTIVE OF THE COMPANY'S LONG-TERM DEVELOPMENT OF THE ELECTRIC GRID COMPLEX IS THE SEARCH FOR OPTIMAL WAYS TO MODERNIZE AND EXPAND ITS ELECTRIC GRID COMPLEX IN ORDER TO ELIMINATE THE EXISTING SHORTAGE OF ENERGY CAPACITIES AND MEET THE PROSPECTIVE DEMAND FOR ELECTRIC POWER IN THE LONG TERM.

Acting under Decree of the Government of the Russian Federation dated 17.10.2009, No. 823 "On schemes and programs for the future development of the power industry", in 2018 Kubanenergo PJSC took a direct part in the development of schemes and programs for the future development of the electric power industry of the Krasnodar Territory and the Republic of Adygea for a five-year period.

The Representatives of Kubanenergo PJSC – Deputy General Director for Technical Issues - Chief Engineer and Deputy General Director for the Development and Technological Connection of the Company – are included in the coordination bodies in the Krasnodar Territory and the Republic of Adygea, coordinating the development of schemes and programs for the development of the electric power industry of the subjects of the Russian Federation:

- of the interdepartmental working group for elaboration of scheme and program for development of the power industry of the Krasnodar Territory (created according to the order of the head of administration (governor) dated 11.02.2011, No. 181-p "On the creation of an interdepartmental working group to develop the scheme and program for the development of the power industry in the Krasnodar Territory");
- the working group for elaboration of a scheme and program for the development of electric power industry of the Republic of Adygea (established according to the order of the Ministry of Economic Development and Trade of the Republic of Adygea dated 01.02.2011, No. 26-p "On the establishment of a working group").

Scheme and Program for the future development of the power industry of Krasnodar Territory for the period 2019–2023, approved by order of the head of the administration (governor) of Krasnodar Territory No. 104-r dated 26.04.2018.

Scheme and Program for the Development of the Power Industry of the Republic of Adygea for 2018–2022 approved by the order of the head of the Republic of Adygea dated 12.03.2018 No. 49-pr.

According to the schemes and programs, the Company should focus its attention on the development of the most problematic South-Western and Central Energy Districts of the Kuban Energy System, which need to be improved in the electric power infrastructure.

As a part of the execution of PJSC Rosseti order No. 155 dated 25.08.2015 "On Improving the Quality of Network Development Planning", Kubanenergo PJSC in the reporting year entered into an agreement with Energosetproekt Institute for the development of a comprehensive program for the development of electrical networks of 35 kV and above on the territory of the Krasnodar Territory and the Republic of Adygea for 2019–2023.

December 26, 2018 the draft of this program (basic version) was sent to the executive authorities of the Krasnodar Territory and the Republic of Adygea as source data for the development of schemes and programs for the future development of the electric power industry of the regions in 2019

INTEGRATED MANAGEMENT SYSTEM OF THE COMPANY

The Company has an Integrated Management System, which includes:

- The quality management system, which is the basis for the general management system of the Company, which provides:
 - / the introduction of systemic approaches to the management of the Company through goal-setting, identification of processes and resources necessary to achieve the desired results,
 - / high quality management of the Company's processes in accordance with the requirements of regulatory documents, the needs and expectations of consumers, the interests of all stakeholders, including employees, shareholders, investors and partners of the Company;
- The environmental management system – is part of the Company's overall management system, which is used to manage the environmental aspects of the Company's operations, implement the commitments made and take into account the risks and possibilities of the Company's environmental impact;

- The occupational health and safety management system – is a part of the Company's general management system that allows you to manage risks and improve performance indicators in the field of occupational safety and health protection;
- The energy management system, – which is part of the Company's overall management system, the tools of which provide ongoing research that allows them to have knowledge of the distribution and levels of energy consumption at the enterprise, as well as the optimal use of energy resources for both production and non-production needs.

The integrated management system of the Company was developed and documented in accordance with the requirements of international and Russian standards ISO 9001: 2015, ISO 14001: 2015, ISO 50001: 2011, OHSAS 18001: 2007, GOST R 54934-2012.

Certificates of the Company's management system valid in 2018

SEQ NO.	MANAGEMENT SYSTEMS	CERTIFICATE VALIDITY	CERTIFICATION BODY
1	ISO 9001 "Quality Management System"	05.03.2021	CJSC SGS Vostok Limited
2	ISO 14001 "Environmental Management System"	05.03.2021	CJSC SGS Vostok Limited
3	OHSAS 18001 "Operational Health and Safety management system."	05.03.2021	CJSC SGS Vostok Limited
4	ISO 50001 Energy Management System	21.08.2021	Certification Association "Russian Register"

The scope of application of the Integrated Management System of the Company and distribution of conformity certificates is the activity for transmission and distribution of electricity over 110 kV electrical networks and below; design, construction, reconstruction, an overhaul of power facilities in the Krasnodar Territory and the Republic of Adygea.

The Company implements a set of measures to improve the management system of Kubanenergo PJSC, approved by order dated 16.12.2016, No. 1114 and updated by the decision of the Company's Board dated August 29, 2017, minutes No. 18/2017, including organizational and methodological measures in the field of strategic management as well as measures for the integration, unification and automation of the Company's activities in the management of regulatory reference information and organizational and technical documentation.

The interested parties of the Company are the following:

- The last resort providers and energy service companies with which Kubanenergo PJSC has concluded electricity

- transmission contracts in favor of electric power consumers;
- applicants for technological connection to the Company's power grids;
- final consumers of electricity whose electrical installations are directly or indirectly connected to the Company's electrical networks;
- other subjects of electric power industry (generating companies, JSC "SO UES", territorial and related grid organizations, etc.);
- Company 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 the public association – All-Russian Electro-Trade Union;
- product and service providers.

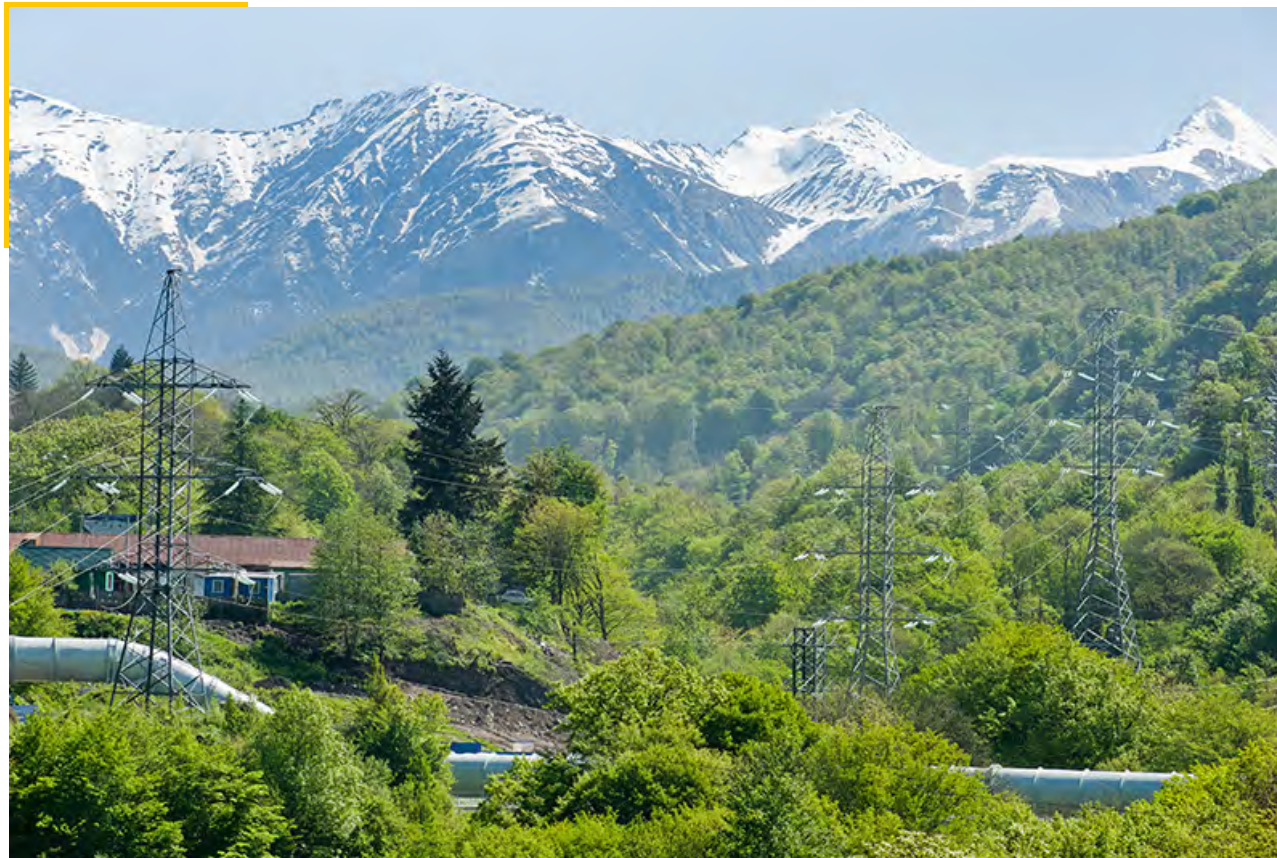
THE MAIN RESULTS OF THE MANAGEMENT SYSTEMS OPERATION

- improving the reliability and quality of power supply (information is provided in the section " Providing the Reliable and Efficient Operation of the Power System");
- increase of power supply security (information is presented in the section " Providing the Reliable and Efficient Operation of the Power System");
- ensuring the labor safety and health protection in the implementation of production activities, including reducing the total number of accidents while observing the requirements of the legislation of the Russian Federation in the field of labor protection and environmental protection (The information is presented in the sections " Labor Protection and Industrial Safety", " Environmental Protection and Key Environmental Aspects of the Company");
- energy efficiency increase (information is presented in the section " Energy saving and energy efficiency increase");
- ensuring environmental safety (information is presented in the section " Environmental Protection and Key Environmental Aspects of the Company");
- improving the quality of services for the technological connection of consumers (information is given in the section " Technological Connection to the Electric Networks of Kubanenergo PJSC").

From 12 to 16 of February 2018, as a part of the recertification audit, CJSC "SGS Vostok Limited" (included in the SGS group) confirmed the compliance of the Company's management system with the requirements of international standards in the field of quality management ISO 9001: 2015, occupational health and safety OHSAS 18001:2007, environmental management ISO 14001:2015 in the branches of Sochinskiye, Labinskiye electric networks and in the executive office. According to the results of the audit by the certifying authority, it was concluded that the management system of Kubanenergo PJSC is effectively functioning, planned and able to achieve the goals set forth in the Kubanenergo PJSC Policy in the aspect of quality, ecology, and occupational health and safety.

From September 17 to 21, 2018, within the framework of the recertification audit, the Russian Register Certification Association confirmed that the Company's management system complies with the requirements of the international standard ISO 50001:2011 in the field of energy management in the South-Western, Slavyanskiye and Krasnodarskiye electric networks and the executive office. By the results of the audit, the certification body considered the management system of Kubanenergo PJSC as functioning efficiently, well-planned and capable of achieving the goals set forth in the Energy Policy of Kubanenergo PJSC.

In general, the functioning of the Integrated Management System has had positive results over the past year, which is confirmed by the findings of certification bodies.



ENGINEERING POLICY

By decision of the Board of Directors of Kubanenergo PJSC dated 28.03.2017 (minutes No. 267/2017), the Regulation of PJSC Rosseti "On the Unified Technical Policy in the Electric Grid Complex" was approved as a Company internal document, and put into action by the order of Company No. 859 on August 10, 2017.

The objectives of the engineering policy are: identifying critical areas of engineering and technology, development, the unification of technical solutions to enhance the reliability and efficiency of power industry facilities in the long term, with ensuring adequate industrial and environmental safety on the basis of innovative improvement principles, assuring the non-discriminatory access to electricity networks for all market participants.

In the preparation and implementation of the Company's programs the Company is guided by the following requirements of engineering policy:

- investment;
- maintenance and repair;
- innovative development;
- energy saving and energy efficiency improvement;
- target programs related to the implementation of technical concepts and technical development strategies;
- research-and-development activity;
- import substitution.

Key projects, which implementation was based on innovative, advanced, high tech technical solutions, technologies and equipment in compliance with the engineering policy, completed by the Company in 2018

SEQ NO.	COMPANY BRANCH	ENERGY FACILITY NAME	KEY TECHNICAL PARAMETERS
1	Sochinskiye electric networks	Construction of Substation "Lazurnaya" 110 kV with overhangs of overhead lines 110 kV	110 and 10 kV microprocessor Relay Protection and Automation Devices (RPAD) manufactured by AST LLC (NR) and EKRA NPP (the main protections are differential-phase protection of 110 kV overhead lines). Protection devices for local back-up power transformers T-1 and T-2 (PUMA). 110 kV SF6 circuit breakers EKLW24-145. 110 kV capacitive explosion-proof voltage transformers ETH-110UHL1. Communication capacitors in explosion-proof version SMAPV-110/V3-6.4 UHL1. Reactors in arc extinguishing oil performance RDMK-400/11-U1. Auxiliary power transformer, energy-saving TMGE
2	Krasnodarskiye electric networks	Reconstruction of the "Yugo-Zapadnaya" Substation 110/10 kV. Installation T-3 with a capacity of 40 MVA	Microprocessor RPAD 110 and 10 kV produced by LLC AST (NR) and NPP EKRA (the main protection of RPAD overhead line 110 kV). Protection devices for local back-up power transformers T-1, T-2, and T-3 (PUMA). Gas-insulated circuit breaker 110 kVEKLW24-145
3	Krasnodarskiye electric networks	Reconstruction of the substation "Severo-Vostochnaya" 110/6-10 kV. Installation T-3 with a capacity of 40 MVA	110 and 10 kV microprocessor-based relay protection devices produced by LLC AST (NR). Protection devices for local back-up power transformers T-1, T-2, and T-3 (PUMA). Gas-insulated circuit breaker 110 kVEKLW24-145
4	Krasnodarskiye electric networks	Reconstruction of the substation "Turgenevskaya" 110/10 kV. Installation T-3 with a capacity of 40 MVA	110 and 10 kV microprocessor-based relay protection devices produced by LLC AST (NR). Protection devices for local back-up power transformers T-1, T-2, and T-3 (PUMA). Gas insulated switch 110 kV EKLW24-145. 110 kV capacitive explosion-proof voltage transformers ETH-110UHL1. Reactors in arc extinguishing oil performance RDMK-400/11-U1. Auxiliary power transformer, energy-saving TMGE

SEQ NO.	COMPANY BRANCH	ENERGY FACILITY NAME	KEY TECHNICAL PARAMETERS
5	Krasnodarskiye electric networks	Reconstruction of the substation 35/10 kV "Kalinino". Replacement of 2 × 10 MVA transformers with 2 × 16 MVA	35 and 10 kV microprocessor-based relay protection devices produced by LLC AST (NR). Protection devices for local back-up power transformers T-1 and T-2 (PUMA). 35 kV cells of type KM-35. Energy saving auxiliary power transformer
6	Krasnodarskiye electric networks	Reconstruction of the 35/10 kV Shapsug substation with conversion to 110/35/10 kV voltage with two 40 MVA transformers	110, 35 and 10 kV microprocessor-based relay protection devices produced by EKRA. Protection devices for local back-up power transformers T-1 and T-2 (PUMA). 35 kV cells of KRU-SESCH-65UHL1 type. 110 kV SF6 circuit breakers EKLW24-145. 110 kV capacitive explosion-proof voltage transformers ETH-110UHL1

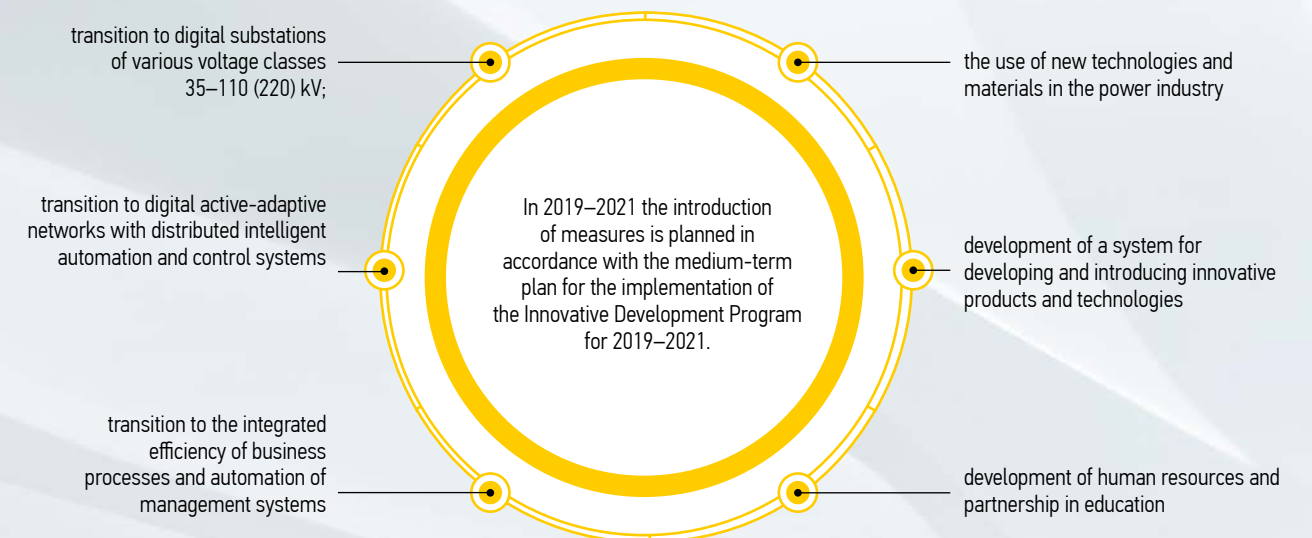
The list of regulatory and technical documents (RTD) of the electric grid subject in Kubanenergo PJSC was approved by Order No. 115 dated February 16, 2016, and placed on the server in public access for the Company's employees and updated annually, as well as at the revising existing or developing new RTD.

In the reporting year, the Company developed 33 regulatory and technical documents in the field of technical regulation, four of them – with the involvement of contracting organizations:

SEQ NO.	TECHNICAL REGULATION AREA	NUMBER OF DOCUMENTS
1	Prompt technological and situational management	6
2	Fire safety	6
3	Metrology and power quality	6
4	Rationing in the integrated power grid	5
5	Test methods and diagnostics	3
6	Grounding and lightning protection	2
7	Electricity accounting and service development	2
8	Occupational Safety and Health	1
9	Power lines, substations and main equipment	1
10	Means of communication	1

INNOVATIVE DEVELOPMENT OF THE COMPANY

THE MAIN DIRECTIONS OF THE CURRENT INNOVATION DEVELOPMENT PROGRAM



2018 results

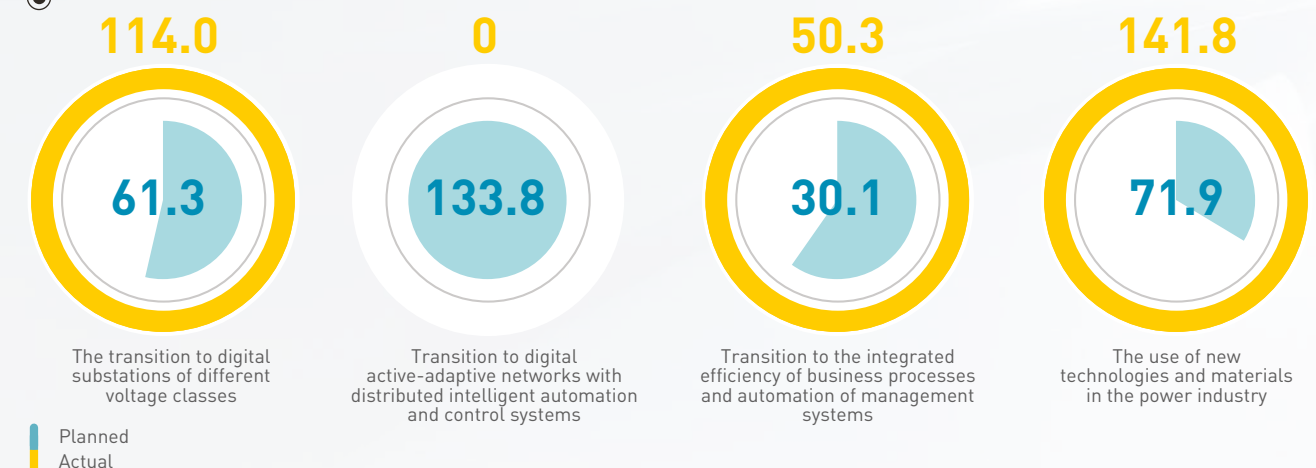
4
SECURITY DOCUMENTS
ON R & D WERE RECEIVED

1
LICENSE CONTRACT WAS CONCLUDED

2
R & D RESULTS WERE IMPLEMENTED ON POWER GRID FACILITIES

COMPANY'S EXPENSES FOR INNOVATIVE DEVELOPMENT

Costs in the main areas of innovation development in 2018, mln rub. without VAT



THE MAIN COMPLEX INNOVATIVE PROJECTS CARRIED OUT BY THE COMPANY IN THE REPORTING YEAR

Automation of sections of the 6-10 kV distribution network based on reclosers with the installation of a SCADA system of Dagomysky¹ RES

The project implementation period is 2018–2020.

It is planned to implement a set of technical measures, including:

- application in Sochinskiye electric networks of SCADA with the addition of OMS functions (shutdown control system, including emergency situations) and DMS (distribution network control systems) with the display of telemechanical data on 110 kV substation and 6-10 kV distribution center of Dagomyskay RES;
- setup of automatic sectioning points (reclosers, motor-driven disconnectors, etc.) with integration into SCADA;
- the remote control of one 110 kV substation, nine distribution points with a voltage of 10 kV with integration into SCADA;
- the introduction of digital systems for determining the location of damage by equipping sensors for the flow of short-circuit currents with the integration of SCADA;

- creation of a communication system that meets the demand for digital RES (modems, communication channels, routers);
- creation of a smart metering system (with the automatic collection and the function of analyzing consumption and balances) based on Automatic system for commercial accounting of power consumption "Piramida";
- creation of an automated workplace of the operational (operational-repair) personnel of Dagomyskaya power distribution zone.

The coordination of the digitalizing passport of Dagomysky Distribution Zone by the Commission for the Management of Innovative Development of PJSC Rosseti began in 2018.

In 2019–2020 It is planned to coordinate the passport of the pilot project with PJSC Rosseti and its implementation

Development of the computer integrated manufacturing system (CAMS) of Kubanenergo PJSC

In the reporting year:

- changes were made to information systems based on the results of the revision of the methodology for assessing the consequences of a failure and taking into account the risks of failure in monetary terms;
- automated forecasting model of the probability of the manufacturing system failure;
- standard forms of test/measurement protocols were automated by test objects, groups, and types of equipment;
- automated functionality of mobile solutions;
- ACS MRO integration was carried out with reference books of raw materials and materials for accounting and logistics;
- automated methodology for assessing the readiness of electric power engineering entities to work during the heating season.

The introduced APSA controls contribute to the reduction of labor costs for performing individual operations, increase the transparency of the Company's activities at all levels of the hierarchy, make information available at all levels of management of power grid facilities. They also let to evaluate the effectiveness of

operational and investment costs in terms of various types of impact, to compare the efficacy of production asset management processes in the Company.

Controls for calculating the likelihood and estimating the consequences allow us to determine the optimal type, composition, and cost of technical impact when planning for maintenance and repair, technical re-equipment and reconstruction, as well as to determine the predicted level of reliability of power grid facilities.

Further development of the Company's asset management system is planned for 2019, including:

- creation of automated control systems by means of technical re-equipment and reconstruction;
- automation of methods for predicting changes in the reliability of power supply to consumers and the technical condition of assets, depending on available resources;
- the exchange of regulatory information between the asset management system and the automated metering system of transport of electricity

Implementation of automated process control systems based on digital devices using the IEC 61850² standard for the construction of the Substation 220 kV "Port"

The following digital technologies were used in the construction of the "Port" 220 kV substation:

- automated process control system (APCS) built on equipment, equipment produced by a Russian Company LLC "DEP Company" based on the protocol IEC 61850;
- integration of 10–35 kV bay controllers and relay protection and automation terminals into the process control system through digital data exchange using the IEC 61850 protocol;

- digital communication and transmission channels are organized via the optical fiber transmission systems (OFTS) to the dispatch centers of Kubanenergo PJSC and branch of JSC SO UES Kuban Regional Dispatch Administration (RDA);
- implementation of software online blocking switching devices of substations. In 2019 it is planned to put the following facilities into operation.

¹ SCADA – (Supervisory Control and Data Acquisition) is a software package designed to develop or provide real-time systems for collecting, processing, displaying and archiving information about a monitoring or management facility.

² The standard of the International Electrotechnical Commission "Communication Networks and Systems at Substations", describing data flow formats, types of information, rules for describing elements of a power facility and a set of rules for organizing an event-based data transfer protocol.

COMPANY'S EXPENSES FOR INNOVATIVE DEVELOPMENT

Costs in the main areas of innovation development in 2018, mln rub. without VAT

SEQ NO.	DIRECTIONS OF INNOVATIVE DEVELOPMENT	PLANNED	ACTUAL
1	The transition to digital substations of different voltage classes	61.3	114.0
2	Transition to digital active-adaptive networks with distributed intelligent automation and control systems	133.8	0.0
3	Transition to the integrated efficiency of business processes and automation of management systems	30.1	50.3
4	The use of new technologies and materials in the power industry	71.9	141.8

PERFORMANCE OF R & D

The general direction of the Innovation Development Program for 2016–2020 with a perspective up to 2025, is the performance of R & D activities (development of breakthrough technologies for creating fundamentally new methods and methods, as well as applied topics towards improving the existing technologies and products).

R & D results obtained in 2018

SEQ NO.	R & D	TECHNICAL RESULT
The transition to digital substations of different voltage classes		
1.	Development of IEC 61850 standard profiles ² for devices and cabinets of relay protection devices and automatic process control systems ensuring their interchangeability.	There were worked out the following: <ul style="list-style-type: none"> • requirements for the implementation of the relay protection devices and automatic process control systems controls, based on the objects of the information model of IEC 61850 standard and distribution of the objects of this model according to physical devices; • requirements for the composition of logical devices and distribution of logical nodes according to logical devices; • requirements for the name of logical devices, logical nodes and other elements of the model standard IEC 61850; • requirements for the interaction model (structural interaction diagrams) of logical devices, nodes among themselves with the definition of a unique set of data, necessary and sufficient for interaction
2.	Development of technical requirements for the computer-aided design system according to IEC 61850, algorithms and methods for verifying computer-aided design systems for compliance with technical requirements	There were worked out the following: <ul style="list-style-type: none"> • design workflow of digital substations in accordance with IEC 61850; • technical requirements for the computer-aided design system, ensuring the formation of SSD/SCD/SED³ files in accordance with the IEC 61850 standard; • technical requirements for the developed software and user workplaces; • procedures for testing the computer-aided design system according to IEC 61850 for compliance with technical requirements, as well as checking configuration files for compliance with SCL⁴ diagram of the corresponding version of the IEC 61850 standard and files syntax
Transition to the integrated efficiency of business processes and automation of management systems		
3.	Compensation of the consumption of fuel and energy resources through the use of renewable energy sources at the facilities of Kubanenergo PJSC	There were worked out the following: <ul style="list-style-type: none"> • feasibility study of energy-saving measures using solar photovoltaic panels and solar collectors; • recommendations on the application of power plants of solar photovoltaic panels and solar collectors at the facilities of Kubanenergo PJSC using a feasibility study methodology; • design documentation; • experimental-industrial sample of the design documentation for the combined solar collector installation (hereinafter - KGKU); • industrial collector installation (hereinafter - KGKU); • operational documentation

1. The standard of the International Electrotechnical Commission "Communication Networks and Systems at Substations", describing data flow formats, types of information, rules for describing elements of a power facility and a set of rules for organizing an event-based data transfer protocol.
2. IEC-61850 – is the standard of the International Electrotechnical Commission "Communication Networks and Systems at Substations," describing data flow formats, types of information, rules for describing power facility elements and a set of rules for organizing an event-based data transfer protocol.
3. In accordance with the standards IEC 61850-4 and IEC 61850-6, the design of secondary subsystems of digital substations should be accompanied by the development of electronic project documentation in SCL (see note below) in the form of SSD (System Specification Description) and SCD (System Configuration Description – is a system configuration description. In addition, the standard defines a file format SED (System Exchange Description –data exchange system configuration), intended for the exchange of configurations of various design objects.
4. SCL – System Configuration Language – is a configuration description language.

SEQ NO.	R & D	TECHNICAL RESULT
Program to improve systems and devices for lightning protection, increase the thunderstorm resistance and reliability of external insulation of OTLs and substations with a voltage of 6-750 kV		
4.	Creation of a computer-aided design for lightning protection of substations and high-voltage lines	There were worked out the following: <ul style="list-style-type: none"> • database of economically justified standard technical solutions for lightning protection of electric grid facilities; • method of verification of computer programs for use as a part of computer-aided design; • a computer program for calculating the protection of substation from OTL waves of thunderstorm origin
5.	Development of methods and multifunctional software complex for calculating damage to power transmission lines by lightning based on a probabilistic approach	Calculation module of the computer program created by calculating the damage to the power lines by lightning based on a probabilistic approach
The use of new technologies and materials in the power industry		
6.	The device of differential-phase protection of power lines with two-way power supply with the function of long-distance backup relay protection and switching devices of substations connected to the branches	There were worked out the following: <ul style="list-style-type: none"> • operational documentation; • design documentation
7.	Development of a reflectometric complex for monitoring overhead transmission lines of 35-220 kV to determine the locations of their damage and ice deposits on them	There were worked out the following: <ul style="list-style-type: none"> • one prototype (the device prototype of installation works at the customer's site and commissioning work were completed); • technical conditions • operational documentation
8.	Development of a hardware and software system for determining the location of damage for 35-750 kV lines with optical communication channels	There were worked out the following: <ul style="list-style-type: none"> • two sets of prototypes of damage location terminals; • operational documentation.



CONSOLIDATION OF POWER GRID ASSETS

To implement the Strategy for the Development of the Electric Grid Complex of Russia¹, providing for a reduction in the number of LGCs by 50% by 2017 relative to the level of 2012 and by 50% by 2030 relative to the level of 2017, the Company takes measures to consolidate the electric grid property in the Krasnodar Region and the Republic of Adygea.

For the year of 2018 Regional Energy Commission – the Department of Prices and Rates of the Krasnodar Territory approved individual rates for electricity transmission for 49 LGCs (Order No. 63/2017, dated December 28, 2017). Proposals of the Company to consolidate the property of LGCs on the basis of Kubanenergo PJSC, sent to all LGCs, have not yet been accepted.

In the framework of the implementation of the processes of consolidation of power grid assets in the reporting year, Kubanenergo PJSC took part in the meetings:

- in May and November – in the administration of the Krasnodar Territory on the conclusion of agreements between Kubanenergo PJSC and municipalities on the consolidation of electric grid property located in the territories under their jurisdiction and connected to the Company's networks. Projects of such agreements are developed by Kubanenergo PJSC and sent for consideration to local authorities. Currently, the Company has entered into three agreements on the consolidation of power grid assets with municipalities, the rest are in the process of approval;
- in April – in the administration of the Krasnodar Territory, in June - in the Legislative Assembly of the Krasnodar Territory on the organization of transmission of electrical networks located within the boundaries of horticultural and dacha

partnerships; Work is underway to "pick up" these power grid assets.

During 2018 The Company consolidated 1,776.9 c.u. with a length of 654.8 km, capacity of 210.4 MVA, 54 transactions were made, including:

- electric grid facility was purchased from rural settlement Giaginskoe;
- 17 transactions were made on the donation of power facilities from non-profit organizations and individuals;
- 35 lease agreements were concluded with five LGCs, 20 contracts with municipal entities, ten with other owners;
- The abandoned power facilities in Timashevsky and Bryukhovetsky districts were accepted for use.

The effect achieved from the implementation of measures for the consolidation of power grid assets for 2018 – an increase in revenue by 382.9 million rubles. In addition, the admission of additional power facilities to the balance of Kubanenergo PJSC will make it possible to exclude the Company's costs for the transit of electricity for consumers connected to these facilities.

Monitoring the volume of consolidation of power grid assets

METHODS OF CONSOLIDATION OF POWER GRID ASSETS	THE VOLUME OF CONSOLIDATION OF POWER GRID ASSETS FOR THE PERIOD								
	2016			2017			2018		
	MEGAVOLT-AMPER (MVA)	KM	C.U.	MEGAVOLT-AMPER (MVA)	KM	C.U.	MEGAVOLT-AMPER (MVA)	KM	C.U.
Total for Kubanenergo PJSC	104	628	1,770	204.5	532.9	1,566.2	210.4	654.8	1,776.9
including:									
The acquisition of power grid facilities	5	16	86	0.2	2.3	5.9	0	0	0
Rent of power grid facilities	96	587	1,587	196	511.5	1,467.7	203.8	620.8	1,656.7
Other(permanent right of ownership)	0	0	0	8.2	19.1	90.3	6.4	32	112.3
Other (temporary right of ownership and rights to use)	3	24	97	0.2	0	2.3	0.2	2	8

1. It was approved by the order of the Government of the Russian Federation dated 03.04.2013, No. 511-p.

OPERATING ACTIVITY RESULTS

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Power transmission

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Technological connection to the electric networks of Kubanenergo PJSC

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Ensuring reliable and efficient operation of the power system

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Energy saving and energy efficiency increase

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Pricing policy and rates for the Company's services

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Information Technology and Telecommunications

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Procurement activities of the Company

POWER TRANSMISSION

NISHCHUK

OLEG FEDOROVICH

DEPUTY GENERAL DIRECTOR FOR SERVICE SALES



TRANSMISSION AND DISTRIBUTION OF ELECTRICITY TO CONSUMERS THROUGH ELECTRIC NETWORKS OF 110 KV AND BELOW IS THE MAIN ACTIVITY OF KUBANENERGO PJSC. THE COMPANY'S SHARE IN THE REGIONAL MARKET FOR ELECTRICITY TRANSMISSION SERVICES (FROM THE REQUIRED GROSS REVENUES OF THE REGION) FOR 2018 WAS 75.5%.

IN 2018 THE COMPANY ACHIEVED THE PLANNED KEY INDICATORS FOR THE TRANSMISSION AND DISTRIBUTION OF ELECTRICITY: THE VOLUME OF ELECTRICITY TRANSMISSION SERVICES AMOUNTED TO 101% OF THE PLAN, THE LOSS OF ELECTRICITY DURING ITS TRANSMISSION AMOUNTED TO 11.25%, WHICH IS LOWER THAN THE PLANNED VALUE BY 1.02 PP

ACCORDING TO THE RESULTS OF THE IMPLEMENTATION OF ENERGY SERVICE CONTRACTS IN 2018, AN EFFECT OF 181.8 MILLION KW•H WAS OBTAINED, IN GENERAL, THE EFFECT OF MEASURES TO REDUCE ELECTRICITY LOSSES AMOUNTED TO 236 MILLION KW•H.

MAIN FACTORS

The results of the Company's production activities for 2016–2018

INDICATORS	2016	2017	2018	CHANGES IN 2018 COMPARED TO 2017
Network supply, million kW • h	22,732.291	22,633.258	23,032.535	+399.3
Delivery from the network to consumers and adjacent territorial grid operators within the limits of book and operational responsibility, million kW • h	19,786.650	19,904.274	20,442.390	+538.1
Electricity losses during transmission:				
million kW • h	2,945.641	2,728.984	2,590.145	-138.8
%	12.96	12.06	11.25	-0.81, p. p.
The volume of rendered services on electric power transmission:				
million kW • h	18,059.116	18,204.054	18,766.494	+562.440
million rubles	39,262.365	41,485.670	45,583.484	+4,098.814

According to the results of the Company's operation in 2018, the volume of electricity transmission services rendered amounted to 18,766 million kW • h, which is 562 million kW • h, or 3.08%, more than in 2017.

The actual losses of electricity in the electric networks of Kubanenergo PJSC for the reporting year amounted to 2,590 million kW • h or 11.25% from the supply to the grid. In 2018, a reduction in the relative level of losses to the indicators of 2017 was achieved by 0.81 percentage point. The decrease in actual electricity losses in 2018 compared with 2017 amounted to 138.8 million kW • h.

MEASURES TO REDUCE ENERGY LOSSES

One of the essential activities of the Company is to reduce the level of electricity losses.

Following the results of 2018, the effect from the implementation of measures aimed at reducing electricity losses during its transmission amounted to a total of 235.8 million kW • h (634.0 million rubles), including due to:

- organisational arrangements – 48.8 million kWh (88.7 million rubles);
- technical measures – 5.2 million kW • h (15.2 million rubles);
- improvement of electricity metering – 181.7 mln kW • h (530.0 million rubles).

In the future, this work is supposed to be continued.

The activities of the program to reduce energy losses are met, the target indicator of the program – the level of energy losses – has been reached.

ELECTRICITY METERING STATUS

The following number of subscribers were registered in Kubanenergo PJSC on December 31, 2018:

- 48,170 legal entities with a total of 99,707 electricity metering points;
- 1,074,248 residential subscribers, with a total of 1,074,248 metering points.

In 2018, with an automation plan, 29,136 metering points and planned costs of 928.172 million rubles., 26,680 metering points were automated, the prices of which amounted to 1,049.428 million rubles.

The overfulfilment of the cost plan is subject to an increase in the actual effect as a result of the energy service contracts' implementation, concerning planned targets, which led to the rise in payments to investors under the contracts.

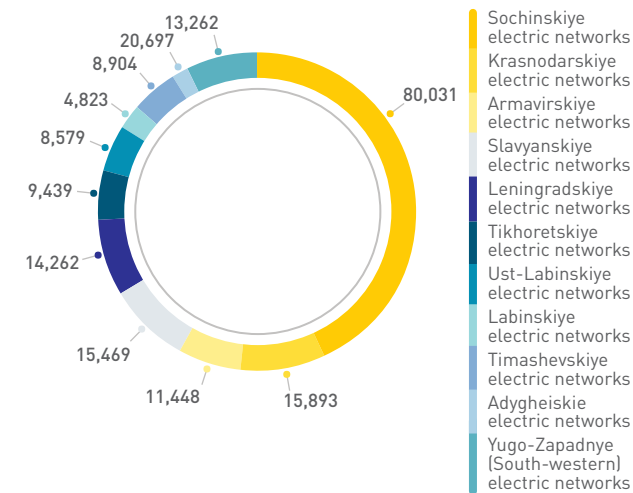
THE INTRODUCTION OF ELECTRICITY METERING DEVICES WITH REMOTE DATA COLLECTION (AUTOMATED METER READING AND CONTROL SYSTEM – AMRCS)

As a part of the implementation of energy service contracts in the reporting year, energy service companies installed 25,421 electricity metering devices, all with automatic control.

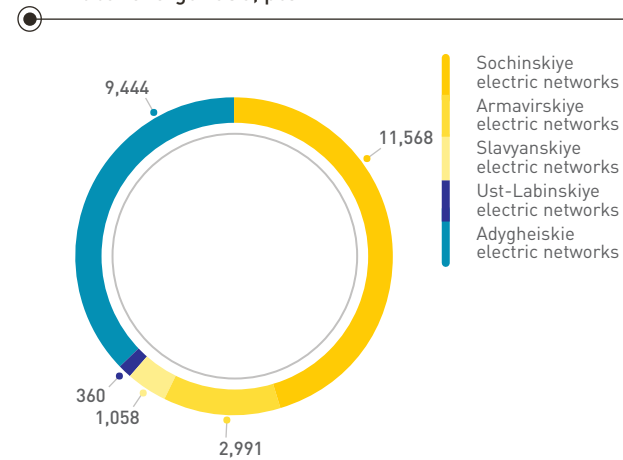
As a part of the implementation of the Company's investment program in 2018, 928 electricity meters were installed and automated at transformer substations, and 331 electricity metering devices were automated at substations, which far exceeds the planned figures.

The volume of electronic electricity metering instruments of the Company with remote data collection as of December 31, 2018, was 202,807 pieces (including in the framework of the implementation of energy service contracts).

The number of automated electricity metering devices with remote data collection as of December 31, 2018, including within the framework of energy service contracts for branches of Kubanenergo PJSC, pcs.



Electricity metering devices, automated in 2018 under energy service contracts for branches of Kubanenergo PJSC, pcs.



The introduction of metering devices with remote data collection has proven to be effective in reducing power losses; thus actual losses in 2018 on feeders included in energy service contracts were reduced on average to 11.9%.

In 2019, it is planned to continue the introduction of metering devices with remote data collection based on energy service contracts, as well as the installation and automation of technical accounting at the Company TS and SS under the investment program. It is planned to automate 40,460 metering points in the whole of the Company. And bring the number of automated metering devices with remote data collection by the end of 2019 to 243 thousand pieces, which will be 20.21% of the total number of electricity metering devices in the Company.

TECHNOLOGICAL CONNECTION TO THE ELECTRIC NETWORKS OF KUBANENERGO PJSC

KOSTETSKY

VYACHESLAV YUREVICH

DEPUTY GENERAL DIRECTOR FOR DEVELOPMENT AND TECHNOLOGICAL CONNECTION



IN 2018, THE VOLUME OF EXISTING TECHNOLOGICAL CONNECTION CONTRACTS DECREASED BY 18%, FROM 20,384 TO 16,630 CONTRACTS. THE NUMBER OF OVERDUE CONTRACTS HAS INCREASED BY 1.2 TIMES COMPARED WITH 2017. THE MAIN REASON IS THE FAILURE OF THE APPLICANTS TO FULFILL THEIR OBLIGATIONS UNDER THE TECHNOLOGICAL CONNECTION AGREEMENTS DUE TO THE LACK OF THE NECESSARY FUNDS TO MEET THE TECHNICAL CONDITIONS.

AT THE SAME TIME, IN 2018, THE VOLUME OF THE CONNECTED CAPACITY OF CONSUMERS INCREASED BY 6% COMPARED WITH THE PREVIOUS YEAR. THE NUMBER OF CONNECTED LARGE CONSUMERS (IN THE CATEGORY ABOVE 670 KW) FOR A TOTAL CAPACITY OF MORE THAN 269 MW HAS TRIPLED, INCLUDING CONTRACTS WITH SUCH LARGE GENERATING CONSUMERS, AS JSC "TANDER" AND JSC AGRICULTURAL COMPANY "FANAGORIA".

THE DEMAND FROM APPLICANTS FOR TECHNOLOGICAL CONNECTION SERVICES REMAINS AT A REASONABLY HIGH LEVEL. IN 2018 THE COMPANY HAS ACHIEVED A REDUCTION IN THE AVERAGE TIME FOR IMPLEMENTATION OF MEASURES FOR TECHNOLOGICAL CONNECTION TO 100 DAYS (IN 2017, THE SAME INDICATOR WAS 163 DAYS). THE AVERAGE TIME FOR CONSIDERATION OF THE APPLICATION AND SUBMISSION OF THE OFFER HAS DECREASED FROM 12 TO 10 DAYS.

Ensuring the needs of the growing economy of Krasnodar Region in energy facilities, the transition to a unified scheme of forming and applying fees for technological connection and achieving a balance of interests in determining the cost of technological connection of consumers to electric networks is the goal in Kubanenergo PJSC connections in the near future.

The primary regulatory documents regulating the Company's activities on the technological connection of power receiving devices (power plants) of legal entities and individuals to the power grids of Kubanenergo PJSC¹:

- Federal law dated March 26, 2003 No. 35-Φ3 "On Electric Power Industry";
- The instructions for technological connection of power receivers of consumers of electrical energy, facilities for the production of electrical energy, as well as electric grid facilities owned by grid organizations and other persons to electric networks, approved by the Decree of the Government of the Russian Federation of 27.12.2004, No. 861;
- Decree of the Government of the Russian Federation dated December 29, 2011 No. 1178 "Pricing in the field of regulated prices (rates) in the power industry";

- Order of the FAS of Russia of 29.08.2017 No. 1135/17 "On Approval of Guidelines for Determining the Amount of Payment for Technological Connection to Electric Grids."

The full list of regulatory legal documents, detailed information on the implementation of the technological connection procedure in Kubanenergo PJSC are available in the public domain on the Company's website www.kubanenergo.ru in the section "To Consumers/Technological Connection".

EXECUTION OF CONTRACTS FOR TECHNOLOGICAL CONNECTION OF CONSUMERS

In the reporting year, the Company implemented 26,985 contracts for technological connection to the power grids of Kubanenergo PJSC. The total capacity under the executed grid connection agreements was 723 MW, which is 27% more than the planned amount.

Capacity connected in 2018 by the class of customer, MW

CLASS OF CUSTOMER	NUMBER OF EXECUTED CONTRACTS FOR TECHNOLOGICAL CONNECTION	
	NUMBER	FOR A TOTAL POWER, MW
Up to 15 kW inclusive, total	25,170	292
including individuals	21,338	249
Over 15 and up to 150 kW inclusively	1,299	73
Over 150 kW and less than 670 kW	303	88
Not less than 670 kW	176	257
Power generation facilities	3	12
Total, excluding temporary technological connection	26,951	722
Emporary technological connection	34	1
Total, with account for the temporary technological connection	26,985	723

1. The full list of regulatory legal documents regulating the process of technological connection is available in open access on the Company's website www.kubanenergo.ru in the "Consumers" section.

The largest and most significant power facilities of the following applicants were connected to the Company's power grids in 2018

APPLICANT	CONNECTED CAPACITY, MW
JSC Tander	11
PJSC "NMTP"	9
JSC "International Airport" Krasnodar"	5
Federal state institution "2nd center of the customer-developer of internal troops of the Ministry of Internal Affairs of the Russian Federation"	2
JSC Vacation Hotel Primorye	3

A significant amount of electrical power in 2018 was allocated to meet the electricity needs of housing construction, the high rates of which have been observed in recent years in the Krasnodar Territory. In total, more than 1.1 thousand technological connection contracts for housing and utilities facilities with a total capacity of 123 MW were executed in the reporting year, including:

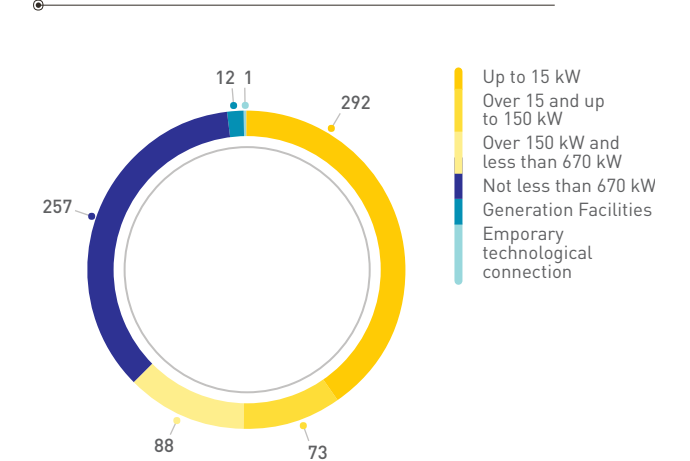
- residential complex with kindergarten and underground parking in the city of Krasnodar (developer LLC "YugStroyImperial 23");
- multi-apartment housing facilities in the city of Anapa (applicant LLC "New Lazurit");
- residential complex LLC METROPOLIS;
- multi-story complex residential development with elements of the social infrastructure of Oasis LLC in the City of Sochi.

In the economic structure of the South of Russia, the agricultural sector and the food industry traditionally play a strategic role, which needs no less power than other areas. In 2018 Kubanenergo executed over 800 contracts for technological connection of agricultural facilities with a total capacity of over 38 MW, the largest of them:

- the production base for the production of agricultural products of LLC KORK in the city of Timashevsk;
- the agricultural enterprise OJSC "Znamya Oktyabrya" in the village of Krylovskaya;
- facilities of the food industry enterprise LLC "Cheese of Kuban" in the village of Vyselky.

In addition, in 2019, it is planned to complete the measures for the connection of the power receiving devices of the livestock complex LLC "Ventsy-Zarya" in the Gulkevichsky district, the plant for the production of coated seeds LLC "Betagran Kuban" in the village of Platnirovskaya of the Korenovsky district, as well as the agricultural enterprise LLC Voronezh Champignon »In the village of October Krylovsky district.

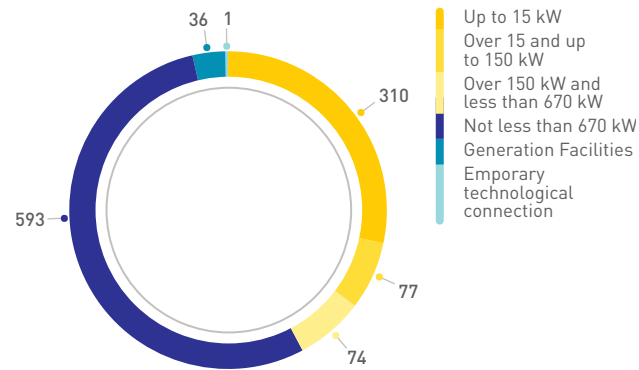
The structure of the executed contracts of Kubanenergo PJSC for the connected capacity, MW



VOLUMES OF CONSUMER DEMAND FOR TECHNOLOGICAL CONNECTION IN 2018

In 2018 The Company concluded 28,083 contracts for technological connection to the power grids of Kubanenergo PJSC for a total capacity of 1,091 MW with a total cost of 2.888 billion rubles, excluding VAT.

The structure of the contracts of Kubanenergo PJSC concluded in 2018 in terms of connected capacity, MW



CLASS OF CUSTOMER	THE NUMBER OF CONTRACTS FOR TECHNOLOGICAL CONNECTION	
	NUMBER	FOR A TOTAL POWER, MW
Up to 15 kW inclusive, total	26,140	310
including individuals up to 15 kW inclusive	21,889	261
Over 15 and up to 150 kW inclusively	1,325	77
Over 150 kW and less than 670 kW	277	74
Not less than 670 kW	256	593
Power generation facilities	3	36
Total, excluding temporary technological connection	28,001	1,090
Temporary technological connection	82	1
Total, with account for the temporary technological connection	28,083	1,091

REVENUES RECEIVED AND CASH COLLECTED

The volume of revenue for technological connection services for the reporting year amounted to 602 million rubles, (excluding VAT), which is 88% lower than planned. The deviation of the actual indicator from the plan is due to:

- with the postponement, on the initiative of Federal Treasury Institution "Rostransmodernization," the deadlines for technical conditions under the concluded contracts for technological connection, made in the framework of the investment project "Construction of a transport passage through the Kerch Strait" (Substation "Port"), the amount of lost revenue – is 3 576 million rubles;
- at the refusal of applicants to conclude contracts for technological connection for individual projects (the amount of revenue – 1,060 million rubles).

In 2018, funds for technological connection services were received in the amount of 3,221 million rubles. (including VAT), which is 10% lower than planned. The main reason for the lack of funds is the late implementation of measures under the contracts, concluded as parts of the investment project "Building a transport passage through the Kerch Strait," while the amount of money from other applicants was 922 million rubles, which is 42% more than planned.

In 2019 The Company plans to receive proceeds from technological connection services for 4,218 million rubles (without VAT). A major technological connection object in 2019 in terms of revenue generation will be PKU "Rostransmodernizatsiya," the planned revenue for it is 3,238.37 million rubles without VAT (in the framework of the project "Construction of a transport crossing through the Kerch Strait").

TECHNOLOGICAL CONNECTION OF GENERATION FACILITIES

NO. ITEM NUMBER	APPLICANT	CONNECTED GENERATION FACILITY	REQUESTED POWER FOR TECHNOLOGICAL CONNECTION OF GENERATING PLANTS FOR ISSUING ELECTRICITY TO THE NETWORK, VOLTAGE CLASS	DATE OF CONCLUSION, PRICE (WITHOUT VAT) OF THE AGREEMENT ON THE IMPLEMENTATION OF TECHNOLOGICAL CONNECTION	THE STATUS OF THE TECHNOLOGICAL CONNECTION OF A FACILITY AT THE END OF 2018
1	PJSC "NC Rosneft"	Tuapse Refinery	24 MW, 110 kV	01.04.2010, 56.37 million rubles	Contract on execution. Technological connection measures have been completed on a part of the Company. The applicant received a request to postpone the implementation of measures for technological connection. The deadline for the implementation of activities by agreement of the parties is 16.09.2019
2	SUE KK "Northeast Water Management Company" Kurganinsky group water supply	Electricity sewage treatment facilities	1.0 MW, 6 kV	25.07.2013, 0.03 million rubles.	Contract on execution. Technological connection measures have been completed on a part of the Company. The applicant received a request to postpone the implementation of measures for technological connection. The deadline for the implementation of activities by agreement of the parties is 13.11.2019
3	OJSC Agribusiness Firm "Fanagoria"	Mini-TPP with two gas piston units (GPU)	2 MW, 10 kV	06.05.2015, 1.08 million rubles	The contract was fulfilled by 12.04.2018
4	JSC "Gazprom Teploenergo"	Block-modular gas reciprocating unit for a boiler room	5.844 MW, 6 kV	17.04.2015, 18.88 million rubles	Contract on execution. Technological connection measures have been completed on a part of the Company. The applicant received a request to postpone the implementation of measures for technological connection. The deadline for the implementation of the activities by agreement of the parties is 30.07.2019
5	OJSC "Verkhnebakansky cement plant"	Power Plant of Cement Plant Verkhnebakansky	56.41 MW, 6 kV	03.09.2015, 0.09 million rubles	Contract on execution. Technological connection measures have been completed on a part of the Company. The applicant received a request to postpone the implementation of measures for technological connection. The deadline for the implementation of activities by agreement of the parties is 01.06.2019

NO. ITEM NUMBER	APPLICANT	CONNECTED GENERATION FACILITY	REQUESTED POWER FOR TECHNOLOGICAL CONNECTION OF GENERATING PLANTS FOR ISSUING ELECTRICITY TO THE NETWORK, VOLTAGE CLASS	DATE OF CONCLUSION, PRICE (WITHOUT VAT) OF THE AGREEMENT ON THE IMPLEMENTATION OF TECHNOLOGICAL CONNECTION	THE STATUS OF THE TECHNOLOGICAL CONNECTION OF A FACILITY AT THE END OF 2018
6	JSC Tander	Power station for a warehouse of food and non-food products	2.4 MW, 10 kV	03.11.2016, 1.38 million rubles	The contract was fulfilled by 31.08.2018
7	JSC Tander	Power station for the needs of administrative and office buildings	8.0 MW, 6 kV	03.11.2016, 4.59 million rubles	The contract was fulfilled by 27.12.2018
8	LLC ESE-Kuban	Power receivers of a land plot. Land category – lands of populated areas – for the location of enterprises of the IV class of hazard of various profiles (construction of mini-CHP)	4.44 MW, 10 kV	22.05.2018, 2.75 million rubles	Contract on execution. Technological connection measures by the Company are at the implementation stage. Following the terms of the contract, the period for the implementation of measures to 22.05.2022
9	LLC ENERGO-VOLT	Energy center with a capacity of 24.8 MW, based on a gas piston units (GPU)	24.8 MW, 110 kV	17.09.2018, 16.9 million rubles.	Contract on execution. Technological connection measures by the Company are at the implementation stage. Following the terms of the contract, the period for the implementation of measures to 17.09.2022
10	Knauf Gips Kuban LLC	4 MW power center on the basis of gas piston units (GPU)	4.0 MW, 10 kV	10.12.2018, 2.48 million rubles.	Contract on execution. Technological connection measures by the Company are at the implementation stage. Following the terms of the contract, the deadline for the completion of activities is 10.12.2022.
11	OJSC Novoroscement	Energy center with a capacity of 17,600 kW based on gas piston units (GPU)	17.6 MW, 110 kV	–	Technical specifications were developed and approved on January 18, 2019 upon request, the offer of the contract was sent to the applicant

ENSURING RELIABLE AND EFFICIENT OPERATION OF THE POWER SYSTEM

SHISHIGIN

IGOR NIKOLAEVICH

DEPUTY GENERAL DIRECTOR FOR TECHNICAL ISSUES – CHIEF ENGINEER



IN 2018 THE COMPANY CONTINUED THE DYNAMIC DEVELOPMENT AND PROVISION OF ENERGY FACILITIES TO THE PROSPECTIVELY DEVELOPING TERRITORIES OF OPERATIONAL RESPONSIBILITY OF KUBANENERGO PJSC. RELIABILITY AND SAFETY OF THE NETWORK COMPLEX ARE ONE OF THE MAIN PRIORITIES FOR KUBANENERGO PJSC. IN COMPARISON WITH 2017, THE AVERAGE DURATION OF POWER INTERRUPTIONS FOR CONSUMERS BY 18.4%, THE NUMBER OF ACCIDENTS – BY 13%, AND THE SPECIFIC ACCIDENT RATE – BY 13.5% WAS ACHIEVED IN THE 6 KV ELECTRICAL NETWORKS AND HIGHER.

THESE INDICATORS WERE ACHIEVED BY:

- IMPLEMENTATION OF PLANS FOR MAINTENANCE AND REPAIR, TARGET PROGRAMS;
- PERFORMANCE OF EQUIPMENT RENOVATION PROGRAMS;
- STAFF TRAINING;
- COMPLIANCE WITH INDUSTRIAL SAFETY REQUIREMENTS IN THE OPERATION OF HAZARDOUS PRODUCTION FACILITIES;
- CONDUCTING A TECHNICAL EXAMINATION OF EQUIPMENT OF SUBSTATIONS, POWER LINES, BUILDINGS, AND STRUCTURES;
- ENSURING MAXIMUM AVAILABILITY IN CASE OF EMERGENCY SITUATIONS;
- EFFECTIVE INTERACTION WITH ROSTEKHNADZOR;
- IMPROVING THE QUALITY OF ACCIDENT INVESTIGATIONS IN ACCORDANCE WITH THE RULES FOR INVESTIGATING THE CAUSES OF ACCIDENTS IN THE ELECTRIC POWER INDUSTRY, APPROVED BY DECREE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION OF OCTOBER 28, 2009, NO. 846.

THE COMPANY PROVIDED RELIABLE POWER SUPPLY FOR THE WORLD-CLASS EVENTS HELD IN 2018 – THE SYRIAN NATIONAL DIALOGUE CONGRESS, THE RUSSIAN INVESTMENT FORUM AND THE WORLD CUP IN SOCHI.

INTERACTION DRILLS DURING LIQUIDATION OF EMERGENCIES IN THE ELECTRIC GRID COMPLEX OF PJSC "IDGC OF THE NORTH CAUCASUS" AND JSC DAGESTAN GRID COMPANY WERE HELD FROM JULY 20, 2018, TO AUGUST 20, 2018 IN THE PERIOD FROM AUGUST 19, 2018 TO SEPTEMBER 20, 2018, A TECHNICAL AUDIT OF THE ELECTRIC GRID FACILITIES OF THE DAGESTAN GRID COMPANY JSC WAS CONDUCTED IN LEVASHINSKY DISTRIBUTION ZONE, AKUSHINSKY AND KUMUKHSKY DISTRIBUTION ZONES.

SPECIALISTS OF KUBANENERGO PJSC DEMONSTRATED EFFICIENCY, AND HIGH PROFESSIONALISM IN WORKING CONDITIONS WHILE ELIMINATING THE CONSEQUENCES OF THE WEATHER ELEMENT ON OCTOBER 24–25, 2018 IN THE TERRITORY OF THE TUAPSE DISTRICT, AND THE CITY OF SOCHI.

DRILLS TO PREVENT THE OCCURRENCE OF MASS OUTAGES OF POWER GRID FACILITIES UNDER THE INFLUENCE OF NATURAL HAZARDS WERE CONDUCTED ON THE TERRITORY OF THE BRANCH ADYGHEISKIE ELECTRIC NETWORKS. FOR TIMELY AND HIGH-QUALITY PREPARATION OF THE POWER SYSTEM FOR OPERATION IN THE AUTUMN-WINTER PERIOD OF 2018/2019, THERE WERE COMPLETED 1,177 EVENTS. BY THE ORDER OF THE MINISTRY OF ENERGY OF RUSSIA DATED 14.11.2018, NO. 1031, THE DECISION ON THE COMPANY'S READINESS TO WORK IN THE HEATING SEASON 2018/2019. WAS ISSUED WITH THE ISSUANCE OF THE READINESS PASSPORT TO THE SOCIETY.

PROVIDING QUALITY, RELIABLE AND UNINTERRUPTED POWER SUPPLY TO CONSUMERS

In order to ensure reliable, high-quality and uninterrupted power supply to consumers, the Company annually forms and implements a program of technical re-equipment, reconstruction, repair and maintenance of power facilities, as well as takes measures to ensure reliable and trouble-free operation of electrical networks during floods, extreme high and low temperatures of outdoor air, storm and fire seasons, autumn-winter period.

In 2018 Kubanenergo PJSC, as a whole, has fulfilled the main task of its production activity - maintaining a sufficient level of reliability of the operation of power grid equipment.

The main activities carried out in 2018 were aimed at:

- maintenance of the regulatory state of production assets - power lines, substation equipment, relay protection and automation devices;
- timely detection and elimination of defects according to the results of diagnostics of the state of electrical equipment;
- increase of lightning resistance of electrical equipment;
- development of an automated information system for controlling icing on the overhead lines;
- preparedness for the prevention and elimination of technological violations:
 - / the agreements with contractor and related electric grid organizations, as well as with the Russian Emergencies Ministry and Roshydromet were extended;
 - / there were formed 22 mobile crews (125 persons, 48 vehicles);
 - / the emergency reserve of the Company is staffed by 100%;
 - / there was tested the performance of existing 107 diesel generator sets.

The implementation of these measures allowed reducing the number of technological violations occurring due to emergency shutdowns by 13 %.

To prevent fires and deflagrations at the Company's facilities, an order "On preparation for the fire hazard and high-temperature period of 2018" dated 02.03.2018, No. 217 was issued and executed:

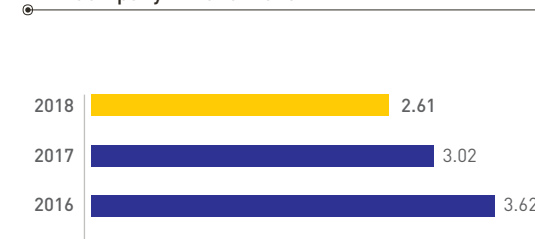
- interaction with territorial bodies of the Ministry of Emergency Situations of Russia was organized as a part of agreements on cooperation in terms of forecasting, development control, and the development and implementation of measures to normalize a fire-hazardous situation, there were concluded 32 agreements;
- 518 notifications, letters on the observance of the rules for the protection of electrical networks and responsibility for the fire condition of the high-voltage lines were handed to agricultural producers and other land users, which territory has high-voltage lines;
- the plowing was performed along the perimeter of 431 substations that did not have solid concrete fencing and located in hazardous fire areas, 68.5 hectares of land were plowed;
- 387 inspections of the fire condition of power grid facilities were carried out for compliance with the requirements of Fire Regulations;
- there was organized a systematic monitoring of the temperature conditions of cables, air temperature and ventilation devices in cable structures, the absence of debris and oil spills, the status of fire-prevention overfills and their designation, the state of fireproof seals in the places where cables pass through walls and partitions, the integrity of the structures of channels and trays. Control is carried out at 578 sites;
- free access of fire trucks was provided to 56 fire hydrants, tanks and other sources of fire fighting water;
- A survey of 32 objects built into residential and public buildings, and TP, RTP, RP attached to them were carried out to bring them to a state that meets the requirements of the current Fire Safety Regulations and Rules.

There were no fires or firings at the Company's facilities and emergency outages of power grid equipment as a result of the impact of fire in the reporting year.

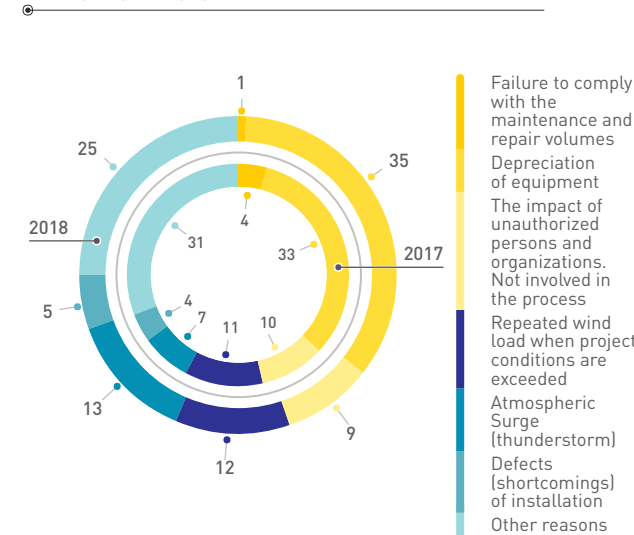
In order to ensure reliable operation of the Company's electric grid facilities during a thunderstorm period, an order was issued and executed on 16.03.2018, No. 255 "Preparation for the thunderstorm period of 2018":

- the interaction with the territorial authorities of Roshydromet was ensured to obtain forecasts about the time and expected nature of thunderstorm activity, units of the Emergencies Ministry of Russia, local authorities in the prevention and elimination of consequences of accidents at power industry facilities
- engineering inspections of all substations of 35–110 kV, fuel and oil depots, oil facilities and antenna mast structures were carried out, including:
 - / compliance with lightning protection with the requirements of regulatory documents,
 - / state of separate and portal lightning conductors and their grounding in accordance with the project,
 - / the state of grounding electrical equipment of substations, condition of substation isolation;
- measurements of conduction currents were performed without disconnection from the network, and thermal imaging control of 110 kV surge arresters, a comparative analysis of the measurement results was carried out with data from previous measurements;
- there was performed a visual check of the condition of surge arresters and surge suppressors;
- verification of the readings of the valve arresters' response recorders is made with the latest entries in the operational log or in the register of the actuation of the actuation;
- there was ensured the readiness of the recorders of emergency events, fixing devices, oscillographs and other devices for determining damage sites on power transmission lines installed at the substation;
- selective engineering surveys of overhead transmission line sites were carried out, including:
 - / the condition of the ground wires, as well as their contact connections,
 - / compliance of grounding of ground wires to the project requirements,
 - / the state of grounding devices supports and delays,
- insulation condition;
- there was checked the adequacy of the emergency reserve of surge suppressors;
- performance and configuration were tested in all capacitive current-to-ground compensation devices;
- there was found that the placement of lightning surge protection meets the design and requirements of the regulatory and technical documentation;
- there were conducted the unscheduled briefings and emergency response training of the operating personnel to identify damage sites on the overhead transmission lines with fixing devices;
- inspections of 6–10 kV overhead lines with insulation made of cross-linked polyethylene (6–10 kV insulated overhead lines) were performed, including for installation of devices for protection against wire bursts when exposed to the lightning surge;
- Works for replacement (restoration) of defective ground wire on 35–110 kV overhead lines;
- registration of all cases of outages and damages of power lines and equipment of substations provided with lightning overvoltages to assess the reliability of overvoltage protection of switchgear and power lines;
- the recording of readings from the arresters and surge suppressors are organized with an entry in the operational log or trigger log after each passage of a thunderstorm, etc.

Dynamics of specific accidents rate at power grid facilities (number of technological failures (crashes) per 1,000 c.u. of equipment) of the Company in 2016–2018



The main causes of technological violations (crashes) at the Company's power grid facilities for 2017–2018



Leading indicators of the implementation of the repair program in 2016–2018, the plan for 2019

DESCRIPTION OF THE ACTIVITIES	2016	2017	2018	2019 (PLANNED)
Clearing of high-voltage lines, ha	826.7	968.5	1,620.19	1,828.98
Replacement of ground wire, km	72.7	130.4	77.08	77.25
Replacement of insulators, pcs.	43,612	52,056	43,062	86,711
Repair of power transformers, pcs.	26	41	21	21
Repair of switches, pcs.	1,110	1,120	899	925
Repair of separators, short-circuit breakers, disconnectors, pcs.	1,087	1,290	1,698	1,749
Repair of transformer substations, pcs.	401	483	604	2,911
Repair of power lines, km	2,764.3	2,888.0	3,124.3	12,467.9

To improve the reliability of the power grid complex by a comprehensive program to enhance the reliability of substation equipment, enhance the safety of 0.4–10 kV distribution networks, and also to prepare the power system for the Russian Investment Forum, the World Cup in Sochi and essential events in 2018:

- reactive power sources recovered – 540 defective capacitors replaced;
- mechanical and electromagnetic interlocks were restored at 30 substations 35–110 kV;
- there were replaced 57 physically worn 35–110 kV bushings, oil circuit breakers and power transformers;
- thermovision inspection was performed:
 - / 508 OTL with the plan for 234 pcs.,
 - / 616 substations 35–110 kV, with the plan 288 pcs.;
- 763 power towers replaced by 10 kV overhead lines;
- there were replaced 2,011 towers with 0.4 kV overhead lines;

All activities of the requirements of the Federal Service for Environmental, Technological and Nuclear Supervision with a deadline of 2018 were fulfilled and removed from control.

To ensure reliable operation of the power grid complex under conditions of power supply interruption to consumers and other abnormal situations related to power supply interruption, the Company's headquarters operates on an ongoing basis, representatives of which regularly participate in ensuring power supply security in the Krasnodar Territory and the Republic of Adygea.

REPAIR AND MAINTENANCE ACTIVITIES

The Company annually forms and executes the maintenance and repair program (MRO), taking into account:

- standard periodicity of capital;
- medium and current repairs of power equipment;
- technical condition of objects; the results of preventive tests;
- the need to comply with the Regulations of the supervisory authorities; elimination of technological violations;
- profitability and overall performance of electrical networks.

THE PROGRAM OF MAINTENANCE AND REPAIR OF THE REPORTING YEAR WAS SUCCESSFULLY IMPLEMENTED IN ALL DIRECTIONS. MEASURES WERE IMPLEMENTED FOR RUB 1,766.7 MILLION, WHICH IS 104% OF THE PLAN (INCLUDING THE WAGE FUND, INSURANCE PREMIUMS, FUEL AND LUBRICANTS AND TRAVEL EXPENSES FOR REPAIR ACTIVITIES).

For 2019, the MRO expenditure limits were provided in the amount of 3,566.7 million rubles, which is 110% more than the 2018 plan, which let to form a set of measures in the MRO program, sufficient for the reliable electricity supply to Kubanenergo consumers.

OCCUPATIONAL RELIABILITY AND SAFETY

Reliability and safety of the network complex is one of the main priorities for Kubanenergo PJSC.



2018

The Company has provided a reliable power supply of global events – the Syrian National Dialogue Congress, the Russian Investment Forum and the World Cup in Sochi.

20.07.2018 – 20.08.2018

Exercises for working out the interaction in emergency response were held in the electric grid complex of IDGC of the North Caucasus, PJSC and Dagestan Grid Company JSC



19.08.2018 – 20.09.2018

The technical audit of power grid facilities was conducted at JSC "Dagestan Grid Company" in Levashinsky Distribution Zone, Akushinsky and Kumukhsky Distribution Zones.



24.10.2018—25.10.2018

Specialists of PJSC Kubanenergo demonstrated the efficiency and operational excellence in working conditions at eliminating the consequences of the weather elements on October 24–25, 2018 on the territory of the Tuapse district and the city of Sochi.



14.11.2018

For timely and high-quality preparation of the energy system for operation in the autumn-winter period of 2018/2019, there were completed 1,177 activities. By the order of the Ministry of Energy of Russia dated 14.11.2018 No. 1031, the decision on the Company's readiness to work in the heating season 2018/2019 was issued to the Company together with the readiness certificate.



INSTRUCTIONS

Exercises were conducted to prevent the occurrence of mass blackouts of electricity supply facilities under the influence of natural hazards in the territory of the Adygheiskie electric networks branch.



COMPARED TO 2017, THE FOLLOWING DECREASE WAS ACHIEVED IN THE POWER GRID OF 6 KV AND HIGHER:

18.4%

WITH AN AVERAGE DURATION OF INTERRUPTIONS IN POWER SUPPLY TO CONSUMERS

13%

NUMBER OF ACCIDENTS

13.5%

SPECIAL EMERGENCY

1.177

THE NUMBER OF ACTIVITIES

CARRIED OUT TO PREPARE THE POWER SYSTEM FOR OPERATION DURING THE AUTUMN-WINTER PERIOD OF 2018/2019.



THE PROGRAM OF MODERNIZATION (RENOVATION) OF POWER GRID FACILITIES

To ensure reliable operation of the power system to determine the most optimal areas and objects of investment on September 21, 2018 The Board of Directors of the Company approved the updated Program of modernization (renovation) of power grid facilities for 2018–2026 (minutes No. 319/2018).

The modernization program (renovation) of the Company's electric grid facilities is aimed at solving the following tasks:

- increase of reliability of functioning of the electric grid complex;
- replacement and exclusion from operation of equipment that has repeatedly passed the technical certification, which has an excess of normal life and an index of technical condition that does not allow for the required reliability;
- implementation of measures aimed at reducing the accident rate and damageability of equipment, damage to the grid Company from undersupply of electricity to consumers, as well as reducing the duration of interruption of power supply to consumers;
- the implementation of measures developed as a result of the passage of special periods and deficiencies identified during

the operation, the instructions of supervisory and regulatory bodies, the application of which should be carried out in the framework of investment activities.

The program is being updated:

- after the approval of industry regulatory legal acts establishing or changing the frequency, methods, volumes and technical means of control, the system of technical condition indicators and their allowable and limit values, which allow to reliably determine the actual technical condition of the main equipment and its change in the period of operation until the next due date control;
- annually adjusting the investment program, Kubanenergo PJSC, taking into account changes in the technical condition of the equipment and other factors affecting its safe operation, as well as the need to include facilities as required by the supervisory authorities.

Implementation of the program of modernization (renovation) of power grid facilities in 2018

FACILITIES FOR MODERNIZATION (RENOVATION)	PLANNED	ACTUAL	THE REASONS FOR THE FAILURE OF THE PLAN
35–110 kV substation:			
35 kV and above power transformer, pcs.	26	22	The non-fulfillment of part, concerning the indicators by sections, is related to the extension of the time frame for implementation of measures of the Investment Program of Kubanenergo PJSC for 2019 (approved by the order of the Ministry of Energy of Russia dated December 12, 2014, No. 18Q, year of implementation – 2019) (with amendments), namely:
switch 35 kV and above, pcs.	43	33	by separation of 35–110 kV substation: – reconstruction of the Substation "Severnaya" 110/35/6 kV. Installation T-3 with a capacity of 40 MVA; – reconstruction of the substation 110/35/10 kV "Loris" with the replacement of T-2 25 MVA with a transformer of 40 MVA and the installation of T-3 25 MVA;
disconnecter 35 kV and above, pcs.	36	35	– reconstruction of the substation "Kotloma" 35 kV with the replacement of T-1 6.3 MVA transformer with 10 MVA; – reconstruction of the substation 110 kV "Gostagayevskaya" with the replacement of the transformer T-1 6.3 MVA with 16 MVA
OTL 110 kV:			
complex reconstruction of 35 kV overhead lines and above, km			by the division of OTL 110 kV: – lightning protection device in the spans of the supports No. 18–36 OTL 110 kV of Krymskaya-KPTF, schedule for implementation of these measures of the investment program has been adjusted to reflect the fact of 2018, with the completion of work in 2019 due to occurrence of circumstances during construction that complicates the conditions for the production of works and determines the increase in the time frame for their completion
wire, km	2.46	0.9	
including high-temperature wire, km			
support, pcs.	4	3	
including increased support, pcs.			
insulator, pcs			
ground wire, km			
OTL 0.4–6 kV:			
including mounting of Steel Insulated Wires (SIW), km	6.57	6.57	
SIW in the forest, km			
SIW across the populated area, km	6.57	6.57	

ENERGY SAVING AND ENERGY EFFICIENCY INCREASE

DOCUMENTS REGULATING THE ACTIVITIES OF THE COMPANY IN THE FIELD OF ENERGY CONSERVATION AND ENERGY EFFICIENCY

In the reporting year, work on energy saving and energy efficiency was carried out by the Company in accordance with:

- Federal Law dated 11.23.2009 No. 261-ФЗ "On energy saving and on increasing energy efficiency and on introducing amendments to certain legislative acts of the Russian Federation";
- Decree of the Government of the Russian Federation of 15/05/2010 No. 340 "On the Procedure for Establishing Requirements for Programs in the Field of Energy Saving and Improving the Energy Efficiency of Organizations Engaged in Regulated Activities";
- by Decree of the Government of the Russian Federation dated 01.12.2009, No. 977 "Concerning the investment programs of the electric power engineering entities" (in the current edition);
- By the Order of REC-DPR KR, dated March 31, 2011, No. 5/2011 "Concerning the approval of requirements for programs in the preservation and energy efficiency of the companies, engaged in the controlled activities in the Krasnodar Territory";
- The Law of the Krasnodar Territory of 03.03.2010 No. 1912-K3 "On Energy Saving and Improving Energy Efficiency in the Krasnodar Territory";
- The Energy Saving and Energy Efficiency Improvement Program of Kubanenergo PJSC for 2017–2022, approved by the Company's Board of Directors on November 30, 2017 (minutes No. 290/2017) (further in the text referred to as the Program).

To ensure the implementation of the Program, Kubanenergo PJSC appointed persons responsible for organizing, implementing, and monitoring the implementation of energy-saving measures and energy efficiency.

The target indicators of the Program are:

- electric power losses during transmission and distribution over electric networks;
- consumption of energy resources for economic needs;
- parts of buildings, structures, facilities of Kubanenergo PJSC:
 - / for which there is a report on the energy survey,
 - / equipped with water metering devices,
 - / equipped with natural gas meters,
 - / equipped with heat metering devices,
 - / equipped with electricity metering devices,
- equipped with energy-saving lamps for lighting;
- the total amount of used lighting devices with LEDs for illumination.

THE NUMERICAL VALUES OF THE PROGRAM TARGET INDICATORS WERE SET FOR THE PERIOD 2017–2022.

THE RESULTS OF THE COMPANY'S ACTIVITIES IN THE FIELD OF ENERGY-SAVING AND ENERGY EFFICIENCY IN 2018

Planned and actual values of the Program target indicators for 2018

SEQ NO.	NAME OF AN INDICATOR	UNITS OF MEASURE	2018	
			PLANNED	ACTUAL
1	Power loss	million kW • h	2,934.25	2,590.15
		million rubles without VAT	9,177.11	7,704.48
		% of network output	12.79	11.25
2	Consumption of own needs substations	million kW • h	18.93	17.12
		% of electricity losses	0.65	0.66
3	The consumption of energy resources for the economic needs of administrative and industrial buildings in total, including:	million rubles without VAT	130.04	110.50
		thousand tons of fuel equivalent	4.70	4.49
3.1.	electricity	million kW • h	32.05	30.97
		thousand tons of fuel equivalent	3.85	3.72
		million rubles without VAT	117.96	101.57
		million kW • h/ sq. m	0.00015	0.00015

SEQ NO.	NAME OF AN INDICATOR	UNITS OF MEASURE	2018	
			PLANNED	ACTUAL
3.2.	thermal energy (building heating systems)	Gcal	4,788.14	4,369.92
		thousand tons of fuel equivalent	0.68	0.62
		million rubles without VAT	10.44	8.06
		Gcal/cubic m	0.00696	0.00635
3.3.	natural gas (including liquefied)	thousand cubic meters	148.52	127.33
		thousand tons of fuel equivalent	0.17	0.15
		million rubles without VAT	1.64	0.87
		thousand cubic meters	-	-
3.4.	other types of fuel and energy resources (coal, fuel oil, diesel fuel, kerosene, etc.)	thousand liters	-	-
		thousand tons	-	-
		thousand tons of fuel equivalent	-	-
		million rubles without VAT	-	-
4.	Consumption of natural resources for the economic needs of administrative and industrial buildings in total, including:	million rubles without VAT	5.08	2.62
		thousand cubic meters	123.85	82.32
4.1	hot water supply	thousand cubic meters	-	-
		million rubles without VAT	-	-
4.2	cold water supply	thousand cubic meters	123.85	82.32
		million rubles without VAT	5.08	2.62
4.3	other types of natural resources	thousand cubic meters	-	-
		thousand liters	-	-
		thousand tons	-	-
		million rubles without VAT	-	-
5	Consumption of motor fuel by motor transport and special equipment of everything, including:	thousand liters	8,522.21	7,704.51
		thousand tons of fuel equivalent	9.96	9.04
		million rubles without VAT	314.21	282.80
5.1.	gasoline, including:	thousand liters	5,416.97	4,548.31
		thousand tons of fuel equivalent	6.13	5.15
		million rubles without VAT	206.40	166.63
		thousand l/100 km	-	-
5.1.1.	by road	thousand liters	5,416.97	4,548.31
		thousand tons of fuel equivalent	6.13	5.15
		million rubles without VAT	206.40	166.63
		thousand l/100 km	-	-
5.1.2.	by special equipment	thousand liters	-	-
		thousand tons of fuel equivalent	-	-
		million rubles without VAT	-	-
		thousand l/100 km	-	-
5.2.	diesel fuel, including:	thousand liters	3,105.25	3,156.20
		thousand tons of fuel equivalent	3.83	3.89
		million rubles without VAT	107.81	116.17
		thousand l/100 km	-	-
5.2.1.	by road	thousand liters	3,105.25	3,156.20
		thousand tons of fuel equivalent	3.83	3.89
		million rubles without VAT	107.81	116.17
		thousand l/100 km	-	-
5.2.2.	by special equipment	thousand liters	-	-
		thousand tons of fuel equivalent	-	-
		million rubles without VAT	-	-
		thousand l/100 km	-	-
5.3.	Other fuels for motor vehicles and special equipment of all, including:	thousand tons of fuel equivalent	0.01	-
		million rubles without VAT	0.09	-

SEQ NO.	NAME OF AN INDICATOR	UNITS OF MEASURE	2018	
			PLANNED	ACTUAL
5.3.1	natural gas (including liquefied)	thousand liters	5.34	-
		thousand tons of fuel equivalent	0.01	-
		million rubles without VAT	0.09	-
5.3.2	electricity	million kW • h	-	-
		thousand tons of fuel equivalent	-	-
6.	Percentage of buildings, structures, facilities of the regulated organization which have a report made after the energy survey	%	100.00	100.00
		%	100.00	100.00
7.	Percentage of buildings, structures, facilities of the regulated organization, equipped with water metering devices	%	100.00	100.00
		%	100.00	100.00
8.	Percentage of buildings, structures, facilities of a regulated organization equipped with natural gas metering devices	%	100.00	100.00
		%	100.00	100.00
9.	Percentage of buildings, structures, facilities of a regulated organization equipped with heat metering devices	%	100.00	100.00
		%	100.00	100.00
10.	Percentage of buildings, structures, facilities of the regulated organization, equipped with electricity metering devices	%	100.00	100.00
		%	70.00	68.00
11.	Percentage of buildings, structures, facilities of the regulated organization, equipped with energy-saving lamps for lighting	%	70.00	68.00
		%	30.00	32.00
12.	The total amount of used lighting devices using LEDs for lighting	%	30.00	32.00
		%	30.00	32.00

KUBANENERGO PJSC OBTAINED CERTIFICATES OF COMPLIANCE WITH THE REQUIREMENTS OF ISO 50001: 2011 (GOST R ISO 50001-2012 "ENERGY MANAGEMENT SYSTEMS. REQUIREMENTS AND APPLICATION GUIDE") DATED 07.11.2018, NO. 18.2026.026.

During 2018, a personnel training was conducted on the following topics:

SUBJECT OF TRAINING	NUMBER OF TRAINED PEOPLE
Management of energy saving and energy efficiency of energy companies based on the international standard ISO: 50001	27
Energy-saving and increase of energy efficiency (in the framework of the advanced training program for engineering and technical workers of power enterprises in the course "School of training specialists in the development and implementation of services")	18

In accordance with the requirements of the Decree of the Government of the Russian Federation dated September 27, 2016 No. 971, the program target set the requirement to increase the volume of used lighting devices using LEDs for lighting in 2018 to 30% of the total number of lighting devices. The target indicator was met by the end of 2018; the volume of used lighting devices with LEDs was 32%.

During 2018 Kubanenergo PJSC took part in the following measures to promote energy saving:

- in the All-Russian festival of energy-saving "Vmeste-Yarche" in Krasnodar, held by the Ministry of Fuel and Energy Complex and Housing and Public Utilities of the Krasnodar Territory (an exhibition stand demonstrating energy-saving technologies and an electrical safety lesson were presented)
- in the branches of electrical networks open days were held to familiarize schoolchildren with the profession of energy;

- for the youngest (children from kindergartens) the "Alphabet of Electrical Safety and Energy Saving" event was arranged with the involvement of the student team;
- in the creative competition for the best project "Energy of the Future": energy saving quiz "Energy charge": tesla-show, quiz "Energy charge";
- electrical safety lessons, energy-saving culture and safe behavior on the street and in everyday life, competitions of children's drawings are regularly held in the branches of the Company.

In the reporting year, JSC "Energoservice Kuban" completed the R&D "Compensation of the consumption of fuel and energy resources through the use of renewable energy sources at the facilities of Kubanenergo PJSC."

PRICING POLICY AND RATES FOR THE COMPANY'S SERVICES

PRICING POLICY OF THE COMPANY

Prices (rated) for the Company's electricity transmission services and technological connection shall be regulated by the state and set by the orders of REC-DPR KR. The prices (tariffs) that are common for each group of electricity consumers are valid in the territory of Krasnodar Territory and the Republic of Adygea, where the Company operates.

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

- Federal law dated March 26, 2003 No. 35-ФЗ "On Electric Power Industry" (as amended);
- Decree of the Government of the Russian Federation dated December 29, 2011, No. 1178 "On pricing in the field of regulated prices (tariffs) in the power industry" (as amended);
- orders of the Federal Tariff Service of Russia:
 - / dated 17.02.2012, No. 98-e "Concerning the Approval of Guidelines for Calculating Tariffs for Electricity Transmission Services, Installed Using the Method of Long-Term Indexation of Required Gross Revenue";
 - / dated 06.08.2004, No. 20-e/2 "Concerning the Approval of Guidelines for the Calculation of Regulated Tariffs and Prices for Electric (Thermal) Energy in the Retail (Consumer) Market";
- Order of the FAS of Russia dated 29.08.2017, No. 1135/17 "Concerning the Approval of Guidelines for Determining the Amount of Payment for Technological Connection to Electric Grids."

Since 2018 Kubanenergo PJSC switched to the next long-term period of tariff regulation for electricity transmission services for five years. Tariffs for Kubanenergo PJSC for electricity transmission services and long-term regulation parameters for 2018–2022 identified REC-DPR KR by the method of long-term indexation of the required gross revenue.

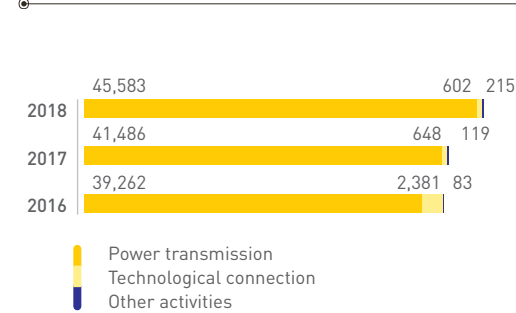
TARIFFS FOR ELECTRICITY TRANSMISSION SERVICES

Following the results of 2018, the actual revenue for the services rendered for the transmission of electricity amounted to 45,583 million rubles (excluding VAT), which is 4,098 million rubles (10%) more than in 2017.

The increase in revenue for the electricity transmission services is due to the application of rates in 2018 for services for the transmission of electricity, approved by order REC-DPR KR dated December 28, 2017, No. 63/2017-e, which are higher than the tariffs of 2017, supported by the order of REC-DPR KR dated December 30, 2016 No. 57/2016-e; the growth of straight-line rates for electricity transmission services in the second half of 2018 relative to the second half of 2017 was 3%. In addition, the increase in revenue in the reporting year is due to:

- an increase in the volume of services rendered by 562 million kWh relative to 2017;
- change in the procedure for reimbursement to the Wholesale market for electricity and power (WMEP) participants of the cost of load losses recorded in the prices on the WMEP, as a result of which, from August 1, 2017, revenue for electricity transmission services is generated without deducting the specified cost¹.

Structure of Kubanenergo PJSC Revenue in dynamics for 2016–2018, million rubles



Since 2007, the region has a single (boiler) method of payment for electricity transmission: For all consumers of power transmission services of the Kuban and the Republic of Adygea, belonging to the same tariff group, there is a single (boiler) tariff, regardless of the network of which grid organization they are connected to.

The main tariff-contractual model, used for calculations, is the "boiler at the top" model.

The status of the backbone network organization – the "boiler holder" was assigned to the Company. According to this model, consumer payments for rendered electricity transmission services (regardless which network organization they are connected to) are received by Kubanenergo PJSC, upon which the Company makes settlements with the subordinate grid organizations (LGCs), to which networks the consumers' power receivers are connected, at individual rates.

From September 22, 2011, an individual "boiler at the bottom" pattern is also valid in the region – in relation to the organization of the network LLC Maykop CHP. Under this pattern, payments for electricity transmission from consumers connected to LLC Maykop CHP, under a single pot tariff are received by this organization, and in turn, it pays for services of Kubanenergo PJSC for transmission of electricity through the Company at an individual rate.

1. Clause 1b of the Decree of the Government of the Russian Federation of 07.07.2017 No. 810 "Concerning the Amendments to Certain Acts of the Government of the Russian Federation Concerning Payment of Electricity Losses on the Wholesale Electricity and Power Market and Retail Electricity Markets, and also Obtaining the Status of a Subject of the Wholesale Electricity Market and power".

For LLC "Maikop CHP" by the order of REC-DPR KR dated December 28, 2017, No. 64/2017-э, the following individual rates for 2018 were established by the order dated January 17, 2018, No. 1/2018-e:

LLC "MAIKOP CHP" – KUBANENERGO PJSC	BINOMIAL RATE		STRAIGHT-LINE RATE
	RATE FOR THE MAINTENANCE OF ELECTRICAL NETWORKS	RATE FOR PAYMENT OF TECHNOLOGICAL EXPENSES (LOSSES)	
	from 01.01.2018 to 30.06.2018		
	213,058.75 rubles/MW • months	610.61 rubles /MW • h	1.56681 rubles /MW • h
	from 01.07.2018 to 31.12.2018		
	213,058.75 rubles/MW • months	610.61 rubles /MW • h	1.56681 rubles /MW • h

By the order of REC-DPR KR dated December 28, 2017, No. 63/2017-e, with account for the changes made by orders dated January 17, 2017 No. 1/2018-e and from 06.06.2018 No. 39/2018-e, the uniform (boiler) rates for electricity transmission services by the grids of the Krasnodar Territory and the Republic of Adygea were approved for 2018:for the "Other consumers" rate classification:

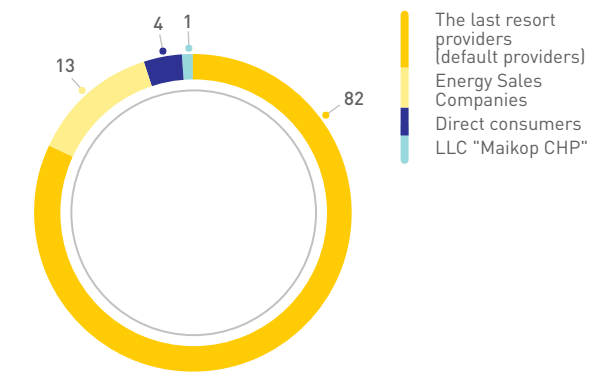
SEQ NO.	RATE CLASSIFICATIONS OF ELECTRICITY CONSUMERS (POWER)	UNIT OF MEASURE	VOLTAGE RANGES			
			HIGH VOLTAGE	MEDIUM VOLTAGE I	MEDIUM VOLTAGE II	LOW VOLTAGE
1.	Other consumers (tariffs are specified without VAT)					First half-year
1.1.	Binomial rate					
1.1.1.	– rate for the maintenance of electrical networks	rubles/ MW • months	1,129,186.90	885,434.32	1,077,011.46	1,440,219.10
1.1.2.	– rate for payment of technological consumption (losses) in electrical networks	rubles/ MW • hours	92.44	161.42	388.99	1,131.32
1.2.	Straight-line rate	rubles/ kW • hours	1.83204	2.12775	3.28180	4.38301
2.	Other consumers (tariffs are specified without VAT)					Second half-year
2.1.	Binomial rate					
2.1.1.	– rate for the maintenance of electrical networks	rubles/ MW • months	1,162,401.83	910,277.24	1,108,226.61	1,477,709.95
2.1.2.	– rate for payment of technological consumption (losses) in electrical networks	rubles/ MW • hours	95.56	167.47	403.36	1,175.00
2.2.	Straight-line rate	rubles/ kW • hours	1.88700	2.19158	3.38025	4.51450

For the tariff group "Population and categories of consumers equated to it:

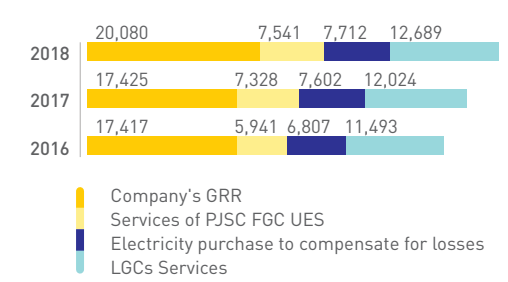
SEQ NO.	RATE CLASSIFICATIONS OF ELECTRICITY CONSUMERS (POWER)	UNIT OF MEASURE	FIRST HALF-YEAR	SECOND HALF-YEAR
1.	Population and categories of consumers equated to it (rates are indicated excluding VAT)			
1.1.	Population and similar categories of consumers, except for those specified in paragraphs 1.2 and 1.3: utility service providers (homeowners' associations, housing, and construction, housing or other specialized consumer cooperatives or management organizations), consuming electricity (power) for the provision of utilities to owners and users of residential premises and maintenance of the common property of apartment buildings; landlords (or persons authorized by them), providing citizens with residential premises of specialized housing, including residential premises in dormitories, residential premises of a temporary public housing, living quarters in the houses of the social service system of the population, living quarters of the fund for the temporary settlement of internally displaced persons, living quarters of the fund for the temporary residence of persons recognized as refugees, as well as residential premises for social protection of specific categories of citizens, acquiring electricity (power) to provide utilities services to users of such residential premises in the capacity of electricity consumption by the population and maintenance of common areas in houses, which have residential premises of specialized housing stock; legal entities and individuals, acquiring electricity (power) for consumption for household needs in settlements and suburban areas with military units and making payments under the contract of power supply, according to the indications of a standard electricity metering device. The last resort providers, energy service, power supply organizations, purchasing electricity (power) for further sale to the population and categories of consumers, similar to the one, indicated in this clause.			
	Straight-line rate (including differentiated by two and three zones of the day)	rubles/ kW • hours	2.62623	2.50509

SEQ NO.	RATE CLASSIFICATIONS OF ELECTRICITY CONSUMERS (POWER)	UNIT OF MEASURE	FIRST HALF-YEAR	SECOND HALF-YEAR
1.2.	The population, living in urban areas in houses equipped in the prescribed manner with stationary electric stoves and (or) electrical heating installations and equated to them: utility service providers (homeowners' associations, housing, and construction, housing or other specialized consumer cooperatives or management organizations), consuming electricity (power) for the provision of utilities to owners and users of residential premises and maintenance of the common property of apartment buildings; landlords (or persons authorized by them), providing citizens with residential premises of specialized housing, including residential premises in dormitories, residential premises of a temporary public housing, living quarters in the houses of the social service system of the population, living quarters of the fund for the temporary settlement of internally displaced persons, living quarters of the fund for the temporary residence of persons recognized as refugees, as well as residential premises for social protection of specific categories of citizens, acquiring electricity (power) to provide utilities services to users of such residential premises in the capacity of electricity consumption by the population and maintenance of common areas in houses, which have residential premises of specialized housing stock; legal entities and individuals, acquiring electricity (power) for consumption for household needs in settlements and suburban areas with military units and making payments under the contract of power supply, according to the indications of a standard electricity metering device. The last resort providers, energy service, power supply organizations, purchasing electricity (power) for further sale to the population and categories of consumers, similar to the one, indicated in this clause.	rubles/ kMW • hours	1.49912	1.33560
1.3.	Population living in rural settlements and equated to them: utility service providers (homeowners' associations, housing, and construction, housing or other specialized consumer cooperatives or management organizations), consuming electricity (power) for the provision of utilities to owners and users of residential premises and maintenance of the common property of apartment buildings; landlords (or persons authorized by them), providing citizens with residential premises of specialized housing, including residential premises in dormitories, residential premises of a temporary public housing, living quarters in the houses of the social service system of the population, living quarters of the fund for the temporary settlement of internally displaced persons, living quarters of the fund for the temporary residence of persons recognized as refugees, as well as residential premises for social protection of specific categories of citizens, acquiring electricity (power) to provide utilities services to users of such residential premises in the capacity of electricity consumption by the population and maintenance of common areas in houses, which have residential premises of specialized housing stock; legal entities and individuals, acquiring electricity (power) for consumption for household needs in settlements and suburban areas with military units and making payments under the contract of power supply, according to the indications of a standard electricity metering device. The last resort providers, energy service, power supply organizations, purchasing electricity (power) for further sale to the population and categories of consumers, similar to the one, indicated in this clause.	rubles/ kMW • hours	1.49912	1.33560
1.4.	Categories of consumers equivalent to the population, with the exception of the pricing basics specified in clause 71 (1):			
1.4.1.	Associations of private gardeners and market-gardeners – are non-profit organizations established by citizens voluntarily to assist its members in solving common social and economic problems of individual gardeners and market-gardeners and country houses. The last resort providers, energy-service, power supply organizations, acquiring electricity (power) for further sale to the class of consumers, equivalent to the population specified in this clause.	rubles/ kMW • hours	2.62623	2.50509
1.4.2.	Legal entities, acquiring electricity (power) for consumption by convicted persons in premises for their maintenance, are subject to the availability of separate electricity metering for the specified premises. The last resort providers, energy-service, power supply organizations, acquiring electricity (power) for further sale to the class of consumers, equivalent to the population specified in this clause.	rubles/ kMW • hours	2.62623	2.50509
1.4.3.	Religious organizations contained at the expense of the parishioners. The last resort providers, energy-service, power supply organizations, acquiring electricity (power) for further sale to the class of consumers, equivalent to the population specified in this clause.	rubles/ kMW • hours	2.62623	2.50509
1.4.4.	Associations of citizens, acquiring electricity (power) for use in their outbuildings (cellars, sheds): non-profit associations of citizens (garage construction, garage cooperatives) and citizens, owning detached garages, acquiring electricity (power) for purposes of consumption for household needs, and not used for commercial activities. The last resort providers, energy-service, power supply organizations, acquiring electricity (power) for further sale to the class of consumers, equivalent to the population specified in this clause.	rubles/ kMW • hours	2.62623	2.50509

Structure of revenue for services rendered by Kubanenergo PJSC for electricity transmission in the context of groups of contractors for 2018, %



Dynamics of the Gross Revenue Requirement of a Grid Company (GRR) structure for the transmission of electricity by Kubanenergo PJSC, million rubles



Dynamics of the gross revenue requirement (GRR) of Kubanenergo PJSC, million rubles

2016		2017		2018	
BOILER GRR	COMPANY GRR KUBANENERGO PJSC	BOILER GRR	COMPANY GRR KUBANENERGO PJSC	BOILER GRR	COMPANY GRR KUBANENERGO PJSC
41,658	17,417	44,379	17,425	48,023	20,080

The amount of required gross boiler revenue according to the adopted tariff decision of REC-DPR KR in 2018, the cost of electricity transmission services of Kubanenergo PJSC amounted to 48,023 million rubles, including 20,080 million rubles for the Company's maintenance.

Analysis of changes in the average approved REC-DPR KR rate for electricity transmission services of Kubanenergo PJSC

NAME OF AN INDICATOR	2016	2017	2018
The average tariff, cop./kW • h	235.60	240.26	252.38
Growth, %	17.02	1.98	5.04

Compared to 2017, the average tariff for electricity transmission services in 2018 at Kubanenergo PJSC was increased by 5.04%.

INFORMATION ON TARIFFS FOR ELECTRICITY TRANSMISSION SERVICES FOR 2018 WAS POSTED ON THE COMPANY'S OFFICIAL WEBSITE IN THE SECTION "FOR CONSUMERS/ ELECTRICITY TRANSMISSION/ TARIFFS FOR ELECTRICITY TRANSMISSION SERVICES".

TARIFFS FOR TECHNOLOGICAL CONNECTION SERVICES

Standardized tariff rates for the cost of technological connection of power consumers devices, transmission facilities owned by the network operators and other persons, as well as for a single connection, and standardized tariff rates to cover network construction costs were established by the Order of REC-DPR KR dated December 28, 2017 No. 66/2017-e (with amendments and additions).

DETAILED INFORMATION ON THE ESTABLISHED STANDARDIZED TARIFF RATES AND THE RATE OF PAYMENT PER UNIT OF MAXIMUM CAPACITY FOR TECHNOLOGICAL CONNECTION TO THE ELECTRIC NETWORKS OF KUBANENERGO PJSC FOR 2018 IS AVAILABLE ON THE COMPANY'S WEBSITE IN THE SECTION "FOR CONSUMERS / TECHNOLOGICAL CONNECTION / TARIFFS RATES FOR TECHNOLOGICAL CONNECTION".

Falling revenues associated with the implementation by Kubanenergo PJSC of technological connection of power receivers to categories of applicants, the cost of technological connection for which is determined taking into account the pricing features defined by the Government of the Russian Federation No. 1178 of December 29, 2011 "On pricing in the field of regulated prices (rates) in the electric power industry", taken into account in the tariff for electricity transmission services for 2016–2018, in thousand rubles.

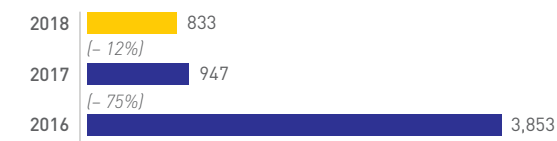
2016 ¹	2017 ²	2018 ³
82,944.95	98,874.17	141,864.41

Analysis of changes in the average rate per unit of power in Kubanenergo PJSC⁴

INDICATOR	2016	2017	2018
Average rate per power unit, rubles/ kW	573.80	599.42	618.90
Gain/decrease, %	6.6	4.5	3.2

The decrease in the average rate per unit of power in 2018 is due to the connection in 2017 of the facility of ZAO Tamaneftgaz with a capacity of 60,000 kW to the amount of revenue of 118 million rubles.

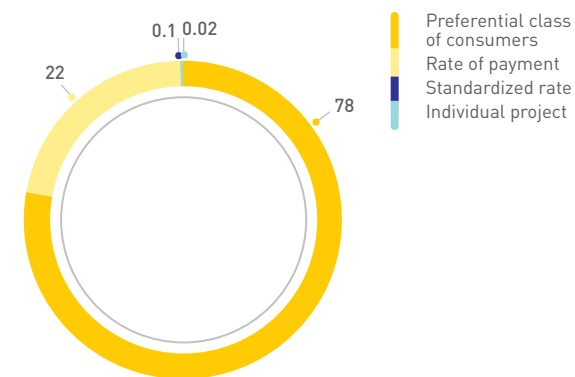
Dynamics of the average size of rates per unit of power, rub./kW



The size of the actual average rate per unit of capacity in 2016 is associated with the closure of revenue under contracts with OOO Gazprom Invest, the connection of power facilities of which was carried out on an individual project in the amount of 2,092,621,568.45 rubles (without the VAT), with a power of 8 700 kW.

The decrease in the average rate per unit of power in 2017 was due to the connection in 2016 of two objects of LLC Gazprom Invest with a capacity of 8,700 kW for the amount of revenue of more than 2 billion rubles.

Options of payment for technological connection by applicants (percentage of contracts, used one of the methods for calculating to the total number of contracts concluded), %



1. In accordance with the order of REC-DPR KR dated December 31, 2015, No. 94/2015-e (with amendments and additions).
 2. Under the orders of REC-DPR KR dated December 30, 2016, No. 57/2016-e, dated February 15, 2017, No. 4/2017-e (with amendments and additions).
 3. Under the order of REC-DPR KR dated December 28, 2017, No. 63/2017-e (with amendments and additions).
 4. The rate of payment for the technological connection of power devices of electricity consumers, transmission facilities owned grid companies and other persons to the power distribution networks of Kubanenergo PJSC, not including the construction and reconstruction of electric grid facilities, at a voltage level below 35 kV and connected power less than 8,900 kW, was adopted to analyze the change in the rate per power unit of Kubanenergo PJSC.

INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS

In the reporting year, the Company continued the development of information technologies and telecommunications, including:

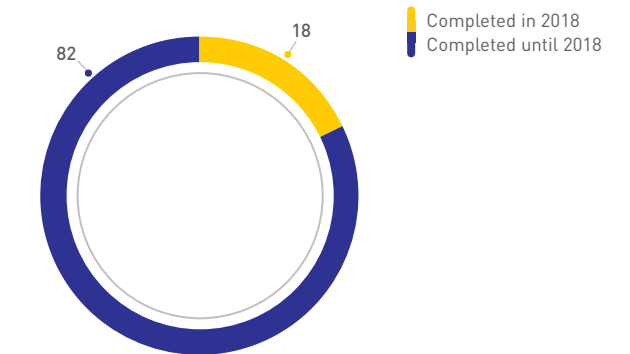
- the continued development of business asset management system (BAMS);
- modernization and development of the functionality of the electric power transmission management system;
- work for the implementation of the unified budget classifier of PJSC Rosseti was carried out in terms of the development of the corporate information system "1C: Enterprise", a subsystem of the registry of non-financial capital was created;
- functionality of the corporate software complex has been expanded:
 - there were designed and commissioned the functional blocks "Maintaining Capital Construction Facilities," "Development of design assignment"
 - A module for importing financial indicators from the corporate information system "1C: Enterprise" has been developed in the corporate software package,
 - the data exchange services between the corporate software complex and the personal account on the website of Kubanenergo PJSC were updated to receive applications for technological connection in the personal account: "Through the redistribution of maximum power" and "temporary connection";
- in terms of the development of essential infrastructure services, the incident management system was finalized, namely, there were integrated the new IT services and all domains of the Company's branches; in addition, in order to provide the Company's subdivisions with simple and useful tools for creating, storing and searching for information, the corporate portal of Kubanenergo PJSC was developed and implemented.

- 218.6 km of fiber optic links were constructed, which is 17.6% of the total length of the Company's fiber-optic connections.

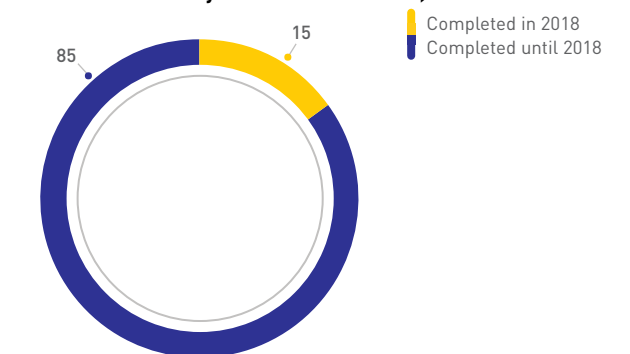
Works on the collection and transmission of the minimum required the amount of telecommunication information at 34 110 kV substations, and 3 35 kV substations were carried out as a part of the execution of the schedule to increase the observability and controllability of power grid facilities with a voltage of 35 kV and above.

Development of an automated system of technological management, a network for collecting and transmitting information in 2018, %

FOL construction



Increased observability of substation 110 kV, %



In the reporting year, the following work was performed in Kubanenergo PJSC in the framework of the execution of titles of the Company's investment program, the development of communication networks and an automated technological management system:

- the control center of Takhtamukaysky Power Distribution Zone was equipped with a central receiving and transmitting station and the KOTMI operational information complex;
- teleinformation collection and transmission system is organized on the newly built substation 110 kV "Lazurnaya" with the arrangement of digital communication channels and teleinformation transmission via fiber-optic links to the dispatching centers of Kubanenergo PJSC and the branch of JSC SO UES Kuban Regional Dispatch Administration (RDA);
- reconstruction of the system for collecting and transmitting teleinformation was performed at the substations 110 kV "Yugo-Zapadnaya", "Turgenevskaya", Meat Processing Plant, "NovoRES", "Shapsug", substation 35 kV "Kalinino";

PROCUREMENT ACTIVITIES OF THE COMPANY

Kubanenergo PJSC carries out procurement activities, guided by the Federal Law of July 18, 2011 No. 223-FZ "On the procurement of goods, works, services by certain types of legal entities", and other Regulations of the Russian current law, the Company's Charter and the Unified Procurement Standard of PJSC Rosseti (Procurement Regulations) [further – Standard].

Standard Revision, approved as an internal document by the decision of the Board of Directors of the Company, dated 25.12.2015 (minutes No. 227/2015) and put into effect by order of Kubanenergo PJSC No. 1111, dated 28.12.2015, have been in effect since the beginning of 2018. In November 2018, following the extract from the minutes of the meeting of the Board of Directors of the Company (No. 321/2018 dated 02.11.2018), it was decided to accede to the changes to the Standard.

The Central Tender Committee, based on the Procurement Regulations approved by order No. 363, dated 04.04.2018, is the Company's Collective Working Body for the formation and implementation of unified procurement policy, ensuring an adequate level of competition in procurement, objectivity, impartiality, and transparency of procurement procedures, fair and equitable treatment of all bidders and selection of contractors based on the results of standardized procedures. As well as commissions operate in some regions of activity under order No. 94, dated February 9, 2016.

PRINCIPLES OF ORGANIZATION OF PROCUREMENT

- timely (long-term and short-term) planning of procurement activities, prompt decision-making on the adjustment of procurement parameters;
- equality, fairness, non-discrimination and unreasonable restrictions on competition in relation to procurement participants;
- targeted and cost-effective spending of money on the purchase of goods, works and services;
- unlimited access to the procurement;
- accepting the procurement parameters with account for the characteristics of the purchased products, markets and situations in which the procurement is performed;
- competitive choice of suppliers, contractors, contractors, where it is possible and appropriate, and, if possible, collegial decision-making in situations where competitive choice is impossible or impractical;
- considering the necessary combination of price and non-price factors determining efficiency in the selection of proposals that are optimal for the Company;
- publicity of procurement activities;
- the use of modern information technology, electronic document management and automation of procurement activities, including the use of functional electronic trading platforms;
- collegial decision-making on the most important issues of the organization of procurement activities and on individual procurement;
- professionalism and competence of the Company's employees in preparing and making decisions on procurement; the impeccable behavior of such workers from an ethical point of view.

The methods of procurement procedures and the conditions for their application are determined by the above internal documents of the Company.

- Procurement methods used by the Company, in descending order of priority:
- Tender, auction.
 - Request for proposals, request for prices.
 - Simple purchase, small purchase.
 - Purchase from a single supplier (performer, contractor).

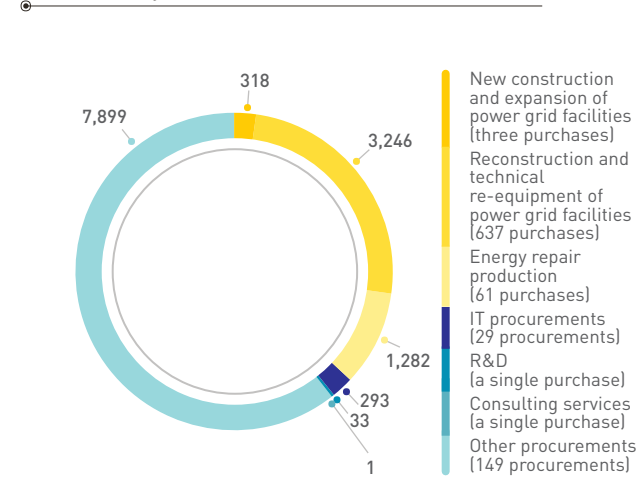
MAIN RESULTS OF THE COMPANY'S PROCUREMENT ACTIVITIES IN 2018

In 2018 The Company has summed up the results of 881 procurement procedures totaling 13,072.8 million rubles. Seven hundred ninety-four (794) purchases in the amount of 11,925.8 million rubles were carried out using e-commerce, which is 100% of the total number of purchases (excluding purchases from a single supplier).

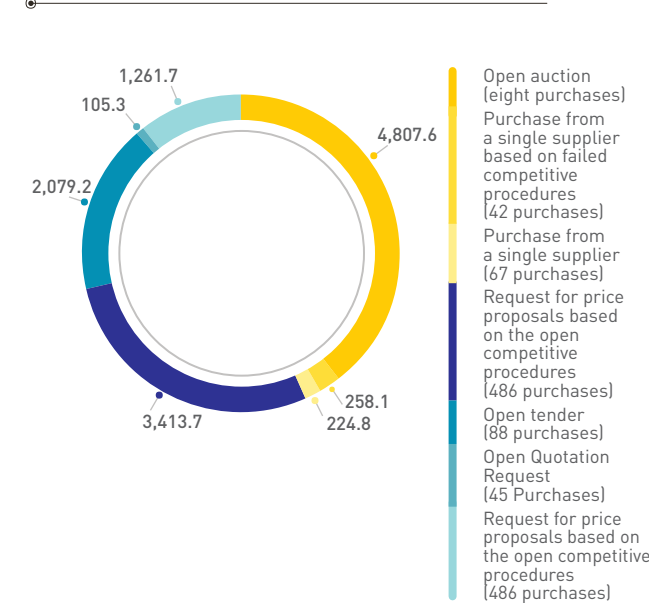
The economic effect for 595.2 million rubles was obtained in the reporting year as a result of regulated purchases by the Company, which is 5% of the planned annual amount of expenses for the purchase of goods, works and services.

At the end of 2018, the results of 15 purchases totaling 781.8 million rubles were summed up with a label of innovative and high-tech products.

Structure of the Company's purchases by type of activity, mln rub.



Structure of the Company's procurement by the methods of procurement procedures, mln rub



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

As a part of the implementation of the roadmap activities for cooperation with small and medium-sized businesses in the Company, since 2014, there was a partnership program between Kubanenergo PJSC and small and medium enterprises. During the program, 35 participants joined it. In 2018 Kubanenergo PJSC joined the partnership program between the Rosseti Group of Companies and small and medium-sized businesses (order dated 06.03.2018, No. 231), within which there was created a unified register of participants of the partnership program; thus a small and medium enterprise become a partner for all

subsidiaries and affiliates of PJSC Rosseti.

In 2018, 76.6% of the procurement procedures were won by small and medium-sized businesses for a total of 6,051.5 million rubles.

In 2018, 305 procurement procedures were conducted, the participants of which are only small and medium-sized businesses, in the amount of 2,156.6 million rubles, which is 27.3% of the total value of the purchases made.

Also since 2014, the Company has an advisory body for the issues of ensuring the effectiveness of procurement conducted by Kubanenergo PJSC, including from small and medium-sized businesses, which structure, besides the Company's employees, includes representatives of JSC Corporation SME, the Fund for Infrastructure and Educational Programs of the regional branches of the Russian Union of Industrialists and Entrepreneurs, the All-Russian Public Organization of Small and Medium Business "OPORA ROSSII", the All-Russian Public Organization Business Russia and Chamber of Commerce and Industry of the Russian Federation. The Company also has an Operating Plan for the promotion of the Company's partnership program with small and medium-sized businesses.

PERFECTION OF PROCUREMENT ACTIVITIES

The Company purchases goods and services primarily on an open, competitive basis from suppliers offering the best price-quality ratio, optimizing procurement by:

- use of methods to reduce the marginal price of the purchase
- increasing the share of open competitive procedures;
- the introduction of mandatory actions to reduce the prices of procurement participants (re-bidding);
- following the Company's procurement policy, partnership program between Kubanenergo PJSC and small and medium-sized businesses;
- work of the negotiating body in the issues of procurement efficiency conducted by Kubanenergo PJSC, including from small and medium-sized businesses.

INVESTMENT ACTIVITIES



The main parameters of the Company`s Investment activities in 2018

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Directions and structure capital financing

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The results of the implementation of the investment program in 2018

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Long-term investment program

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Quality management of capital construction

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Key investment projects completed in 2018

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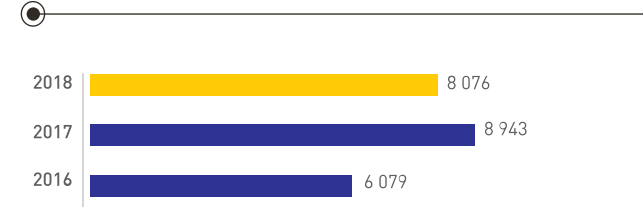
Investments are the basis of a reliable power supply and the most important component of the Company's business efficiency. The Company's investment programs are drawn up in accordance with the schemes and programs for the future development of the electric power industry of the Krasnodar Territory and the Republic of Adygea, the technical condition of the electrical networks, and available sources of funding, formed on the basis of tariff and balance decisions. The approval and control of the implementation of investment programs of Kubanenergo PJSC is carried out by the Ministry of Energy of

Russia. In the reporting year, the Company's investment activity was conducted in accordance with the investment program approved by the Ministry of Energy of Russia by order No. 18 dated 10.12.2018 "Concerning the approval of changes to the investment program of Kubanenergo PJSC, approved by order of the Ministry of Energy of Russia of December 1, 2017 No. 21."

THE MAIN PARAMETERS OF THE COMPANY'S INVESTMENT ACTIVITIES IN 2018

CAPITAL INVESTMENT	ENTERING FIXED ASSETS	FINANCING	POWER INPUT	
million rubles without VAT	million rubles without VAT	million rubles, VAT included	MegaVolt-Ampere (MVA)	km
7,727	3,911	8,076	355	582

Dynamics of financing capital investments of the Company in 2016–2018, mln rub., VAT included



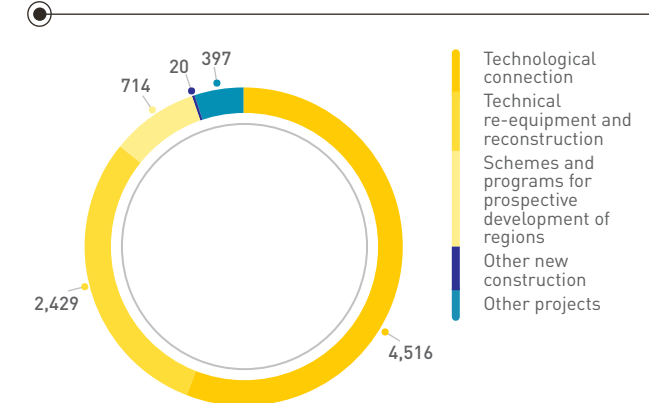
The actual financing of capital investments in 2018 amounted to 8,076 million rubles, which is 32.9% more than in 2016, and 9.7% less than in 2017.

Commissioning of power facilities of state importance on the Taman Peninsula – substation "Port" 220 kV and 110–220 kV power transmission lines were expected in 2018. In the reporting year, Kubanenergo PJSC completed the construction of these facilities and received Rostekhnadzor approval for the commissioning work. Due to the unavailability of PKU Rostransmodernizatsiya, which serves as the state customer for the construction of power facilities, for setting up a 110 kV traction substation for voltage, the commissioning period of the 220 kV Port and 110–220 kV transmission lines were postponed to Q2 2019.

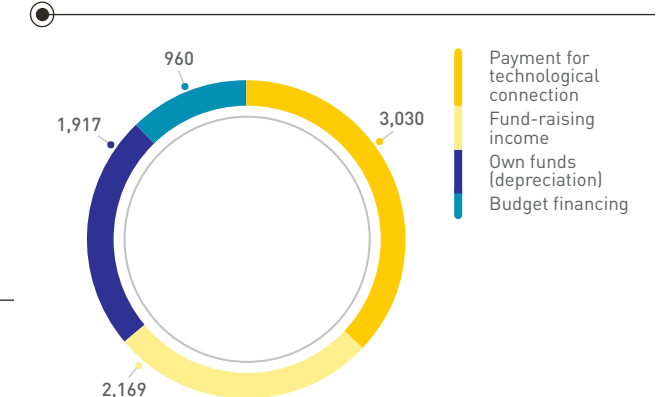
DIRECTIONS AND STRUCTURE CAPITAL FINANCING

The main areas for the investment program of Kubanenergo PJSC in 2018 were the following: financing of capital investments in technological connection – 4,516 million rubles with VAT (56%), technical re-equipment and reconstruction – 2,429 million rubles with VAT (30.1%). 20 million rubles with VAT (0.2%) accounted for other new construction. Investment projects, which implementation is conditioned by the schemes and programs for the future development of the power industry, –714 million rubles (8.8%). Other investment projects have been financed in the amount of 397 million rubles with VAT (4.9%).

Structure of the capital financing of Kubanenergo PJSC for 2018, mln. rub.



Sources of financing the Company's investment program for 2018, mln. rub., VAT included



Structure of financing of Kubanenergo PJSC in the dynamics for 2016–2018, mln rubles

	2016	2017	2018
In total	6,079	8,943	8,076
Technological connection	3,268	4,510	4,516
Reconstruction, modernization, technical re-equipment	1,883	2,860	2,429
Investment projects, which implementation is determined by schemes and programs for the future development of the electric power industry	643	629	714
Other new construction of power grid facilities	0	153	20
Purchase of land for the implementation of investment projects	1	0	0
Other investment projects	284	791	397

THE RESULTS OF THE IMPLEMENTATION OF THE INVESTMENT PROGRAM IN 2018

Information on the results achieved in 2018 due to the implementation of the measures included in the investment program following the order of the Ministry of Energy of Russia dated 14.03.2017, No. 177

SEQ NO.	INDICATORS	RESULTS 2018
1	The degree of loading the transformer substations	56%
2	Changes in the share of net power supply generated by electricity metering devices included in the data collection and transmission system (metering automation level)	+16.99%
3	Change in the average duration of the termination of the transmission of electricity to consumers of services	-1.1138 h
4	Change in the average frequency of stopping the transmission of electricity to consumers of services	-0.5012 шт.
5	The total number of grid connection commitments for the implementation of technological connection, executed in the framework of the investment program	26,985 contracts, including the preferential category of applicants – 21,401 contracts
6	Maximum power of connected electricity consumers, power generation facilities, electric grid facilities owned by other network organizations or other persons	723 MW, including the preferential category of applicants – 249 MW

LONG-TERM INVESTMENT PROGRAM

The long-term investment program of Kubanenergo PJSC is formed taking into account the current situation of the development of the Russian economy and the financial capabilities of Kubanenergo PJSC and by the scenario conditions for the formation of the Company's investment programs. Sources of financing of the investment program, considering current macroeconomic conditions for the activities of grid companies, and the approved tariff-balance decisions.

The Company's long-term investment program for the period 2017–2022, approved by the Ministry of Energy of Russia by Order No. 18, dated 10.12.2018 "On Approving Changes Made to the Investment Program of Kubanenergo PJSC, approved by Order No. 21, dated 01.12.2017, of the Ministry of Energy of Russia".

Parameters of the Company's long-term investment program for 2017–2022

	2017 (FACTED)	2018 (FACTED)	2019 (PLANNED)	2020 (PLANNED)	2021 (PLANNED)	2022 (PLANNED)
Financing facilities, million rubles VAT included	8,943	8,076	5,246	6,033	4,800	5,300
Capital investment, million rubles without VAT	6,700	7,727	22,115	5,436	3,697	4,172
Entering fixed assets, mln rub. without VAT	4,441	3,911	22,162	5,499	4,198	4,344
Km	836	582	966	711	384	353
MegaVolt-Amper (MVA)	364	355	1,045	485	549	364

The main volume of investments planned in the long-term investment program of Kubanenergo PJSC for 2017–2022 will be directed to the new construction of electric grids.

QUALITY MANAGEMENT OF CAPITAL CONSTRUCTION

As a part of the implementation of the Government of the Russian Federation Decree No. 468 of June 21, 2010 "On the Procedure for Conducting Construction Control during Construction, reconstruction and overhaul of capital construction objects "in order to verify compliance of work performed in the process of construction, restoration, primary repair of capital construction objects, requirements of project documentation, technical regulations, urban development plan of the land, the results of engineering surveys carried out construction control.

Of the 18 facilities with a voltage of 35 kV and above, which meet the scenario conditions of organizing independent construction control, in which construction and installation works were completed in 2018, eight sites were covered by independent construction controls, that is, 44.4%.

KEY INVESTMENT PROJECTS COMPLETED IN 2018

The most important objects of the investment program of Kubanenergo PJSC, introduced into fixed assets in 2018

ENERGY FACILITY NAME	CONSTRUCTION PERIOD		POWER INPUT		VOLUME OF INPUT, MILLION RUBLES, EXCLUDING VAT
	THE BEGINNING	THE ENDING	KM	MEGAVOLT-AMPER (MVA)	
Reconstruction of the "Yugo-Zapadnaya" Substation 110/10 kV. Installation of a third transformer with a capacity of 40 MVA	2016	2018		40	288.5
Reconstruction of the substation "Severo-Vostochnaya" 110/6-10 kV . Installation of a third transformer with a capacity of 40 MVA	2016	2018		40	267
Reconstruction of the 35/10 kV Shapsug substation with conversion to 110/35/10 kV voltage with two transformers of 40 MVA each	2016	2018		80	416
Reconstruction of the substation "Turgenevskaya" 110/10 kV. Installation of a third transformer with a capacity of 40 MVA	2016	2018		40	385.5
Reconstruction of the substation 35/10 kV "Kalinino". Replacement of 2 × 10 MVA transformers with 2 × 16 MVA	2016	2018		32	295
Construction of Substation "Lazurnaya" 110 kV with overhangs of overhead lines 110 kV	2016	2018	0.3	20	402

The increase in transformer capacity at the commissioned facilities will allow the Company to increase the reliability of power supply and create the possibility of connecting additional consumers in the city of Krasnodar, Takhtamukaysky district of the Republic of Adygea and the city of Tuapse.

The technical re-equipment of the substations will provide a reliable power supply to consumers of the regional center, the Republic of Adygea and the city of Tuapse.





UBSTATION 220 KV "PORT"

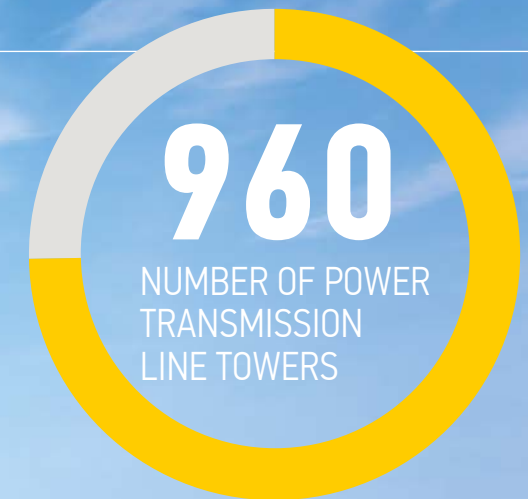
Creating a modern energy infrastructure for the development of the Taman Peninsula – is the most significant project for the company.

CLOSED TYPE SUBSTATION

2017 Start of work









-  Power lines 35-110-220 kV
-  The total length of 186 km
-  Increased throughput
-  Protected from sticking of snow and ice



- 1) Deadline for construction – December 2018
- 2) Commissioning – March 2019

2018

-  Voltage 220 kV
-  Power 432 MVA
-  The volume of investments is 7 billion rubles.
-  Fully protected from wind and corrosion
-  Noise-free
-  Safe for the environment

FIRSTHAND EXPERIENCE

FOR US THIS IS A POWER FACILITY OF SPECIAL IMPORTANCE. FOR THE FIRST TIME IN MODERN HISTORY, KUBANENERGO IS BUILDING A SUBSTATION OF THIS VOLTAGE TYPE. THIS IS A MODERN HIGH-TECH CLOSED-TYPE SUBSTATION WITH A HIGH DEGREE OF RELIABILITY, DESIGNED FOR A LONG SERVICE LIFE, PROTECTED FROM ICING AND WIND LOADS.

GAVRILOV
ALEXANDER ILYICH

GENERAL DIRECTOR OF KUBANENERGO PJSC

-  Multi-sided supports
-  High strength galvanized steel
-  Height ~ 40 m
-  Firm foundation
-  Protected against corrosion
-  Service life ≥ 50 years

The 220 kV substation will become the basis for the development of industry and infrastructure of the Taman Peninsula, it will meet the needs of the transport and railway crossings of the Crimean Bridge.

EQUIPMENT

Cubicle switchboards (metal-clad installations) 220/110 kV with hexafluorated sulfur (SF6 gas) insulation

Static capacitor batteries

Arc suppression reactors

Current-limiting reactors

T-1 and T-2 power transformers 16 MVA

Power transformers AT-1 and AT-2 220/100 200 MVA

Regulating transformers

FINANCIAL RESULTS

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Financial (accounting) statements of Kubanenergo PJSC

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Results of financial and economic activities of the Company

FINANCIAL (ACCOUNTING) STATEMENTS OF KUBANENERGO PJSC

SKIBA

INNA VIKTOROVNA

CHIEF ACCOUNTANT – HEAD OF ACCOUNTING AND TAX ACCOUNTING AND REPORTING DEPARTMENT



ACCOUNTING (FINANCIAL) STATEMENTS FOR 2018 WHICH KUBANENERGO PJSC PREPARED IN ACCORDANCE WITH THE CURRENT LEGISLATION OF THE RUSSIAN FEDERATION. THE AUDIT OPINION WAS RECEIVED THAT THE ACCOUNTING (FINANCIAL) STATEMENTS REFLECT RELIABLY IN ALL PHYSICAL ASPECTS OF THE FINANCIAL POSITION OF THE COMPANY AS OF DECEMBER 31, 2018.

The accounting statements of Kubanenergo PJSC for 2018 are formed based on the standards and regulations on accounting and reporting in effect in the Russian Federation (further referred to as Russian Accounting Standards (RAS)):

- Federal Law of 06.12.2011, No. 402-ФЗ "On Accounting";
- Order of the Ministry of Finance of Russia dated 02.07.2010 No. 66n "On the Forms of Accounting Statements of an Organization";
- Order of the Ministry of Finance of Russia of 05.10.2011 No. 124n "On Amendments to the Forms of Accounting Statements of Organizations, Approved by Order of the Ministry of Finance of the Russian Federation of 02.07.2010, No. 66n";

- Order of the Ministry of Finance of Russia dated July 29, 1998 No. 34n "Concerning the Approval of the Regulation on Accounting and Accounting Reporting in the Russian Federation";
- Chart of Accounts of financial and economic activities of enterprises, approved by order of the Ministry of Finance of Russia dated 31.10.2000, No. 94n;
- Accounting Regulation "Accounting policy of the organization" PBU 1/2008, approved by order of the Ministry of Finance of Russia of 06.10.2008 No. 106n.

THE COMPOSITION OF THE ANNUAL REPORTING OF KUBANENERGO PJSC FOR 2018, COMPILED UNDER RAS, INCLUDES:

- BALANCE SHEET.
- STATEMENT OF FINANCIAL PERFORMANCE.
- STATEMENT OF CHANGES IN EQUITY.
- CASH FLOW STATEMENT.
- EXPLANATIONS.
- AUDIT REPORT.

KEY ACCOUNTING POLICIES OF KUBANENERGO PJSC

Accounting of fixed assets in the Company is carried out in accordance with the Regulation on Accounting "Accounting for Fixed Assets" PBU 6/01, approved by order of the Ministry of Finance of Russia dated 30.03.2001, No. 26n. Depreciation on fixed assets is calculated on a straight-line basis based on their useful life. For fully depreciated (worn) items of fixed assets, depreciation was not accrued.

Work in progress is estimated at actual cost.

Recognition of the expenses incurred as an expense of a future period and equating it to an asset with reflection in accounting and reporting is related to the principal approach established in the Company. This approach is based on an understanding of the temporary fact of the likelihood that an organization will receive economic benefits in the future from this asset and an assessment of its value with a sufficient degree of reliability.

Advances related to the acquisition of a non-current asset in the future, as well as raw materials and supplies intended for use in the creation of fixed assets, are recorded in line 1150 "Fixed Assets".

Real estate objects are actually exploited, for which capital investments are fully completed and primary documents are drawn up, are accepted for accounting as fixed assets with the release of a separate subaccount "Real estate objects for which no title is registered." For such objects, depreciation is calculated in a general manner from the first day of the month following the month in which the object was put into operation.

Accounting for revenue and other income is maintained by the Company in accordance with the Accounting Regulation "Income of the Organization" PBU 9/99, approved by order of the Ministry of Finance of Russia of 06.05.1999, No. 32n.

The Company has established estimated liabilities due to possible payments of compensation for unused vacations, unresolved requirements of electricity suppliers to compensate for losses and electricity transmission services, legal proceedings and other payments to employees in accordance with PBU 8/2010 "Estimated liabilities, contingent liabilities and contingent assets" approved by order of the Ministry of Finance of Russia dated December 13, 2010, No. 167n.

The Company reserved doubtful receivables that are not repaid or with a high degree of probability will not be refunded within the terms established by the contract and are not provided with appropriate guarantees.

The Company forms a reserve for the depreciation of financial investments in the event of a sustained significant reduction in their value.

Adjustments relating to previous periods

ADJUSTMENTS AND OTHER ACCOUNTING CHANGES RELATING TO PREVIOUS PERIODS IN THE REPORTING FOR 2018 ARE ABSENT.

THE COMPANY HAS FORMED CONSOLIDATED FINANCIAL STATEMENTS FOLLOWING THE REQUIREMENTS OF THE FEDERAL LAW DATED JULY 27, 2010, NO. 208-ФЗ "ON CONSOLIDATED FINANCIAL STATEMENTS."

In accordance with the requirements of the legislation of the Russian Federation, the Company is obliged to conduct an annual audit of financial statements. To check and confirm the annual financial statements, the General Meeting of Shareholders annually approves the Company's auditor.

In order to ensure the independence and objectivity of the external auditor, the selection of the external auditor of the Company was carried out through an open competitive procedure using the Unified Procurement Information System of PJSC Rosseti (hereinafter referred to as the ETP). Information about the open tender for the right to conclude contracts for the audit of financial statements for 2018–2020 was published in the unified information system (www.zakupki.gov.ru, № 31806037793), on the ETP (<http://www.etp.rosseti.ru>). The duration of the competition is from February 1 to April 16, 2018. The evaluation of the contest participants was carried out according to the criteria set in advance and stated in the conditions of the contest.

According to the results of an open one-stage competition without a preliminary qualification selection for the right to conclude contracts for auditing financial statements for 2018–2020, Ernst & Young LLC was declared the winner (Minutes of the meeting of the Competition Commission of PJSC Rosseti dated 16.04.2018, No. 13/595p). Mandatory audit of financial statements for 2018 includes an audit of accounting (financial) statements prepared in accordance with RAS and IFRS for the year ending December 31, 2018

Cost of services for Kubanenergo PJSC for 2018–2020 determined in the amount of 15 853 783.64 rubles, including VAT.

This auditor was also approved by the decision of the Annual General Meeting of Kubanenergo PJSC Shareholders (minutes No. 40 dated 28.05.2018)

Full name of the audit firm: Limited Liability Company Ernst & Young.

Abbreviated name of the audit firm: Ernst & Young LLC.

Location and mailing address: Russia, 115035, Moscow, Sadovnicheskaya nab. 77, bld. 1.

Phone/fax: (495) 755-97-00 / (495) 755-97-01.

E-mail address: rfp@ru.ey.com.

The audit organization Ernst & Young LLC is a member of the Russian Auditors Union (Association), a Self-Regulatory Organization of Auditors (Incorporated Society of Accountants) with the primary registration number of entry (PRNE) 11603050648.

The amount of remuneration of an auditor for audit check of the annual financial statements for 2018 was approved by the decision of the Board of Directors of Kubanenergo PJSC (minutes No. 319/2018 dated 24.09.2018) 5,284,594.54 rubles in total, including VAT. In connection with the entry of amendments to the Tax Code of the Russian Federation in accordance with Federal Law of 03.08.2018, No. 303-F3 "Concerning the Amendments to Certain Legislative Acts of the Russian Federation on Taxes and Duties", in force from January 1, the cost of audit services for 2018 amounted to 5,333,857.71 rubles (Supplementary Agreement No. 1/407/30-1511 dated December 13, 2014).

There are no deferred and overdue payments for services rendered by the auditor.

On December 29, 2018, the was the concluded a Contract with the Contractor Ernst & Young, LLC on "assessment and consulting services," for the services of a comprehensive analysis of the financial and economic activities of Kubanenergo PJSC. The Company has no facilities provided in the reporting year by this Contract.

RESULTS OF FINANCIAL AND ECONOMIC ACTIVITIES OF THE COMPANY

OCHEREDKO

OLGA VYACHESLAVOVNA

DEPUTY DIRECTOR GENERAL FOR ECONOMICS AND FINANCE



THE KUBANENERGO PROGRAM OF INCREASING OPERATIONAL EFFICIENCY AND REDUCING COSTS FOR 2018–2022 WAS DEVELOPED AND PUT IN PLACE IN 2018. THE PROGRAM HAS THE AIM TO OPTIMIZE COSTS, IMPROVE THE MANAGEMENT EFFICIENCY OF PROCUREMENT AND SUPPLY CHAIN, REDUCE THE UNIT COSTS FOR THE OPERATION OF POWER EQUIPMENT, REDUCE ENERGY LOSSES IN THE NETWORK AND INCREASE THE OVERALL ENERGY EFFICIENCY.

ACCORDING TO THE RESULTS OF THE REPORTING PERIOD, THE TARGET PARAMETERS FOR REDUCING OPERATING EXPENSES UNDER THE DIRECTIVE OF THE GOVERNMENT OF THE RUSSIAN FEDERATION NO. 2303P-P13 OF APRIL 16, 2015, FOR 2018 RELATIVE TO THE LEVEL OF 2017 WERE FULFILLED."

ANALYSIS OF THE RESULTS OF FINANCIAL AND ECONOMIC ACTIVITY

In 2018, the proceeds from the sale of the Company's services amounted to 46,401.1 million rubles, which is 4,148.1 million rubles (9.8%) more than in 2017, including:

- Revenue from electricity transmission was equal to 45,583.5 million rubles (by 4,097.8 million rubles more than in 2017); growth was triggered by:
 - an increase in the volume of services rendered by 562 million kWh,
 - with a change in the procedure for reimbursement to the Wholesale Market for Electricity and Power (WMEP) participants of the cost of load losses accounted for in the prices on the WMEP, as a result of which, which set up to calculate the revenue for electricity transmission services without deducting the specified value from August 1, 2017 (Clause 1b of the Resolution of the Russian Federation 07.07.2017 No. 810 "On Amendments to Certain Acts of the Government of the Russian Federation Regarding Payment for Electricity Losses on the Wholesale Electricity and Capacity Market and Retail Electricity Markets, and

Obtaining the Status of a Subject of the Wholesale Electricity and Capacity Market");

- Proceeds from technological connection services amounted to 602.5 million rubles, which is 45.5 million rubles less than in 2017.

The cost price (including management expenses) in 2018 amounted to 41,616.9 million rubles, which is 3,247.9 million rubles (8.5%) more than in 2017. The increased costs are due to the rise in the price of purchased electricity to compensate for losses, expenses for services of PJSC FGC UES, services of distribution grid companies, depreciation of fixed assets and intangible assets.

Profit before tax amounted to 1,279.8 million rubles, which is 112.1 million rubles (9.6%) more than in 2017.

The Company's net profit in 2018 amounted to 151.2 million rubles (by 374.1 million rubles (71.2%) below the level of 2017).

The main factors that influenced the financial result:

- + increase in revenue from sales of services by 4,148.1 million rubles (9.8%), including due to the rise in revenue from electricity transmission services for 2018 by 4,097.8 million rubles (9.9%) relative to the parameters of the previous year, while revenue from technological connection services decreased by 45.5 million rubles (7.0%);
- increase in cost, with account for 3,247.9 million rubles of management expenses (8.5%), relative to the parameters for the same period of 2017;
- deterioration of the balance of other income and expenses from profits by 787.99 million rubles (29%) relative to the parameters of 2017;
- increase in income tax by 486.2 million rubles in comparison with the parameters of the same period in 2017;

Key financial and economic indicators of the Company for 2016–2018, million rubles.

SEQ NO.	INDICATOR	2018	2017	2016
1	Proceeds from sales of products (services), including:	46,401	42,253	41,726
1.1	from power transmission	45,583	41,486	39,262
1.2	from technological connection	602	648	2,381
1.3	from the sale of electricity	0	0	0
1.4	from other activities	215	119	83
2	Cost of products (services)	-41,461	-38,259	-35,830
3	Gross profit	4,940	3,994	5,896
4	Administrative expenses	-155	-110	-98
5	Selling costs	0	0	0
6	Profit (loss) from sales	4,784	3,884	5,798
7	Interest receivable	82	47	90
8	Interest payable	-1,911	-1,907	-1,889
9	Income from participation in other organizations	9	0,3	0
10	Other income (total)	2,575	2,393	2,616
11	Other expenses (total)	-4,259	-3,249	-3,109
12	Profit (loss) before tax	1,280	1,168	3,506
13	Profit tax and other payments	-1,129	-642	-1,366
14	Net profit	151	525	2,141
15	EBITDA¹	7,158	6,847	9,015

IMPLEMENTING AN EFFICIENCY AND COST REDUCTION PROGRAM

The program for enhancement of operating efficiency and reduction of Kubanenergo PJSC costs for 2018–2022, approved by the Board of Directors of the Company on December 27, 2017 (minutes of the meeting of the Board of Directors dated 28.12.2017, No. 294/2017). Implementation of the program's activities is taken into account in the business plan, investment program, energy-saving, and energy efficiency improvement program, innovative development program and other targeted programs developed by the Company.

The performance indicators of the program take into account the targets set by the Strategy for the Development of the Electric Grid Complex of the Russian Federation, approved by the decree of the Government of the Russian Federation of 03.04.2013 No. 511-p, and also by the directive of the Government of the Russian Federation of 16.04.2015 No. 2303p-P13.

The reduction in operating expenses following the directive of the Government of the Russian Federation No. 2303p-P13 dated April 16, 2015, for 2018 relative to the level of 2017 was 2%, which corresponds to the target value.

1. Regulation for payment of remuneration and compensation to members of the Auditing Commission of Kubanenergo PJSC is published on the website www.kubanenergo.ru – section "About Us/ Constituent and internal documents."

As a part of improving operational efficiency and generating additional revenues, the Company in 2018 implemented the following measures:

- improving the efficiency of the process of managing the maintenance and repair of equipment, buildings and structures (the implementation of a set of measures aimed at the redistribution of the method of performing work in the technological areas: OTL 35–220 kV, SS 35–110 kV; distribution networks 0.4–10 kV (OTL, transformer substation); optimization of the distribution of works between contracting and business methods);
- improving working capital management (optimization of receivables (reduction of overdue debts for electricity transmission services), destocking of the emergency reserve, including through adjustments in the direction of reducing the volume of reserve stocks, and transferring a part of the inventories for repair and operation of equipment in 2018);
- improving the management of fixed assets, including:
 - consolidation of power grid assets
 - implementation of the event "Development of Price Expertise",
 - reducing the cost of purchasing raw materials and materials, procuring contractor services for new construction, technical re-equipment and reconstruction as a result of regulated procedures in the framework of investment activities;
- improving energy efficiency (implementation of measures to reduce the level of electricity losses under the Kubanenergo PJSC Electricity Loss Reduction Program for 2018–2022 and the Energy Saving and Energy Efficiency Improvement

Program of Kubanenergo PJSC; organizational and technical measures to ensure the rational use of fuel and energy resources and water for the production and economic needs of the Company);

- increase in operating efficiency (reduction in unit operating expenses), including:
 - reuse of previously used (post-consumer) materials
 - reduction of maintenance materials, consumables for office equipment maintenance, reduction of costs for communication services, IT services, write-off of software products,
 - optimization of costs associated with the decommissioning of vehicles, the further management of which is impractical, including reducing the cost of fuel, optimizing the fleet of cars to be insured by Compulsory Civil Liability Insurance for Vehicle Owners (CCLIVO),
 - reducing the cost of purchasing raw materials and materials, production and non-production services in terms of operating activities as a result of regulated procedures;
- other activities (implementation of measures aimed at reducing non-contractual electricity consumption).

The program to improve operational efficiency and reduce costs creates a useful tool to improve in-process efficiency and ensure profitability through the productive use of the Company's private reserves to implement the main strategic directions of the Company's activities.

ACCOUNTS RECEIVABLE

Analysis of changes in receivables, mln rub.

	ON 31.12.2018	ON 31.12.2017	ON 31.12.2016
Accounts receivable, including:	7,057.41	6,847.39	7,119.42
Customers and Buyers of electricity transmission	6,206.67	6,155.95	6,410.58
Notes receivable	6,091.36	6,104.65	6,381.93
Advances issued	34.49	32.12	13.37
Other receivables	816.26	659.32	695.47

The total amount of receivables of Kubanenergo PJSC at the beginning of the reporting year amounted to 6,847.39 million rubles, and as of December 31, 2018 – 7,057.41 million rubles.

Accounts receivable from buyers and customers amounted to 6,206.67 million rubles, which is 50.72 million rubles (0.82%) above the level as of December 31, 2017, the increase was due to a rise in the debt on other buyers and customers by 59.45 million rubles.

Accounts receivable on advances issued amounted to 34.49 million rubles, which is 2.37 million rubles (7.38%) above the level as of December 31, 2017.

Accounts receivable for other debts amounted to 816.26 million rubles, which is 156.93 million rubles (23.80%) below the level as of December 31, 2017.

The main share (86.31%) of accounts receivable of the Company was formed in settlements for the services rendered for the transmission of electricity.

Cost accounts receivable reduction efforts for electricity transmission services

Accounts receivable for services rendered for the transmission of electricity to counterparties of Kubanenergo PJSC as of December 31, 2018 (net of allowance for doubtful debts) 6,091.36 million rubles in total. Disputable receivables at the end of the reporting year amounted to 829.79 million rubles.

Compared to 2017, accounts receivable (based on debt before deducting allowance for doubtful debts) were reduced by 226.71 million rubles (3.07%).

PJSC "TNS Energo Kuban" is one of the largest debtors for electricity transmission services rendered, whose debt as of December 31, 2018, was 3,456.47 million rubles, including the disputed part – 506.45 million rubles, with the average monthly volume of services provided by the Company in the amount of 2,079.57 million rubles is 1.7 of a settlement period.

To reduce accounts receivable, the Company conducts claim-related work, including settlement of disputes in the pre-trial and court proceedings.

The results of the Company's work on reducing accounts receivable for services rendered for the transmission of electricity to counterparties of Kubanenergo PJSC in 2017–2018

2017				
TOTAL RECEIVED POSITIVE COURT DECISIONS, CASES/SUMS OF CLAIMS	TOTAL RECEIVED WRITS OF EXECUTION FOR THE AMOUNT OF	EXTINGUISHED DEBT ACCORDING TO THE WRITS OF EXECUTION	DENIED IN RECOVERY, CASES/ AMOUNT OF CLAIMS	SHARE OF CLAIMS SATISFIED IN FAVOR OF THE COMPANY
62 cases/ 911.15 million rubles	913.63 million rubles	544.38 million rubles/ 59.58%	2 cases / 50.320 million rubles	99.7%
2018				
TOTAL RECEIVED POSITIVE COURT DECISIONS, CASES/SUMS OF CLAIMS	TOTAL RECEIVED WRITS OF EXECUTION FOR THE AMOUNT OF	EXTINGUISHED DEBT ACCORDING TO THE WRITS OF EXECUTION	DENIED IN RECOVERY, CASES/ AMOUNT OF CLAIMS	SHARE OF CLAIMS SATISFIED IN FAVOR OF THE COMPANY
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%

The coverage of overdue receivables for electricity transmission services measures aimed at its reduction is at a consistently high level and December 31, 2018, is 99.16%.

ACCOUNTS PAYABLE

Analysis of changes in short-term payables, mln rub.

	ON 31.12.2018	ON 31.12.2017	ON 31.12.2016
Short-term payables, including	12,833.09	11,044.75	8,280.20
Suppliers and contractors	5,238.56	6,198.14	4,837.35
Promissory notes payable			
Taxes and fees	606.53	258.01	654.43
Advances received	5,164.80	2,889.10	1,922.41
Other accounts payable	1,823.20	1,699.51	866.01

Short-term payables for 2018 are higher by 1,788.34 million rubles, compared with 2017 and as of December 31, 2018, amounted to 12,833.09 million rubles.

The following changes occurred during the reporting year:

- the indebtedness to suppliers and contractors became lower by 959.58 million rubles due to a decrease in the debt on settlements for electricity transit services by 809.44 million rubles, and a reduction in debt for electricity purchased in order to compensate for losses by 253.46 million rubles;
- the debt on advances received was higher by 2,257.71 million rubles, advances for technological connection make up the bulk of the debt on advances received – 5,144.42 million rubles;
- wage arrears to staff is higher by 103.65 million rubles;
- arrears of taxes and duties are higher by 348.52 million rubles.

Overdue payables in Kubanenergo PJSC based on the results of activities in 2018 is 3,058.04 million rubles.

According to the results of 2018, long-term payables amounted to 1,248.68 million rubles.

BONDED LOANS AND CREDIT RATINGS OF THE COMPANY

September 20, 2016 the Board of Directors of Kubanenergo PJSC approved the Program for the exchange of Kubanenergo PJSC bonds of the 002P series (minutes No. 251/2016). On October 24, 2016, the program of bonds exchange had received the identification number 4-00063-A-002P-02E. The program provided for the possibility of placing documentary interest non-convertible exchange bearer obligations with mandatory centralized storage and total nominal value of all issues of exchange bonds, placed under the program of exchange of obligations of the 002P series is up to 25 billion rubles, with a maturity date that comes no later than 10 920th day from the date of commencement of placement of issuance of exchange-traded bonds under the program of exchange-traded obligations placed by open subscription. In 2017, the placement of bonds under this program was not carried out.

Also, documentary interest-bearing non-convertible exchange-traded bearer bonds with mandatory centralized storage of the 001P-01 and 001P-02 series, which were placed in 2015 under the Program of exchange bonds with the identification number 4-00063-A-001P-02E from 26.08, are in circulation. 2015, in the amounts of 3.6 and 3.4 billion rubles respectively. Payments of coupon income were made in full within the prescribed period.

In 2018, based on the results of the open request for proposals of Kubanenergo PJSC, an agreement dated August 15, 2018, No. 293D/18-28 was concluded with the rating agency Expert RA JSC for three years. In the framework of this contract, in 2018 the rating was not assigned to the Company.

CORPORATE GOVERNANCE

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KHAZIKOVA
ZANDA IVANOVNATHE DEPUTY DIRECTOR GENERAL FOR CORPORATE
GOVERNANCE

IN THE REPORTING YEAR, THE BALANCE OF INTERESTS OF PERSONS PARTICIPATING IN THE CORPORATE GOVERNANCE OF THE COMPANY WAS RESPECTED, AS EVIDENCED BY:

- THE ABSENCE OF VIOLATIONS OF THE RIGHTS AND LEGITIMATE INTERESTS OF SHAREHOLDERS, CORPORATE CONFLICTS;
- ACTIVE PARTICIPATION OF THE GOVERNING BODIES IN THE COMPANY'S ACTIVITIES;
- THE TIMELY HOLDING OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS, BOARD MEETINGS AND THEIR DECISIONS;
- FULL AND TIMELY DISCLOSURE OF INFORMATION FOLLOWING THE LEGISLATION OF THE RUSSIAN FEDERATION AND THE COMPANY'S INFORMATION POLICY.

IN 2018, IN ORDER TO BRING INTO COMPLIANCE WITH THE LEGISLATION OF THE RUSSIAN FEDERATION AND INCREASE THE LEVEL OF CORPORATE GOVERNANCE OF THE COMPANY, THE COMPANY'S CHARTER, AS WELL AS THE FOLLOWING PROVISIONS, WERE APPROVED IN A NEW EDITION:

- BOARD OF DIRECTORS;
- MANAGEMENT BOARD;
- ON PAYMENT OF REMUNERATION AND COMPENSATION TO MEMBERS OF THE AUDITING COMMISSION;
- CONCERNING THE DIVIDEND POLICY;
- INFORMATION POLICY;
- ABOUT THE INSIDER INFORMATION.

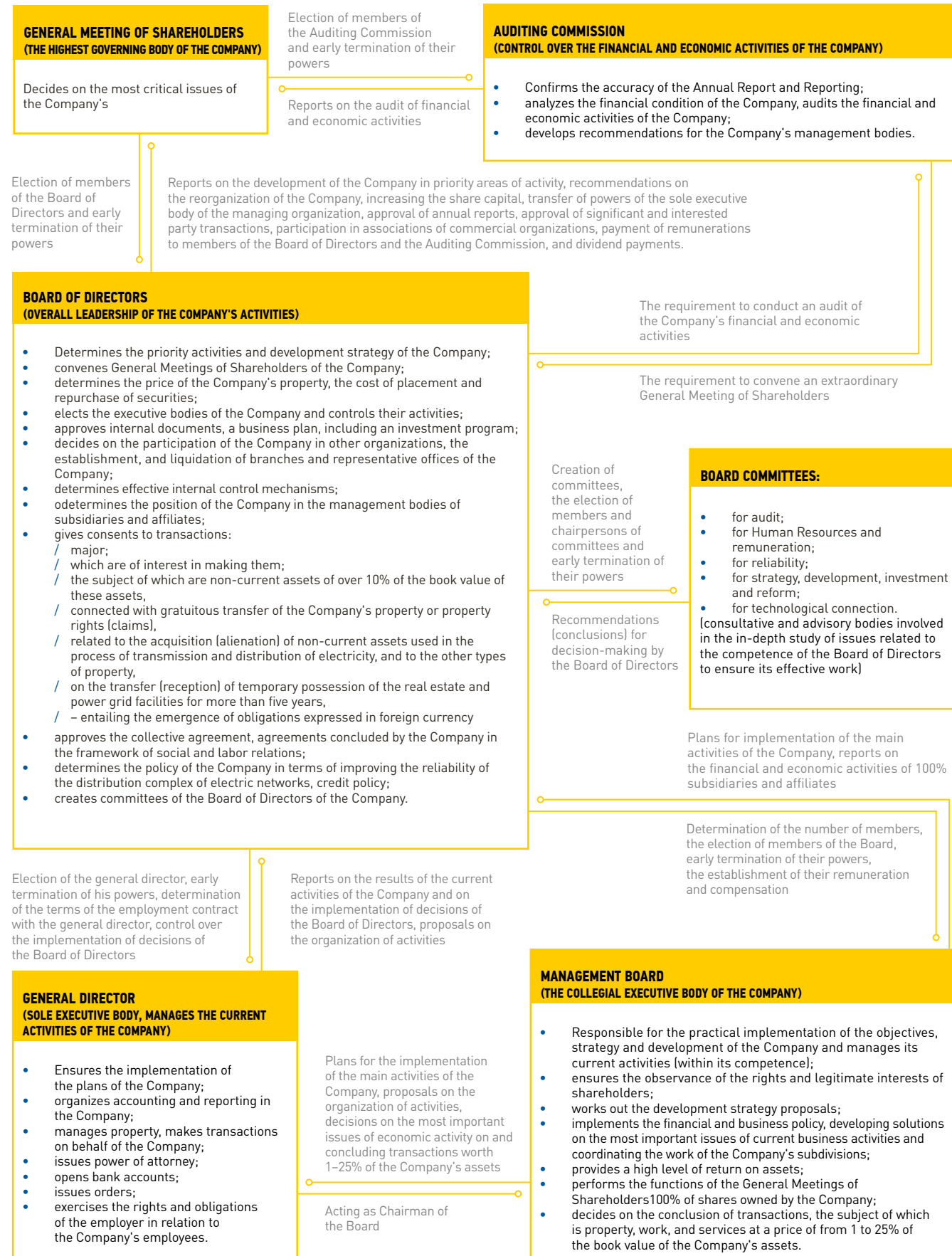
PRINCIPLES AND PRACTICES OF CORPORATE GOVERNANCE

By corporate governance, the Company understands a set of processes ensuring the management and control of the Company's activities, including relations between shareholders, the Board of Directors and executive bodies, in the interests of all participants in corporate affairs, including shareholders and management bodies, as well as potential investors, consumers of services, Company employees, contractors, creditors, partners, the state and local communities. Kubanenergo PJSC considers corporate governance as a means of increasing the efficiency of its activities, strengthening its reputation and reducing the costs of raising capital by the Company.

The Company consistently adheres to the following principles of corporate governance:

1. **Justice.** The Company undertakes to protect the legal rights of shareholders, to ensure equal treatment of all shareholders, to provide all shareholders with the possibility of adequate protection in case of violation of their rights.
2. **Accountability.** The Board of Directors of the Company is accountable to all shareholders in compliance with the current legislation of the Russian Federation.
3. **Transparency.** The Company ensures timely disclosure of reliable information about all material facts relating to its activities, including its financial position, results of operations, ownership structure, and management of the Company, as well as free access to such information for all interested parties.
4. **Responsibility.** The Company recognizes its responsibility to the shareholders of the Company and provides a reliable way to record the rights to the shares owned by them.

CORPORATE GOVERNANCE AND CONTROL SCHEME



In order to improve and systematize the corporate governance of the Company, ensuring greater transparency in the management of Kubanenergo PJSC and confirming the continued readiness to follow the standards of good corporate governance since 2006, the Company has a Corporate Governance Code of the Company, based on the legislation of the Russian Federation, in force at the time of its approval, the Code of Corporate Conduct recommended for use by the FCSM of Russia by Order No. 421/p of April 4, 2002, recognized in international practice as the OECD Principles of Corporate Governance. The Company fully complies with the principles of its Corporate Governance Code.

The Company also adheres to the principles and recommendations of the Corporate Governance Code recommended by the Bank of Russia letter of 10.04.2014 No. 06-52 / 2463 for use by joint-stock companies whose securities are admitted to on-exchange trading (hereinafter referred to as the Corporate Governance Code). Report on the observance of the Corporate Governance Code by Kubanenergo PJSC in 2018 is included in Appendix 3. The Company's Board of Directors confirms that the information contained in this report includes complete and reliable information on the Company's compliance

with the principles and recommendations of the Corporate Governance Code for 2018.

To ensure proper corporate governance and its enhancement the Company also has the following provisions, concerning the²:

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

In the reporting year, the internal audit department assessed the Company's corporate governance system for 2017, according to the results of which the Company's corporate management was recognized as valid with remarks (received 400 points out of 509 possible).

The results of the evaluation of the corporate governance of the Company for 2017 by the criteria

COMPONENTS	NUMBER OF QUESTIONS	MAXIMUM RATING		EVALUATION OF KUBANENERGO PJSC		
		NUMBER OF POINTS	WEIGHT IN THE EVALUATION	NUMBER OF POINTS	WEIGHT IN THE EVALUATION	LEVEL OF COMPLIANCE OF THE CORPORATE GOVERNANCE SYSTEM WITH THE ESTABLISHED CRITERIA
Shareholder rights	22	79	16%	66	13%	84%
Board of Directors	49	166	33%	109	21%	66%
Executive management	5	40	8%	32	6%	80%
Transparency and disclosure of information	15	130	26%	110	22%	85%
Risk management, internal control and internal audit	16	63	12%	60	12%	95%
Corporate social responsibility, business ethics	6	31	6%	23	5%	74%
Overall rating	113	509	100%	400	79%	79%

1. The current edition was approved by the Board of Directors of OJSC Kubanenergo on March 6, 2013, Minutes under No. 154/2013.
 2. The other internal documents of Kubanenergo PJSC on corporate governance are listed on the website www.kubanenergo.ru - section 'About Us/ Constituent and internal documents.'

August 22, 2018 the Board of Directors of the Company approved an internal audit report for the evaluation of the effectiveness of the corporate governance system for 2017.

The following measures were taken in the reporting year, to raise the level of corporate governance of Kubanenergo PJSC:

The Company's Charter was approved in a new edition.	The purpose of approval of a new Charter edition is to bring it in compliance with the legislation of the Russian Federation and the Corporate Governance Code: <ul style="list-style-type: none"> shareholders have an additional opportunity to send bulletins by e-mail, the same as to post them on the Company's website on the Internet; competence of the Board of Directors: <ul style="list-style-type: none"> supplemented by making decisions on the acceptance of offers to acquire additional shares of the Company, changed to determine the position on the approval of the business plan of specialized subsidiaries and affiliates, specified in terms of control and organization of the internal audit subdivision; the procedure for determining the quorum for holding a meeting of the Board of Directors has been clarified for making decisions on whether to consent to or for subsequent approval of transactions; the frequency of issues for the consideration of documents of subsidiaries and affiliates has been synchronized; the list and procedure are clarified for the provision and access of shareholders to information, kept by the Company; the possibility of sending notifications to the Company about the indication of possible interest in making the Company's transactions through the information and telecommunication Internet network and e-mail
Regulation for the Board of Directors were approved in a new edition	The new wording of the Regulation: <ul style="list-style-type: none"> the requirements of the Federal Law No. 208-ФЗ dated December 26, 1995 "On Joint-Stock Companies" of the Corporate Governance Code were taken into account; the role of the Board of Directors has been clarified in control over the activities of the Company's executive bodies and the legitimate interests of the Company's shareholders; for organizing and conducting meetings of the Board of Directors, there was provided a modern software
Management Board Regulation approved in a new edition	The new wording of the Regulation: <ul style="list-style-type: none"> there were considered the following requirements of Federal Law No. 208-ФЗ dated December 26, 1995 "On Joint-Stock Companies"; the possibility of using modern software is provided for organizing and conducting meetings of the Management Board
Regulation for the payment of remuneration and compensation to the members of the Auditing Commission has been approved in a new edition	The purpose of adopting a new version of Regulation is to improve corporate governance practices; this document specifies the deadlines for the payment of remuneration to the Auditing Commission members and clarifies the list of Provision non-applicants
The information policy Regulation was approved in a new edition	The new wording of the Regulation provides for the mandatory annual review of the Company's compliance with its information policy
Regulation on the Dividend Policy was approved in a new edition	The new version of the Regulation clarifies the following provisions: <ul style="list-style-type: none"> aspects of Dividend Policy; determining the dividends rate (accounting for consolidated financial statements in determining the amount of dividends); dividend calculation procedure; conditions and grounds for interim dividend payments
The Regulation about the insider information were approved in a new edition	The list of insiders of the second class includes employees, responsible for the following functions in the Company: <ul style="list-style-type: none"> ensuring the implementation of investment programs, the development of sources of financing investment programs, capital construction and repair activities; tariff making, interaction with regulatory bodies, electricity market participants, customers, ensuring the transportation of electricity and power supply, technological connection, technology evolution, and innovations; automated control systems, software administration, IT security; operational and technical management, emergency prevention; paperwork management, case management, and protocol support
The participation of its members in the work of the Board of Directors has made up 98.3%	The activity of members of the Board of Directors in the work of this governing body increased in the reporting year by 3.3% compared with the previous year

The Company plans to maintain the achieved level of corporate governance practice and is committed to improving it in the future.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of shareholders is the highest governing body of the Company. In its activities, the General Meeting of Shareholders is guided by the laws of the Russian Federation, the Charter of the Company and the Regulation of the General Meeting of Shareholders. The Charter of the Company determines the competence of the General Meeting of Shareholders.

The decisions of the General Meeting of Shareholders of Kubanenergo PJSC are published on the website www.kubanenergo.ru – section "About Us/ Management bodies/ General Meeting of Shareholders."

In 2018, there was held the one Annual General Meeting of Shareholders of the Company:

DATE OF THE GENERAL SHAREHOLDERS MEETING	DATE AND NUMBER OF MINUTES OF THE GENERAL MEETING OF SHAREHOLDERS	THE QUORUM OF THE GENERAL MEETING OF SHAREHOLDERS	MAJOR DECISIONS, TAKEN BY THE GENERAL MEETING OF SHAREHOLDERS
25.05.2018	From 28.05.2018, No.40	99.64% of the total number of outstanding voting shares	<p>To approve the Company's Annual Report for 2017.</p> <p>To approve the Annual Financial Statements of the Company for 2017.</p> <p>To approve the following distribution of profits (losses) of the Company for the 2017 reporting year: <ul style="list-style-type: none"> 26,264 thousand rubles – to increase the emergency reserve fund, 177,442 thousand rubles – for the development of the Company, 321,570 thousand rubles – for the payment of the dividends. </p> <p>To pay dividends on ordinary shares of the Company following the results of 2017 in the amount of 1.0585165 rubles per share in cash.</p> <p>Elect members of the Board of Directors and the Auditing Commission of the Company.</p> <p>Approve Ernst & Young LLC as the Company's Auditor.</p> <p>Approve the Company's Charter in a new edition.</p> <p>Approve in a new edition the following Regulations of the Company, concerning the: <ul style="list-style-type: none"> Board of Directors, Management Board, payment of remuneration and compensation to members of the Company's Auditing Commission. </p> <p>Approve the participation of Kubanenergo PJSC in the Association "Nonprofit Enterprise Market Council"</p>

BOARD OF DIRECTORS

The Board of Directors is a collegial management body that exercises general management of the Company's activities, defines its strategy, controls the actions of the Company's executive bodies, as well as implements decisions of the General Meeting of Shareholders and ensures the legitimate interests of shareholders of Kubanenergo PJSC.

The main goals and objectives of the Board of Directors:

- determination of the Company's development strategy pointed at increasing its market capitalization and investment prospects, achieving maximum profit and expanding the Company's assets;
- assuring the implementation and protection of the rights and legitimate interests of shareholders, as well as facilitating the resolution of corporate conflicts;
- ensuring the completeness, reliability, and objectivity of disclosure of information about the Company;
- creating effective internal control mechanisms;
- regular assessment of the executive bodies and work of the Company's management.

For the realization of these goals and objectives of the Board of Directors is guided by the following principles:

- decisions making is based on reliable information about the Company's activities;
- exclusion of restrictions for participation of shareholders in the management of the Company, receiving dividends and information about the Company;
- balancing the interests of various groups of shareholders and adopting the most sensible decisions by the Board of Directors in the interests of all shareholders of the Company.

In the course of business activity, the Board of Directors is guided by the Federal Law dated December 26, 1995, No. 208-ФЗ "Concerning the Joint-Stock Companies," other regulatory legal acts of the Russian Federation, Charter of the Company, Regulation of the Board of Directors¹.

The competence of the Board of Directors of the Company, in addition to the mandatory provisions of the Federal Law No. 208-ФЗ, dated 26.12.1995, "Concerning the Joint-Stock Companies," also includes:

- determination of the Company's development strategy;
- approval of a business plan and review of quarterly reports on business plan execution;
- approval of the investment program and quarterly reports on the results of its execution;
- approval of the target values of key performance indicators and performance reports;
- making decisions on the acceptance of offers to acquire additional shares of the Company placed through an open subscription;
- definition of the Company's policy;

- in terms of improving the reliability of the electric networks distribution complex of and other facilities of the power supply network;
- in the insurance,
- credit,
- purchasing,
- housing areas of activity;
- organization of management and control of organizations, which are in the scope of the Company activities:
 - / approval of the procedure for the Company's interaction with organizations of direct participation;
 - / determining the position of the Company on the central issues on the agendas of General Meetings of shareholders (participants) and meetings of Boards of Directors of subsidiaries and associates of the Company;
 - / appointment of Company representatives for participation in the highest management bodies of organizations of its direct activities;
 - / deciding on the nomination of candidates by the Company for election to the management and control bodies of organizations of its direct participation, as well as the nomination of auditor;
- preliminary approval of decisions for the conclusion of individual transactions by the Company:
 - / in the non-current assets of the Company in the amount of more than 10% of their book value;
 - / related to the acquisition, alienation or the possibility of separation of the property constituting fixed assets, intangible assets, construction in progress, generally used for production, transmission, dispatching, distribution of electrical and thermal energy, as well as of other types of property determined by individual decisions of the Board of Directors;
 - / for transfer (reception) to the temporary possession (use) of real estate and power supply network for more than five years;
 - / related to the gratuitous transfer of the Company's property or property rights (claims) back to the Company or a third party; transactions related to exemption from property obligations to the Company or 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;

- organization and control of the Company's executive bodies:
 - / making decisions on the appointment of the Acting General Director of the Company,
 - / disciplinary action against bodies of the Company and their promotion,
 - / consideration of the Company activities General Director reports,
 - / control over the activities of executive bodies in terms of the implementation of the strategy approved by the Company,
 - / recommendations to the executive bodies of the Company on any issues of the Company's activities,
 - / approval of Regulations of material incentives for the General Director and top managers of the Company,
 - / approval of candidates for specific positions in the executive office of the Company;
- preliminary approval of the collective agreement, agreements concluded by the Company in the framework of social and labor regulation, approval of documents for non-state pension coverage for the Company's employees;
- approval of appraisers, financial consultants;
- making decisions on the Company's accession to industry and inter-sectoral standards, Operating Procedures and other documents in the electricity sector in various areas of the Company's activities, including technical control;
- the establishment of committees of the Board of Directors and the election of their members;
- determination of principles and approaches to the organization of internal audit, risk management, and internal control systems in the Company;
- assessment of critical operational risks, as well as the detection of an acceptable amount of risks for the Company;
- organizing an annual analysis and evaluation of the functioning of risk management and internal control systems;
- annual consideration of the organization, functioning, and effectiveness of risk management and internal control systems in the Company;
- control and organization of the internal audit subdivision, reviewing the results of the quality assessment of the internal audit function.

BOARD OF DIRECTORS¹

The Board of Directors is elected by the General Meeting of Shareholders of the Company in the amount of 11 persons for the period until the next Annual General Meeting of Shareholders. In case of the election of the Board of Directors at an extraordinary General Meeting of Shareholders, members of the Board of Directors shall be deemed elected for the period until the date of the next Annual General Meeting of Shareholders.

In the reporting year, there were two personal members of the Board of Directors of the Company.

The current composition of the Board of Directors elected at the Annual General Meeting of Shareholders of the Company on May 25, 2018²

1. Sergeeva Olga Andreevna, Chairman of the Board of Directors, the Non-Executive Director³:

Year of birth	1984
High	Education. She graduated from the Russian Academy of Economics, named after G.V. Plekhanov, majoring in "Economics and Management at an Enterprise. Construction"
Has experience over the past five years:	
2010–2017	Deputy Head of the Department of Fuel and Energy Economy of Moscow
2017–2017	Deputy Head of the Department for Housing and Communal Services of Moscow
2018 – present time	Member of the Management Board, Deputy General Director – Chief of Staff of PJSC Rosseti – the main place of work
2018 – present time	Member of the Boards of Directors of PJSC "IDGC of the South," PJSC "Moscow United Electric Grid Company," PJSC "IDGC of the North-West," PJSC Lenenergo, PJSC "IDGC of Northern Caucasus,"
2018 – present time	Chairman of the Committee for Human Resources and Remuneration of the Board of Directors of Kubanenergo PJSC
Period of work in the Board of Directors of Kubanenergo PJSC	From 25.05.2018 to the present time

1. Consent to the disclosure of personal information specified in the 'Corporate Governance' section was obtained from all persons who currently are or were members of the management and control bodies of Kubanenergo PJSC.

2. Information about the work experience of the members of the Board of Directors represents only the last positions they hold for each place of work. All positions held by members of the Board of Directors are listed in the Issuer's quarterly reports published on the website www.kubanenergo.ru – section 'Shareholders and Investors/ Disclosure of Information/ Issuer's quarterly reports. Information about the places of work of the members of the Board of Directors and the positions held by them are indicated according to the data provided by them to the Company at the end of the reporting year. By the term "present time" in this case the Company is referring to December 31, 2018.

3. The status of members of the Board of Directors (executive, non-executive, independent) is determined by the criteria of the Corporate Governance Code.

1. The Regulation on the Board of Directors of Kubanenergo PJSC was published on the website www.kubanenergo.ru – section 'About Us/ Constituent and internal documents.'

2. Varvarin Alexander Viktorovich, the Non-Executive Director:

Year of birth	1975
High	Education. He graduated from the Institute of International Law and Economics, after A.S. Griboyedov, with major in "Jurisprudence"
Has experience over the past five years:	
2005 – present time	Vice-President – Managing Director of the Corporate Relations and Legal Support Department of All-Russian Association of Employers "Russian Union of Industrialists and Entrepreneurs" (ARAE RUIE) – the main place of work
2006 – present time	General Director, Member of the Board, Non-profit partnership "Center for the Development of Corporate Relations and Resolution of Economic Disputes"
2006–2014	Deputy Chairman of the Board of the Russian Union of Self-Regulated Organizations of Arbitration Managers (RUSROAM)
2008 – present time	Chairman of the Board of the Non-profit Partnership "Interregional self-regulatory organization of professional arbitration managers."
2009–2016	Member of the Board of Directors of OJSC "The All-Russian Public Opinion Research Center". Chairman of the Board of Directors of OJSC All-Russia Institute for Oil and Gas Research
2011–2016	Chairman of the Board of Directors of OJSC Innovation Research and Production Center of Textile and Light Industry
2011–2017	Member of the Board of Directors of PJSC "IDGC of Volga"
2012 – present time	Member of the Auditing Commission of Russian Railways
2013–2015	Chairman of the Boards of Directors of OJSC Production and Science Center, OJSC "Central Research Institute of Technological Equipment for Textile Equipment", OJSC "Central Research Institute of Leather and Footwear industry", OJSC "Central Research Institute for the Integrated Automation of Light Industry", OJSC "Central Research Institute of Film Materials and Artificial Leather." Member of the Boards of Directors of OJSC "State Transport Leasing Company", OJSC IDGC of the North Caucasus
2014 – 2018	Chairman of the Committee for Technological Connection of the Board of Directors of Kubanenergo PJSC
2014–2017	Member of the Committee for Human Resources and Remuneration of the Board of Directors of Kubanenergo PJSC
2016–2016	Member of the Board of Directors of JSC "VNII NP"
2017–2018	Member of the Boards of Directors of OJSC Construction and Industrial Company "Mosenergostroy," Joint-stock Company "Scientific and technological Company Russian interdisciplinary scientific and technical complex "Nefteotdacha"
2017 – present time	Member of the Board of NP "Institute of Internal Auditors"
2018 – present time	Member of the Board of Directors of PJSC "IDGC of the Center." Member of the Board of Directors of PJSC "IDGC of Center."
Period of work in the Board of Directors of Kubanenergo PJSC	From 17.06.2013 to the present time

3. Gavrilov Alexander Ilyich, the Executive Director:

Year of birth	1973
Higher	Education. He graduated from the Kuban State University with a degree in accounting and audit, the Kuban State Technological University with a degree in development and operation of oil and gas fields. He graduated from the advanced training courses: – in Ernst & Young LLC on the subject of risk management; – in Federal State Autonomous Educational Institution of Higher Education (FSAEI HE) Institute for Advanced Studies of Executives and Specialists of the Fuel and Energy Complex" under the program "Organization of mobilization work in organizations of the fuel and energy complex having mobilization tasks"; – in Federal State-Funded Institution "Education and Training Centre" of Rostechndzor on the topic "Training and testing knowledge of the labor protection requirements of managers and specialists"; – in the LLC "International Educational Academy" on the topic "First Aid for victims in Production." He has a doctorate in economics.
Has experience over the past five years:	
2013 – present time	General Director, Chairman of the Board of Kubanenergo PJSC – the main place of work
Period of work in the Board of Directors of Kubanenergo PJSC	From 23.06.2014 to the present time

4. Gritsenko Vladimir Fedorovich, Independent Director:

Year of birth	1965
High	Education. He graduated from the Russian State University for the Humanities with a degree in jurisprudence.
Has experience over the past five years:	
2012 – present time	Director for Business Development of LLC Unitel Engineering – the main place of work
2016 – present time	Member of the Presidium of the NP "OPORA ROSSII." Member of the Committee for Strategy, Development, Investments, and Reform of the Board of Directors of Kubanenergo PJSC. Member of the Investment Committee of the Board of Directors of PJSC FGC UES
Period of work in the Board of Directors of Kubanenergo PJSC	From 24.06.2016 to the present time

5. Medvedev Mikhail Vladimirovich, Independent Director:

Year of birth	1969
High	Education. He graduated from St. Petersburg State University of Economics and Finance with a degree in finance and credit.
Has experience over the past five years:	
2011–2015	General Director of LLC "VTM-Engineering"
2011 – present time	Deputy General Director of LLC Intra Tul Holding Company – the main place of work
2015 – present time	Deputy General Director for Economics and Finance, Chairman of the Board of Directors of LLC "Industrial Park Safonovo"
2017 – present time	Member of the Board of Directors of JSC "Avangard." Member of the Reliability Committee of the Board of Directors of Kubanenergo PJSC. Member of the Committee for Strategy and Development of the Board of Directors of JSC "Tyumenenergo"
Period of work in the Board of Directors of Kubanenergo PJSC	From 16.06.2017 to the present time

6. Osipova Elena Nikolaevna, the Non-Executive Director:

Year of birth	1984
High	Education. She graduated from the Financial University under the Government of the Russian Federation, Moscow, Institute of Accounting and Audit, majoring in Accounting, Analysis, and Audit
Has experience over the past five years:	
2013–2014	Chief specialist of the small business department of OJSC Bank of Moscow
2014 – present time	Head of Financial Analysis and Liquidity Management of the Treasury Department of PJSC Rosseti – the main place of work
2017–2018	Member of the Audit Committee of the Board of Directors of Kubanenergo PJSC
Period of work in the Board of Directors of Kubanenergo PJSC	From 16.06.2017 to the present time

7. Selivanova Lyudmila Vasilievna, the Non-Executive Director:

Year of birth	1958
High	Education. She graduated from Moscow State University, named after M.V. Lomonosov with a degree in "Journalism." She has a Ph.D. degree in economics.
Has experience over the past five years:	
2012–2014	Head of the Department of Economic Policy, Taxes and Taxation of the European Institute JUSTO
2017 – present time	Deputy General Director for Government Relations of PJSC Rosseti – the main place of work
2018 – present time	Member of the Boards of Directors of PJSC IDGC of Volga, PJSC IDGC of the South
Period of work in the Board of Directors of Kubanenergo PJSC	From 25.05.2018 to the present time

8. Tyukanko Alexey Sergeevich, the Non-Executive Director:

Year of birth	1983
High	Education. He graduated from the Kursk State Technical University in the field of "Examination and Management of Real Estate" and "Jurisprudence"
Has experience over the past five years:	
2013 – present time	Head of Documentation Support and Control of the Execution of Instructions of the Department for Organizational Support of PJSC Rosseti – the main place of work
Period of work in the Board of Directors of Kubanenergo PJSC	From 25.05.2018 to the present time

9. Tyurkin Konstantin Vladimirovich, the Non-Executive Director:

Year of birth	1982
High	Education. He graduated from Moscow State University, named after M.V. Lomonosov, Regional Economist
Has experience over the past five years:	
2013 – present time	Head of Communications and External Relations of the Information Policy and Public Relations Department of PJSC Rosseti – the main place of work
Period of work in the Board of Directors of Kubanenergo PJSC	From 16.06.2017 to the present time

10. Khokholkova Ksenia Valerievna, the Non-Executive Director:

Year of birth	1970
High	Education. He graduated from the State Academy of Management after Sergo Ordzhonikidze with a degree in "Organization of management in Fuel and Energy Complex"
Has experience over the past five years:	
2008 – present time	Chief Expert of the Securities Department and Information Disclosure of the Corporate Governance Department of PJSC Rosseti – the main place of work
2009–2014	Member of the Board of Directors of OJSC Ingushenergo
2010–2014	Member of the Board of Directors of OJSC Volga Region Energy Engineering Center
2013–2014	Member of the Auditing Commission of OJSC "IDGC of Volga." Member of the Committee for Strategy, Development, Investments, and Reform of the Board of Directors, OJSC "IDGC of Siberia"
2014–2015	Member of the Boards of Directors of OJSC "SIC of Volga Region," JSC "Energoservice"
2014–2016	Member of the Board of Directors of JSC Lenenergospetsremont. Member of the Committee for Strategy, Development, Investments and Reform of the Board of Directors of Kubanenergo PJSC
2014–2017	Member of the Board of Directors of OJSC Health Resort "Energetik"
2014 – present time	Member, Chairman of the Audit Committee of the Board of Directors of Kubanenergo PJSC
2015 – present time	Member of the Board of Directors of JSC "ENIN"
Period of work in the Board of Directors of Kubanenergo PJSC	From 23.06.2014 to the present time

11. Shagina Irina Aleksandrovna, the Non-Executive Director:

Year of birth	1979
High	Education. She graduated from the All-Russian Correspondence Financial and Economic Institute with a degree in accounting and auditing, the Vladimirovskiy Law Institute of the Federal Penitentiary Service of Russia with a degree in jurisprudence.
Has experience over the past five years:	
2011–2015	Deputy Head of the Department for Regulation of the Electric Power Industry of the Federal Tariff Service of Russia
2015 – present time	Director of the Tariff Policy Department of PJSC Rosseti – the main place of work
2016–2018	Member of the Board of Directors of PJSC "IDGC of Volga"
2017–2018	Member of the Strategy and Development Committees of the Board of Directors of PJSC "IDGC of Center", PJSC "IDGC of Center and Volga Region", PJSC "IDGC of Northern Caucasus",
2017 – present time	Member of the Audit Committee of the Board of Directors of Kubanenergo PJSC.
2018 – present time	Member of the Boards of Directors of PJSC "Tomsk Distribution Company," PJSC "IDGC of the North-West." Member of the Committees for Strategy and Development of the Boards of Directors of PJSC "MOESK," JSC "IDGC of Urals"
Period of work in the Board of Directors of Kubanenergo PJSC	From 16.06.2017 to the present time

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

Board of Directors elected at the Annual General Meeting of Shareholders on June 16, 2017 and acting until the new members of the Board of Directors were elected on May 25, 2018¹

1. Information about the work experience of the members of the Board of Directors represents only the last positions they hold for each place of work. All positions held by the members of the Board of Directors (in chronological order) are listed in the Company's quarterly reports published on the website www.kubanenergo.ru, in the section "To Shareholders and Investors/ Disclosure of Information/ Issuer's Quarterly Reports." Information about the places of work of members of the Board of Directors and the positions they hold are in accordance with the data provided by them to the Company as of March 31, 2018.

1. Alexander Nikolaevich Fadeev, Chairman of the Board of Directors, the Non-Executive Director¹:

Year of birth	1949
High	Education. He graduated from the Moscow Institute of Geodesy, Aerial Photography and Cartography in the specialty "Optoelectronic Devices"
Has experience over the past five years:	
2011–2014	Deputy Chairman of the Security Board of OJSC FGC UES
2013–2016	Chairman, Member of the Board of Directors of OJSC "IDGC of Urals"
2014 – present time	Chief Advisor of PJSC Rosseti – the main place of work
2015–2017	Chairman of the Board of Directors of PJSC "IDGC of the Center and Volga Region"
2015–2018	Chairman of the Board of Directors of PJSC "IDGC of Siberia". Member of the Board of Directors of PJSC "IDGC of the South"
2017–2018	Chairman of the Boards of Directors of PJSC "IDGC of the North Caucasus," OJSC "IDGC of the Urals." Member of the Board of Directors of PJSC "IDGC of Volga"
Period of work in the Board of Directors of Kubanenergo PJSC	From 16.06.2017 to 25.05.2018

1. The status of members of the Board of Directors (executive, non-executive, independent) is defined by the criteria of the Corporate Governance Code.

2. Svetlana Alexandrovna Balaeva, the Non-Executive Director:

Year of birth	1973
High	Education. She graduated from the State University of Management, Economist-Manager
Has experience over the past five years:	
2008–2018	Chief Advisor of PJSC Rosseti – the main place of work
2013–2014	Member of the Board of Directors of JSC "IDGC of the North-West"
2014–2017	Member of the Board of Directors of JSC "Tyumenenergo"
Period of work in the Board of Directors of Kubanenergo PJSC	From 16.06.2017 to 25.05.2018

3. Alexander Leonidovich Efimov, the Non-Executive Director:

Year of birth	1982
High	Education. He graduated from Moscow University of the Ministry of Internal Affairs of Russia with a degree in Jurisprudence.
Has experience over the past five years:	
2009–2013	Protocol Director – Head of Protocol Department of OJSC FGC UES
2013 – present time	Director of the Department for Organizational Support of PJSC Rosseti – the main place of work
Period of work in the Board of Directors of Kubanenergo PJSC	From 24.06.2016 to 25.05.2018

The following members of the Board of Directors of this composition were elected again to the Board of Directors of the Company by the decision of the Annual General Meeting of Shareholders of Kubanenergo PJSC on May 25, 2018, see their details in the current composition of the Board of Directors:

4. Varvarin Alexander Viktorovich, the Independent Director in the present composition.
5. Gavrilov Alexander Ilyich, the Executive Director.
6. Gritsenko Vladimir Fedorovich, the Independent Director.
7. Medvedev Mikhail Vladimirovich, the Independent Director.
8. Osipova Elena Nikolaevna, the Non-Executive Director.
9. Tyurkin Konstantin Vladimirovich, the Non-Executive Director.
10. Khokholkova Ksenia Valerievna, the Non-Executive Director.
11. Shagina Irina Aleksandrovna, the Non-Executive Director.

THE SHARE OF INDEPENDENT DIRECTORS IN THIS COMPOSITION OF THE BOARD OF DIRECTORS IS 3/11.

All persons who were members of the Company's Board of Directors in 2018 are citizens of the Russian Federation.

None of the members of the Board of Directors of the Company:

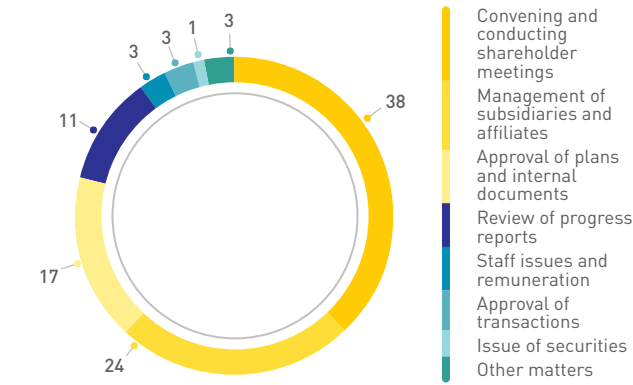
- owned shares of the Company in the reporting year and made any transactions with them¹;
- had any training course in the reporting year at the expense of the Company;
- had family ties with persons who are members of the governing bodies and/or control over the financial and economic activities of Kubanenergo PJSC;
- have brought to administrative responsibility for offenses in the area of finance, taxes, and duties, securities market or criminal liability for economic crimes or crimes against state power;
- hold positions in the governing bodies of commercial organizations during the period, when a bankruptcy case was initiated against these organizations and/or was introduced any of the bankruptcy procedures on insolvency provided for by the legislation of the Russian Federation;
- have any conflict of interest with the Company in the reporting year.

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

ACTIVITIES OF THE BOARD OF DIRECTORS

In 2018, there were 34 meetings of the Board of Directors, of which two were held in-person and in absentia (including via video-conferencing), the rest – in the absentee form (by questionnaire).

Structure of issues considered by the Board of Directors of the Company in 2018, %



At in-person-absentee meetings (including via video-conferencing) in the reporting year, the Board of Directors has considered the following reports:

- on the execution of the Company's business plan for 2017, as well as for the nine months of 2018;
- on the results of the implementation of the investment program for the fourth quarter and 12 months of 2017, for the third quarter and nine months of 2018

Major decisions taken by the Board of Directors of Kubanenergo PJSC in the reporting year

THERE WERE APPROVED THE LONG-TERM PLANS AND PROGRAMS OF THE COMPANY

- energy loss enhancement program;
- scenario conditions for the formation of the investment program;
- program of modernization (renovation) of power grid facilities;
- plan for decommissioning equipment containing polychlorinated biphenyls;
- the non-core asset transfer program.

THERE WERE APPROVED THE FOLLOWING COMPANY PLANS AND PROGRAMS FOR 2018

- business plan;
- the timed action plan to reduce overdue receivables for electricity;
- transmission services;
- procurement plan;
- the program of non-state pension provision for the Company's employees;
- plan for the development of a production asset management system;
- operating plan of the internal audit department;
- target values of key performance indicators of the Company's General Director.

THERE WERE APPROVED THE FOLLOWING INTERNAL DOCUMENTS OF KUBANENERGO PJSC

- in quality of the Company's internal documents:
 - The policy of PJSC "Rosseti" in the area of information technology, automation and telecommunications;
 - The Unified Procurement Standard of PJSC Rosseti (Procurement Policy).
- new editions:
 - Dividend Policy;
 - Regulation on Information Policy;
 - Insider Information Regulation;
 - The procedure for organizing the sale of non-core assets;
 - Guidelines for determining the power reserves at the power centers of Kubanenergo PJSC.

DRAFT ARTICLES OF ASSOCIATION AND INTERNAL REGULATIONS WERE REVIEWED AND PROPOSED FOR APPROVAL BY THE NEW GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY IN A NEW EDITION.

REPORTS OF THE GENERAL DIRECTOR WERE REVIEWED ON VARIOUS ASPECTS OF THE COMPANY'S FINANCIAL AND BUSINESS ACTIVITIES, AS WELL AS ON EXECUTION OF DECISIONS OF THE BOARD OF DIRECTORS (USUALLY QUARTERLY)

A NOTIFICATION ON THE RESULTS OF AN ADDITIONAL ISSUE OF THE COMPANY'S SECURITIES HAS BEEN APPROVED.

THERE WERE FORMED THE PERSONAL COMPOSITION OF COMMITTEES OF THE BOARD OF DIRECTORS

The activity of the Board of Directors in 2016–2018

	2016	2017	2018
Number of meetings held by the Board of Directors	32	35	34
of them arranged in full-time form	2	3	2
Number of issues addressed	234	169	147
including decisions made	234	169	147
The participation of the Board members in the work of this body on average	84.6%	95.0%	98.3%

Participation of members of the Board of Directors of Kubanenergo PJSC in the meetings of the Board of Directors in 2018

DATE OF MEETING OF THE BOARD OF DIRECTORS/ BOARD MEMBERS	NUMBER OF ITEMS ON THE AGENDA	FADEEV A.N. (THE CHAIRMAN)	BALAEVA S.A.	EFIMOV A.L.	VARVARIN A.V.	GAVRILOV A.I.	GRITSENKO V.F.	MEDVEDEV M.V.	OSIPOVA E.N.	TYURKIN K.V.	KHOKHOLKOVA K.V.	SHAGINA I.A.	SERGEeva O.A. (THE CHAIRMAN)	SELIVANOVA L.V.	TYUKANKO A.S.	THE NUMBER OF MEMBERS OF THE BOARD OF DIRECTORS WHO TOOK PART IN THE MEETING
23.01.2018	1	+	+	+	+	+	+	+	+	+	+	+	The persons, first elected at the Annual General Meeting of Shareholders of the Company on 25.05.2018 to the Board of Directors		11	
31.01.2018	1	+	+	+	+	+	+	+	+	+	+	+			11	
07.02.2018	6	+	+	+	+	+	+	+	+	+	+	+			11	
09.02.2018	1	+	+	+	+	+	+	+	+	+	+	+			11	
22.02.2018	4	+	+	+	+	+	+	+	+	+	+	+			11	
22.02.2018	1	+	+	+	+	+	+	+	+	+	+	+			11	
26.02.2018	4	+	+	+	+	+	+	+	+	+	+	+			11	
06.03.2018	2	+	+	+	+	+	+	+	+	+	+	+			11	
30.03.2018	4	+	+	+	+	+	+	+	+	+	+	+			11	
19.04.2018	23	+	+	+	+	+	+	+	+	+	+	+			10	
20.04.2018	1	+	+	+	+	+	+	+	+	+	+	+			11	
11.05.2018	2	+	+	+	+	+	+	+	+	+	+	+			11	
14.05.2018	2	+	+	+	+	+	+	+	+	+	+	+			11	
18.05.2018	11	+	+	+	+	+	+	+	+	+	+	+			11	
21.05.2018	3	+	+	+	+	+	+	+	+	+	+	+		11		
24.05.2018	6	+	+	+	+	+	+	+	+	+	+	+		11		
15.06.2018	2	The persons, which did not become members of the Board of Directors at the Annual General Meeting of Shareholders of the Company on 25.05.2018													11	
28.06.2018	5														10	
30.07.2018	5														11	
30.07.2018	3														11	
15.08.2018	2														11	
21.08.2018	10														11	
21.09.2018	7														11	
25.10.2018	5														11	
02.11.2018	3														11	
07.12.2018	2														11	
18.12.2018	11														11	
20.12.2018	2														11	
25.12.2018	4														11	
26.12.2018	3														11	
27.12.2018	3													11		
28.12.2018	6													11		
29.12.2018	1													11		
Number of meetings attended by a member of the Board of Directors		17 of 17	16 of 17	17 of 17	34 of 34	34 of 34	34 of 34	34 of 34	34 of 34	34 of 34	34 of 34	34 of 34	17 of 17	16 of 17	17 of 17	

+ / □ participation/ non-participation of a member of the Board of Directors in a meeting
 ■ / □ in-person-absentee/ in absentia form of the meeting of the Board of Directors

1. Including through video conferencing.

All members of the Board of Directors of the Company, who were simultaneously members of committees of the Board of Directors in 2018, took part in all meetings of committees, with the exception of I.A. Shagina, who did not participate in the meetings of the Audit Committee of the Board of Directors on May 21, 2018, September 26, 2018 and December 19, 2018

As a rule, the Chairman of the Board of Directors is elected at the first meeting of the Board of Directors in a new composition.

At one of the first meetings, the Board of Directors approves the action plan for the corporate year, which is formed on proposals from the Chairman and members of the Board of Directors, the Auditing Commission, General Director, members of the Management Board, and auditor in the following aspects:

- strategic development of the Company,
- medium-term and current planning of the Company's activities,
- administration of the Board of Directors,
- control over the implementation of decisions of the Board of Directors and the General Meeting of Shareholders.

The action plan of the Board of Directors includes:

- issues to be considered at meetings of the Board of Directors (quarterly),
- schedule of meetings,
- the list of persons (management bodies of the Company) responsible for the preparation of issues for meetings of the Board of Directors.

Minutes of meetings of the Kubanenergo PJSC Board of Directors are published on the website www.kubanenergo.ru – section "About Us/Management bodies/ Board of Directors."



COMMITTEES OF THE BOARD OF DIRECTORS

The committees of the Board of Directors have been established to ensure the effective performance of its functions related to the general management of the Company's operations:

- Reliability Committee
- Audit Committee
- Committee for Strategy, Development, Investment and Restructuring,
- Human Resources and Remuneration Committee
- Committee for technological connection.

The committees have the status of advisory bodies, which are engaged in the in-depth study of the most critical issues related to the competence of the Board of Directors, and preparation of recommendations (opinions) to the Board of Directors, and also consider other matters on behalf of the Board of Directors.

The activity of each committee is governed by a regulation that establishes the goals, objectives, competence of the committee, the procedure for its formation and organization of work¹.

The personal composition of the committees and their chairmen are elected by the Board of Directors of the Company from among candidates nominated by members of the Board of Directors at a new meeting of the Board of Directors in a new composition.

The members of the Audit Committee are elected until the election of the next composition of this committee. Members of the remaining committees are elected for a period until the first meeting of the Board of Directors, selected as a new composition.

1. Regulations for the committees of the Board of Directors of the Company are published on the website www.kubanenergo.ru – section "About Us/ Constituent and internal documents."

Generally, the action plans for the current corporate year, compiled on the basis of the work schedule of the Board of Directors, decisions of the Board of Directors and committees, proposals from committee members, General Directors, are approved at one of the first meetings of each new committee.

May 24, 2018 the Board of Directors of Kubanenergo PJSC reviewed the reports of committees on the work done for the 2017/2018 corporate year.

In the reporting year, all issues subject to preliminary consideration by the committees of the Board of Directors were reviewed by the committees in a timely manner.

The minutes of meetings of the Kubanenergo PJSC Board of Directors committees were published on the website www.kubanenergo.ru – section "About Us/ Management bodies/ Committees of the Board of Directors."

Payment of remuneration to members of these committees is provided for participation in meetings of committees of the Board of Directors. The total amount of remuneration paid to members of committees of the Board of Directors in 2018 was 2,084 thousand rubles. The Company has no debts for remuneration to the members of committees.

RELIABILITY COMMITTEE

Committee Creation Date	15.09.2006
Date and number of minutes of the Board of Directors meeting, at which there was approved the Regulation for the committee (in the current edition)	From 21.07.2017, No. 281/2017
The main tasks of the committee	<p>Development and submission of recommendations (opinions) to the Board of Directors of the Company in the following activities of the Board of Directors:</p> <ul style="list-style-type: none"> • examination of production programs, plans for technical re-equipment, reconstruction, new construction and repair of power facilities, analysis of their development and execution in terms of meeting the requirements for reliable operation and the technical condition of electrical networks; • assessment of the completeness and adequacy of measures taken as a result of the investigation of accidents, as well as control over the implementation • examination of the investigation quality of the causes of technological violations (accidents); • examination of the Company's activities in the field of emergency response work (preparedness, organization, and conduct of emergency and restoration work at power grid facilities); • examination and monitoring of the accomplishment of prevention and risk reduction programs for the Company's personnel and third parties at the Company's electrical installations; • monitoring and evaluation of the Company's technical services in terms of ensuring the reliability of electrical networks and industrial safety; • examination of the internal control system in the Company; • examination of the labor protection management system; • examination of the environmental policy implementation program; • examination of fire and industrial safety systems
Personal composition of the committee, acting in the reporting year ¹	<p>The composition of the Committee worked in the period from 19.07.2017 to 15.06.2018:</p> <ol style="list-style-type: none"> 1. Ukolov Vladimir Anatolyevich (Chairman of the Committee), Deputy Director of the Situation-Analytics Center of PJSC Rosseti. 2. Bogomolov Eduard Valerievich, First Deputy Director of the Branch of PJSC Rosseti – the Center for Technical Supervision. 3. Medvedev Mikhail Vladimirovich, Deputy General Director of LLC Holding Company "Intra Tool," member of the Board of Directors of Kubanenergo PJSC. 4. Ocheredko Olga Vyacheslavovna, Deputy General Director for Economics and Finance of PJSCKubanenergo, member of the Management Board of Kubanenergo PJSC. 5. Shishigin Igor Nikolaevich, Deputy General Director for Technical Issues – Chief Engineer of Kubanenergo PJSC, member of the Management Board of Kubanenergo PJSC. <p>The current composition of the committee (elected 30.07.2018):</p> <ol style="list-style-type: none"> 1. Ukolov Vladimir Anatolyevich (Chairman of the Committee), Deputy Director of the Situation-Analytics Center of PJSC Rosseti. 2. Bogomolov Eduard Valerievich, First Deputy Director of the Branch of PJSC Rosseti – the Center for Technical Supervision. 3. Medvedev Mikhail Vladimirovich, Deputy General Director of LLC Intra Tul Holding Company, member of the Board of Directors of Kubanenergo PJSC. 4. Ocheredko Olga Vyacheslavovna, Deputy General Director for Economics and Finance, member of the Management Board of Kubanenergo PJSC. 5. Shishigin Igor Nikolaevich, Deputy General Director for Technical Issues – Chief Engineer, Member of the Management Board of Kubanenergo PJSC

The results of the work of the committee in the reporting year**There were 11 meetings held in 2018, (two – in person, the rest – by absentee voting) with consideration of 37 issues.**

In the reporting year, the committee provided the Board of Directors with conclusions (recommendations) on the following most important issues:

- about approval:
 - / Company's reliability improvement programs,
 - / the revised plan for development of the asset management system for 2016–2019,
 - / the updated program for modernization (renovation) of the Company's electric grid facilities for 2018–2026,
 - / basic target model of operational and technological management;
- concerning reviewing the following reports:
 - / on the implementation of the investment program in terms of ensuring comprehensive reliability,
 - / on the results of the Company's readiness to work, as well as to the organization and conduct of emergency recovery work in the autumn-winter period of 2018–2019,
 - / on the implementation of the Company's innovative development program,
 - / on the implementation of the development plan of the assets management system of Kubanenergo PJSC.

In the reporting year, the Reliability Committee of the Board of Directors also considered:

- a program of measures aimed at addressing the "narrow" places, affecting the reliable power supply of the Company's consumers, and reports on the progress of its implementation and update;
- Company's management reports:
- concerning the events during the autumn-winter period in the Company,
- concerning readiness for the organization and performance of works in the autumn-winter and flood periods,
- concerning the execution of the program for maintenance and repair of the Company's facilities,
- concerning the comprehensive programs to reduce the risk of injury to the Company's staff and third parties;
- analysis of the quality of investigations into the causes of accidents and assessment of the completeness and sufficiency of measures taken to eliminate them;
- information on indicators of the level of reliability of services, subject to tariff regulation.

The share of issues previously considered by the committee with the preparation of recommendations to the Board of Directors in the total number of matters considered by the committee: 27.3% – in 2017, 35.1% – in 2018.

On average, the participation of committee members in the work of this body was: 92.4% – in 2017, 96.8% – in 2018.

1. Hereinafter, the positions of members of the Board of Directors committees are indicated at the time of their election to the committees.

AUDIT COMMITTEE

Committee Creation Date	16.10.2009
Date and number of minutes of the Board of Directors meeting, at which there was approved the Regulation for the committee (in the current edition)	From 18.03.2016, No. 233/2016, as amended on 28.10.2016, No. 253/2016
The main tasks of the committee	<ul style="list-style-type: none"> • Consideration of the accounting (financial) statements of the Company and control over the process of statements preparation; • control over the reliability and efficiency of the internal control system, risk management system, corporate management practices; • control over the conduct of an external audit and choice of an auditor; • ensuring the independence and objectivity of the internal audit function; • performance monitoring of the system for counteracting unfair actions of the Company employees and third parties
Personal composition of the committee, acting in the reporting year	<p>The composition of the Committee, operating in the period from 19.07.2017 to 30.07.2018:</p> <ol style="list-style-type: none"> 1. Khokholkova Ksenia Valeryevna (Committee Chairman), Deputy Head of Securities Department and Information Disclosure of the Department of Corporate Governance and Interaction with Shareholders and Investors of PJSC Rosseti, Member of the Board of Directors of Kubanenergo PJSC. 2. Osipova Elena Nikolaevna, Head of the Financial Analysis and Liquidity Management Department of the Treasury Department of PJSC Rosseti, Member of the Board of Directors of Kubanenergo PJSC. 3. Shagina Irina Alexandrovna, Head of the Tariff Formation Department of the PJSC Tariff Policy Department of Rosseti, Member of the Board of Directors of Kubanenergo PJSC <p>The current composition of the committee (elected 30.07.2018):</p> <ol style="list-style-type: none"> 1. Khokholkova Ksenia Valeryevna (Chairman of the Committee), Chief Expert of the Securities and Information Disclosure Department of the Corporate Governance Department of PJSC Rosseti, member of the Board of Directors of Kubanenergo PJSC. 2. Varvarin Alexander Viktorovich, Vice President – Managing Director of Corporate Relations and Legal Support of All-Russian Association of Employers "Russian Union of Industrialists and Entrepreneurs" (ARAE RUIE), Member of the Board of Directors of Kubanenergo PJSC. 3. Shagina Irina Aleksandrovna, Director of the Tariff Policy Department of PJSC Rosseti, Member of the Board of Directors of Kubanenergo PJSC

The results of the work of the committee in the reporting year

In 2018, there were conducted 14 meetings of the Audit Committee (six – in person, the rest – by absentee voting), 42 issues were considered, including:

- the candidacy of the external auditor of the Company was preliminarily approved to audit the Company's accounting (financial) statements for 2018, prepared in accordance with RAS, and to audit the consolidated financial statements for 2018, prepared in accordance with IFRS (minutes No. 69/2018, dated 19.04.2018);
- there was assessed the effectiveness of the external audit of the Company's accounting (financial) statements for 2017 (minutes No. 68/2018 dated 10.04.2018);
- information on key activities aimed at eliminating violations/deficiencies, as well as implementing recommendations, issued by the Company's Auditing Commission, was considered on the results of the audit of the Company's financial and economic activities for 2017 (minutes No. 66/2018, dated 02.03.2018);
- written information provided by the external auditor on the main problems of the Company's accounting (financial) statements were reviewed periodically (minutes dated 10.04.2018, No. 68/2018, dated 20.12.2018, No. 77/2018);
- there was discussed information, concerning the non-standard operations and events of the Company, as well as on the formation of a reserve of doubtful debts and estimated liabilities (minutes No. 68/2018, dated 10.04.2018);
- was analyzed the material aspects of the accounting policy and changes to that (minutes, dated 20.12.2018, No. 77/2018);
- were periodically reviewed accounting (financial) statements of the Company prepared by RAS, and consolidated financial statements made in accordance with IFRS (minutes dated 10.04.2018, No. 68/2018, minutes dated 24.05.2018, No. 70/2018, minutes dated 17.09.2018, No. 72/2018, minutes dated 07.12.2018, No. 76/2018);
- were approved the candidate for the position of head of the internal audit department, and the terms of remuneration (minutes No. 67/2018, dated 26.03.2018);
- The report of the Audit Committee on the work done in the 2017–2018 corporate years was prepared for submission to the Board of Directors of the Company (minutes No. 69/2018 dated 19.04.2018);
- the internal audit plan and budget were agreed upon; the KPIs of the head and other leading managers of the internal audit subdivision were defined for 2019 (minutes No. 75/2018, dated 16.11.2018);
- reports for the implementation of the job schedule and the results of the internal audit activities were periodically reviewed (minutes dated 15.02.2018, No. 65/2018, minutes dated 24.05.2018, No. 70/2018, minutes dated 02.10.2018, No. 73/2018, minutes dated 07.12.2018, No. 76/2018);
- management information on the performance of the Company's Internal Control Policy was reviewed, including a report on the action plan for development and improvement of the Internal Control Systems and risk management systems (minutes No. 72/2018, dated 17.09.2018);
- Company's management information were routinely observed, concerning the implementation of corrective measures to eliminate the deficiencies, identified by the Company's Internal Auditing Commission, Company's internal auditor, the external control (supervision) bodies, towards the measures taken on cases of informing about potential unfair actions of employees, as well as the results of conducted investigations (minutes dated 15.02.2018, No. 65/2018, minutes dated 02.10.2018, No. 73/2018);
- there was reviewed the internal audit report on the assessment of the effectiveness of the compliance control, risk management and corporate governance systems for 2017 (minutes No. 67/2018, dated 26.03.2018);
- the report of the General Director on the organization and functioning of the Company's internal control system was preliminarily reviewed for 2017 (minutes No. 68/2018, dated 10.04.2018);
- a report on the implementation of an action plan for the development and improvement of internal control and risk management systems in the period 2016–2018 was reviewed for 2017 (minutes No. 68/2018, dated 10.04.2018);
- information from management on the implementation of anti-corruption policies was considered, including the results of anti-corruption monitoring (minutes dated 15.02.2018, No. 65/2018, dated 02.10.2018, No. 73/2018).

The share of issues previously considered by the committee with the preparation of recommendations to the Board of Directors in the total number of matters considered by the committee: 39.1% – in 2017, 40.5% – in 2018.

On average, the participation of committee members in the work of this body was: 100% – in 2017, 94.4% – in 2018.

On 21.08.2018 the Board of Directors has considered and adopted the report of the General Director on the organization and functioning of the internal control system, as well as the report of the General Director and the Management Board about organization, operation and effectiveness of the Company's risk management system for 2017 (minutes, dated 22.08.2018, No. 318/2018). Information on the assessment of the effectiveness of the Company's internal control system in the reporting year is presented in the "Internal Control System" section.

STRATEGY, DEVELOPMENT, INVESTMENT, AND REFORM COMMITTEE

Committee Creation Date	05.02.2010
Date and number of minutes of the Board of Directors meeting, at which there was approved the Regulation for the committee (in the current edition)	From 05.02.2010, No. 84/2010 (as amended on 18.03.2016, No. 233/2016)
The main tasks of the committee	<p>Development and submission of recommendations (opinions) to the Board of Directors on issues related to:</p> <ul style="list-style-type: none"> • definition of priorities, strategic goals and basic principles of the Company's strategic development, adjustment of the Company's development strategy; • assessment of the Company's performance; • increasing the investment attractiveness, and improving investment activities; • control over the implementation of adopted programs, projects and the process of reforming the Company; • Dividend Policy; • control over the organization and operation of the risk management system
Personal composition of the committee, acting in the reporting year	<p>The composition of the Committee worked in the period from 19.07.2017 to 15.06.2018:</p> <ol style="list-style-type: none"> 1. Pavlov Alexey Igorevich (Chairman of the Committee), Director of the Treasury Department of PJSC Rosseti. 2. Balaban Fedor Nikolaevich, Deputy Head of the Strategic Projects Department of the Strategic Development Department of PJSC Rosseti. 3. Gritsenko Vladimir Fedorovich, Director of Business Development of LLC Unitel Engineering, member of the Board of Directors of Kubanenergo PJSC. 4. Guselnikov Konstantin Sergeevich, General Director of LLC Fininvestkonsalting. 5. Ivanova Olga Sergeevna, Assistant Deputy General Director for Strategic Development of PJSC Rosseti. 6. Mikryukov Dmitry Vasilyevich, Chief Expert of the Consolidated Planning And Reporting Department of the Investment Activity Department of PJSC Rosseti. 7. Lavrova Marina Aleksandrovna, Head of the Economics Department of the subsidiaries and affiliates of the Economic Planning and Budgeting Department of PJSC Rosseti. 8. Ocheredko Olga Vyacheslavovna, Deputy General Director for Economics and Finance, member of the Management Board of Kubanenergo PJSC. 9. Rafalskaya Inna Sergeevna, Deputy Head of the Department for Dispute Resolution in the rate-setting of the Tariff Policy Department of PJSC Rosseti. 10. Seleznev Viktor Yuryevich, Head of the Department of Scientific and Technological Development for the Organization and Control over the Implementation of R & D of the Technological Development of Innovations Department of PJSC Rosseti <p>The current composition of the committee (elected 30.07.2018):</p> <ol style="list-style-type: none"> 1. Pavlov Alexey Igorevich (Chairman of the Committee), Director of the Treasury Department of PJSC Rosseti. 2. Gritsenko Vladimir Fedorovich, Director for Business Development of LLC Unitel Engineering, member of the Board of Directors of Kubanenergo PJSC. 3. Guselnikov Konstantin Sergeevich, Director General of LLC Fininvestconsulting. 4. Balaban Fedor Nikolaevich, Deputy Head of the Strategic Projects Department of the Strategic Development Department of PJSC Rosseti. 5. Mikryukov Dmitry Vasilyevich, Chief Expert of the Consolidated Planning and Reporting Department of the Investment Activities Department of PJSC Rosseti. 6. Ocheredko Olga Vyacheslavovna, Deputy General Director for Economics and Finance of Kubanenergo PJSC, member of the Board of Kubanenergo PJSC. 7. Rafalskaya Inna Sergeevna, Deputy Head of the Department for Dispute Resolution in the field of tariff setting of the Tariff Policy Department of PJSC Rosseti. 8. Seleznev Victor Yurievich, Head of the Department of Scientific and Technical Development of the Organization and Control over the Implementation of R&D of the Department of Technological Development and Innovations of PJSC Rosseti

The results of the work of the committee in the reporting year

In 2018, there were 12 meetings (three – in person-absentee form, the rest – by absentee voting), 40 issues were considered with recommendations made to the Board of Directors on the following most pressing aspects:

- concerning the approval of the draft amendments to the long-term investment program of Kubanenergo PJSC;
- on approval of reports:
 - / concerning the introduction of the General Director for KPI,
 - / concerning the introduction of an action plan for the development and improvement of internal control and risk management systems,
 - / concerning carrying out technological and price audit of investment projects;
 - / concerning approval of the new version of the Dividend Policy Regulation, scenario conditions for the formation of the investment program;
 - / on updating the register of non-core assets of the Company;
- concerning reviewing the following reports:
 - / concerning the implementation of the Company's business plan and investment program,
 - / concerning the management of critical operational risks,
 - / concerning the organization, functioning, and effectiveness of the risk management system, etc.

The share of issues previously considered by the Committee with the following recommendations to the Board of Directors in the total number of matters considered by the Committee: 86.5% – in 2017, 87.5% – in 2018.

On average, the participation of committee members in the work of this body was: 88.4% – in 2017, 93.9% – in 2018

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Committee Creation Date	06.08.2010
Date and number of minutes of the Board of Directors meeting, at which there was approved the Regulation for the committee (in the current edition)	From 01.08.2014, No. 194/2014
The main tasks of the committee	<p>Development and submission of recommendations (opinions) to the Board of Directors on issues related to:</p> <ul style="list-style-type: none"> • setting the criteria for the selection and evaluation of candidates to the Board of Directors and executive bodies of the Company; • setting of principles and criteria for determining the amount of remuneration for the members of the Company's management bodies; • determination of the material terms of contracts with members of the Board of Directors and executive bodies; • regular evaluation of the work of the General Director and members of the Board; • determining the remuneration of members of the Board of Directors
Personal composition of the committee, acting in the reporting year	<p>The composition of the Committee worked in the period from 19.07.2017 to 15.06.2018:</p> <p>1. Varlamov Nikolay Nikolayevich (Chairman of the Committee) , Deputy General Director – Chief of Staff of PJSC Rosseti.</p> <p>2. Chevkin Dmitry Alexandrovich , Director of the Department for Personnel Policy and Organization Development of PJSC Rosseti.</p> <p>3. Erpsher Natalia Ilinichna , Head of the Organization Development Department of the Personnel Policy and Organization Development Department of PJSC Rosseti</p> <p>The current composition of the committee (elected 30.07.2018):</p> <p>1. Sergeeva Olga Andreevna (Chairman of the Committee) , Deputy General Director – Chief of Staff of PJSC Rosseti, Chairman of the Board of Directors of Kubanenergo PJSC.</p> <p>2. Chevkin Dmitry Alexandrovich , Director of the Personnel Policy and Organization Development Department of PJSC Rosseti.</p> <p>3. Erpsher Natalia Ilinichna , Head of the Organization Development Department of the Personnel Policy and Organization Development Department of PJSC Rosseti</p>
The results of the work of the committee in the reporting year	<p>In 2018, nine meetings were held in the form of absentee voting, 21 issues were considered.</p> <p>Recommendations to the Board of Directors were developed on the following main issues:</p> <ul style="list-style-type: none"> • concerning the amendments to the composition of the Management Board of the Company; • concerning the approval of reports for the implementation of the General Director KPI; • concerning the preliminary approval of candidates for certain management positions of the Company; • concerning the consideration of the report for the activity of Corporate Secretary of Kubanenergo PJSC. <p>In addition, the committee:</p> <ul style="list-style-type: none"> • reviewed the results of the activities of the Deputy General Directors of the Company and recommended the General Director to conclude labor contracts with them for a new term, • approved the list of members of the managerial personnel reserve and the composition of the youth personnel reserve of the Company. <p>The share of issues previously considered by the committee with the preparation of recommendations to the Board of Directors in the total number of matters considered by the committee: 63.2% – in 2017, 61.9% – in 2018.</p> <p>The participation of committee members in the work of this body was as follows: 97.3% on an average in 2017, 100% – in 2018.</p>

TECHNOLOGICAL CONNECTION COMMITTEE

Committee Creation Date	11.10.2011
Date and number of minutes of the Board of Directors meeting, at which there was approved the Regulation for the committee (in the current edition)	From 19.07.2017, No. 281/2017
The main tasks of the committee	<p>Development of recommendations (opinions) to the Board of Directors on issues related to:</p> <ul style="list-style-type: none"> • improving the legislative base of antimonopoly regulation and ensuring non-discriminatory access to services for technological connection of consumers to electric networks; • improvement of the Company's internal standards for ensuring non-discriminatory access to services for technological connection of consumers to electric networks; • development of principles and criteria for evaluating the effectiveness of the Company's activities in the technological connection of consumers to electric networks; • assessment of the effectiveness of the Company's technological connection of consumers to power grids; • assessment of the effectiveness of the Company's activities to improve the quality of planning the development of the electrical network in the regions where the Company operates; • analysis of the current situation in the Company and preparation of proposals to the Board of Directors in the field of technological connection of consumers to power grids and future development of the network in general
Personal composition of the committee, acting in the reporting year	<p>The composition of the Committee worked in the period from 19.07.2017 to 15.06.2018:</p> <p>1. Varvarin Alexander Viktorovich (Chairman of the Committee) , Vice-President for Corporate Relations and Legal Support of ARAE RUIE, member of the Board of Directors of Kubanenergo PJSC.</p> <p>2. Korneev Alexander Yurevich , Director of the Department for Perspective Development of the Network and Technological Connection of PJSC Rosseti.</p> <p>3. Denezhnaya Natalya Vladimirovna , the Chief Expert of the Technological Connection Regulation Department of the Network Development and Technological Connection Department of PJSC Rosseti</p> <p>The current composition of the committee (elected 21.09.2018):</p> <p>1. Pyatigor Alexander Mikhailovich (Chairman of the Committee) , Acting Deputy General Director for Development and Sales of Services of PJSC Rosseti.</p> <p>2. Varvarin Alexander Viktorovich , Vice President – Managing Director of Corporate Relations and Legal Support of ARAE RUIE, Member of the Board of Directors of Kubanenergo PJSC.</p> <p>3. Korneev Alexander Yurevich , Director of the Network Development and Technological Connection Department, PJSC Rosseti.</p> <p>4. Kostetsky Vyacheslav Yurevich , Deputy General Director for Development and Technological Connection, member of the Management Board of Kubanenergo PJSC</p>
The results of the work of the committee in the reporting year	<p>Nine meetings were held in 2018, (one – in person-absentee form, the rest – by absentee voting) with consideration of 25 questions, including:</p> <ul style="list-style-type: none"> • was elected the deputy Chairman and secretary of the Committee; • was approved the work plan of committee; • there was performed monitoring of the Company's activities for technological connection of consumers and Generation Facilities to the Company's power grids; • analysis of the small and medium-sized businesses entities connection and the implementation of measures to increase the availability of technological connection were carried out regularly; • reports have been reviewed: <ul style="list-style-type: none"> / on the participation of Company in the development of the Diagram and Program for development of the electric power industry of the Russian Federation constituent entities in 2018, / on the development of integrated programs for development of electrical networks with a voltage of 35 kV and above in the territory of Krasnodar Territory and the Republic of Adygea in 2018 for 5 years, / concerning the execution of technological connection agreements, for which the applicants have violated the terms of performance of obligations; • there were regularly reviewed the following reports: <ul style="list-style-type: none"> / on the execution of the schedule for the implementation of overdue contracts for technological connection, / on the implementation of KPI in terms of meeting the deadlines for technological connection and increasing the capacity load of power grid equipment; / the report on the work, performed by the committee in the 2017–2018 corporate year, was pre-approved. <p>The share of issues previously considered by the committee with the preparation of recommendations to the Board of Directors in the total number of matters considered by the committee: 8% – in 2017, 12% – in 2018.</p> <p>The participation of committee members in the work of this body was as follows: 100% – in 2017, 100% – in 2018</p>

EXECUTIVE BODIES

The management of the current activities of Kubanenergo PJSC is carried out by the sole executive body – the General Director and the collegial administrative body – the Management Board. The General Director and the Management Board are accountable to the General Meeting of Shareholders and the Board of Directors of the Company. By the Articles of Association of the Company, the General Director is elected by the Board of Directors, and he/she appears to be the Chairman of the Management Board. The Board of Directors also elects the members of the Management Board by the proposal of the General Director of the Company in a number, determined by the decision of the Board of Directors. Each member of the Board, including the Chairman of the Board, has the experience, knowledge, and qualifications necessary for the proper performance of the assigned duties. The General Director and members of the Board act in good faith in the interests of the Company and all of the Company shareholders. The Board members disclose to the Company all the information about their commercial activities unrelated to the interests of the Company, to prevent conflicts of interest and related possible negative consequences for the Company.

GENERAL DIRECTOR

Following the Charter of Kubanenergo PJSC, the competence of the General Director of the Company includes all issues related to the management of the Company's current activities, except on matters falling within the jurisdiction of the General Meeting of Shareholders, the Board of Directors and the Management Board of the Company.

The General Director of the Company without a power of attorney acts on behalf of the Company, including:

- ensures the fulfillment of the Company's action plans necessary to solve its tasks
- organizes accounting and reporting in the Company;
- manages the property of the Company, makes transactions on behalf of the Company, issues powers of attorney;
- issues local regulatory acts and other internal documents of the Company on the issues of its competence, gives instructions obligatory for all employees of the Company;

- approves the Regulations for branches and representative offices of the Company;
- under the organizational structure of the executive office of the Company, approves the staffing chart and official salaries of the Company employees;
- exercises the rights and obligations of the employer concerning the Company's employees, as provided for by the labor legislation of the Russian Federation;
- performs the functions of the Chairman of the Company's Management Board;
- distributes duties between Deputy General Directors.

Since March 19, 2013, the functions of the Company's sole executive body have been performed by Alexander Ilyich Gavrillov¹.

1. See the detailed information about A.I. Gavrillov in the current composition of the Board of Directors and the Management Board of the Company.

MANAGEMENT BOARD

The Management Board is responsible for the practical implementation of the objectives, strategy, and policy of the Company and manages its current activities within its competence.

The main tasks of the Board:

- observance of the rights and legitimate interests of the Company's shareholders;
- development of proposals for the Company's growth policy;
- implementation of the financial and business policy of the Company, making decisions on the most critical issues of its current business activities and coordination of the work of its subdivisions;
- improving the efficiency of compliance control and risk monitoring systems;
- providing a high level of profitability of the Company's assets and maximum profit from its activities.

The Management Board of the Company acts based on the Charter and the Regulation for the Management Board¹, approved by the decision of the General Meeting of Shareholders of the Company.

The competence of this executive body comprises, in particular, the following issues:

- making decisions on issues falling within the competence of the supreme management bodies of business entities, 100% of the authorized capital or all voting shares of which belong to the Company;

- development and submission long-term plans for the implementation of the main activities of the Company to the Board of Directors;
- preparation of a business plan and a report on the results of its implementation, as well as approval and adjustment of cash flow;
- preparation of the Company's annual report, report compliance with decisions of the General Meeting of Shareholders and the Board of Directors of the Company's Management Board;
- establishing social benefits and guarantees for the Company's employees;
- making decisions on transactions, involving property, work and services with a value from 1 to 25% of the book value of the Company's assets;
- consideration of reports of Deputy General Directors, heads of structural subdivisions of the Company on the results of the implementation of approved plans, programs, instructions, consideration of reports, documents, other information about the activities of the Company and its subsidiaries and affiliates;
- effective risk management in the framework of the current activities of the Company; approval of the budget for risk management measures to the extent agreed by the decision of the Company's Board of Directors; resolution of risk management tasks performed by several structural subdivisions.

BOARD MEMBERS

During the reporting year, the following changes occurred in the staff of the Board:

- the powers of the members of the Management Board of the Company, Ivanova Irina Viktorovna and Mikhailov Vladimir Alexandrovich, were terminated;
- Nishchuk Oleg Fedorovich, Deputy General Director for Sales of Services of Kubanenergo PJSC, and Khazikova Zanda Ivanovna, Deputy General Director for Corporate Management of the Company, were elected members of the Company's Management Board:

The composition of the Management Board of the Company, as of the end of the reporting year²:

1. Gavrillov Alexander Ilyich, Chairman of the Board:

Year of birth	1973
High	Education. He graduated from the Kuban State University with a degree in accounting and audit, the Kuban State Technological University with a degree in development and operation of oil and gas fields. He graduated from the advanced training courses: <ul style="list-style-type: none"> • in Ernst & Young LLC on the subject of risk management; • in Federal State Autonomous Educational Institution of Higher Education (FSAEI HE) Institute for Advanced Studies of Executives and Specialists of the Fuel and Energy Complex" under the program "Organization of mobilization work in organizations of the fuel and energy complex having mobilization tasks"; • in FBI "Education and Training Centre" of Rostechnadzor on the topic "Training and testing knowledge of occupational safety requirements for managers and specialists"; • in the LLC "International Educational Academy" on the topic "First Aid for victims in Production."
	He has a doctorate in economics.
Has experience over the past five years:	
2013 – present time	General Director of Kubanenergo PJSC
2014 – present time	Member of the Board of Directors of Kubanenergo PJSC
Date of entry into service of Chairman of the Board of Kubanenergo PJSC	04.06.2013

1. Management Board Regulation of Kubanenergo PJSC is published on the website www.kubanenergo.ru – section 'About Us/ Constituent and internal documents.

2. In the information on the Management Board members work experience, there were indicated only the last positions held by them for each place of work.

2. Armaganian Edgar Garrievich:

Year of birth	1984
High	<p>Education. He graduated from the Kuban State Agrarian University with a degree in electrification and automation, the Non-State Educational Institution of Higher Professional Education "Moscow Institute of Entrepreneurship and Law" with a degree in organization management.</p> <p>He passed professional retraining courses according to the following programs:</p> <ul style="list-style-type: none"> • "Organization Management" at Moscow State Technical University after N.E. Bauman based on the non-commercial educational institution "Kubanenergo Training Center"; • "Jurisprudence: civil law relations in the Federal State Budgetary Educational Institution of Higher Professional Education (FSBEI HPE) "Kuban State University." <p>He graduated from the advanced training courses:</p> <ul style="list-style-type: none"> • in Ernst & Young LLC on the subject of risk management; • on the basis of the Moscow School of Management SKOLKOVO on the topic "Development of leaders in the electric grid complex"; • in FBI "Education and Training Centre" of Rostechnadzor on "Training and knowledge testing of occupational safety requirements for managers and specialists", in the LLC International Educational Academy on "First aid to victims in the workplace", in the FSAEI of FVE "Institute for Advanced Studies of Executives and Specialists of the Fuel and Energy Complex", "Protection of state secrets, classified document management and the main issues of information security in companies", Training Module 08.01.01 "Organization of State Secret Protection (to the score of the state certification of a manager)"
Has experience over the past five years:	
2009 – present time	First Deputy General Director – Director of the branch of Sochinskiye electric networks of Kubanenergo PJSC
2015–2017	Member of the Reliability Committee of the Board of Directors of Kubanenergo PJSC
2016 – present time	Chairman of the Board of Directors of JSC "Energy Service of Kuban"
Date of election to the Board	28.08.2014

3. Golov Andrey Valerievich:

Year of birth	1980
High	<p>Education. He graduated from Orenburg State University with a degree in Banking and Finance." He holds a Ph.D. in Economics.</p> <p>He graduated from the advanced training courses:</p> <ul style="list-style-type: none"> • in LLC Ernst & Young in the risk management; • in the Autonomous non-profit organization Educational and Consulting Center "EnergoPersonal" on the topic of "Internal control: theory and practice basics"; • in FBI "Education and Training Centre" of Rostechnadzor on the topic "Training and testing knowledge of the labor protection requirements for managers and specialists"; • in the LLC "International Educational Academy" on the topic "First Aid for victims in Production." <p>In 2018, he participated in a seminar held by the FBI "Engineering and Technical Center of Federal Antimonopoly Service of the Russian Federation" (FBI ETC FAS of Russia) on the topic "Tariff regulation in 2018 and the tasks of state regulatory bodies for 2019."</p>
Has experience over the past five years:	
2012 – present time	Deputy General Director for Investment Activities of Kubanenergo PJSC
Date of election to the Board	09.04.2013

4. Golovakha Dmitry Nikolaevich:

Year of birth	1977
High	<p>Education. He graduated from the Krasnodar Technical College, specializing in the installation and operation of electrical equipment of agricultural enterprises, Kuban State Agrarian University, majoring in electrification and agriculture automation.</p> <p>He passed professional retraining at Moscow State Technical University, named after N.E. Bauman in the direction of "Business Management."</p> <p>He graduated from the advanced training courses:</p> <ul style="list-style-type: none"> • at the Kuban State Technological University on the topic "Protection of state secrets in public agency and municipal governments of the Krasnodar Territory"; • FSAEI FVE "Institute for Advanced Studies of Executives and Specialists of the Fuel and Energy Complex" (IASSES FEC) on the topic "Mobilization of the Economy and Preparation of Organizations for Mobilization"; • In the state educational institution of the Krasnodar Territory "Educational and Methodological Center for Civil Defense and Emergencies" on the topic "Training of officials and specialists of civil defense and emergencies"; • in FSAEI FVE IASSES FEC on the topic "Organization of mobilization work in organizations of the fuel and energy complex with mobilization tasks."
Has experience over the past five years:	
2013 – present time	Director of the South-Western Electric Networks Branch of Kubanenergo PJSC
Date of election to the Board	14.06.2013

5. Golovakha Lyudmila Alekseevna:

Year of birth	1955
Education	<p>She graduated from the Kuban State University with a degree in jurisprudence and state and municipal management, and the Krasnodar Vocational School of the sugar industry with a degree in electrical equipment of industrial enterprises and installations.</p> <p>She passed professional retraining at the Southern Institute of Management, under the program "Personnel Management of Organization."</p> <p>She graduated from advanced training courses:</p> <ul style="list-style-type: none"> • – in Ernst & Young LLC on the subject of risk management; • – in Vocational Education Institution (VEI) "Energy Institute for Advanced Studies of Kubanenergo" by the subjects "Person in charge of the road safety," "Traffic safety on the road and urban electric transport"; • – in the LLC "International Educational Academy" on the topic "First Aid for victims in Production."
Has experience over the past five years:	
2013 – present time	Deputy General Director – Chief of Staff of Kubanenergo PJSC
2017 – present time	Member of the Board of Directors of JSC Recreation House "Energetik"
Date of election to the Board	14.06.2013

6. Kostetsky Vyacheslav Yuryevich:

Year of birth	1974
High	<p>Education. He graduated from the Institute of Economics, Law and Natural Specialties with a degree in law, the Kuban State Technological University with a degree in Electric Power Supply. He passed the course of professional retraining "Management of the organization" in MSTU, named after N.E. Bauman on the basis of the non-commercial educational institution, Training Center "Kubanenergo".</p> <p>He graduated from the advanced training courses:</p> <ul style="list-style-type: none"> • in Ernst & Young LLC on the subject of risk management; • in the Autonomous non-profit organization Educational and Consulting Center "Energopersonal" on the topic of "Internal control: theory and practice basics"; • seminar in the FBI ETC FAS of Russia on the topic "Tariff regulation in 2016 and the objectives of the regulatory authorities in 2017"; • in the LLC "Bureau of Intellectual Support for Reforms in the Energy Sector", on the subject of "FAS of Russia: adopted and planned changes in the regulation of retail electricity markets"; • in the LLC "International Educational Academy" on the topic "First Aid Survivors in Production"
Has experience over the past five years:	
2013 – present time	Deputy General Director for Development and Technological Connection of Kubanenergo PJSC
2013–2015	Chairman of the Board of Directors of OJSC "Energy Service of Kuban." Member of the Committee for Strategy, Development, Investments and Reform of the Board of Directors of OJSC Kubanenergo
2013–2017	Member of the Committee for Technological Connection of the Board of Directors of Kubanenergo PJSC
2018 – present time	Member of the Committee for Technological Connection of the Board of Directors of Kubanenergo PJSC
Date of election to the Board	14.06.2013

7. Nishchuk Oleg Fedorovich:

Year of birth	1978
High	<p>Education. He graduated from Kuban State University with a degree in global economics. And passed professional retraining at Moscow State Technical University. N.E. Bauman based on the basis of the non-commercial educational institution "Kubanenergo Training Center" in the specialty "management"</p>
Has experience over the past five years:	
2013–2013	Deputy Director of the Department of Municipal Economy and the Fuel and Energy Complex of the Krasnodar Administration
2015–2018	Deputy Head of the Department for the Implementation of Services and Accounting for Electric Power of Kubanenergo PJSC
2018 – present time	Deputy General Director for the sale of services of Kubanenergo PJSC
2016 – present time	Member of the Board of Directors of JSC "Energy Service of Kuban"
Date of election to the Board	18.12.2018

8. Ocheredko Olga Vyacheslavovna:

Year of birth	1972
High	<p>Education. She graduated from the Kuban State University with a degree in economic and social planning, the Moscow State Institute of International Relations (University) of the Ministry of Foreign Affairs of Russia, and the MBA "Management and Regulation of Economic Activities in the International Electric Power Industry."</p> <p>She passed the course of professional retraining "Management of the organization" in MSTU, named after N.E. Bauman based on the non-commercial educational institution Training Center "Kubanenergo."</p> <p>She graduated from advanced training courses:</p> <ul style="list-style-type: none"> • in Ernst & Young LLC on the subject of risk management; • in the Educational and Informational Center "EnergoReshenie" on the topic "The development of the Russian electro-thermal power engineering"; • seminar in the FBI ETC FAS of Russia on the topics "Tariff regulation in 2016 and the objectives of the regulatory authorities for 2017", "Tariff regulation in 2017 and the objectives of the regulatory authorities for 2018–2025"; • in the LLC "Bureau of Intellectual Support for Reforms in the Energy Sector," on the topics "FAS of Russia. New in rate-making and drafting balances in heat and electric power industry", "FAS Russia. New in drafting balances in and rate-making in the power industry. Theory and practice of antimonopoly regulation in the electric power industry", "FAS Russia: adopted and planned changes in the regulation of retail electricity markets"; • in LLC "EnergoEvolutsiya" on the topic "The operation of power grid and energy retail companies in 2018 Formation of tariffs for 2018–2019 in the context of regulatory legal acts. Actual and problematic issues of interaction, the settlement of differences"; • in the International Educational Academy LLC on the topic "First-Aid Dressing in Production"; • seminar in the FBI ETC FAS of Russia on the topic "Tariff regulation in 2018 and the tasks for regulatory agencies for 2019."
Has experience over the past five years:	
2008 – present time	Deputy General Director for Economics and Finance of Kubanenergo PJSC
2014–2015	Chairman of the Board of Directors of JSC OC "Flame"
2014 – present time	Chairman of the Board of Directors of JSC Recreation House "Energetik"
2015 – present time	Member of the Committee for Strategy, Development, Investments and Reform and the Reliability Committee of the Board of Directors of Kubanenergo PJSC
2017 – present time	Member of the Reliability Committee of the Board of Directors of Kubanenergo PJSC
Date of election to the Board	28.08.2014

9. Statuev Vladislav Andreevich:

Year of birth	1956
High	<p>Education. He graduated from the Naval Engineering School of the Order of Lenin, named after F.E. Dzerzhinsky (St. Petersburg) with a major in "physics-power installations," FSBEI HPE "Financial University under the Government of the Russian Federation" (Moscow) with a degree in "Business management." He completed a refresher course in LLC Ernst&Young by the Risk Management</p>
Has experience over the past five years:	
2009–2013	Director of the Krasnodar branch of the Federal State Unitary Enterprise Federal Computer Center for Stock and Commodity Information Technologies (SC-CENTER)
2013 – present time	Deputy General Director for Security of Kubanenergo PJSC
Date of election to the Board	04.12.2013

10. Khazikova Zanda Ivanovna:

Year of birth	1980
High	Education. She graduated from Kalmyk State University with a degree in history and the State Educational Institution of Higher Vocational Education "Saratov State Academy of Law" with a degree in jurisprudence. He holds a Ph.D. degree in law. In 2018, at the Moscow State Technical University named after N.E. Bauman, she successfully underwent professional retraining under the program "Management. Controlling in a business environment"
Has experience over the past five years:	
2012–2014	Leading specialist of the underwriting group of the credit department of the branch of the (OJSC) GPB Bank in Krasnodar
2014–2018	Deputy Head of Legal Support Department of Kubanenergo PJSC
2018 – present time	Deputy General Director for Corporate Governance of Kubanenergo PJSC
Date of election to the Board	18.12.2018

11. Shishigin Igor Nikolaevich, Deputy Chairman of the Management Board:

Year of birth	1979
High	Education. He graduated from the Kuban State Agrarian University with a major in Electrification and Automation, the New Moscow Law Institute with a degree in jurisprudence. He passed professional retraining at Moscow State Technical University. N.E. Bauman based on the non-commercial educational institution "Kubanenergo Training Center" with a degree in "Organization Management." He graduated from the advanced training courses: <ul style="list-style-type: none"> in CJSC SGS Vostok Limited on the topic "Internal Auditor OHSAS 18001:2007 "Management System for Occupational Safety and Health"; at the State Academy of Advanced Training and Retraining of Personnel for the Construction and Housing-and-Municipal Complex of Russia by the subject "Power supply – changes in the legal environment, modern technologies, materials and equipment, installation aspects"; at the Non-State Educational Institution "Kubanenergo Training Center" on the subject of "Environmental safety at electric grid facilities"; in VEI "Energy Institute of Advanced Training" of Kubanenergo PJSC on the topics "Advanced Training in Occupational Safety", "Training in general issues of industrial safety", "Pre-certification training of managers and specialists of organizations operating electrical networks", "Pre-certification training of managers and specialists responsible for the operation of hazardous production facilities, based on lifting equipment for lifting and moving cargo", "Pre-certification training of managers and specialists responsible for the operation of hazardous production facilities, based on lifting equipment designed for lifting and transporting people"; in the LLC "International Educational Academy" on the topic "First Aid Survivors in Production"
Has experience over the past five years:	
2013 – present time	Deputy General Director for Technical Issues – Chief Engineer of Kubanenergo PJSC
2017 – present time	Member of the Reliability Committee of the Board of Directors of Kubanenergo PJSC
Date of election to the Board	23.05.2017

All members of the Company's Management Board are citizens of the Russian Federation.

All members of the Company's Management Board, which were members of committees of the Board of Directors in 2018 at the same time, took part in all meetings of committees, except for O.V. Ocheredko that did not participate in the meetings:

- Reliability Committee – May 24, 2018 and August 23, 2018;
- Committee for Strategy, Development, Investment and Reform – April 5, 2018

None of the members of the Management Board of the Company, except for O.V. Ocheredko, did occupy positions in the management bodies of commercial organizations during the period when a bankruptcy case was initiated against these organizations and/or one of the bankruptcy procedures on insolvency (bankruptcy) was instituted, stipulated by the legislation of the Russian Federation. O.V. Ocheredko was the Chairman of the Board of Directors of JSC OC "Plamya" during the periods of initiation of bankruptcy proceedings against this Company in accordance with the definition of the Arbitration Court of the Krasnodar Territory dated 03.03.2015 and recognition of JSC OC "Plamya" insolvent, and opening of the bankruptcy proceedings in accordance with the decision of the Arbitration Court of the Krasnodar Territory dated 02.09.2015.

None of the members of the Company's Management Board:

- owned shares of the Company in the reporting year and made any transactions with them¹;
- carried out transactions with the Company in the reporting year;
- had family ties with persons who are members of the governing bodies and/or control over the financial and economic activities of Kubanenergo PJSC, except for L.A. Golovakha and D.N. Golovakha (mother and son);
- have brought to administrative responsibility for offenses in the area of finance, taxes, and duties, securities market or criminal liability for economic crimes or crimes against state power;
- had any conflict of interest with the Company.

1. According to data from the members of the Management Board, provided to the Company.

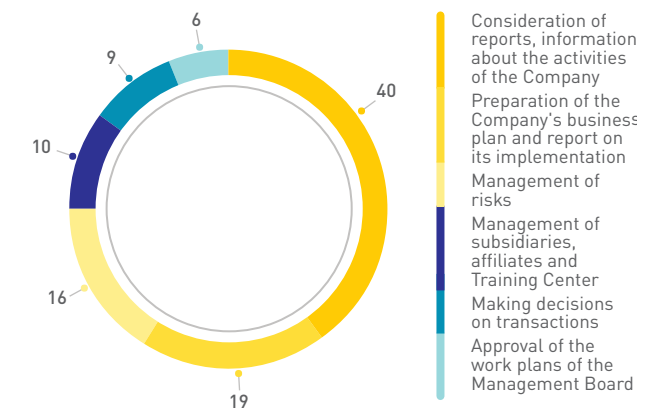
Management Board Activities

The activity of the Management Board in 2016-2018

	2016	2017	2018
Number of meetings held by the Board	25	27	17
including through the joint presence	3	7	1
Number of issues addressed	74	102	69

Meetings of the Board in the reporting year were conducted in accordance with the plans of its work, as well as at the initiative of the Chairman of the Board. All members of the Board took an active part in the Board meetings.

Structure of issues considered by the Company's Management Board in 2018, %



CORPORATE SECRETARY

To properly observe the procedure for preparing and holding the General Meeting of Shareholders and organizing the activities of the Board of Directors at Kubanenergo PJSC, the Company's Board of Directors elects the Corporate Secretary¹.

The Corporate Secretary is an official of Kubanenergo PJSC, ensuring that the Company complies with the laws of the Russian Federation, the Charter and internal documents guaranteeing the exercise of the rights and legitimate interests of the Company's shareholders. Functionally, the Corporate Secretary is subordinate to the Board of Directors of the Company, which determines the terms of the contract with the Corporate Secretary, the amount and procedure for payment of remuneration, as well as the aspects of bonuses.

The corporate secretary submits an annual report to the HR and Remuneration Committee and the Board of Directors on its work, approved by the Board of Directors.

Since July 20, 2011, Olga Vladimirovna Russu, has been continuously serving as the Corporate Secretary of Kubanenergo PJSC.

Russu Olga Vladimirovna:

Year of birth	1967
High	Education. She graduated from the Krasnodar Polytechnic Institute with a degree in economics and organization of the food industry, and the Urals Academy of Public Service with a degree in jurisprudence. She passed professional retraining under the program "Management of the Organization" in the Moscow State Technical University, named after N.E. Bauman as a part of the non-commercial educational institution of the "Kubanenergo" Training Center. She graduated from a refresher course in the Non-Profit Partnership Promoting Further Vocational Education, the Center for Advanced Studies "Russian School of Management" on the "Corporate Secretary" topic.
Has experience over the past five years:	
2011 – present time	Chief Specialist, then Deputy Head of Corporate Governance and Shareholder Relations of Kubanenergo PJSC

1. The Regulation for the Corporate Secretary determines the functions, procedure for appointment and termination of powers, rights, and obligations of the Corporate Secretary approved by the Board of Directors (published on the website www.kubanenergo.ru – section 'About Us/Constituent and internal documents').

O.V. Russu, Corporate Secretary of Kubanenergo PJSC:

- did not own shares of the Company and did not make transactions with them in the reporting year;
- has no family ties with persons who are members of the governing bodies and/or control over the financial and economic activities of Kubanenergo PJSC;
- has not been brought to administrative responsibility for offenses in the area of finance, taxes and duties, securities market or criminal responsibility for economic crimes or crimes against state power;
- did not occupy any positions in the management bodies of commercial organizations during the period when a bankruptcy case was initiated against these organizations and/or one of the bankruptcy procedures provided for by the legislation of the Russian Federation regarding insolvency was introduced.

AUDITING COMMISSION

The Auditing Commission is a permanently elected body for internal control of Kubanenergo PJSC, which exercises periodic monitoring over the financial and economic activities of the Company, its separate subdivisions, officials of the management bodies and structural branches of the Company executive office through the following documentary and actual inspections: legality, economic feasibility and efficiency (expediency) of business and financial operations performed by the Company in the audited period; completeness and correctness of reflection of the business and financial transactions in the Company's documents.

The tasks of the Company's Auditing Commission are to exercise:

- control over the financial and economic activities of the Company;
- independent assessment of the reliability of data contained in the Company's annual report, annual financial statements.

The Auditing Commission be governed by the laws of the Russian Federation, the Charter of Kubanenergo PJSC and the Regulation for the Auditing Commission¹.

The Auditing Commission acts in the interests of the Company's shareholders, and its activities are accountable to the General Meeting of Shareholders. In the course of general performance, the Commission is independent of the officials, management bodies and heads of structural divisions of the executive office of the Company.

COMPOSITION OF THE AUDITING COMMISSION

In the reporting year, there were two personal members of the Company's Auditing Commission.

The current membership of the Auditing Commission, elected at the Annual General Meeting of Shareholders of Kubanenergo PJSC on May 25, 2018²

SEQ NO.	FULL NAME	PLACE OF WORK AND POSITION
1	Kim Svetlana Anatolyevna, Chairman of the Auditing Commission	Head of the Audit Operations Department of the Control and Audit Activities Department of PJSC Rosseti
2	Yerandina Elena Stanislavovna	Chief expert of the control and expert department of the department of control and audit activities of PJSC Rosseti
3	Kabizskina Elena Aleksandrovna	Deputy Head of the Internal Audit management of the Department for Control and Audit Activities of PJSC Rosseti
4	Malyshev Sergey Vladimirovich	Leading Expert of the Audit Activity Management Department of the Control and Audit Activity Department of PJSC Rosseti
5	Slesareva Elena Yuryevna	Chief Expert of the Internal Audit Directorate of PJSC Rosseti

1. The Regulation for the Auditing Commission of Kubanenergo PJSC is published on the website www.kubanenergo.ru – section 'About Us/Constituent and internal documents'.

2. Information about the places of work of the members of the Auditing Commission and the positions held by them are indicated in accordance with the data provided by them to the Company at the end of the reporting year. By the term 'present time' in this case the Company is referring to December 31, 2018

The composition of the Auditing Commission, elected at the Annual General Meeting of Shareholders of the Company on June 16, 2017, and valid until May 25, 2018¹

SEQ NO.	FULL NAME	PLACE OF WORK AND POSITION
1	Zadorozhnaya Anzhelika Alexandrovna, Chairman of the Auditing Commission	Head of the Internal Audit Directorate of PJSC Rosseti
2	Kabizskina Elena Aleksandrovna	Deputy Head of the Internal Audit management of the Department for Control and Audit Activities of PJSC Rosseti
3	Kirillov Artem Nikolaevich	Deputy Head of the Internal Audit management of the Department for Control and Audit Activities of PJSC Rosseti
4	Malyshev Sergey Vladimirovich	Leading Expert of the Audit Activity Management Department of the Control and Audit Activity Department of PJSC Rosseti
5	Slesareva Elena Yuryevna	Chief Expert of the Internal Audit Directorate of PJSC Rosseti

In the reporting year, there were no transactions between the Company and persons who performed the duties of members of the Auditing Commission of Kubanenergo PJSC in 2018.

None of the persons, who were members of the Auditing Commission in 2018 owned the Company's shares in the reporting year².

The results of the Auditing Commission

In 2018 The Company's Auditing Commission exercised control through audits of financial and economic activities. Six meetings of the Auditing Commission were held with discussions of the following key issues³:

- concerning the approval of the audit program of the Company's financial and economic activities for 2017, including support of the facilities, procedures, timing, and scope of the audit;
- concerning the consideration and approval of the conclusion of the Auditing Commission on the assessment of the reliability of the data contained in the annual report of Kubanenergo PJSC and the accounting (financial) statements for 2017;
- concerning the consideration and approval of the Act of the Auditing Commission on the results of the audit of the financial and economic activities of Kubanenergo PJSC for 2017;
- on the election of the Chairman and Secretary of the Company's Auditing Commission (for 2018–2019);
- on approval of the work plan of the Company's Auditing Commission (for 2018–2019);

- approval of the program of the first stage of the audit of the Company's financial and economic activities for 2018 (adoption of facilities, order, terms, and scope of the audit);
- concerning the consideration and approval of the act of the Auditing Commission on the results of the first stage of the audit of the financial and economic activities of Kubanenergo PJSC for 2018

By the results of the audit of financial and economic activities for 2017, an act was drawn up with recommendations for improving the control environment and eliminating violations, and further, it was sent to the Company to eliminate violations and implement recommendations.

In accordance with the work schedule of the Auditing Commission in July-October 2018, there was conducted the first stage of the audit of the Company's financial and economic activities for 2018.

The Company has developed, approved, and executed a plan of corrective measures to eliminate violations/ deficiencies identified by the Auditing Commission during the audits.

In accordance with the work schedule of the Auditing Commission, the second phase of the audit of the Company's financial and business activities are planned for March-May 2019.

- Information about the places of work of the members of the Auditing Commission of this composition and the positions they occupy are indicated by the data provided by them to the Company as of March 31, 2018.
- According to data provided to the Society by members of the Auditing Commission.
- The minutes of meetings of the Auditing Commission of Kubanenergo PJSC are posted on the website www.kubanenergo.ru – section 'About Us/Activity Control System/ Auditing Commission'.

REMUNERATION AND COMPENSATION OF THE COMPANY'S MANAGEMENT AND CONTROL BODIES

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND PAYMENT OF COMPENSATION TO THEM

In accordance with the current Regulation on the payment of remuneration and compensation to the members of the Board of Directors of Kubanenergo PJSC¹, approved by the Annual General Meeting of Shareholders (minutes No. 36 of 11.06.2015), payment of remuneration to members of the Board of Directors is made as a lump sum according to the results of work for the period from the moment of election of a candidate to the Board of Directors until the election of a new Board of Directors (for the corporate year).

Payment is made at a time within 60 days after the annual General Meeting of Shareholders of the Company.

The amount of remuneration for participation in the work of the Company's Board of Directors of each member of the Board of Directors is calculated with account for:

- the basic part of remuneration, which is set on the basis of the Company's revenue, calculated according to RAS for the financial year;
- the total number of meetings of the Board of Directors for the past corporate year and the number of meetings in which a member of the Board of Directors participated.

The following allowances are set in addition to the remuneration described above:

- 30% – to the Chairman of the Board of Directors of the Company;
- 20% – to the Chairman of the Committee of the Board of Directors;
- 10% – for membership in the Committee of the Board of Directors.

The premiums for the Chairman ship and/or membership in the committee of the Board of Directors are paid if at least three meetings of the committee of the Board of Directors were held during the corporate year.

The remuneration is not paid if a member of the Board of Directors did not attend more than 50% of the meetings of the Board of Directors that took place from the moment of his election until the termination of his powers.

Members of the Board of Directors also receive additional remuneration from the net profit in the event of an increase in the size of the Company's market capitalization throughout the Members work in the Board of Directors.

Remunerations to the Chairman and members of the Board of Directors of the Company who are persons, in which respect federal law provides for a restriction or prohibition on receiving any payments from commercial organizations, are not accrued or paid.

Kubanenergo PJSC also reimburses the members of the Board of Directors for expenses related to participation in a meeting of the Board of Directors, following the standards for travel expenses, which are in effect at the time of the meeting, organized in the Company.

The total amount of remuneration paid to members of the Board of Directors in 2018, amounted to 7,605 thousand rubles. The Company did not pay other remuneration to the members of the Board of Directors.

The expenses of members of the Board of Directors in the reporting year were not reimbursed by the Company.

The Company has no debts for remuneration and compensation to members of the Board of Directors.

1. Regulation on the payment of remuneration and compensation to the members of the Board of Directors of Kubanenergo PJSC is published on the website www.kubanenergo.ru – section 'About Us/ Constituent and internal documents'.

REMUNERATION OF MEMBERS OF EXECUTIVE BODIES AND COMPENSATION PAYMENT

Remuneration of members of the Board and compensation payment

By the decision of the Board of Directors of the Company (minutes No. 203/2015 dated February 25, 2015), members of the Management Board were assigned to the top managers of the first division. In accordance with the Regulation on Material Incentives and Social Package of Top Managers of OJSC Kubanenergo, approved by the Board of Directors of the Company (minutes No. 207/2015, dated 17.04.2015), remuneration of members of the Management Board is carried out in accordance with the labor contracts concluded with them allowances for the fulfillment of the powers of a member in the collegial executive body – the Company's Management Board.

The remuneration of members of the Company's Management Board depends on the results of the KPIs implementation approved by the Company's General Director for the reporting periods – quarter and year. If the General Director of the Company determined the conditions (strategic priorities) identified by the results of the year, additional premiums might be paid to members of the Management Board by the decision of the General Director. For the achievement of a high KPI value determined by the General Director of the Company as a priority, members of the Management Board may be paid a special award by the decision of the General Director of the Company in the reporting year.

Members of the Management Board, by the Regulation of the procedure for the provision of compensation for the costs of renting (sub-leasing) residential premises, approved by Order of the Company dated 25.09.2017, No. 1051, the prices for renting residential premises are compensated.

The total amount of remuneration paid to members of the executive bodies of the Company for 2018 amounted to 67,063 thousand rubles, including:

NAME OF AN INDICATOR	2018
Remuneration for participation in the work of the governing body	1,401
Wages	31,404
Cash bonuses	32,281
Commission	0
Benefits	0
Other types of rewards	1,977
IN TOTAL	67,063

The total amount of compensation paid to members of the executive bodies of the Company for 2018 amounted to 684 thousand rubles.

Remuneration of General Director

Issues related to the payment of remuneration to the General Director are regulated by the Regulation on Material Incentives for the General Director of Kubanenergo PJSC, approved by the decision of the Board of Directors of the Company (minutes No. 114/2011 dated 22.07.2011), taking into account changes in accordance with decisions of the Company's Board of Directors (minutes dated 29.12.2012, No. 150/2012, 06.03.2015, No. 204/2015 and dated 21.07.2017, No. 281/2017). The Regulation is an integral part of the employment contract with the General Director and establishes the procedure for determining, approving and changing the salary, types of bonuses for the General Director, as well as the method for paying the official payroll and bonuses.

Bonuses for the Company's General Director depend on the results of the implementation of KPI, approved by the Board of Directors, for the reporting periods – quarter and year. If the Company's Board of Directors determines the conditions (strategic priorities) identified by the results of the year, additional prizes may be paid to the General Director upon the decision of the Company's Board of Directors. For the achievement of a high KPI value, defined by the Board of Directors of the Company as a priority, the General Director may be paid an individual premium according to the Company's performance by the Board of Directors for the estimated year.

The Board of Directors of the Company has the right to award the General Director for performing particularly critical tasks (works), for which special requirements are set in terms of quality and time, responsibility and importance for the industry and the state.

The Company has no arrears in the payment of remuneration and reimbursement to members of the executive bodies.

REMUNERATION AND PAYMENT OF COMPENSATION TO THE MEMBERS OF THE AUDITING COMMISSION

In accordance with the current Regulation for the payment of remuneration and compensation¹ to the members of the Auditing Commission of Kubanenergo PJSC, approved by the Annual General Meeting of Shareholders (minutes No. 40, 28.05.2018, the remuneration to a member of the Audit Commission is paid based on the results of the corporate year and depends on its participation in the work of the Company's regulatory authority.

The remuneration of members of the Auditing Commission is calculated with the account for:

- the size of the basic amount of remuneration, which is set on the basis of the Company's revenue, calculated under RAS for the financial year;
- the personal commitment rate of a member of the Auditing Commission, which reflects member participation in meetings and verification activities of the Auditing Commission, as well as member additional duties as Chairman or secretary of the Auditing Commission.

Remuneration is not paid to a member of the Auditing Commission who participated in less than half of the meetings held during membership in the Auditing Commission.

Reimbursement of expenses to members of the Auditing Commission related to their participation in the events of the Auditing Commission is determined in the sum of actual costs based on the standards established by this Regulation.

The total amount of remuneration paid to the members of the Auditing Commission for participation in its work in 2018 amounted to 797 thousand rubles.

The expenses of the members of the Auditing Commission in the reporting year were not reimbursed by the Company.

The Company has no debts to pay remuneration and compensation to members of the Auditing Commission.

INFORMATION ON TRANSACTIONS COMPLETED BY KUBANENERGO PJSC IN 2018

Major transactions (including several interrelated transactions) related to the acquisition, alienation or possibility of alienation of the property by the Company directly or indirectly, which value is 25% or more than the book value of the Company's assets, determined according to its financial statements, were not performed by Kubanenergo PJSC in 2018.

In the reporting year, the Company entered into four transactions, which presents an interest (Chapter XI of the Federal Law dated December 26, 1995, No. 208-ФЗ "On Joint-Stock Companies"). For a report on interested-party transactions entered into by Kubanenergo PJSC in 2018, see Appendix No. 2.

1. Regulation for payment of remuneration and compensation to members of the Auditing Commission of Kubanenergo PJSC is published on the website www.kubanenergo.ru – section 'About Us/ Constituent and internal documents.

INFORMATION POLICY

Information policy of the Company is aimed at satisfaction of the needs of shareholders, representatives of the investment community, customers, contractors, organizations – regulators of relevant markets, state authorities, employees and other parties, interested in full, consistent and reliable information about the Company and its activities, as well as to ensure the possibility of free and easy access to this information.

Concepts of transparency (disclosure) of the Company information

CONCEPTS	IMPLEMENTATION OF THE CONCEPTS
Regularity, consistency, efficiency	<ul style="list-style-type: none"> Compliance with the requirements of the legislation of the Russian Federation, the needs of the regulators of the relevant markets, internal documents of the Company in terms of information disclosure; continuity of the process of disclosure; the minimum period of information disclosure; prompt provision of information on the Company's position regarding rumors or inaccurate data, forming a distorted view of the Company's evaluation and the value of its securities
Availability	The Company employs channels and ways of disseminating information about its activities available to the majority of stakeholders, providing free, easy and indiscriminate access to the information disclosed.
Completeness, accuracy and comparability	<p>The Company strives to:</p> <ul style="list-style-type: none"> provide stakeholders with complete, objective, false information, without avoiding the disclosure of negative information about the Company itself; disclose understandable and consistent information with comparable data; ensure the neutrality of the information disclosed (independence of the presentation of data from the interests of any persons or their groups)

In providing information, the Company strives to obtain a reasonable balance between the interests of shareholders and the interests of the Company, concerned in maintaining the confidentiality important business information, which could have a material impact on the Company competitiveness.

The Company maintains high standards of corporate social responsibility and maintains a continuous dialogue with target audiences to strengthen corporate reputation and increase the fair value of the business.

The Regulation on the Information Policy has been in effect in the Company since 2006.¹ The Regulation set forth the goals, objectives, principles, means, methods, procedures, and deadlines for disclosing information, and its catalog.

In addition to the information subject to mandatory disclosure, the Company discloses detailed information about its activities, securities, and shareholders, management and control bodies, material transactions, its subsidiaries and affiliates.

Kubanenergo PJSC discloses information in Russian and English in all cases when it is permitted by the applicable legislation of Russian Federation and does not contradict the essence of information disclosure in the particular case (interviews, public statements under conditions not allowing simultaneous translation, etc.). The Company tends to synchronize information disclosure in the Russian and English languages.

Information about the Company is disclosed generally by placing it on the corporate website, in the news feed of the authorized information agency "Interfax," publications in print and electronic media, through meetings, interviews, briefings with shareholders and other interested parties, etc.

The General Director of the Company provides the implementation of the information policy.

Monitoring over the implementation of the Information Policy Regulation is exercised by the Board of Directors, by the annual reviewing the report of the General Director of the Company on compliance with the information policy.

Annual reports of the Company for 2015 and 2016 were included in the short-lists of the XIX and XX annual competitions of annual reports organized by Moscow Exchange PJSC and the RZB media group in the nomination " **Best Annual Report of a Company with a Capitalization of up to 40 Billion rubles .** "

The completeness of the information disclosed by the Company, according to research conducted by the Russian Regional Network, on integrated reporting corresponds to the third level of transparency – " **Disclosure of information over the Russian legal requirements.** "

The position of Kubanenergo PJSC in the corporate transparency rating of the largest Russian companies:

YEAR OF RESEARCH	THE NUMBER OF POINTS ASSIGNED TO THE REPORTING OF KUBANENERGO PJSC	COMPANY'S POSITION IN THE CORPORATE TRANSPARENCY RATING
2016	15.25 out of 100	69
2017	17 out of 100	55
2018	19.4 out of 100	57

1. Regulation on the Information Policy of the Company is published on the website www.kubanenergo.ru – section 'About Us /Constituent and internal documents.'

INTERNAL CONTROL SYSTEM

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Internal control system

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Internal audit

INTERNAL CONTROL SYSTEM

The Company's internal control system (further referred to as ICS) is integrated into the general management system of the Company, aimed at providing reasonable guarantees for achieving the goals in the following areas:

- the efficiency and effectiveness of the Company's activities, including the achievement of financial and operational indicators, the safety of the Company's assets;
- compliance with requirements of the legislation of the Russian Federation, applicable to the Company, and local regulatory acts of the Company, including in making economic activities and accounting;
- ensuring the reliability and timeliness of accounting (financial) and other statements.

The ICS is risk-oriented; therefore, control procedures are risk-based and established in a way to provide reasonable assurance that the response to an emerging risk occurs efficiently and on time. ICS covers all areas of the Company's activities; control procedures are performed continuously in all processes (operations) of the Company at all levels of management by the model with three lines of protection:

- at the level of management bodies (the sole and collegial executive bodies), units and subdivisions of the Company performing control procedures by their functions and official duties – the first line of protection;
- at the level of control subdivisions of the Company – the second line of protection;
- at the level of the internal audit subdivisions, the third line of protection.

The functions of the ICS participants are given in Appendix No. 5 to the annual report, assigned and described in the following documents:

- Charter of the Company
- Regulation for the Audit Committee of the Board of Directors ПАО «Кубаньэнерго»,

- The Company's internal control policy,
- The methodology for evaluating the effectiveness of the internal control system and risk management system of the Rosseti Group of Companies,
- distribution of responsibilities between the deputies of the General Director and other managers subordinate to the General Director of Company,
- Regulation for the procedure for requirements to the Internal Control Policy,
- The Regulation for the functioning of specialized internal control bodies, and the structural branches of Kubanenergo PJSC,
- Order of operation of the internal control system of Kubanenergo PJSC for the targeted, useful and timely use of funds, received from the additional issue of shares to perform the development plan of the Company,
- Methods of self-assessment of the effectiveness of control procedures and the system of compliance control processes (activities),
- process control matrices (activities),
- the Regulations of subdivisions and job descriptions of employees.

ICS PARTICIPANTS



To guarantee the implementation and maintenance of a practical ICS, conforming to generally accepted practices and standards of activity in the area of internal control, as well as regulatory requirements and contributing to the achievement of the Company's objectives, by decision of the Board of Directors dated 17.03.2016, the Internal Control Policy of Kubanenergo PJSC was approved in the new edition (minutes No. 233/2016). The Internal Control Policy defines the objectives, principles of operation, and elements of the Company's ICS, the primary duties and responsibilities of its participants, as well as the procedure for evaluating effectiveness.

The Company operates the Regulation for the implementation of requirements to the compliance control policies, revealing the aspects of application of standards, outlined in the Internal Control Policy.

The control procedures for the processes and subprocesses of the primary and supporting activities, as well as the Company's management processes, are documented in the process [actions] control matrices.

The action plan for development and improvement of the internal control and risk management systems of Kubanenergo PJSC for 2016–2018, approved by a decision of the Board of Directors (minutes No. 256/2016, dated 02.12.2016), was fulfilled in 2018, which led to increase the level of ICS maturity.



To guarantee the valid ICS that meets the objectively changing requirements and conditions, the internal auditor of the Company conducts an independent internal assessment of ICS effectiveness and its compliance with the target state and level of maturity. According to this assessment, the level of maturity of ICS according to the results of 2018 is "optimal" (by the results of 2017, ICS maturity level was rated as "intermediate" between "moderate" and "optimal").

An independent external assessment of ICS conducted by a consortium of performers as a part of the appraisal and consulting services of Ernst & Young LLC together with "RSM RUS" LLC, resulted in recognition of the Company's ICS as of March 31, 2019, as effective. Providing for the recommendations issued in the second half of 2019, the Company will develop a plan to maintain the effectiveness of the ICS.

The results of the internal and external evaluation of ICS efficiency. The Board of Directors plans to review it in 2019.

In the reporting year, the Company has brought into action the following key activities to assure the improvement of ICS:

- improvement of regulatory and methodological support of ICS:
 - / The following have been approved in a new edition: The Charter, the Regulations for the Board of Directors and the Management Board of the Company, the accounting procedure for inspections of Kubanenergo PJSC carried out by external control (supervision) bodies,
 - / also, there were approved: Methods of self-assessment of the effectiveness of control procedures and system of internal control processes (activities), Guidelines for an integrated management system, Regulation for the rotation policy of the external auditor of the Company, and were updated: Protocol for interaction of the internal audit subdivisions with the structural branches of Kubanenergo PJSC during inspections and monitoring the implementation of corrective action plans, control matrices for 27 processes (areas of operation);
- integrated development of ICS:
 - / there was executed the Operating Plan for development and improvement of ICS and SRM (System of Risk Management) of the Company for 2016–2018,
 - / A set of measures was performed to develop and improve the Company's management system,
 - / the plans for 2018 were executed by the specialized internal control bodies (second-line protection subdivisions) in full, and the action plans for 2019 were elaborated in terms of planning for the specialized functions assigned to them;
 - / arrangements for updating the distribution of responsibilities between top managers and managers subordinate to the General Director of the Company;
- measures aimed at improving the processes (activities) of the Company:
 - / Corrective action plans were performed to improve the processes (activities),
 - / the Directorate for Internal Control and Risk Management has monitored the execution of the Company's development plan report, audited the

management system, provided self-assessment of the effectiveness of control procedures by process owners, gave appraisal to the design and operational efficiency of the Company's process control matrices, carried out measures to evaluate the draft internal documents of the Company in terms of the effectiveness of control procedures, made recommendations to improve control procedures in areas of receivables management, procurement, the functioning of commissions/headquarters, the consolidation of the Company's assets, the inventory of assets and in other areas,

- / the permanent working group for control of the write-off of the unaccounted electricity consumption acts of Kubanenergo PJSC was established to improve the efficiency of work with acts of unaccounted electricity consumption and to protect the Company's interests in judicial and other instances.

The Company plans to hold the following key events as a part of the fulfillment of the internal control functions in ICS in 2019:

- the introduction of recommendations received from the results of external independent evaluation of ICS effectiveness;
- improvement of the control environment, including through the advancement of control procedures in the Company's processes;
- the accomplishment of internal control mechanisms, including through the development, adjustment, and coordination of internal local documents of the Company;
- delivery of control procedures in the processes of the commissions and working groups of the Company;
- realization of the Comprehensive Security Policy of the Company and the Company's anti-corruption program for 2018, as well as other policies of the Company;
- monitoring of the corrective action plans based on the results of internal and external audits of the Company.

INTERNAL AUDIT

The purpose of internal audit is to assist the Board of Directors and the executive bodies of the Company in increasing the efficiency of the Company's management, improving its financial and business activities, including through a systematic and consistent approach to the analysis and evaluation of risk management systems, internal control and corporate governance as instruments for ensuring reasonable confidence in reaching goals set by the Company. The Internal Audit Department is a subdivision, responsible for performing the internal audit function in the Company.

Internal audit is functionally accountable to the Board of Directors of the Company, which means that the Board of Directors controls and arranges the activities of the internal audit subdivision, including [subclause 60, clause 15.1, article 15 of the Charter]:

- approval of plan and report for the plan realization,
- approval of budget
- approval of decisions on the appointment, dismissal of an executive person, and defining his/her remuneration.

The goals and objectives, functions, basic principles of organization and functioning, the powers of internal audit are determined by the Internal Audit Policy of Kubanenergo PJSC, approved in a new edition by the decision of the Board of Directors dated 17.03.2016 (minutes No. 233/2016).

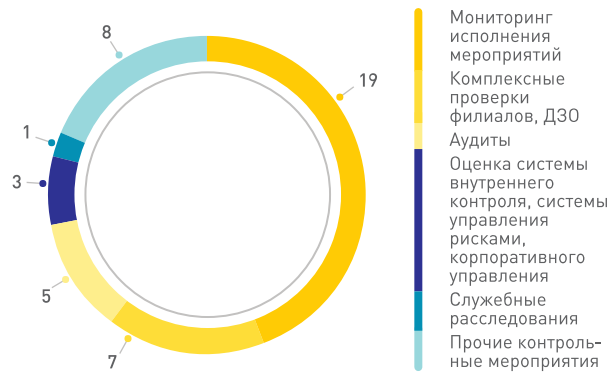
The functions of internal audit are also regulated by the following documents:

- The Code of Ethics for Internal Auditors of the Rosseti Group of Companies, approved by the decision of the Company's Board of Directors, minutes No. 233/2016, dated 18.03.2016;
- Regulation for the Internal Audit Department, approved by the decision of the Board of Directors of the Company, minutes No. 251/2016, dated 23.09.2016;
- Guidelines for internal audits and the Glossary of Internal Audit of Kubanenergo PJSC;
- Protocol for interaction of the internal audit department with structural subdivisions of Kubanenergo PJSC during inspections and monitoring the implementation of corrective action plans;
- Guidelines for monitoring the implementation of corrective action plans to eliminate violations and deficiencies identified by the results of internal audits of Kubanenergo PJSC;
- Methods for efficiency evaluation of the internal control system and the risk management system of the Rosseti Group of Companies;
- Planning Instructions for the Internal Audit Department of Kubanenergo PJSC;
- Guidelines for the preparation of reports for the accomplishment of the work plan and the results of the internal audit of Kubanenergo PJSC;
- Instructions for the compilation and use of the Uniform Classifier of Violations and Defects of Kubanenergo PJSC;
- The Program for the Guarantee and Improvement of the Quality of Internal Audit, approved by the decision of the

Company's Board of Directors, Minutes No. 257/2016, dated 06.12.2016.

In 2018, the number of the Company's employees performing the duties of internal audit was five.

In the reporting year, the internal audit department conducted 43 monitoring events, including:



245 corrective measures aimed at eliminating and preventing further identified violations and shortcomings were appointed for execution following the results of control measures carried out by an internal audit in 2018.

Of the 227 events that were completed in the reporting year, all were performed, 18 activities are being implemented with deadlines in 2019.

Corrective actions performed in 2018



The accomplishment of corrective actions is monitored by the Audit Committee of the Board of Directors, periodically reviewing reports of the Company's management on the implementation of corrective action plans to remedy deficiencies identified by the Company's Auditing Commission, the Company's internal auditor, and external control bodies.

Receiving feedback from the Audit Committee is carried out by the internal audit manager in various forms during the interaction with the Audit Committee, including analyzing the decisions/recommendations of the Audit Committee on issues related to the competence of internal audit, as well as through questioning the members of the Audit Committee.

Evaluation of internal audit by members of the Audit Committee of the Board of Directors of the Company, conducted under the Program for the Guarantee and Improvement of the Quality of Internal Audit of Kubanenergo PJSC, has identified the "admissible" level at the end of 2018.

As a part of the guarantee program and improving the quality of the internal audit, an Operating Plan has been developed and is being implemented to develop and enhance the Company's internal audit procedures for 2017–2019. Of the 24 planned activities of this plan in 2018, 23 were completed on time, one planned activity relates to a later date of execution and is underway.



SHARES AND DIVIDENDS



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151	Issuance of additional shares of the Company
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155	The history of dividend payments of Kubanenergo PJSC

SHARES OF KUBANENERGO PJSC

	AT THE BEGINNING OF 2018	AT THE END OF 2018
Class, category, type, a form of issue of securities	Ordinary, registered, uncertified shares	
The nominal value of each security	100 rub.	
Authorized capital	28,286,813,000 rubles	30,379,335,000 rubles
Number of securities in circulation	303,793,350 pieces, including 20,925,220 shares of additional issue	
State registration number of the issue 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 12.15.2016 (additional issue of shares)	
Presence/absence of a special right for the participation of the Russian Federation in the management of the Company ("golden share")	There is no special right for the participation of the Russian Federation in the management of the Company (the "golden share")	
Availability of authorized shares, which the Company is entitled to place in addition to the shares placed	194,439,107 pcs. of ordinary shares with the total nominal value of 19,443,900,000 rubles.	173,513,887 pcs. ordinary shares with a total nominal value of 17,351,400,000 rubles.

The Company's preferred shares were not issued.

There are no own shares on the balance of the Company; they were not planned for acquisition.

Subsidiaries and affiliates do not own shares of Kubanenergo PJSC.

By the Charter of Kubanenergo PJSC, each ordinary registered share of the Company provides the shareholder – its owner with the same amount of rights. The rights of shareholders are given in the Charter of the Company.



ISSUANCE OF ADDITIONAL SHARES OF THE COMPANY

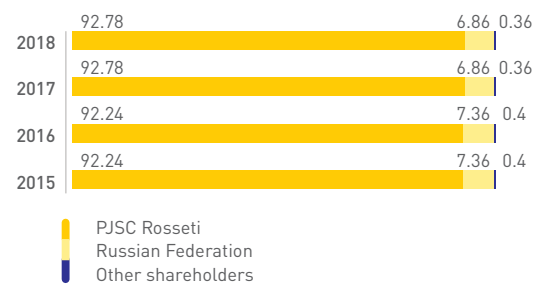
The placement of additional ordinary shares of Kubanenergo PJSC, the issue of which is registered by the Bank of Russia on 15.12.2016, was completed in the reporting year.

Information on additional issue of securities

EMISSION TARGETS	ATTRACTING INVESTMENT, IMPROVING THE FINANCIAL SUSTAINABILITY OF KUBANENERGO PJSC
Share price	100 rubles per share
Form of payment for shares	Cash
The period of the actual placement of shares	From 18.01.2017 to 20.10.2017
Number of shares actually placed	20,925,220 pcs.
Information on approval of the notice on the results of the additional share issue by the Board of Directors of Kubanenergo PJSC	The decision of 20.04.2018, minutes No. 307/2018
Date of receipt of the notification on the results of the additional issue of shares by the Bank of Russia	04.05.2018
Date of extract from the register of issuable securities of Kubanenergo PJSC compiled by the Bank of Russia and containing information on the outstanding shares of the additional issue	11.05.2018
Date of state registration of changes to the Company's Charter related to the increase in share capital	10.10.2018
Information on the issue of additional shares of Kubanenergo PJSC on the Company's website	Home/ For Shareholders and Investors/ Information disclosure / Information disclosure at the stages of the securities issue procedure/ Issue of shares of Kubanenergo PJSC of an additional series (with state registration number 1-02-00063-A of 15.12.2016)

SHARE CAPITAL STRUCTURE

Share capital structure, %



Changes in the share capital structure of the Company in the reporting year were insignificant (up to 1%).

Statistical information about shareholders of Kubanenergo PJSC as of December 31, 2018

SEQ NO.	REGISTERED PERSONS	NUMBER OF PERSONS	NUMBER OF SHARES	SHARE OF THE NUMBER OF SHARES PLACED, %
1	Account of unidentified persons		3,324	0.0011
2	Natural persons	1,773	339,071	0.1116
	including non-residents	2	485	0.0002
3	Legal entities, including nominees (total)	19	303,447,459	99.8861
	including owners (nominee holders) of more than 5% of shares	2	302,674,742	99.6318
	including non-residents	1	325	0.0001
4	Trust managers	0	0	0
5	Shares in common ownership	14	6,820	0.0022
Registry total:		1,806	303,793,350	100

SHARE MARKET AND CAPITALIZATION OF KUBANENERGO PJSC

In 2018, shares of Kubanenergo PJSC were circulated on the Moscow Stock Exchange with inclusion in the third level; the ticker is – KUBE, ISIN code: RU0009046767.

INFORMATION ON CURRENT QUOTES AND TRANSACTION PRICES IS AVAILABLE IN RUSSIAN AND ENGLISH:

- [HTTP://MOEX.COM](http://MOEX.COM);
- [HTTP://KUBANENERGO.RU](http://KUBANENERGO.RU).

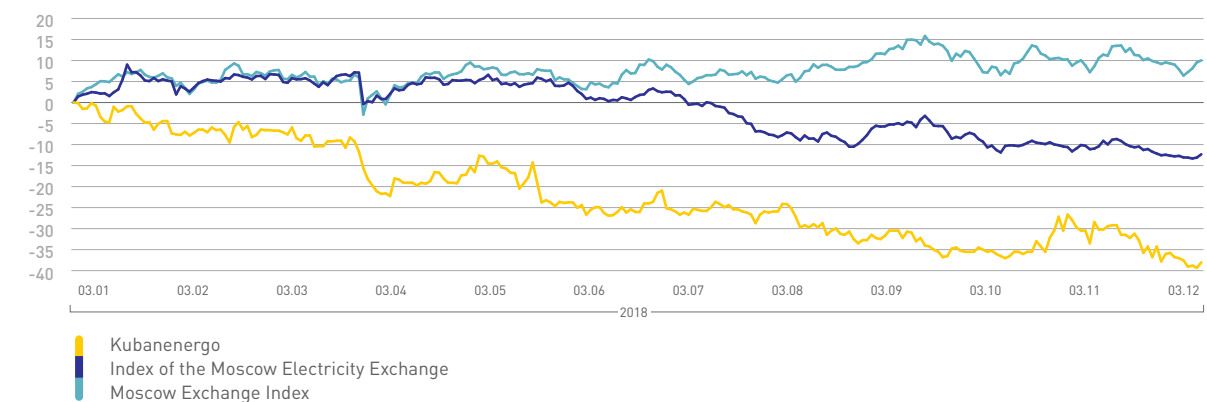
The maximum level of capitalization in 2018 amounted to 24.5 billion rubles, the minimum level – 14.1 billion rubles. The market value of one share for the reporting year decreased by 38% against the background of a decrease in the MosBirzy index by 10% and the Moscow Electricity Exchange index of the electric power industry by 12%.

The trading volume of the Company's shares on the Moscow Stock Exchange in 2018 amounted to 11.9 million rubles/ 0.2 million pcs.

Low trading activity in 2018 due to the small number of shares in free circulation.

The market capitalization of the Company at the beginning of 2018 was 23.97 billion rubles, at the end of the year – 14.83 billion rubles

Dynamics of share price of Kubanenergo PJSC



The price dynamics of one share of Kubanenergo PJSC in 2018

WEIGHTED AVERAGE PRICE (BEGINNING OF PERIOD)	MINIMUM PRICE	MAXIMUM PRICE	WEIGHTED AVERAGE PRICE (END OF PERIOD)	RELATIVE INCREASE FOR THE PERIOD, %
78.9	46.4	80.5	48.8	-38

Quotes and trading volumes

INDICATOR	2016	2017	2018	2018/2017 (RELATIVE INCREASE,%)
Weighted average end price	87.3	78.3	48.8	-38
Trading volume, pcs.	1,675,440	979,750	197,260	-79.9
Trading volume, rub.	124,397,570	85,314,890	11,862,165	-86.1

PROFIT DISTRIBUTION AND DIVIDEND POLICY

The Dividend Policy of the Company – it is a set of principles and methods used by the Company, to define the proportions between the capitalized part of the Company's profits and the part of the profits paid in the form of dividends. Also, it is a system of relations and principles for determining the procedure and terms for paying dividends, for establishing the Company's responsibility for the obligation to pay dividends.

The Dividend Policy of the Company is based on strict observance of the rights of shareholders stipulated by the current legislation of the Russian Federation, the Company's Charter and internal documents of the Company. The Dividend Policy of the Company is aimed at increasing the investment attractiveness of the Company and increasing its market capitalization. The policy is based on the balance of interests of the Company and its shareholders.

The Dividend Policy of the Company is determined by the Regulation on the Dividend Policy, approved by the decision of the Company's Board of Directors dated January 31, 2018 (minutes dated 01.02.2018, No. 297/2018) and posted on the Company's corporate website www.kubanenergo.ru – in the section "About Us/ Constituent and internal documents".

The main principles of a Dividend Policy of the Company:

- compliance of the practice of accrual and payment of dividends, adopted in the Company, with the legislation of the

Profit distribution for 2015–2018¹, thousand rubles

	FOR 2015 (ANNUAL GENERAL MEETING OF SHAREHOLDERS 2016)	FOR 2016 (ANNUAL GENERAL MEETING OF SHAREHOLDERS 2017)	FOR 2017 (ANNUAL GENERAL MEETING OF SHAREHOLDERS 2018)
Retained earnings (loss) of the reporting period, including:	1,452,479	2,140,500	525,276
Reserve fund	72,624	107,025	26,264
Profit for development	–	1,498,350	177,442
Dividends	1,144,797	535,125	321,570
Repayment of losses of past years	235,058	–	0

1. The same.

Russian Federation and corporate management standards [decree of the Government of the Russian Federation of 29.05.2017, No. 1094-p];

- optimal combination of interests of the Company and shareholders;
- determining the amount of dividends in the amount of not less than 50% of the net profit determined according to the financial statements, including consolidated, compiled in accordance with International Financial Reporting Standards and calculated in accordance with the procedure established by the Regulation on Dividend Policy;
- ensuring the possibility of dividend payments with a quarterly frequency when the relevant criteria are met;
- provision of the maximum transparency (clarity) of the mechanism for determining the amount and the procedure for payment of dividends;
- obtaining the positive dynamics of dividend payments, subject to the growth of the Company's net profit;
- availability of information for shareholders and other interested parties on the Company's Dividend Policy;
- the need to maintain the required level of the financial and technical status of the Company (implementation of the investment program), ensuring the Company's development prospects.

THE HISTORY OF DIVIDEND PAYMENTS OF KUBANENERGO PJSC

DIVIDEND PERIOD, YEAR	DATE AND NUMBER OF THE MINUTES OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF KUBANENERGO PJSC, ON WHICH SHAREHOLDERS HAVE DECIDED TO PAY DIVIDENDS	DATE OF COMPILING THE LIST OF PERSONS ENTITLED TO RECEIVE DIVIDENDS FOR THIS DIVIDEND PERIOD	AMOUNT OF DECLARED (ACCRUED) DIVIDENDS ON SHARES OF THIS CATEGORY (TYPE) PER ONE SHARE, RUBLES.	THE TOTAL AMOUNT OF DECLARED (ACCRUED) DIVIDENDS ON ALL SHARES OF THIS CATEGORY (TYPE), RUBLES.	TOTAL AMOUNT OF DIVIDENDS PAID ON ALL SHARES OF THE COMPANY OF ONE CATEGORY (TYPE), RUBLES.	THE PERIOD ALLOTTED FOR THE PAYMENT OF DECLARED DIVIDENDS ON THE COMPANY'S SHARES	FORM AND OTHER TERMS OF PAYMENT OF DECLARED DIVIDENDS ON THE COMPANY'S SHARES	REASONS FOR NON-PAYMENT OF DECLARED DIVIDENDS
2005	From 11.06.2006, No. 18	12.04.2006	4.476917	80,000,000	79,662,676.97	60 days	Cash	Failure of persons registered in the shareholder register to submit the information about changes in their personal data
2006	From 05.06.2007, No. 20	26.04.2007	1.253593	22,401,000	22,303,192.20			
2007	From 06.06.2008, No. 23	17.04.2008	1.678844	30,000,000	29,873,068.07	15 days		
2015	From 27.06.2016, No. 37	13.07.2016	4.047105	1,144,797,000	1,144,268,308.93	Ten and 25 business days ¹		
2016	From 29.06.2017, No. 39	27.06.2017	1.762658567	535,125,135	534,868,722.83	Ten and 25 business days ²		
2017	From 25.05.2018, No. 40	05.06.2018	1.0585165	321,570,274	321,436,132.35	Ten and 25 business days ³		

Following the results of the 2008–2014 financial year, the General Meeting of Shareholders of the Company made decisions not to pay dividends.

1. The same.

2. At the conclusion of the transaction, VAT was provided at a rate of 18%; in the fourth quarter of the reporting year, the parties entered into an additional agreement to change the VAT rate by 20%.

3. The same.

SUSTAINABLE DEVELOPMENT

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HR POLICY

The key objectives of the Company's personnel and social policy (hereinafter referred to as the Policy), designed to achieve the targets of the Strategy for the Development of the Electric Grid Complex of the Russian Federation, are:

- planning the need for personnel – with the availability of reliable information on the operational and forecast numerical and qualitative demand for labor resources, necessary and sufficient to fulfill the tasks set before the Company;
- timely meeting the needs of the Company in the staff of the required qualifications;
- ensuring the effectiveness of personnel activities, growth of labor productivity in the Company.

These key objectives of personnel and social policy are achieved through the implementation of a range of measures in various areas of activity and by achievement of established targets:

- in the field of organizational design;
- in staff assistance and staff development;
- in personnel performance management (staff motivation);
- in the field of social benefits and guarantees;
- in the area of personnel safety and work culture.

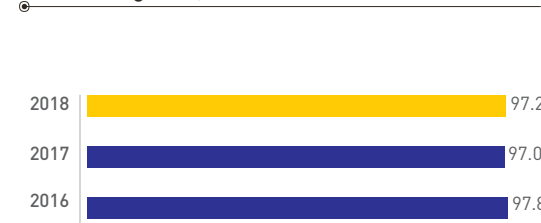
THE NUMBER AND STRUCTURE OF STAFF

The average number of employees of Kubanenergo PJSC in 2018 was 8,611 people, which is 1.4% more than in 2017. The increase in the average number of personnel due to the admission of operational personnel in the areas of electrical networks.

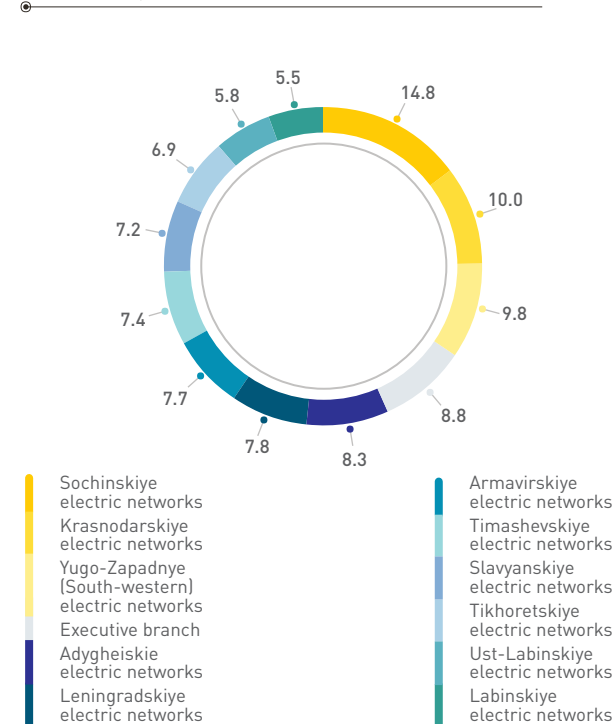
The average number of staff in the dynamics for 2016-2018, people



Staffing level, %



Distribution of staff by branches of the Company in 2018, %



The staffing of Kubanenergo PJSC over the past three years has been maintained at a reasonably high level, equal to or more than 97%.

Despite the decline in the share of working pensioners (-0.3 pp), the average age of workers in 2018 compared with 2017 increased and consisted 44 years (in 2017 – 42 years), which is mainly subject to growth of the proportion of workers up to 25 years (+0.1 pp) and the percentage of workers from 25 to 50 years (+0.2 pp) over the past three years.

The Company's staff is characterized by a sufficiently high level of employees experience – 84.9% of employees have vocational education. This indicator increased by 0.4 pp over the past three years.

STAFF TRAINING AND DEVELOPMENT

The gradual introduction of professional standards into the Company's activities is carried out by order of PJSC Rosseti No. 588 dated 30.12.2016 "Concerning the Implementation of Professional Standards in the Activities of the Rosseti Group Companies in Kubanenergo PJSC".

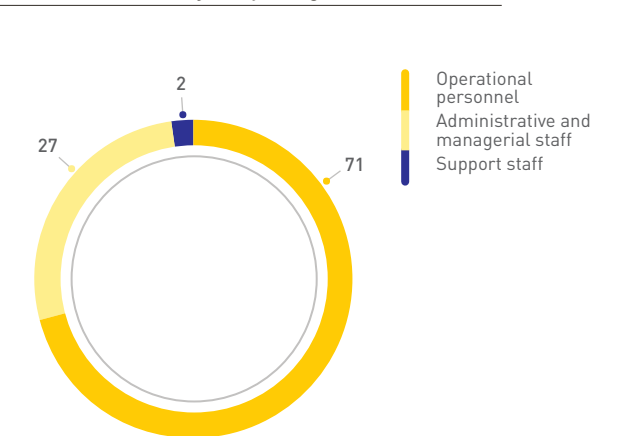
The analysis of documents defining the functional structure of Kubanenergo PJSC was carried out for compliance with professional standards in terms of duties, assigned to employees, and qualification requirements. Evaluation of the Company's staff and teaching staff of the Company corporate training center – VEI "Energy Institute for Advanced Studies" of Kubanenergo PJSC (further referred to as the Corporate Training Center) was conducted to identify compliance with professional standards in terms of education, qualifications, experience and special conditions for permit-to-work. For 2019, it is planned to train workers who have inconsistencies in education or special conditions of work permit.

Training refers to one of the priorities of the Company's personnel and social policy, and is governed by the Rules for working with personnel in the organizations of the electric power industry of the Russian Federation, approved by order of the Ministry of Fuel and Energy of Russia dated 19.02.2000, No. 49, Procedure for working with personnel of Kubanenergo PJSC, approved by the order dated 25.09.2017, No. 1048, as well as instructions and recommendations of supervisory authorities.

In the reporting year, the share of employees who took part in training activities with job separation to the average number of personnel is 86.14% (7418 people), which corresponds to the key indicator of the Company's staff and social policy (30%) and by 15 percentage point (1375 people) higher than in 2017.

THE LARGEST SHARE OF THE TRAINED STAFF IS TAKEN BY THE OPERATIONAL PERSONNEL – 71% (5257 PEOPLE). IN 2017 THIS INDICATOR WAS ABOUT 85%.

The structure of staff, participated in training activities off-the-job, by categories, %



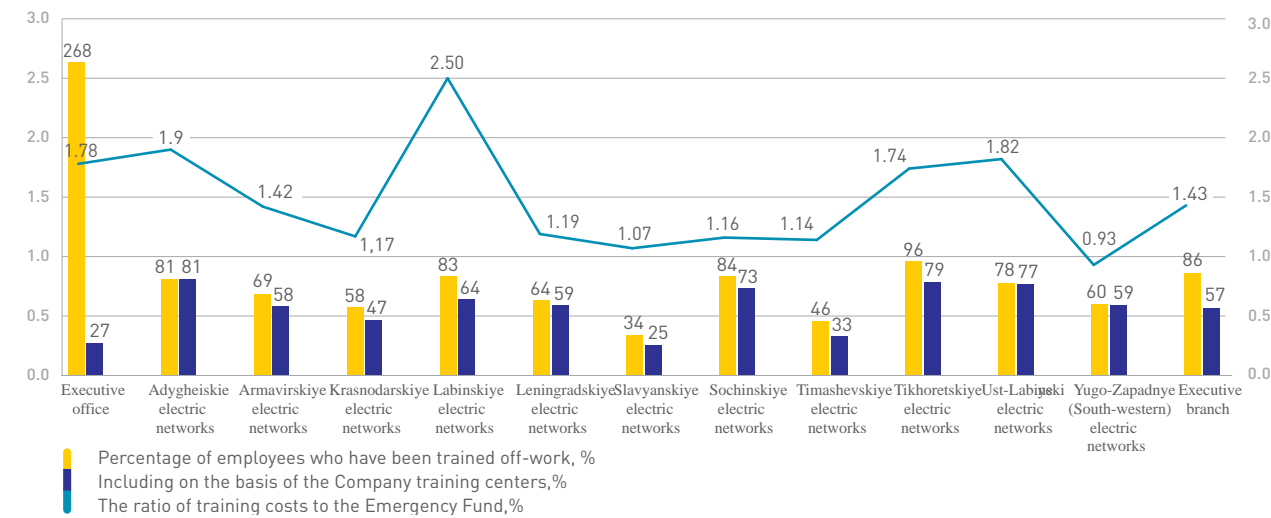
On the basis of the Corporate Training Center, 4918 people received vocational training, retraining and advanced training in 2018, which is 66% of the number trained in the reporting year, and that is 19.9 percentage point less than in 2017 (in 2017, 5193 people were trained at the Corporate Training Center, 85.9% of trained staff).

The main share of trained staff based on the Corporate Training Center is also made up of production personnel – 90% (4437 people).

The actual costs of staff training amounted to 72,091 thousand rubles, of which 49,999 thousand rubles (69.3%) – for the training of personnel on the basis of the Corporate Training Center. In 2017, 61,221 thousand rubles was directed to staff training, 49,632 thousand rubles (81.1%) of them – for training in the Corporate Training Center. The ratio of the share of training costs in the Corporate Training Center and third-party organizations is due to the requirement of Rostekhnadzor to train workers in specialized training centers, as well as the established pricing policy of training organizations.

The ratio of the actual costs of staff training to the wage fund in 2018 was, as in 2017, 1.4%, which corresponds to the key indicator stipulated by the Company's personnel and social policy.

The share of Kubanenergo PJSC employees who took part in training activities with on-the-job training and the ratio of costs for preparing the wage fund in the reporting year, %



Key providers of educational services, in addition to the Corporate Training Center, are the following:

FSBEI of HPE "Russian Economic University. G.V. Plekhanov, in which employees of tariff formation subdivisions undergo advanced training regularly under specialized programs in the field of tariff regulation, elaborated with the participation of the FAS of Russia;

FSAEI FVE "St. Petersburg Energy Institute for Advanced Studies" of the Ministry of Energy of Russia. The main task of the institute and its branches is to improve the skills and professional retraining of management and specialists of the fuel and energy complex and industrial enterprises in the field of electric power industry;

Autonomous non-profit organization Further Vocational Education "St. Petersburg Academy of Security", which organized training activities for advanced training programs "Actual problems of preventing and combating corruption in the power grid complex" with employees of subsidiaries and dependent companies of PJSC Rosseti, responsible for the direct organization of preventative measures and prevention of corruption.

PERSONNEL RESERVE

Formation and development of employee pool are one of the priorities of Kubanenergo PJSC in the field of personnel policy.

The formation and development of a managerial personnel reserve and a personnel reserve of young specialists is carried out continuously on the basis to ensure the timely needs of the Company with qualified and efficient managers. And also to create conditions for the complete disclosure of the labor potential in Kubanenergo PJSC.

The managerial personnel reserve was formed in order to ensure prompt and high-quality provision of the Company's needs for employees who are trained for work in managerial positions:

- top managers,
- middle managers,
- managers and chief engineers of power distribution zone.

The Company pays special attention to the formation of a personnel reserve for the positions of heads of engineering and technical subdivisions.

The main criteria for the inclusion of workers in the management personnel reserve are:

- high professional qualifications;
- high results of production operations;
- experience in certain positions;
- availability of personal and business potential necessary for professional development and career growth.

In 2018, the management personnel reserve included 430 of the most promising employees of the Company. The provision of management positions with the personnel reserve at the end of the reporting period amounted to 59.3%.

The youth personnel reserve is formed from the number of young specialists under 35 years old who have a high development potential, are motivated for professional development and career growth in the Company.

The composition of the youth personnel reserve is updated annually, additional recruitment among young specialists of the Company is carried out to replace reservists appointed to higher positions and retired from the personnel reserve.

At the end of the reporting year, the number of the Company's youth personnel reserve is 148 people.

Target positions are defined for each reservist and mentors are assigned from among the highly qualified managers and specialists of the Company in the relevant area of activity.

Employees in the management and youth personnel reserves of the Company regularly take part in training programs, industry-wide All-Russian and regional conferences, which allow them to familiarize themselves with the advanced experience of power grid companies, learn new technologies, and master more efficient working methods.

303 reservists were trained in the areas of the Company's activities in 2018, as a part of staff development of the Company.

Of the 265 appointments to senior positions made in 2018 in the branches and the executive office of the Company, 152 positions (57%) are staffed with internal candidates, 14 of them from the management and youth personnel reserves – 14 employees (5%).

SOCIAL RESPONSIBILITY

Creating comfortable conditions for work and rest of employees, improving their social security, improving labor and social relations in the team are the main principles of the social policy of Kubanenergo PJSC.

Kubanenergo PJSC pays special attention to the social support of the Company's employees at forming the motivation of employees and increasing their commitment in their production operations. Social benefits and guarantees existing in the Company, social programs and employee assistance programs allow attracting and retaining the most valuable personnel, strengthening the loyalty of employees to the Company, and contributing to the achievement of its goals.

Demanding the greatest return and increase in the efficiency of each employee's work, the Company recognizes the need to provide employees with additional social benefits and guarantees, financed from the Company's profits, established by law.

Social package for Company employees, members of their families and retirees in 2016–2018

SOCIAL ACTIVITIES	2016	2017	2018
Financial assistance to employees and retirees, thousand rubles	22,074.89	24,030.57	25,185.02
Sanatorium-resort treatment and rehabilitation of workers and their children, thousand rubles	14,372.0	13,986.12	14,195.56
Partial or full compensation of the confirmed expenses of employees	604.32	594.91	760.73
Voluntary medical insurance, the number of insured persons / insurance premium, thousand rubles.	8,831 / 11,682.10	8,928 / 21,603.57	9,035 / 22,148.40
Accident insurance, the number of insured persons / insurance premium, thousand rubles.	8,765 / 1,093.85	8,834 / 2,550.92	8,936 / 2,550.92

As a part of the social package, the Company's employees are provided with material assistance in connection with the birth of a child, marriage registration, burial of close relatives, retirement, material assistance in emergency cases, material assistance to large families, material assistance in the event of the death of an employee, compensation is paid for the maintenance of children in preschool institutions, other payments are also made as stipulated in the collective agreement.

As a part of the social package, material assistance is provided to the Company's employees in connection with the birth of a child, marriage registration, burial of close relatives, retirement, material assistance in emergency cases, material assistance to large families, material assistance in the event of employee death, compensation is paid for the maintenance of children in preschool institutions, other payments are also made as stipulated in the collective agreement. During the reporting period, financial assistance was provided to 292 employees for a total amount of 6,617.3 thousand rubles.

Being a socially responsible Company, Kubanenergo PJSC takes care of veterans and pensioners of the Company. Non-working pensioners of Kubanenergo PJSC receive monthly financial assistance.

The industry tariff agreement in the electric power industry of the Russian Federation, the collective agreement, Internal Regulations, rules, and other local regulations form the basis of the social policy of Kubanenergo PJSC.

During the reporting period, more than 2.8 thousand veterans and pensioners of the Company received various benefits (financial assistance for Victory Day, financial assistance for the Energy Day, monthly financial assistance and financial assistance for applications, etc.) for a total of 8,019.82 thousand rubles.

An important direction in improving the efficiency of staff is the rehabilitation and rest of workers and their children.

In the reporting year, 757 vouchers were purchased for sanatorium treatment and recreation of employees and their family members, and 250 vouchers to children's health camps.

Kubanenergo PJSC provides its employees with high-quality and timely medical care through the conclusion of voluntary medical insurance contracts and 24-hour employee insurance against accidents. In accordance with the established standards, Kubanenergo PJSC insures 100% of the Company's employees under voluntary medical insurance and accident insurance contracts.

In order to improve the social security of employees and the development of non-financial incentives, Kubanenergo PJSC develops non-state pension programs.

Non-state pension provision is designed to ensure a decent level of welfare of workers at retirement age, to create conditions for the effective solution of personnel issues related to attracting, retaining and motivating staff.

In order to develop and maintain a healthy lifestyle, Kubanenergo PJSC conducts physical fitness and recreation activities and develops mass sports among its employees, providing them with access to sports infrastructure.

In the reporting period, the national teams of Kubanenergo PJSC took an active part in the world and all-Russian competitions, corporate competitions of the fuel and energy complex and in competitions among the teams of the Rosseti Group of Companies.

The 3rd Sochi corporate games were held in Sochi in February 2018, as a part of the sports program of the Russian Investment Forum, and the World Energy Games in September. The combined team of PJSC Rosseti, consisting exclusively of employees of Kubanenergo PJSC, won 33 medals, of which 15 were gold, 12 silver, and six bronze. The combined team of PJSC Rosseti became the first among all teams in terms of the number of gold medals and the overall medal standings. 35 athletes of the PJSC Rosseti national team took part in 12 sports events: mini-football, volleyball, basketball, swimming, darts, pull-ups, weight-lifting, push-ups, checkers, chess, backgammon, table tennis. In each of them, athletes of PJSC Rosseti won prizes, and some of them took several gold medals in various categories.

In April 2018 in Moscow, the team of Kubanenergo PJSC became the winner of the Rosseti Cup mini-football tournament among the teams of Rosseti Group of Companies. With the winning in the Rosseti Cup tournament, the Kubanenergo PJSC team won the right to represent the Rosseti Group of Companies at the Federal "Fuel and Energy Industry Cup" competitions at the Ministry of Energy of Russia.

In September 2018, in the city of Saratov, the team of Kubanenergo PJSC became the silver prize-winner of swimming competitions among the teams of the Rosseti Group of Companies.

Kubanenergo PJSC provides social support to veterans and non-working pensioners of the Company. In 2018, active work was carried out on interaction with the veteran community.

Historical memorial events "The Victory Banner Relay" and "St. George Ribbon" were held as a part of the celebration of the 73rd anniversary of the Victory in the Great Patriotic War in all 11 branches and the executive office of the Company.

Kubanenergo PJSC took part in the all-Russian action "Immortal Regiment". Honoring veterans and providing them with material support is an integral part of the Company's humanitarian activities.

Kubanenergo PJSC pays considerable attention to activities that unite and consolidate the Company's staff, thereby enhancing the internal corporate culture.

The following events were held in 2018:

- celebration of Defender of the Fatherland Day;
- Celebration of March 8;
- honoring the participants of the Great Patriotic War;
- celebration of Children's Day;
- holding a competition of children's creativity "Energy of talents";
- holding a competition of children's drawings "Russian Grids: children make a drawing!";
- holding Christmas party for the children of the Company's employees.

An employee of Kubanenergo PJSC took part in the finals of the competition, which was held as a part of the celebration of the fifth anniversary of PJSC Rosseti in April 2018 in Moscow and won the regional stage of the corporate vocal contest Energy.

To popularize the professions of the energy industry and to involve the children of Kubanenergo PJSC employees in the creative process, annual traditional contests "Rosseti: children make a drawing!" and "Energy of talents". In general, over 220 children took part in these contests in the Company, 180 of them were awarded with valuable prizes and gifts.

Particular attention is paid to the preparation and celebration of the professional holiday "Day of Energy".

In total, in 2018 more than 200 employees of the Company were awarded departmental awards of the Ministry of Energy of Russia, industry awards of the ERA of Russia Association, regional awards of the Krasnodar Territory Administration, the head of the Republic of Adygea and the State Council – Khase of the Republic of Adygea. For a significant contribution to the development of the electric grid complex and participation in ensuring reliable and uninterrupted operation, 1243 employees were awarded corporate awards, of which 106 – were awarded by PJSC Rosseti, 594 – were awarded by Kubanenergo PJSC, 543 – were awarded by Kubanenergo branches.

The social work of Kubanenergo PJSC is aimed at developing social partnership, increasing the social protection of employees and creates prospects for the development of the Company as a whole.

WINNERS OF THE WORLDSKILLS CHAMPIONSHIP

In Krasnodar on August 10, 2018, the Young Professionals of the Open Corporate Professional Excellence Championship of Rosseti PJSC were determined and awarded according to the WorldSkills methodology.



MOTION OF OUR CHAMPIONSHIP
 "RELIABLE PEOPLE WITH RELIABLE NETWORKS," AND THE PARTICIPANTS OF THE COMPETITION HAVE COMPLETELY JUSTIFIED THIS MOTION, SHOWING THEIR SKILLS. HERE THERE ARE WINNERS, AND NO LOSERS. EACH PARTICIPANT HAS ONCE AGAIN PROVED HIS HIGH PROFESSIONAL SKILLS AND ABILITIES AND TOOK OVER THE EXPERIENCE OF COLLEAGUES FROM OTHER REGIONS OF RUSSIA.

SERGEY PETROV

HEAD OF TECHNICAL SOLUTIONS OF PJSC ROSSETI, WORLDSKILLS CERTIFIED EXPERT СЕРТИФИЦИРОВАННЫЙ ЭКСПЕРТ WORLDSKILLS

For four days, the teams of power engineers of Kubanenergo PJSC, Tyumenenergo JSC, Udmurtenergoneft LLC, and FGC UES PJSC participated in competitions at the training area of the Energy Advanced Training Institute of Kubanenergo PJSC.

Deputy Head of Department - Head of Technical Solutions of PJSC Rosseti, WorldSkills Certified Expert, Sergey Petrov, Deputy General Director for Technical Issues – Chief Engineer of Kubanenergo PJSC, Igor Shishigin, Rector of Energy Institute, Evgeny Rud', and representatives of partner companies took part in the Grand closing ceremony.

The winners were awarded medals, diplomas, valuable prizes and gifts from the partner companies of the Championship. The best experts, organizers, volunteers, representatives of technical support, and temporary press center were rewarded for their services.

The winners of the Championship in Krasnodar in each of the professional competencies now have to defend the honor of their companies at the All-Russian competitions, which will be held in Yekaterinburg in November of this year.

OUR WINNERS:

OPERATION OF CABLE ELECTRICAL TRANSMISSION LINES

DENIS SAVCHENKO	1
VLADIMIR GALKIN	2

MAINTENANCE AND REPAIR OF RELAY PROTECTION AND AUTOMATION EQUIPMENT

Alexey Kondratenko / Piotr Ponomarev TEAM OF KUBANENERGO	1
Sergey Gavrilyuk / Zaurbek Saliev TEAM OF KUBANENERGO	2

SMART ELECTRICITY METERING SYSTEM

VASILY DURITSKY KUBANENERGO EMPLOYEE	2
YEGOR KOVALCHUK FSK UES EMPLOYEE	3

YOUTH POLICY

The youth policy of Kubanenergo PJSC is aimed at involving young workers in the public activities of the Company, encouraging their professional and creative activity, at the implementation of scientific potential, identification and development of talented students and schoolchildren, increasing their motivation to study in educational institutions for programs of energy orientation and subsequent employment in the Company, and improving the organization of the Company's interaction with educational organizations.

March 31 and April 1-2 of the reporting year in lyceum No. 48, named after A.V. Suворov of Krasnodar passed the first stage of the All-Russian Olympiad of schoolchildren of PJSC Rosseti.

45 Krasnodar schoolchildren took part in the regional stage of the intellectual competition. At the end of the first stage, where the young people performed test tasks in mathematics, physics and computer science, seven students were selected.

On April 24 the awarding of the winners and prize-winners of the first stage of the All-Russian schoolchildren Olympiad of PJSC Rosseti, and also handing them assignments for the second stage of the Olympiad was held at the executive office of Kubanenergo PJSC.

According to the results of the second stage, two winners of the final part of the Olympiad received the right to participate in the energy project shift organized by PJSC Rosseti based on the Orlyonok All-Russian Children's Center in 2018.

On June 1, 2018, on Children's Day, specialists of Kubanenergo PJSC took part in the opening of the educational session "#Vmeste-Yarche" at the Orlyonok All-Russian Children's Center. They have conducted an intellectual game "Energy charge" and organized a performance for a spectacular Tesla show.

More than 300 boys and girls from 10 to 15 years from 20 regions of Russia and neighboring countries took part in the events. Among them are the winners and prize-winners of the federal round of the All-Russian Competition of Creative, Design and Research Works of Students "#Vmeste-Yarche-2017", the school league of the international engineering championship CASE-IN, the program "Start Energy. Competition of engineering solutions.

The ceremonial opening of the next labor season of student energy teams took place on July 1 at Kubanenergo PJSC. Until mid-August, the detachments worked at the electric grid facilities of the Kuban and the Republic of Adygea.

For the period of the labor season, an employment contract was signed with each member of student teams. All students successfully completed safety training, internships with subsequent knowledge testing and were given permission to work independently. A mentor from among the experienced employees of the Company was assigned to each young specialist.

In 2018, student groups were formed in five branches of the Company – in Armavirskiy, Krasnodarskiye, Sochinskiye, Slavyanskiye, and Labinskiye electrical networks. The total number of Kubanenergo energy units in 2018 was 73 people.

October 11–15, 2018 in Rostov-on-Don the students serviceman of the Company's energy groups from among students of the Kuban State Agrarian University, Armavirskiy Institute of Mechanics and Technology, Slavyanskiy Electrotechnical College and Labinskiy Social and Technical College took part in the closing of the summer labor season of student groups of PJSC Rosseti, which was held in the framework of the All-Russian gathering of student groups.

The student team of Kubanenergo PJSC – Energia Kuban won the bronze medal at the creative festival of student teams of the Rosseti Group of Companies. In addition, the fighters of "Kuban Energy" won prizes in the photo contest and competition for the best article. Thus, Saida Nabokova's creative work "Dynasty of Power Engineers from the village of Adamy" took second place. Photographs of Maxim Khoroshko in the nomination "Selfie of power engineer" and Oleg Pridachina in the nomination "business before pleasure" won the bronze.

In the creative competition of helmets and art objects "Energy Kuban" also showed good results. The art object "I light my heart by flowing the discharge" was ranked third among the 74 works submitted. In the competition helmets work unit "Energy Kuban" won first place.

As a part of the program of the All-Russian rally of student detachments, the commanders of the student detachments of Kubanenergo Vyacheslav Dron (Brothers, the Slavs), Timofey Konkov (Energy of Youth) and activist of the Energetik group Sergei Simonenko took part in laying the Victory Park on the territory of the memorial complex "Sambek Heights" in the Rostov region.

From July 29 to August 4, 2018, a delegation of young specialists from Kubanenergo PJSC took part in the International Forum of Young Industrialists "Forsage" and Power Engineers, which was delivered in the Kaluga Region.

The topic of the 2018 Forum is "People. Technology. Areas. Representatives of 16 energy companies (including the Rosseti Group of Companies), which is more than 400 people from different regions of Russia, during the week developed ideas for the development of their own companies and territories of their presence in the regions, and the best ideas selected by experts were recommended for implementation.

On October 6, 2018, graduates of the energy project shift of PJSC Rosseti, which included the winner of the All-Russian Olympiad of PJSC Rosseti schoolchildren held at Kubanenergo PJSC, Alexander Polovinko and the winner of the All-Russian Forum of Young Scientists "Step into the Future" Roman Korolev, took part in the interactive session of the Youth Day of the Russian Energy Week in Moscow.

One of the traditional formats of the Youth Day is interactive sessions on the formation of youth projects aimed at the development and popularization of the fuel and energy complex of the Russian Federation.

During the interactive sessions, teams developed their projects and presented them to experts, who selected the best initiatives and recommended them for implementation in 2019.

On October 19, specialists of Kubanenergo PJSC host the energy charge intellectual game for the participants of the educational session "Young Power Engineer School." The thematic shift started in Anapa on the basis of the All-Russian Children's Center "Smena" within the framework of the festival "#Together – is Brighter"

Seventy-five children aged 11-17 years from more than 20 regions of Russia and the near abroad took part in an intellectual game. During the game, teenagers could get to know each other better, solving organizational and intellectual tasks in the field of electric power industry together.

The work of the Youth Council of Kubanenergo PJSC is to develop the professional and creative potential of young people, to create the necessary conditions in the Company for the adaptation of newly recruited specialists, their development and professional growth.

In 2018 The Youth Council of the Society participated in the following events:

- a demonstration dedicated to the Spring and Labor Day (May 1, 2018);
- in the action "Immortal regiment" (May 9, 2018);
- in the relay of the Victory banner – the transfer of the Victory banner for storage at KubSAU (May 12, 2018);
- in the initiative "Drop a Cigarette" dedicated to the World No Tobacco Control Day (May 31, 2018);
- in organizing and conducting a children's holiday dedicated to the Children's Day;
- in the preparation and conduct of corporate fishing, football competitions, rope pulling (June 22, 2018);
- in the WorldSkills Championship (August 6-10, 2018);
- in the International Youth Competition of Social Anti-Corruption Advertising "Together Against Corruption!" (July 2 – November 12, 2018);
- in the ceremony of laying wreaths and flowers to the memorial "Soldiers-Liberators" (May 9, 2018);
- in the action "World Day of Action of Trade Unions" For Decent Work!" – discussion of decent work standards in the field of wages (meeting of young specialists of the enterprise) (October 24, 2018);
- in open days together with students of educational organizations;
- in a New Year's matinee for children of workers, in the presentation of gifts to children from Father Frost and Snow Maiden.

KEY PERFORMANCE INDICATORS (KPIs)

Achievement of the priority development goals of the Company is assessed by the system of key performance indicators (KPI) applied in the Company.

The system of key performance indicators of the General Director of the Company is established on the basis of:

- cl. 47 art. 15 of the Company's Charter,
- decisions of the Board of Directors dated 04.04.2017 (minutes dated 05.04.2017, No. 270/2017) on item No. 2 "Approval of the Methodology for calculating the KPI performance of the General Director of Kubanenergo PJSC, for use from 2017",

- decisions of the Board of Directors of the Company dated 30.07.2018 (minutes No. 315/2018 dated 30.07.2018) on item No. 1 "On approval of target values of quarterly key performance indicators of the general director of Kubanenergo PJSC for 2018 and decisions of the Board of Directors of the Company dated 28.12.2018 (minutes dated 29.12.2018 No. 328/2018) on issue No. 1 "On approval of target values of annual key performance indicators of the general director of Kubanenergo PJSC for 2018".

The following composition and target values of key performance indicators were established by the said decisions of the Company's Board of Directors in 2018.

QUARTERLY INDICATORS

THE COMPOSITION OF INDICATORS	THE RESULTS ACHIEVED IN 2017	TARGET VALUES IN 2018	THE RESULTS ACHIEVED IN 2018
Consolidated operating profit (EBITDA)	I quarter – 36.1 II quarter – 13.5 III quarter – 2.4 IV quarter – 5.4	For the first quarter, first half and nine months of the reporting year \geq 0%; for year \geq 3%	I quarter – 49.4 II quarter – 43.4
Consolidated Net Debt/ EBITDA	I quarter – 3.0 II quarter – 2.7 III quarter – 2.9 IV quarter – 2.8	\leq 3.0	I quarter – 2.8 II quarter – 2.7
The execution of the plan of measures to reduce the receivables of subsidiaries and affiliates	I quarter – 99.5 II quarter – 104.1 III quarter – 106.9 IV quarter – 140.5	\geq 100.0%	I quarter – 182.9 II quarter – 109.8
No increase in the onset of major accidents	I quarter – 0 II quarter – 0 III quarter – 0 IV quarter – 0	No growth	I quarter – 1 II quarter – 0
No increase in the number of victims of accidents	I quarter – 0.0000 II quarter – 0.0000 III quarter – 0.3529 IV quarter – 0.1172	No growth	I quarter – 0.0000 II quarter – 0.0000

ANNUAL PERFORMANCE

THE COMPOSITION OF INDICATORS	THE RESULTS ACHIEVED IN 2017	TARGET VALUES IN 2018
Consolidated net cash flow	-2,765.2 million rubles.	\geq [-2,319] million rubles
Reduction in specific operating expenses (costs)	3.1	\geq 2.0%
Increasing the power load of power grid equipment	Done	Done
Level of power loss	12.06	\leq 11.50%
Reduction of unit investment costs	0.93	\leq 1.00
Improving the productivity	3.17	\geq 2.00%
The effectiveness of innovation	153	\geq 90%
Implementation of the schedule of the facilities commissioning	93	\geq 90%
Compliance with the terms of technological connection	1.0	\leq 1.1
Achieving the level of reliability of services provided	0.08	\leq 1.00

The actual values of indicators for the third and fourth quarters and indicators for the year, with respect for timing and procedure for preparing reports, which is the source of information for their calculation, were not summarized and not approved by the Board of Directors of the Company at the time of the formation of the annual report. The KPIs have been met in the Q1, Q2 of the reporting year.

Comparison of the values of 2018 with the values of 2017 are presented in the tables.

The system of key performance indicators applied in the Company is interconnected with the size of the variable part of the management remuneration –specific weight in the amount of premium paid is set for each of the indicators. Quarterly and annual bonuses are subject to the relevant KPIs.

LABOR PROTECTION AND INDUSTRIAL SAFETY

OCCUPATIONAL SAFETY AND HEALTH

The main principle of the Company's activity in the field of labor protection – is the recognition and ensuring the priority of the life and health of employees in relation to the results of the Company's production operations.

Kubanenergo PJSC constantly works to improve working conditions, prevent industrial and external injuries in accordance with the requirements of the current legislation of the Russian Federation.

Regulation for safety management system operating in the Company in order to establish a unified system of organizing the management of labor in the Company and ensuring safe and normal working conditions for workers at all stages of production, monitoring compliance with labor protection requirements at all levels of management. Standard for arrangement of the Integrated Management System STO 00104604-ISM 007-2015, complying with the requirements of GOST 12.0.230-2007, international standard OHSAS 18001, interstate standards for labor protection management systems, as well as the requirements of the labor legislation of the Russian Federation.

Ensuring safe conditions and labor protection at Kubanenergo PJSC and their compliance with the established requirements is the responsibility of the Company's management. The requirements of the legislation of the Russian Federation regarding the duties of the employer in the field of labor protection of employees of the Company are fulfilled in full.

The Company constantly monitors employees' compliance with the requirements of labor protection rules when organizing and performing work in electrical installations. Behavioral audit – monitoring the process of organizing a safe performance of work is carried out directly in the workplace. According to the results of the control, measures are being developed to eliminate and prevent violations, including psychocorrectional exercises. Labor protection days are held on a monthly basis, which allows a large number of the Company's employees to be involved in the process of self-control and mutual control, as well as to increase the level of knowledge and experience of employees in the field of labor protection and safety.

In the reporting year, the Company carried out labor protection measures developed in accordance with the requirements of the order of the Ministry of Health and Social Development of Russia dated 01.03.2012, No. 181n "On approval of the Model List of measures annually implemented by the employer to improve working conditions and reduce occupational risk levels".

Monthly video conference conferences were held with the participation of first deputy directors – chief engineers and heads of subdivisions of the Company's branches to coordinate the work of the Kubanenergo PJSC branches in the area of occupational health and safety.

Classes for the functioning of the labor protection system and the timely identification of potential threats and risks to the health and life of employees were conducted in the business games mode, with the involvement of specialists in psycho-physiological ensuring the reliability of professional activities in the Company's branches.

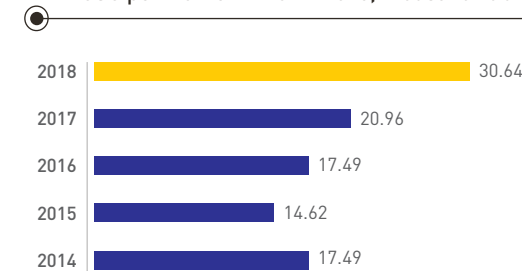
Targeted inspections of branches of the Company's Armavirskiy and Slavyanskiy electric networks, together with a comprehensive audit of the branch Sochinskiy Electric Networks was carried out as a part of the functioning of the internal technical control system in 2018. Targeted inspections of structural subdivisions took place in all branches of the Company during the year, which helps to reveal and eliminate violations in due time.

In 2018, there was one accident in the Company, in 2017 there were three.

Occupational diseases of the personnel of Kubanenergo PJSC in 2018 were not identified.

To ensure the preservation of life and health of the Company's employees, in 2018, the necessary protective equipment and devices were acquired to ensure the work safety. The annual application for the purchase of special clothes and shoes was fulfilled in full.

Specific expenses for labor protection at Kubanenergo PJSC per worker in 2014–2018, thousand rubles.



INDUSTRIAL SAFETY

Production control in the area of industrial safety is carried out in accordance with the order of the Company dated 11.01.2019, No. 15 "Concerning the production control over compliance with industrial safety requirements at hazardous production facilities of OJSC Kubanenergo" and the Regulation for production control over compliance with industrial safety requirements at hazardous production facilities of Kubanenergo PJSC dated 27.07.2015, developed in accordance with:

Federal Law dated 21.07.1997, No. 116-ФЗ "Concerning the Industrial Safety of Hazardous Production Facilities";

by order of the Federal Environmental, Industrial and Nuclear Supervision Service No. 533 of 12.11.2013 "On approval of Federal norms and rules in the field of industrial safety "Safety Regulations for hazardous production facilities based on lifting equipment";

Rules of organization and implementation of production control over compliance with industrial safety requirements at a hazardous production facility, approved by the Government of the Russian Federation of 10.03.1999, No. 263 "Concerning the organization and implementation of production control over compliance with industrial safety requirements at a hazardous production facility".

In Kubanenergo PJSC, three hazardous production facilities have been identified; they are registered with the Federal Service for Environmental, Technological and Atomic Supervision (certificate dated 07.04.2015, No. A30-00777). In 2018, hazardous production facilities were operated in accordance with the requirements of regulatory and technical documents.

Only employees who underwent training, pre-examination preparation and knowledge testing of industrial safety rules are allowed to work related to the operation of the Company's hazardous production facilities and technical devices used on them. Training, pre-examination preparation, primary and periodic testing of knowledge of engineering and technical workers is carried out in specialized organizations with relevant permits.

ENVIRONMENTAL PROTECTION AND KEY ENVIRONMENTAL ASPECTS OF THE COMPANY

The Company's environmental policy sets targets for reducing the negative impact on ecological components and ensuring environmental safety at power grid facilities, modernization of equipment and the use of innovative and environmentally friendly technologies for the reconstruction, technical re-equipment and construction of electrical networks, and rational use of natural resources.

In the reporting year, there were accomplished all the environmental policy measures planned for 2018, including:

- There are met the requirements of the Stockholm Convention on Persistent Organic Pollutants: 570 units of equipment containing polychlorinated biphenyls (further referred to as PCB) is decommissioned, replacing it with an environmentally friendly one. 689 units (including 119 units decommissioned in Q4 2017) of dismantled equipment were transferred to a specialized organization. The environmental policy has been tasked with the 100% decommissioning of equipment containing PCBs, with its subsequent transfer to destruction in the period up to 2025. The phased withdrawal of equipment is carried out in accordance with the PCB-containing equipment decommissioning plan for 2018–2023, approved by a decision of the Board of Directors of Kubanenergo PJSC (minutes No. 296/2018 dated 23.01.2018);
- The following requirements of the environmental legislation of the Russian Federation are complied with:
 - / Draft standards for waste generation and the limits for their placement have been developed for the subdivisions of the Adygheiskie, Krasnodarskiye, and Timashevskiy electrical networks with the receipt of relevant permits to regulatory bodies, which establish the standards for permissible environmental impact during economic and other activities,
 - / industrial environmental control was conducted on the sources of pollutant emissions, the boundaries of sanitary protection zones, the discharge of pollutants into a water body in order to comply with the established standards for permissible environmental impact,
 - / projects of sanitary protection zones for 15 energy facilities of the Adygheiskie, Slavyanskiye, Sochinskiye, Timashevskiy, and Yugo-Zapadnye (South-western) electric networks were worked out and agreed with the regulatory authorities to establish a particular area, which is a protective barrier ensuring the level of public safety during operation of the facility,
 - / six people from the number of managers and specialists responsible for making decisions in the field of environmental protection were trained under the program "Ensuring environmental safety at electric grid facilities";
- The following technical measures were taken to reduce the negative impact on the environment:
 - / 31 oil circuit breakers were replaced with vacuum and gas-insulated ones in order to eliminate the risks of oil spills and its penetration into soils, groundwater and atmospheric air,

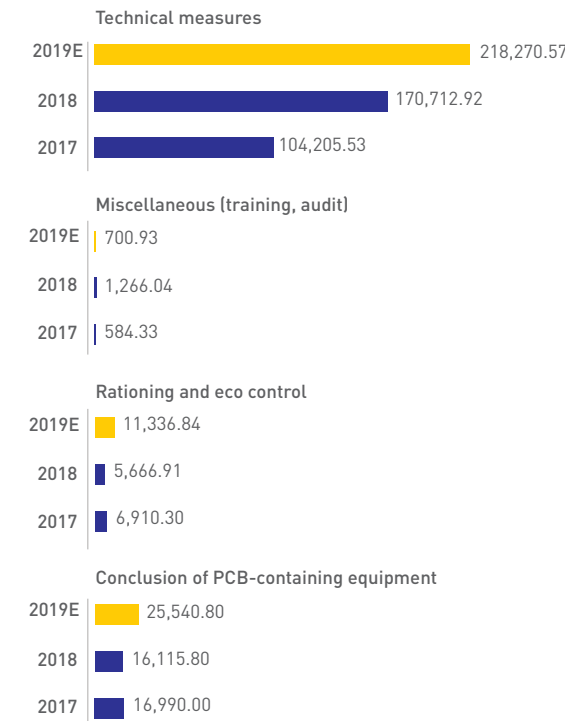
- / 51 oil-filled bushings with solid insulation were replaced,
 - / repairs (reconstruction) of emergency drainage systems for oil and oil receivers of transformers were performed at 28 substations in order to prevent environmental pollution,
 - / construction/reconstruction of the overhead transmission line with a length of 274 km was performed using self-supporting insulated wires, including for the conservation of biodiversity,
 - / 216 bird protection devices have been mounted to preserve biodiversity and prevent the loss of wildlife resources during production processes,
 - / the secondary use of transformer oil (regeneration) in the amount of 20 tons (~ 10% of the purchased oil per year) is provided to reduce the use of natural resources,
 - / 935 metering and control devices installed to reduce the level of electricity losses during its transmission, including reducing the amount of indirect energy emissions of greenhouse gases;
- voluntary environmental responsibility mechanisms are kept up to date.

The environmental management system of Kubanenergo PJSC was implemented, evaluated and certified as meeting the requirements of the international ISO 14001: 2004 standard "Environmental Management System" since March 2009, which allows the Company to effectively manage environmental risks, prevent and reduce negative environmental impacts, increasing your image.

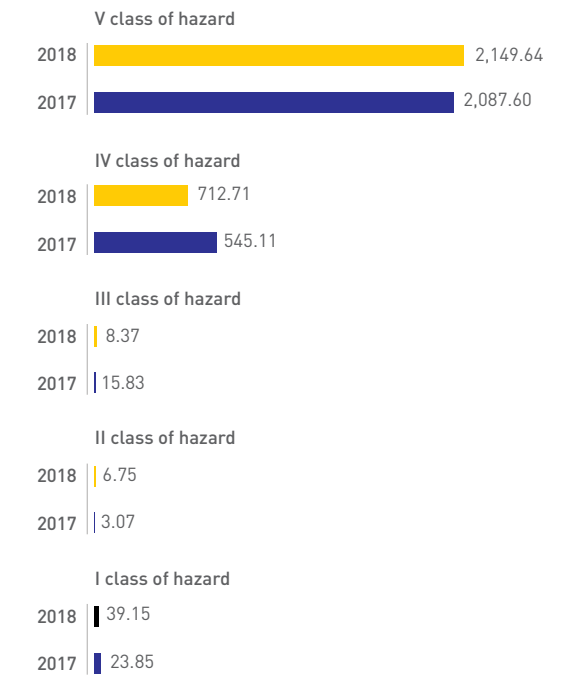
In 2018, according to the results of the recertification audit conducted by auditors of SGS Vostok East, JSC, the Company successfully confirmed its compliance with the new version of the international standard ISO 14001:2015 "Environmental Management System".



Dynamics of costs for the implementation of environmental policy, thousand rubles



Total waste generated, tons

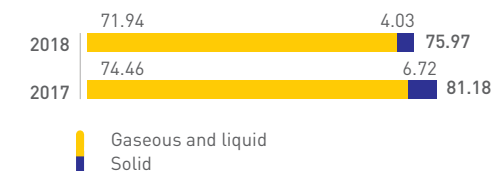


Considering that the priority direction of the state policy in the field of waste management at present is precisely their disposal, which makes it possible to make the full use of all components of the waste, in 2018, the Company transferred 18% more waste to specialized organizations for disposal than in 2017.

By transferring to consumers the most highly efficient type of energy – electricity, Kubanenergo PJSC harms the components of the environment. The key aspects of the Company's environmental impact are the following:

- operation of vehicles, machines (milling, drilling, woodworking, turning, grinding), welding and painting work, chemical analysis of transformer oils, storage of transformer oil. Gross emissions of pollutants entering the air decreased by 6% compared with 2017.
- the generation of waste, which is carried out in the process of the Company's operational and economic activities, and their subsequent treatment (transfer to specialized organizations for their further processing, disposal, disposal, disposal).

Gross emissions of harmful substances into the air, tons



ORGANIZATION OF INTERACTION WITH CONSUMERS OF SERVICES

The primary function of Kubanenergo PJSC subdivisions that interact with consumers of services is to ensure prompt and easy resolution of issues of technological connection, electricity transmission, electricity metering, and additional services for citizens and legal entities on the territory of the Company's operational responsibility.

To ensure a high level of quality of services rendered by the Company, 12 customer service centers, and 41 points on work with consumers in the areas of electrical networks successfully operate.

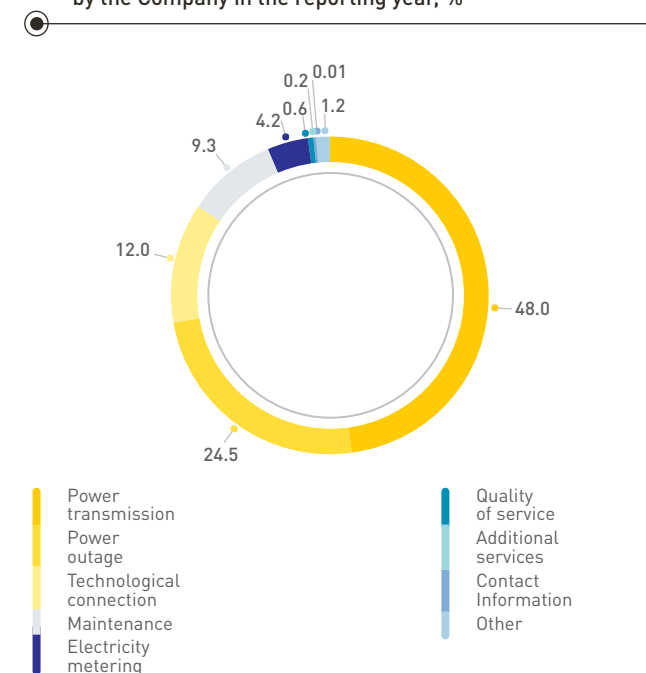
For the purposes of correspondence services for consumers of services, Kubanenergo PJSC has organized round-the-clock work of a call center with a single federal number 8-800-100-15-52. The operators of the call center promptly inform the population of the Krasnodar Territory and the Republic of Adygea in the issues of power supply and the time of emergency restoration work and scheduled repairs. Besides, operators of call center receive messages from consumers about the facts of electricity theft and provide advice on technological connection and other services of the Company.



For 2018, over 500 thousand consumers applied to the call center of Kubanenergo PJSC.

In the reporting year, Kubanenergo PJSC received 6,158 complaints from consumers of services, which is 1.2% less than in 2017 (including 2,113 valid complaints, which is 22% less than in 2017).

Structure of complaints of consumers of services received by the Company in the reporting year, %



Complaints of consumers of services have been reviewed; measures have been taken to eliminate causes of complaints.

In 2018, 80,544 applications for the provision of additional services by the Company were received by Kubanenergo PJSC, 65,993 of which were executed. Compared to 2017, the number of requests for the provision of additional services increased by 10%, and the revenue from their execution – by 80%.

Kubanenergo PJSC also provides online customer service on its website www.kubanenergo.ru in the section "Consumers / Customer Service System" by:

- receiving applications for the provision of services and requests through the client's personal account,
- receiving calls from consumers through interactive feedback (Internet reception),
- providing information to consumers in the "Question-Answer" subsection.

In 2018, Kubanenergo PJSC received 2,815 calls sent via interactive client services, including 1,627 applications for technological connection, of which 273 were sent through the Grid Service Portal on the official website of PJSC Rosseti, which is 119 applications (77%) more than in 2017.

To improve the quality of customer service in 2018, the functionality of a personal account on the Company's website was expanded in terms of technological connection and customer service, with the possibility of applying technological connection by redistributing maximum power.

In order to raise the awareness of the applicants, the Company conducted:

- 22 seminar-meetings with the participation of business representatives and executive authorities of the constituent entity of the Russian Federation,
- 11 public meetings with current and potential applicants on informing about the procedure for access to the electric grid infrastructure, including the possibility of filing applications for technological connection in electronic form.

These events brought together 373 participants, which is 3.5 times more than in 2017.

Public meetings are also scheduled for 2019.

RELATIONS WITH THE PUBLIC, PUBLIC AUTHORITIES AND CONGRESS AND EXHIBITION ACTIVITIES

COMMUNICATION WITH PUBLIC AUTHORITIES AND PUBLIC ORGANIZATIONS

The priority task of Kubanenergo PJSC in the area of interaction with government and public relations is to build integrated information channels with target audiences and implement a unified communication policy of PJSC Rosseti.

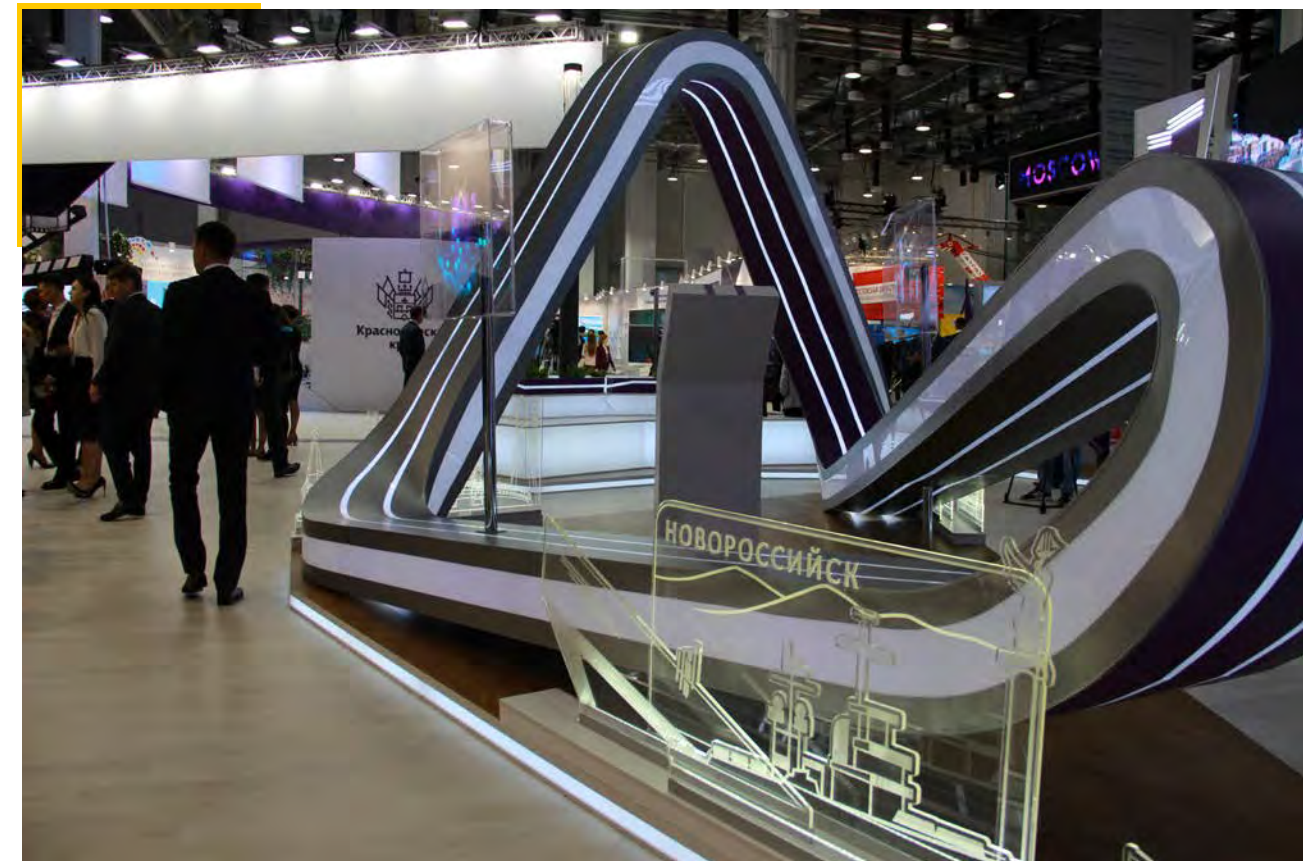
In the reporting year, Kubanenergo PJSC was actively present in the public space of the region. Information support of the participation of the senior management of Kubanenergo PJSC was provided in events with the participation of the Ministry of Energy of Russia and PJSC Rosseti, including:

- meetings with the participation of the Deputy Minister of Energy of the Russian Federation A.V. Cherezov were conducted in Taman on the issue of supplying the transport infrastructure of the Taman Peninsula and taking measures to build the substation "Port" 220 kV in November and December 2018;
- working visits of P. A. Livinsky, General Director of PJSC Rosseti:
 - in January 2018 in Sochi with a visit to the 110/10/6 kV Substation "Vereshchaginskaya" and "Bocharov Ruchei," the Educational Center for Gifted Children "Sirius";
 - in July 2018 in Sochi with a visit to the largest catering centers of the resort city: 110 kV Substation "Pasichna", "Kudepsta", "Adler";
 - on January 2019, concerning the issue of completing the construction of a new power center – Substation 220 kV, named "Port" and overhead transmission lines 220-110-35-10 kV in the Krasnodar Territory for a meeting in Taman;
- working visit of the Deputy General Director – Chief Engineer of PJSC Rosseti A.V. Mayorov to Sochi in February 2019 with a visit to Yuzhnaya 110/10/6 kV Substation to check the readiness to provide power supply for infrastructure facilities involved in the Russian investment forum;

- awarding the management and employees of the Company in August 2018 with certificates of appreciation and thanks on behalf of the leadership of the Republic of Dagestan and PJSC Rosseti for participation in the All-Russian exercises in the Republic of Dagestan.

Conducted PR campaigns:

- on information support of the realization of the Company's investment and repair programs, preparation, and completion of the autumn-winter period,
- on the prevention of non-contractual and unaccounted energy consumption,
- to prevent cases of electrical injuries with third parties at the facilities of the electric grid complex,
- to clarify the procedures for technological connection to the Company's power grids (including meetings with representatives of small and medium-sized businesses), expand the range of additional services, implement energy service contracts for installing remote power metering instruments to consumers of the Company as a part of activities to reduce electricity losses,
- on informing consumers of the Krasnodar Territory and the Republic of Adygea about the facts of illegal replacement of electricity metering devices by third parties,
- on information support of the exercises of Kubanenergo PJSC on the organization of interaction in the period of mass outages of power grid facilities under the influence of natural hazards.



SOCIAL COMMUNICATIONS

In 2018 the Company continued performing a number of targeted communication programs as a part of strengthening its image as a socially responsible Company.

Measures to prevent injuries and deaths of children and adolescents at the power facilities of the electric grid complex of Kubanenergo PJSC in the reporting year covered about 600 secondary educational institutions of the Krasnodar Territory and the Republic of Adygea. Over 1,000 lectures and lessons on electrical safety were held, in which about 35 thousand students from the region took part.

To prevent children's electrical injuries, creative contests, thematic excursions, and open doors were held. A series of thematic classes during the summer school holidays as a part of the annual social action "Safe Energy – for Happy Summer!" was held in summer children's health and school camps in all districts of the Kuban, including the Black Sea and Azov coasts of the Krasnodar Territory. In total, about 220 outreach events were held, including thematic lessons, meetings, and excursions for students of general educational institutions. The Company's website has an information platform "Prevention of Electrical Injury," where methodological materials are posted for conducting thematic discussions on the prevention of children's electrical safety to help teachers.

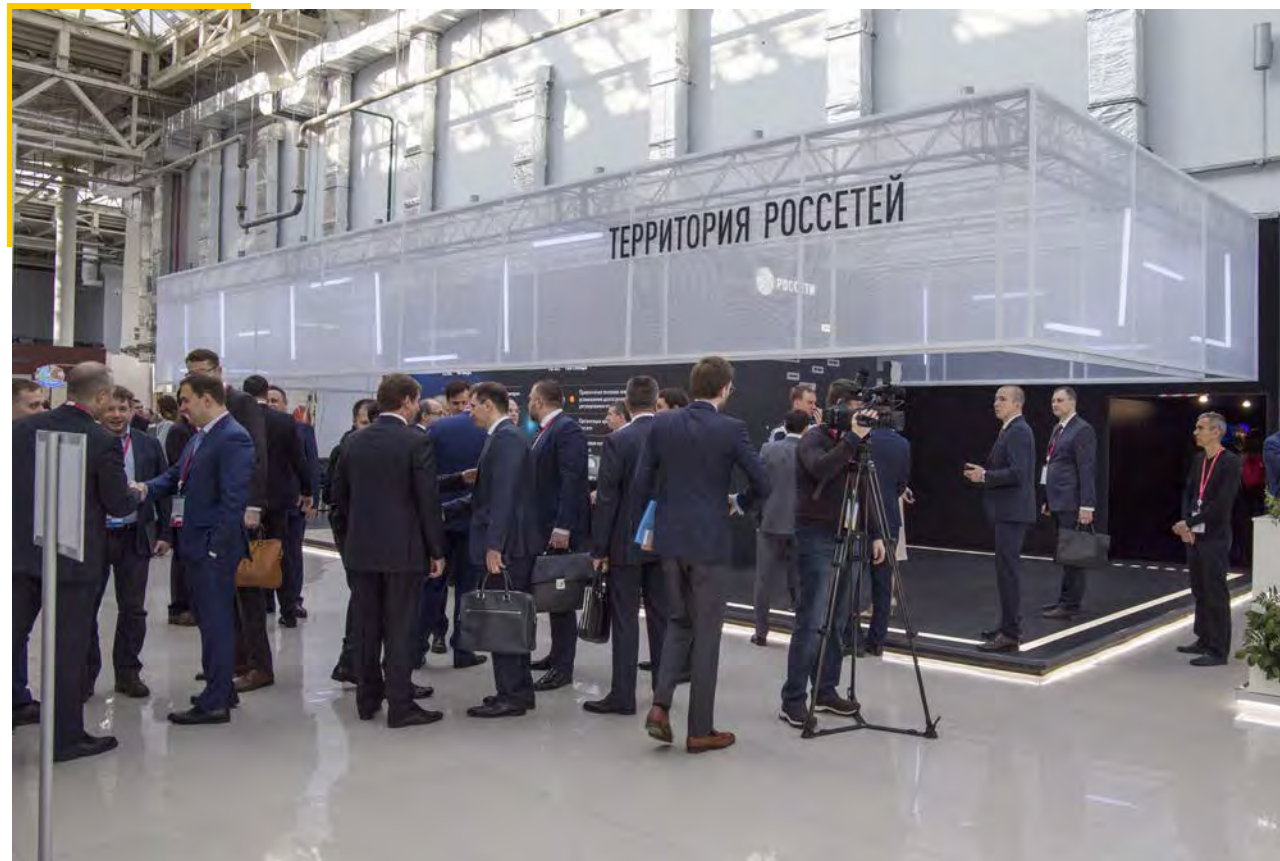
On June 1-2, 2018, within the framework of the thematic shift of PJSC Rosseti at the All-Russian Children's Center Orlyonok, the Company's specialists organized Tesla Show, held a workshop on electrical safety, talked about energy efficiency technologies, and also conducted a mental game "Power charge". More than 300 teenagers from all regions of Russia became participants in the events.

During the summer school holidays in the framework of the festival "#Together – is Brighter," the Society held an intellectual game "Energy charge" for the participants of the educational center "School of Young Energy" at the All-Russian Children's Center "Smena" in Anapa.

In August 2018, the Company's specialists conducted an on-site electrical safety lesson for children at the Orlyonok All-Russian Children's Center at PS Lazurnaya. Power engineers told the students about the rules of electrical safety and peculiarities of work in the energy sector.

In September 2018, within the framework of the "#Together – is Brighter" festival, the Company's specialists conducted a city electrical safety lesson at the interactive platform "Kubanenergo – Excellent Power Engineering" in Krasnodar.

The partners of Kubanenergo PJSC in the realization of a program for the prevention of children's electrical injuries within the framework of the concluded cooperation agreements are the ministries of education, science and youth policy of the Krasnodar Territory and the Republic of Adygea, the regional departments of the Emergencies Ministry of Russia in the Krasnodar Territory and the Republic of Adygea.



COMMUNICATION WITH THE MEDIA

In order to increase brand awareness, form a positive reputation and image of Kubanenergo PJSC, increase the audience of information influence, the Company in 2018 worked closely with leading regional and industry media.

Public media events with the participation of the Company's management were aimed at shaping its positive and holistic image, strengthening business reputation, and increasing public capital in the Company's market value structure.

In 2018, about 600 reports on the Company's activities were published in the print media of the Krasnodar Territory and the Republic of Adygea.

According to the monitoring system SCAN-Interfax in 2018, the total mention ability of Kubanenergo PJSC in the media (number of publications using the name of the Company) amounted to 18,086 messages (print, electronic media, radio, television).

861 news was posted during the reporting period on the Company's corporate website. The information was also published on the pages of the Company's official accounts in social networks and the blogosphere.

The largest segment of informational messages about the Company's activities for the period under review is accounted for by Internet media, while the share of central news agencies is quite high.

Among the most significant events of the Company, reflected in the federal and regional media:

- prevention of unauthorized consumption of electricity and theft of electrical equipment (over 126 press releases were published on the Company's official corporate website, about 40 television programs were broadcast, 2,840 messages were broadcast on television and radio stations of the Kuban, about 1,600 mentions were in electronic media, about 140 publications on relevant topics were published);
- prevention of children's electrical injuries (1,841 mentions in the media, including over 200 print publications and 3 thousand broadcasts on the regional radio and television channels);
- prevention of illegal replacement of electricity metering devices by third parties in the area of responsibility of Kubanenergo PJSC (appeals to the Company's consumers were published on the official website, about 50 materials were broadcast in regional media, 21 television programs were broadcast on television channels in the Krasnodar Territory and the Republic of Adygea);
- PR-support of socially oriented projects "Workman" (published on the corporate website 65 essays, 44 publications in print media and 158 reprints in online media)

In 2018 The Company continued work on content filling and improvement of the structure of the Kubanenergo PJSC website. The technical modernization of the site is due to the Company's desire to meet the standards for the qualitative presentation of mandatory and voluntarily disclosed information online to ensure maximum transparency.

To develop the corporate culture and traditions of the Company, to form a positive image among the employees, from January 2018 to March 2019, there were issued 12 applications of the Company for the Russian Grid corporate newspaper with publications on production achievements, essays about honored and young workers and veterans of the Company.

During the reporting period – through publications on the official corporate website of the Company and in local media, broadcasting video clips on TV channels in radio broadcasts, as well as in social media and the blogosphere - work was carried out to prevent unauthorized electricity consumption and theft of electrical equipment.

CONGRESS AND EXHIBITION ACTIVITIES

To represent Kubanenergo PJSC at crucial economic, political and sectoral areas of the country, increase its investment attractiveness, build and maintain its image, develop and strengthen international and interregional cooperation, and exchange experience in 2018. The society took part in the following congress and exhibition events.

SEQ NO.	EVENT NAME	EVENT TIME AND LOCATION
1.	Russian Investment Forum – 2018	February 2018, Sochi City
2.	All-Russian Scientific and Technical Conference dedicated to the 25th anniversary of the uninterrupted operation of NPP Bresler	February 2018, Cheboksary)
3.	Conference "Competition Law Specialist"	February 2018, Krasnodar City
4.	V National Scientific and Practical Conference "Internal Control and Audit in Russia"	March 2018, Moscow
5.	International Exhibition and Conference on Occupational Health and Safety in the Fuel and Energy Complex "SAPE 2018"	April 2018, Sochi City
6.	6th All-Russian Conference on Lightning Protection	April 2018, St. Petersburg
7.	St. Petersburg International Economic Forum	May 2018, St. Petersburg
8.	Annual All-Russian Scientific and Technical Conference "Ways to improve the reliability, efficiency and safety of energy production".	June 2018, Gelendzhik, Divnomorskoe village
9.	16th International Forum on Industrial Safety	June 2018, St. Petersburg
10.	Exhibition of achievements of subsidiaries and dependent companies of PJSC Rosseti following the results of 2017 as a part of the Annual General Meeting of Shareholders of PJSC Rosseti	June 2018, Moscow
11.	IV All-Russian Conference "Development and improvement of reliability of operation of distribution electric networks"	July 2018, Moscow
12.	4th International Specialized Exhibition "Substitution of Import"	September 2018, Krasnogorsk
13.	All-Russian Festival for Energy Preservation "#Together – is Brighter"	September 2018, Krasnodar City
14.	International Forum on Energy Efficiency and Energy Development "Russian Energy Week"	October 2018, Moscow
15.	International Forum "Electrical Networks"	December 2018, Moscow
16.	Forum "Integrated urban development: problems and their solutions"	February 2019, Krasnodar City
17.	Russian Investment Forum – 2019	February 2019, Sochi City
18.	The Seventh National Practical Conference "Internal Control and Audit in Russia. Control of VS Efficiency"	February 2019, Moscow



REFERENCE INFORMATION

Contact Information

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Registrar Information

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Branches of Kubanenergo PJSC as of December 31, 2018

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Abbreviations and Terms

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Units of measure

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CONTACT INFORMATION

Full Company name	Public Joint Stock Company of Power Industry and Electrification of Kuban
Short name	Kubanenergo PJSC
The Company is not included in the list of strategic enterprises and strategic joint-stock companies, approved by Decree of the President of the Russian Federation of 04.08.2004, No. 1009 (with subsequent changes)	
Location	Russian Federation, Krasnodar
Mailing address	350033, Russian Federation, Krasnodar, ul. Stavropol, 2A
Primary State Registration Number	1022301427268
Bank details	TIN/Checkpoint 2309001660/997650001 settlement account 40702810330020101989, in the Krasnodar branch, No. 8619 of Krasnodar, correspondent account 3010181010000000000602, BIK 040349602
Contact phone/fax	+7 (861) 268-59-13 / +7 (861) 268-24-93
E-mail address	telet@kuben.elektra.ru
Web page address	www.kubanenergo.ru

FOR SHAREHOLDERS REQUESTS

Chief Specialist of the Department of Corporate Governance and Shareholder Relations	Yurchenko Anna Ivanovna +7 (861) 212-26-72 yurchenkoai@kuben.elektra.ru
Chief Specialist of the Department of Corporate Governance and Shareholder Relations	Podsvirova Irina Vladimirovna +7 (861) 212-22-76, fax: +7 (861) 212-27-08 podsvirovaiv@kuben.elektra.ru

FOR INVESTORS AND FINANCIAL ANALYSTS

Head of Corporate Governance and Shareholder Relations	Didenko Ekaterina Evgenievna +7 (861) 212-23-09 didenkoe@kuben.elektra.ru
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TO APPEAL TO CONSUMERS

Head of Customer Relations	Voropaev Alexey Anatolevich +7 (861) 212-22-74 voropaeva@kuben.elektra.ru
Internet reception	The Company's website www.kubanenergo.ru – section "For consumers/ Consumer service system/ Interactive feedback (Internet reception)"
Call center	8-800-100-15-52 (around the clock)

CONTACT CUSTOMER SERVICE CENTERS

BRANCH OF KUBANENERGO PJSC	CONTACT NUMBER	E-MAIL ADDRESS
Adygheiskie electric networks	+7 (8772) 59-22-02	client.service@adseti.ru
Armavirskiye electric networks	+7 (86137) 698-03	uslugi@armset.ru
Krasnodarskiye electric networks	+7 (861) 255-79-84	tsok@krasnodarseti.ru
Labinskiye electric networks	+7 (86169) 691-53	cok@labnet.kuban.ru
Leningradskiye electric networks	+7 (86145) 735-00	kazantsevali@lenseti.kuban.ru
Slavyanskiye electric networks	+7 (86146) 433-14	klient@slavseti.ru
Sochinskiye electric networks	+7 (8622) 69-02-42	tsoksochi@elsetisochi.ru
Timashevskiye electric networks	+7 (86130) 232-65	cok@timseti.kuban.ru
Tikhoretskiye electric networks	+7 (86196) 704-17	goryainovane@tihset.ru
Ust-Labinskiye electric networks	+7 (86135) 503-43	uslugi@useti.kuban.ru
Yugo-Zapadnye (South-western) electric networks	+7 (8617) 67-84-20 (Novorossiysk), +7 (86133) 566-72 (Anapa)	novolato@novuzs.ru

FOR APPEALS FROM APPLICANTS

In Krasnodar: Leading Specialist of the Organizational Development Department	Shmakova Alesya Vladimirovna +7 (861) 212-26-36, from 08:00 to 17:00 hr@kuben.elektra.ru
In Sochi: Deputy Head of the Human Resources Department of the branch of Kubanenergo PJSC Sochinskiye electric networks	Luzan Yuliya Nikolaevna +7 (8622) 690-218, from 08:00 to 17:00 personal@elsetisochi.ru

PRESS SERVICE OF KUBANENERGO PJSC:

Phone: +7 (861) 212-24-68, email for media requests: sadymva@kuben.elektra.ru

REGISTRAR INFORMATION

Full Company name	Joint-stock Company "Independent Registrar Company R.O.S.T."
Short name	JSC "IRC – R.O.S.T."
TIN/PRSN	7726030449/1027739216757
Location	Moscow, st. Stromynka, d. 18, korp. 13
License for the maintenance of the registry:	
- license number	045-13976-000001
- date of issue	03.12.2002
- validity period;	Indefinite
- licensing authority	FCSM of Russia
Contact phone/fax	+7 (495) 780-73-63 / +7 (495) 989-76-50
E-mail address	info@rrost.ru
Web page address	www.rrost.ru

JSC "IRC – R.O.S.T." maintains the register of holders of the Company's securities from December 16, 2010.

JSC "IRC – R.O.S.T." has no transfer agents who can provide services to persons registered in the shareholder register of Kubanenergo PJSC.

BRANCHES OF KUBANENERGO PJSC AS OF DECEMBER 31, 2018

SEQ NO.	NAME	LOCATION	CONTACT PHONE/FAX
1.	Adygheiskie electric networks	Russia, Republic of Adygea, Maikop, Shovgenova st., 358	+7 (8772) 57-17-20 / +7 (8772) 56-01-41
2.	Armavirskiye electric networks	Russia, Krasnodar Territory, Armavir, Vorovskogo st., 54	+7 (86137) 698-59 / +7 (86137) 785-54
3.	Krasnodarskiye electric networks	Russia, Krasnodar Territory, Krasnodar, Pashkovskaya st., 131	+7 (861) 255-53-97 / +7 (861) 255-74-34
4.	Labinskiye electric networks	Russia, Krasnodar Territory, Labinsk, Mira st., 334	+7 (86169) 699-07 / +7 (86169) 693-11
5.	Leningradskiye electric networks	Russia, Krasnodar Territory, stanitsa Leningradskaya, 302 Division st., 6	+7 (86145) 703-01
6.	Slavyanskiye electric networks	Russia, Krasnodar Territory, Slavyansk-on-Kuban, Stroitel'naya st., 49	+7 (86146) 262-50 / +7 (86146) 739-67
7.	Sochinskiye electric networks	Russia, Krasnodar Territory, Sochi, USSR Constitution st., 42	+7 (8622) 69-03-59 / +7 (8622) 61-40-71
8.	Timashevskiye electric networks	Russia, Krasnodar Territory, Timashevsk, Lenina st., 176	+7 (86130) 233-59 / +7 (86130) 234-00
9.	Tikhoretskiye electric networks	Russia, Krasnodar Territory, Tikhoretsk, Dzerzhinsky st., 62	+7 (86196) 721-26 / +7 (86196) 769-50
10.	Ust-Labinskiye electric networks	Russia, Krasnodar Territory, Ust-Labinsk, Krasnodarskaya st., 4	+7 (86135) 421-01 / +7 (86135) 524-66
11.	Yugo-Zapadnye (South-western) electric networks	Russia, Krasnodar Territory, Novorossiysk, Vostochny Mol, 1	+7 (8617) 67-85-59 / +7 (8617) 67-81-21

ABBREVIATIONS AND TERMS

ASCEM – automated system for control and electricity metering.

ACS – automated control system.

APCS – automated process control system.

VL, VLI – overhead power line.

HV – high voltage (110 kV and above).

FOCL – fiber-optic communication line.

The shortfall in revenue – the shortfall in incomes of a regulated organization from providing benefits for technological connection to consumers up to 15 kW, arising from the difference in actual costs incurred in connection with the technological connection from the received preferential payment for technological connection, approved in accordance with the current legislation of the Russian Federation.

The last resort provider (default provider) – is a commercial organization, obliged in accordance with Federal Law No. 35-FZ of March 26, 2003 "Concerning the Electric Power Industry" or voluntarily assume responsibilities to conclude a contract for the sale and purchase of electricity with any consumer of electricity who has applied to this organization or with a person acting in the name and on behalf of the electricity consumer and wishing to purchase electricity.

GTPP – gas turbine power plants.

S&A – subsidiaries and affiliates of the Company or PJSC Rosseti.

FGC – Federal Grid Company.

CPL – cable power line.

Corporate year – the period from the moment of election of the personal composition of the Board of Directors and the Auditing Commission at the Annual General Meeting of Shareholders of the Company to the time of the subsequent Annual General Meeting of Shareholders of the Company.

Single pot required gross proceeds – is an economically justified amount of funds, necessary for a Company to carry out regulated activities over the estimated period of regulation, with account for the costs of paying for services of regional grid organizations, PJSC FGC UES, as well as the purchase of electricity to compensate for losses.

Single pot tariffs for electricity transmission – are the unified tariffs for electricity transmission services in the Krasnodar Territory and the Republic of Adygea, differentiated by voltage levels, for all consumers of electricity transmission services, regardless of the network of which grid organization, these consumers are connected.

PL – power line.

GRR of the region, the gross revenue requirement of the region – is an economically reasonable amount of financial resources required for network organizations that operate in the Krasnodar Territory and the Republic of Adygea for the implementation of managed electricity transmission activities during the regulation settlement period.

GRR of the Company, the gross revenue requirement of a grid Company – is an economically reasonable amount of financial resources necessary for the organization to carry out regulated activities during the settlement period of regulation without taking into account the costs of paying for the services of territorial grid organizations, PJSC FGC UES, as well as the purchase of electricity to compensate for losses.

Customer curtailment – undersupply of electricity to consumers as a result of technological disruption of the electrical network.

R & D – research and development work.

RW – research work.

LV – low voltage.

The volume of services rendered – the amount of electricity transmitted through the mechanical devices of electrical networks owned by Kubanenergo PJSC based on ownership or other grounds established by the legislation of the Russian Federation.

EDW – Experimental design work

WECM, the wholesale electricity and capacity market, the wholesale electricity market – the sphere of circulation of particular goods - electricity and power within the framework of the Unified Energy System of Russia within the boundaries of the prevailing economic space of the Russian Federation with the participation of primary producers and major buyers of electricity and capacity, as well as other individuals the status of the subject of the wholesale market and acting on the basis of the rules of the wholesale market, approved in accordance with the Federal Law of 26.03.2003, No. 35-ФЗ "On Electric Power Industry" Russian Federation.

Supply of electricity to the network – the amount of electricity accepted into the distribution network at the points of supply from the Unified National Electric Grid, Generations, and other related systems, formed according to the voltage level along with the balance of the balance sheet.

Kubanenergo PJSC, Kubanenergo OJSC, Company, Issuer, Parent Company – Public Joint Stock Company of Power Industry and Electrification of Kuban.

AR – Accounting Regulation.

Electricity net supply – the amount of electricity transmitted (supplied) through distribution networks by points of electricity supply to consumers and (or) downstream grid organizations, formed by the voltage level along with the balance of the balance sheet. Corresponds to the physical process of transmission of electricity through electrical networks.

Electricity loss:Actual (reported) loss of electricity – the difference between the amount of electricity supplied to the electricity network from other networks or electricity producers, and the amount of electricity consumed by the power receivers connected to this network, as well as transmitted to other network organizations.

Regulatory loss of electricity – estimated values of losses established by the authorized federal executive body concerning the aggregate of power transmission lines and other electric grid facilities owned by the grid organization, differentiated by the voltage levels of the networks. The cost of regulatory electricity losses is included in the size of the fee for the transmission of electricity (tariff).

Excessive (commercial) electricity losses – the difference between actual and regulatory electricity losses; The network organization pays the full amount, in the networks of which excess power losses have occurred.

Load losses of electricity – losses depending on the load in transformers and lines arising in the process of power transmission.

PS – substation.

RPA – relay protection and automation.

DEDN – districts of electrical distribution networks in branches of OJSC Kubanenergo, which unite several network sites, as well as groups: operational dispatching, mechanization, and transport, for the transport of electricity, and performing their operational management (through the head of DEDN).

RAS – Russian Accounting Standards.

REC - DPR KR – Regional Energy Commission – Department of Prices and Tariffs of Krasnodar Territory – the executive authority of Krasnodar Region in the field of state regulation of tariffs.

EN – electric networks in the branches of OJSC Kubanenergo.

Recloser – is an automatic section for network partitioning, which includes a high-voltage equipment cabinet with a vacuum switch, a control cabinet with microprocessor relay protection and automation.

Network organization, distribution network Company – an organization engaged in the transmission and/or distribution of electricity through electrical networks.

SSIW – self-supporting insulated wire.

Related Network Organization – the grid organization, which owns on the right of ownership or on other legal grounds objects of the electric grid economy directly connected technologically to the electrical networks of another grid organization (to which it is adjacent).

Media – mass media.

AV1, AVI – average voltage I (35 kV).

AV, AVII – average voltage II (1–20 kV).

The average number of employees – is the sum of the list of employees for each calendar day of the period, including holidays (non-working) and days off, divided by the number of calendar days of the period.

The list number of staff – the number of permanent, seasonal, temporary, and other employees on the organization's lists. The list number includes those working and absent from work for various reasons, but not terminated with the organization of labor relations, receiving wages in this organization.

Technical losses – losses of electricity in lines and equipment of electrical networks caused by physical processes occurring during transmission of electricity following the technical characteristics and modes of operation of lines and equipment, taking into account the power consumption for auxiliary needs of substations.

Technical metering of electricity – metering to control energy consumption inside power plants, substations, enterprises, to calculate and analyze electric power losses in electrical networks, as well as to account for electricity consumption for own, business and production needs.

Technological violation (accident) – an unauthorized violation of normal operation in the electrical network.

TS – transformer substation.

Technological connection – technological connection of power receiving devices (power installations) of legal entities and individuals to the power grids of a Company providing electric power transmission services.

MR – maintenance and repair.

RPA Setpoint – the parameter of operation (release) of the relay or the response time (release) of the relay to which the relay is adjusted.

c.u.– conditional units – conditional units of electrical equipment.

Local Grid Company (LGC) – is a regional network organization – a commercial entity that owns electric grid facilities based on ownership or as otherwise established by federal laws. Based on the use of these facilities, such an organization provides electricity transmission services and provides technological connection of power receiving devices (power plants) of legal entities and individuals to the power grids in the prescribed manner. Such a Company also has the right to enter into contracts for the provision of services for the transmission of electricity through the electric grid facilities not belonging to the Unified National (All-Russian) electric power grid.

TPP – thermal power plant.

The feeder – is a power line connecting the busbars of the switchgear with the distribution and consumer electrical networks fed from these buses.

Power center – 110, 35, 6/10 kV substation bus-bars.

Electricity – electrical energy.

EN – electrical networks.

EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization)– is an indicator equal to the amount of profit before taxes, depreciation expenses and interest on loans.

IEC-61850 – is the standard of the International Electrotechnical Commission "Communication Networks and Systems at Substations", describing data flow formats, types of information, rules for describing power facility elements and a set of rules for organizing an event-based data transfer protocol.

Pry-Cam – is a type of partial discharge monitoring system used for online diagnostics of the state of power grids and the implementation of operational maintenance.

SCADA (Supervisory Control And Data Acquisition – Dispatch Control and Data Acquisition) – is a software package designed to develop or provide real-time systems for collecting, processing, displaying and archiving information about a monitoring or management object.

UNITS OF MEASURE

VA – Volt-Ampere

W – Watt

y. -- year

yy – years

Gcal – gigacaloria

kV – kilovolt

kVA – kilovolt-ampere

kW – kilowatt

kW • h – kilowatt-hour

km – kilometer

cop. – kopec

m – meter

MVA – megavolt-ampere

MW – megawatts

mln. – million

bln. – billion

rub. – Russian ruble

pp – percentage point

s – second

d. – day

t – ton

ths. – one thousand

h – hour

pers. – persons

pcs. – piece

APPENDIX 1

**INDEPENDENT AUDITOR'S REPORT
ON ACCOUNTING (FINANCIAL) STATEMENTS
OF PUBLIC JOINT STOCK COMPANY OF POWER
INDUSTRY AND ELECTRIFICATION OF KUBAN
FOR 2018**

Independent Auditor's Report
on Accounting (Financial) Statements of
**Public Joint Stock Company of
Power Industry and Electrification of Kuban**
for 2018

February 2019

Independent Auditor's Report
on Accounting (Financial) Statements of
**Public Joint Stock Company of
Power Industry and Electrification of Kuban**

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Balance Sheet	8
Appendices to Balance Sheet and the Report on Financial Statements	

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www.ey.com/ru

Independent Auditor's Report

To: the shareholders of Public joint-stock company of power industry and electrification of Kuban (Kubanenergo PJSC)

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 at 31 December 2018, the profit and loss statement for 2018, 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 31 December 2018, and its accounting performance and cash flows for 2018 in accordance with the accounting statements preparation rules established by the Russian Federation.

Basis 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.

Recognition and measurement of revenue from electricity transmission services

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.

Information on the revenue from electricity transmission services is disclosed in the Profit and loss statements.

Impairment of accounts receivable

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 31 December 2018 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 Section 5.6.1. of the Explanatory Notes to the Balance Sheet and the Profit and loss statements.

Recognition, measurement and disclosure of provisions and contingent liabilities

Recognition, measurement and disclosure of provisions and contingent liabilities in respect of

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.

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.

The audit procedures included review of court rulings made by courts of different levels, and review 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 Section 5.7.1 of the Explanatory Notes to the Balance Sheet and the Profit and loss statements.

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.

Other information

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 22 February 2018.

Audit of accounting (financial) statements of Public joint-stock company of power industry and electrification of Kuban for 2016 was conducted by other auditor that expressed unqualified audit opinion concerning the statements on 22 February 2017.

Other infraction included in the annual report of Public joint-stock company of power industry and electrification of Kuban

Other information includes information contained in the annual report of Public joint-stock company of power industry and electrification of Kuban, but does not include accounting (financial) statements and our audit report on it. The annual report of Public joint-stock company of power industry and electrification of Kuban is expected to be provided after the date of this audit report.

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.

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.

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 Responsibilities 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.

signature

Kalmykova A.B.
Partner
Krasnodar

20 February 2019

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 11603050648.

Balance sheet

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1

Form No. 1 OKUD [Russian National Classifier of Management Documentation]		Codes	
		0710001	
Organization: Kubanenergo PJSC		Date	3
		OKPO [Russian Classifier of Businesses and Organizations]	0
Taxpayer Identification Number		TIN	2309001660
Type of activity electricity transmission		OKVED [Russian Classifier of Types of Economic Activity]	35.12 / 35.13
Organizational legal form/ownership form: Public Joint-Stock Company / private		OKOPF [Russian Classifier of Organizational Legal Forms]/OKFS [Russian National Classifier of Forms of Ownership]	12247 / 16
Unit: thousand rubles		OKEI [Russian Classifier of Measurement Units]	384
Address: 2A Stavropolskaya str., 350033 Krasnodar, Krasnodar region			2
			0

notes	Indicator	Line code	as of 31 December 2018	as of 31 December 2017	as of 31 December 2016
	ASSETS				
	I. NON-CURRENT ASSETS				
5.1.1.- 5.2.2.	Intangible assets	1110	38 621	33 456	25 834
5.2.2.	including purchase of intangible assets in progress	1111	7 500	6 000	-
5.2.1.- 5.2.2.	R&D results	1120	107 450	69 571	24 411
5.2.2.	including expenditures on researches in progress	1121	107 450	69 571	24 411
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
5.3.1.- 5.3.6.	Fixed assets	1150	62 534 635	59 659 050	55 910 737
	land plots and environmental facilities	1151	136 330	136 244	136 122
	buildings, vehicles, equipment, constructions	1152	50 768 189	50 815 750	50 114 801
	other fixed assets	1153	207 553	260 043	319 843
5.3.5.	construction in progress	1154	10 190 196	6 737 703	4 320 028
5.3.6.	advances paid for capital construction and purchase of fixed assets	1155	341 336	1 054 174	83 921
	raw materials and materials for production of fixed assets*	1156	891 031	655 136	936 022
5.3.1.	Income-bearing investments in tangible valuables	1160	-	-	-
5.4.1.-	Financial investments	1170	37 556	36 004	45 588

5.4.3.	investments in subsidiaries	1171	37 555	36 003	45 587
	investments in dependent companies	1172	-	-	-
	investments in other companies	1173	1	1	1
	loans to companies for more than 12 months	1174	-	-	-
	financial investments	1175	-	-	-
5.7.2.	Deferred tax assets	1180	764 948	881 948	839 768
	Other non-current assets	1190	130 725	84 981	52 375
	TOTAL Section I	1100	63 613 935	60 765 010	56 898 713
	II. CURRENT ASSETS				
5.5.1.- 5.5.2.	Supplies	1210	1 861 538	1 580 657	1 407 566
	raw materials, supplies and other similar assets	1211	1 861 538	1 580 657	1 407 566
	expenses on construction-in-progress	1212	-	-	-
	finished products and goods for resale	1213	-	-	-
	goods delivered	1214	-	-	-
	other stock and expenses	1215	-	-	-
	Value added tax on valuables acquired	1220	2 450	6 020	7 496
5.6.1.- 5.6.4.	Accounts receivable	1230	7 057 410	6 847 388	7 119 419
	Accounts receivable that are due beyond 12 months	1231	22 880	28 694	12 614
	buyers and customers	123101	1 128	-	-
	bills receivable	123102	-	-	-
	advances paid	123103	-	-	-
	other accounts receivable	123104	21 752	28 694	12 614
	Accounts receivable that are due in the next 12 months	1232	7 034 530	6 818 694	7 106 805
	buyers and customers	123201	6 205 537	6 155 946	6 410 581
	bills receivable	123202	-	-	-
	debts of affiliated and depended companies on interest	123203	-	-	-
	debts of participants (founders) on share capital payment	123204	-	-	-
	advances paid	123205	34 489	32 118	13 369
	other accounts receivable	123206	794 504	630 630	682 855
5.4.1.- 5.4.3.	Financial investments	1240	-	-	-
	loans granted to companies for a period of less 12 months	1241	-	-	-
	other short-term financial investments	1242	-	-	-
f.4	Monetary assets and equivalents	1250	2 194 482	1 667 698	1 245 575
	cash bank	1251	-	-	-

	operating account	1252	2 194 307	1 667 376	1 245 436
	currency account	1253	-	-	-
	other funds	1254	175	322	139
	Other current assets	1260	1 179 000	989 980	609 432
	TOTAL Section II	1200	12 294 880	11 091 743	10 389 488
	BALANCE	1600	75 908 815	71 856 753	67 288 201

	LIABILITIES	Line	as of 31 December 2018	as of 31 December 2017	as of 31 December 2016
	III. CAPITAL AND RESERVES				
3.1.	Authorized capital (reserve capital, statutory fund and partners' contributions)	1310	30 379 335	28 286 813	28 286 813
3.1	Capital (before registration of changes)	1311	-	2 092 522	2 072 164
3.1.	Treasury stock bought out at from the shareholders	1320	-	-	-
5.3.1., 5.1.1	Revaluation of non-current assets	1340	10 736 476	10 755 560	10 805 974
3.1.	Additional capital (without revaluation)	1350	6 481 916	6 481 916	6 481 916
3.1.	Reserve capital	1360	295 260	268 996	161 971
3.1.	Unallocated profit (uncovered loss) of the past years	1370	(12 654 441)	(12 476 889)	(12 410 429)
	the reported period	1371	(12 805 639)	(13 002 165)	(14 550 929)
		1372	151 198	525 276	2 140 500
	TOTAL Section III	1300	35 238 546	35 408 918	35 398 409
	IV. LONG-TERM LIABILITIES				
5.6.7- 5.6.8	Borrowed funds	1410	13 283 239	22 617 796	18 912 239
	bank credits payable in more than 12 months after the reporting date	1411	9 683 239	15 617 796	11 912 239
	credits payable in more than 12 months after the reporting date	1412	3 600 000	7 000 000	7 000 000
5.7.2.	Deferred tax liabilities	1420	438 719	178 832	128 343
5.7.1.	Reserve for contingent liabilities	1430	-	-	-
5.6.5- 5.6.6.	Other liabilities	1450	1 248 675	989 505	1 429 365
	TOTAL Section IV	1400	14 970 633	23 786 133	20 469 947
	V. SHORT-TERM LIABILITIES				
5.6.7.- 5.6.8.	Borrowed funds	1510	11 395 279	91 064	79 078
	bank payable in more than 12 months after the reporting date	1511	7 915 101	13 120	3 264
	credits payable in more than 12 months after the reporting date	1512	3 480 178	77 944	75 814
5.6.5.- 5.6.6.	Payables	1520	12 833 089	11 044 750	8 280 201

	suppliers and contractors	1521	5 238 557	6 198 136	4 837 353
	bills payable	1522	-	-	-
	salaries payable	1523	313 073	209 427	212 336
	debt to state extra-budgetary funds	1524	120 710	108 782	93 935
	taxes payable	1525	606 530	258 006	654 431
	advances received	1526	5 164 803	2 889 096	1 922 409
	payable to the participants (founders) on income payment	1527	919	500	37
	other accounts payable	1528	1 388 497	1 380 803	559 700
	Reserves for future expenses	1530	123 239	126 616	130 231
5.7.1	Estimated liability	1540	1 348 029	1 399 272	2 930 335
	Miscellaneous liabilities	1550	-	-	-
	TOTAL Section V	1500	25 699 636	12 661 702	11 419 845
	BALANCE (assets)	1700	75 908 815	71 856 753	67 288 201

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- (1)- reporting date of the reporting period
(2)-the previous year
(3)-the year preceding the previous year

Profit and Loss Statement
January - December 2018

Form OKUD [Russian National Classifier of Management Documentation]		Codes
		0710002
Date		31.12.2018
Organization: Kubanenergo PJSC	OKPO [Russian Classifier of Businesses and Organizations]	00104604
Taxpayer Identification Number	INN [Taxpayer Identification Number]	2309001660
Type of activity: electricity transmission	OKVED [Russian Classifier of Economic Activities]	35.12 / 35.13
Organizational legal form/ownership form Public Joint-Stock Company / private	OKOPF [Russian Classifier of Organizational Legal Forms]/OKFS [Russian Classifier of Forms of Ownership]	12247 / 16
Unit: thousand rubles	OKEI [Russian Classifier of Measurement Units]	384

1	Indicator	Line	Jan-Dec of 2018	Jan-Dec of 2017
1	2	3	4	5
	Proceeds	2110	46 401 079	42 253 027
	including			
	income from electric energy transmission	2111	45 583 484	41 485 670
	income from grid connection	2112	602 467	647 952
	income from organization and development of UES of Russia in connection with distributional power network	2113	-	-
	income from reselling of electric energy and capacity	2114	-	-
	income from participation in other organizations	2115	-	-
	income from lease	2116	17 029	14 711
	income from selling other products, goods, works, services of industrial type	2117	198 099	104 694
	income from selling other products, goods, works, services of non-industrial type	2118	-	-
2.1.	Cost of sales	2120	(41 461 392)	(38 258 835)
	Including			
	cost of energy transmission	2121	(40 465 545)	(37 671 932)
	cost of network connection	2122	(833 487)	(515 844)
	cost of organization and development of UES of Russia in connection with distributional power grid	2123	-	-
	cost of reselling of electric energy and capacity	2124	-	-
	cost of participation in other organization	2125	-	-
	cost of rent	2126	(8 549)	(7 339)
	cost of other products, goods, works, services of industrial type	2127	(153 811)	(63 720)
	cost of other products, goods, works, services of non-industrial type	2128	-	-
	Gross profit (loss)	2100	4 939 687	3 994 192
2.1.	Commercial expenses	2210	-	-
2.1.	Administrative expenses	2220	(155 482)	(110 122)

	Sales profit (loss)	2200	4 784 205	3 884 070
	Participation incomes	2310	9 068	277
	Interest receivable	2320	81 528	47 248
	Interest payable	2330	(1 911 383)	(1 907 082)
5.11.	Other incomes	2340	2 575 341	2 392 613
5.11.	Other expenses	2350	(4 258 941)	(3 249 452)
	Profit (loss) before tax	2300	1 279 818	1 167 674
2.3.	Current profit tax	2410	(615 276)	(630 428)
2.3.	including constant tax liabilities (assets)	2421	675 921	436 710
2.3.	Changes in deferred tax liabilities	2430	(259 907)	(50 779)
2.3.	Changes in deferred tax assets	2450	(56 702)	10 962
2.3.	Other	2460	(196 735)	27 847
	Net profit (loss)	2400	151 198	525 276
	FOR REFERENCE:	Line	Jan-Dec of 2018	Jan-Dec of 2017
5.1.1.	Results of revaluation of non-current assets not included into	2510	-	-
5.3.1.	net profit (loss) of the period			
3.2	Results of other operations not included into net profit (loss) of the period	2520	-	-
	Aggregate financial result of the period	2500	151 198	525 276
2.2	Basis profit (loss) per share	2900	0,4980	1,7400
2.2.	Diluted profit (loss) per share	2910	0,4980	1,7400

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(1) – reporting date of the reporting period

(2) – period of the previous year similar to the reporting period

2.1. Cost of goods, services and works sold divided by cost components

Indicator	Code	Jan-Dec of 2018	Jan-Dec of 2017
1	2	3	4
Production costs	6510	41 461 392	38 258 835
including			
direct materials costs	6511	8 992 760	8 604 749
labour costs	6512	4 490 001	4 040 302
fringe benefit expenses, occupational accident and occupational disease insurance	6513	1 298 452	1 168 796
depreciation	6514	3 966 930	3 772 687
miscellaneous expenses	6515	22 713 249	20 672 301
For reference: changes in inventory and provision (augmentation [+], reduction [-]):	6520	-	-
including			
production-in-progress	6521	-	-
products for sale	6522	-	-
purchased products	6523	-	-
products shipped	6524	-	-
auxiliary material	6525	-	-
Total cost of sold products (goods, services, works)	6500	41 461 392	38 258 835
including			
cost of goods sold	6530	-	-
management services for the third parties	6540	-	-
Business expenses	6550	-	-
including			
materials costs	6551	-	-
labour costs	6552	-	-
fringe benefit expenses	6553	-	-
depreciation	6554	-	-
miscellaneous expenses	6555	-	-
Administrative expenses	6560	155 482	110 122
including			
materials costs	6561	-	-
labour costs	6562	11 887	9 242
fringe benefit expenses, occupational accident and occupational disease insurance	6563	3 516	2 597
depreciation	6564	-	-
miscellaneous expenses	6565	140 079	98 283

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- (1) – reporting date of the reporting period
(2) – period of the previous year similar to the reporting period

2.2 Profit per share, diluted profit per share

Indicator	Code	Jan-Dec of 2018	Jan-Dec of 2017
1	2	3	4
Net profit (uncovered loss) of the reporting period	6610	151 198	525 276
Dividends on preferred shares (3)	6611		
Base earnings (loss) of the reporting period	6612	151 198	525 276
Average amount of ordinary shares in circulation within the reporting period	6613	303 793	301 897
Base earnings (loss) per share (rubles)	6620	0,4980	1,7400
Average market cost of one ordinary share	6621	60	99
Possible growth of profit and average amount of shares in circulation	6630	X	X
In the result of conversion of preferred shares into ordinary	6631	X	X
possible growth of profit	66311	-	-
additional amount of shares	66312	-	-
In the result of conversion of obligations into ordinary shares	6632	X	X
possible growth of profit	66321	-	-
additional amount of shares	66322	-	-
In the result of contract on purchase-sale of shares at price lower than the market price	6633	X	X
contract price	66331	-	-
possible growth of profit	66332	-	-
additional amount of shares	66333	-	-
Diluted profit per share (rubles)	6640	0,4980	1,7400
adjusted base earning	6641	151 198	525 276
adjusted amount of average amount of ordinary shares in circulation	6642	303 793	301 897

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- (1) – reporting date of the reporting period
(2) – period of the previous year similar to the reporting period
(3) – this indicator includes dividends on cumulative shares for the previous reporting periods that were paid out or declared during the reporting year

2.3. Profit taxation

Indicator	Code	2018	2017
1	2	3	4
Profit (loss) before the taxation	6710	1 279 818	1 167 674
including:		1 279 818	1 167 674
20% rate	67101		
other rates	67102	-	-
non-taxable	67103	-	-
Permanent difference	6711	3 379 607	2 183 553
Change of deductible temporary differences	6712	(283 512)	54 809
Change of taxable temporary differences	6713	(1 299 533)	(253 896)
Conventional expenditure (revenue) on profit tax	6721	255 964	233 535
Permanent tax liability (asset)	6722	675 921	436 710
Expenditure (revenue) on deferred taxes	6723	(56 702)	10 962
Change in deferred tax liability	6724	(259 907)	(50 779)
Current profit tax	6725	(615 276)	(630 428)
Sum of profit tax for the previous tax periods (adjusted declarations, tax inspections)	6726	(48 472)	75 952
Other tax payments and sanctions from profit	6727	(87 985)	(3 661)
Write-off of deferred income taxes and losses	6728	(60 278)	(44 444)
For reference: sums of deferred tax assets and deferred tax liability written-off due disposal of an assets or type of liability	67281	(60 278)	(44 444)
Profit (loss) from core activities	6729	151 198	525 276

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- (1) – reporting date of the reporting period
(2) – period of the previous year similar to the reporting period

Report on Changes in Equity for 2018

Form	OKUD [Russian National Classifier of Management Documentation]	Codes
Date	Date	
0710003	31.12.2018	0710003
Organization: Kubanenergo PJSC	OKPO [Russian Classifier of Businesses and Organizations]	604
Taxpayer Identification Number	INN [Taxpayer Identification Number]	2309001660
Type of activity: transmission of electricity	OKVED [Russian Classifier of Economic Activities]	.
Organizational legal form/ownership form: Public Joint-Stock Company / private	OKOPF [Russian Classifier of Organizational Legal Forms]/OKFS [Russian Classifier of Forms of Ownership]	
Unit of measurement: thousand rubles	OKEI [Russian Classifier of Measurement Units]	384

3.1. Cash flow

Indicator description	Line code	Authorized capital	Capital (before registration of changes)	Treasury stock	Additional capital	Reserve capital	Unallocated profit (uncovered loss)	Total
Balance as of December 31, 2016 (1)	3100	28 286 813	2 072 164	-	17 287 890	161 971	(12 410 429)	35 398 409
Increase of capital - total: 2017 (2)	3210	-	20 358	-	-	-	525 276	545 634
including:								
net profit	3211	x	x	x	x	x		
revaluation of property	3212	x	x	x				
incomes directly related to increase of capital	3213	x	x	x				
additional share issue	3214		20 358					
increase of share nominal value	3215	-	-	x	x	x		20 358
legal entity reorganization	3216	-	-	-	-	-		x
Capital amount reduction – total:	3220	-	-	-	-	-	(535 125)	(535 125)
including:								
loss	3221	x	x	x	x	x		-
revaluation of property	3222	x	x	x				-
expenditures directly related to decrease of capital	3223	x	x	x				-
reduction of share nominal value	3224	-	-	-	x	x		-
reduction of number of shares	3225	-	-	-	x	x		-
legal entity reorganization	3226	-	-	-	-	-		-

	3227	x	x	x	x	x	x	x	x	x	(535 125)	(535 125)
dividends	3227	x										
Additional fund changing	3230	x									50 414	x
Reserve fund changing	3240	x									(107 025)	x
Capital as of 31 December 2017	3200	28 286 813	2 092 522	-	17 237 476	268 996	(12 476 889)				35 408 918	
(2)												
2018												
(3)												
Increase of capital - total:	3310	2 092 522	(2 092 522)	-	-	-	151 198				151 198	
including:												
net profit	3311	x									151 198	151 198
revaluation of property	3312	x									-	-
incomes directly related to increase of capital	3313	x									-	-
additional share issue	3314	2 092 522	(2 092 522)	-	-						x	-
increase of share nominal value	3315	-									-	x
legal entity reorganization	3316	-									-	-
Capital reduction - total:	3320	-									(321 570)	(321 570)
including:												
loss	3321	x									-	-
revaluation of property	3322	x									-	-
expenditures directly related to decrease of capital	3323	x									-	-
reduction of share nominal value	3324	-									-	-
reduction of number of shares	3325	-									-	-
legal entity reorganization	3326	-									-	-
dividends	3327	x									(321 570)	(321 570)
Additional fund changing	3330	x									19 084	x
Reserve fund changing	3340	x									(26 264)	x
C	3300	30 379 335	-	-	17 218 392	295 260	(12 654 441)				35 238 546	

(1) – year before the previous year
(2) – previous year
(3) – reporting period

3.3 Net assets

Indicator	Line code	as of 31.12.2018	as of 31.12.2017	as of 31.12.2016
Net assets	3600	35 361 785	35 535 534	35 528 640

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(1) – year before the previous year
(2) – previous year
(3) – reporting period

3.4. Calculation of cost estimation of net assets of joint stock company

Indicator	Line	as of 31 December 2018	as of 31 December 2017	as of 31 December 2016
1	2	3	4	5
I. Assets				
1. Intangible assets	1110	38 621	33 456	25 834
2. Results of researches and developments	1120	107 450	69 571	24 411
3. Intangible development assets	1130	-	-	-
4. Tangible development assets	1140	-	-	-
5. Fixed assets	1150	62 534 635	59 659 050	55 910 737
6. Income-bearing investments in tangible valuables	1160	-	-	-
7. Long-and short-term financial investments	1170 + 1240	37 556	36 004	45 588
8. Miscellaneous intangible assets ²	1180+1190	895 673	966 929	892 143
9. Stock	1210	1 861 538	1 580 657	1 407 566
10. Value added tax on valuables acquired	1220	2 450	6 020	7 496
11. Accounts receivable ³	1230	7 057 410	6 847 388	7 119 419
12. Cash and equivalents	1250	2 194 482	1 667 698	1 245 575
13. Miscellaneous current assets ¹	1260	1 179 000	989 980	609 432
14. Total assets taken for accounting, (sum of paragraphs 1-13)		75 908 815	71 856 753	67 288 201
II. Liabilities				
15. Long-term borrowed funds	1410	13 283 239	22 617 796	18 912 239
16. Deferred tax liabilities	1420	438 719	178 832	128 343
17. Estimated liability	1430+1540	1 348 029	1 399 272	2 930 335
18. Other long-term liabilities	1450	1 248 675	989 505	1 429 365
19. Short-term borrowed funds	1510	11 395 279	91 064	79 078
20. Bills payable ⁴	1520	12 833 089	11 044 750	8 280 201
21. Miscellaneous short-term liabilities ⁵	1550	-	-	-
22. Total for liabilities taken for accounting (sum of paragraphs 15-21)		40 547 030	36 321 219	31 759 561
23. Cost of net assets of joint stock company (total for assets taken for accounting (line 14) minus total liabilities taken for accounting (line 22))		35 361 785	35 535 534	35 528 640

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1 – Except actual expenses on repurchase of own stock from shareholders

2 – Including the sum of differed tax assets

3 – Except debt of participants (founders) on share capital payment

4 – Including the sum of debt to participants on interest payment

5 – The data on the amount of other long-term and short-term liabilities includes the amount of reserves created in accordance with the established procedure in connection with contingent liabilities and with the termination of activities

6 – year before the previous year

7 – previous year

8 – reporting date of the reporting period

Statement on cash flow January – December 2018

		Codes
Form OKUD [Russian National Classifier of Management Documentation]		0710004
Date		31.12.2018
Organization: Kubanenergo PJSC	OKPO [Russian Classifier of Businesses and Organizations]	00104604
Taxpayer Identification Number	INN [Taxpayer Identification Number]	2309001660
Type of activity: electricity transmission	OKVED [Russian Classifier of Economic Activities]	
Organizational legal form/ownership form Public Joint-Stock Company / private	OKOPF [Russian Classifier of Organizational Legal Forms]/OKFS [Russian Classifier of Forms of Ownership]	12247 / 16
Unit: thousand rubles	OEKI [Russian Classifier of Measurement Units]	384

Indicator	Line code	2018	2017
1	2	3	4
Cash flow from operating activities			
Income - total	4110	40 528 817	34 707 394
including:			
from sales of products, goods, work and services	4111	39 666 582	34 125 513
including from sales of products, goods, work and services to parent, subsidiary and dependent companies	411101	1 597	2 207
lease rents, license fee, royalties, commission and other payments	4112	23 117	23 328
including from lease rents, license fee, royalties, commission and other payments from parent, subsidiary and dependent companies	411201	644	687
from resale of financial assets	4113	-	-
including from resale of financial assets to parent, subsidiary and dependent companies	411301	-	-
other incomes	4119	839 118	558 553
including other incomes from parent, subsidiary and dependent companies	411901	292	58
Payments - total	4120	(35 060 521)	(31 550 420)
including:			
to suppliers (contractors) for materials, stuff, work, services	4121	(23 750 885)	(20 532 431)
including to suppliers (contractors) for materials, stuff, work, services of parent, subsidiary and dependent companies	412101	(180 569)	(120 562)
due to the fact of payment for the labour of an employee	4122	(4 742 943)	(4 540 178)
interest on debenture	4123	(1 788 456)	(2 079 674)
including interest on debenture to parent, subsidiary and dependent companies	412301	-	-
tax on the profit of organizations	4124	(614 877)	(582 651)
other payments	4129	(4 163 360)	(3 815 486)
including other payments to parent, subsidiary and dependent companies	412901	(30 493)	(37 781)
Balance of money flows from current operations	4100	5 468 296	3 156 974

Cash flow of investment activity funds			
Income – total	4210	279 889	1 295 093
including:			
from sale of non-current assets (except financial assets)	4211	1 873	1 300
including from sale of non-current assets (except financial assets) to parent, subsidiary and dependent companies	421101	-	-
from sale of shares of other organizations (equity share)	4212	-	-
including from sale of shares of other organizations (equity share) to parent, subsidiary and dependent companies	421201	-	-
from returning of granted loans, from sale of debt securities (claim of monetary funds to others)	4213	-	-
including from returning of granted loans, from sale of debt securities (claim of monetary funds to others) of parent, subsidiary and dependent companies	421301	-	-
from dividends, percent from debt financial placements and similar incomes from share participation in other organizations	4214	91 576	48 662
including from dividends, percent from debt financial placements and similar incomes from share participation in other organizations from parent, subsidiary and dependent companies	421401	9 068	277
other incomes	4219	186 440	1 245 131
including other incomes from parent, subsidiary and dependent companies	421901	-	-
Payments – total	4220	(6 864 565)	(7 220 872)
including:			
due to the fact of purchasing, creating, modernization, reconstruction and preparing for use of non-current assets	4221	(6 314 591)	(7 134 882)
including payments to parent, a subsidiary and dependent companies due to the fact of purchasing, creating, modernization, reconstruction and preparing for use of non-current assets	422101	-	-
due to the fact of purchasing shares of other companies (equity share)	4222	-	-
including payments to parent, affiliate and subsidiary companies due to the fact of purchasing shares of other companies (equity share)	422201	-	-
due to the fact of purchasing debt securities (claim of monetary funds to others), lending procuration to others	4223	-	-
including payments to parent, subsidiary and dependent companies due to fact of purchasing debt securities (claim of monetary funds to others), lending procuration to others	422301	-	-
interest of debenture, included to value of investment asset	4224	(373 222)	-
including interest of debenture, included to value of investment asset to parent, subsidiary and dependent companies	422401	-	-
other payments	4229	(176 752)	(85 990)
including other payments to parent, subsidiary and dependent companies	422901	(927)	(927)
Balance of money flows from current operations	4200	(6 584 676)	(5 925 779)
Cash flows from financial operations	Line		
Income – total	4310	39 098 182	41 518 322
including:			

receiving the credits and loans	4311	39 098 182	41 518 322
including receiving the credits and loans from parent, subsidiary and dependent companies	431101	-	-
from owners' lodgment (participants)	4312	-	-
including from owners' lodgment (participants) of parent, subsidiary and dependent companies	431201	-	-
from shares release, increasing share of participation	4313	-	20 358
from shares release, increasing share of participation of parent, subsidiary and dependent companies	431301	-	20 357
from issue of bonds, bills and other debt securities and other	4314	-	-
from issue of bonds, bills and other debt securities and other of parent, subsidiary and dependent companies	431401	-	-
other incomes	4319	4	457
other incomes from parent, subsidiary and dependent companies	431901	-	-
Payments - total	4320	(37 454 871)	(38 327 577)
including:			
to owners (participants) due to the fact of their shares purchasing (equity share) or their cessation of membership	4321		
including to owners (participants) due to the fact of their shares purchasing (equity share) or their cessation of membership of parent, subsidiary and dependent companies	432101	-	-
to dividends and other payments under appropriation of profit in favor of owners (participants)	4322	(321 519)	(535 626)
including to dividends and other payments under appropriation of profit in favor of owners (participants) of parent, subsidiary and dependent companies	432201	(298 340)	(496 441)
due to the fact of payment of promissory notes (purchasing) and other debt securities, repayment of credits and loans	4323	(37 133 352)	(37 791 951)
including due to the fact of payment of promissory notes (purchasing) and other debt securities, repayment of credits and loans to parent, subsidiary and dependent companies	432301	-	-
other payments	4329	-	-
including other payments to parent, subsidiary and dependent companies	432901	-	-
Balance of money flows from current operations	4300	1 643 311	3 190 745
Balance of money flows in the accounting period	4400	526 931	421 940
Cash balance and money equivalent at the beginning of reporting period	4450	1 667 376	1 245 436
Cash balance and money equivalent at the end of reporting period	4500	2 194 307	1 667 376
Effect of exchange rate changes of rubles	4490	-	-

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(1) – reporting date of the reporting period

(2) – period of the previous year similar to the reporting period

5.1. Intangible assets

5.1.1. Availability and flow of intangible assets

Indicator Name	Code	Period	As of year's beginning				Changes for period				As of period's end							
			Initial/current market value	Accumulated depreciation	Impairment losses	Residual value	Initial/current market value	Accumulated depreciation	Impairment losses	Accrued depreciation	Impairment loss	Initial/current market value	Accumulated depreciation	Impairment losses	Residual value			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Intangible assets - total	5100	2018	65 681	(38 225)	-	27 456	13 473	(19 661)	19 661	-	(9 808)	-	-	-	59 493	(28 372)	-	31 121
	5110	2017	54 765	(28 931)	-	25 834	10 916	-	-	-	(9 294)	-	-	-	65 681	(38 225)	-	27 456
Objects of intellectual property(exclusive rights for results of intellectual property)	5101	2018	30 056	(9 650)	-	20 406	-	-	-	-	(4 491)	-	-	-	30 056	(14 141)	-	15 915
	5111	2017	24 648	(4 475)	-	20 173	5 408	-	-	-	(5 175)	-	-	-	30 056	(9 650)	-	20 406
including: at a patent holder for inventions, industrial sample, useful model	51011	2018	7 759	(1 117)	-	6 642	-	-	-	-	(794)	-	-	-	7 759	(1 911)	-	5 848
	51111	2017	2 351	(882)	-	1 469	5 408	-	-	-	(235)	-	-	-	7 759	(1 117)	-	6 642
at a right holder for software, databases	51012	2018	22 105	(8 430)	-	13 675	-	-	-	-	(3 675)	-	-	-	22 105	(12 105)	-	10 000
	51112	2017	22 105	(3 512)	-	18 593	-	-	-	-	(4 918)	-	-	-	22 105	(8 430)	-	13 675
at owner for trade mark, service mark, name of place of origin of goods	51014	2018	192	(103)	-	89	-	-	-	-	(22)	-	-	-	192	(125)	-	67
	51114	2017	192	(81)	-	111	-	-	-	-	(22)	-	-	-	192	(103)	-	89
Others	5103	2018	35 625	(28 575)	-	7 050	13 473	(19 661)	19 661	-	(5 317)	-	-	-	29 437	(14 231)	-	15 206
	5113	2017	30 117	(24 456)	-	5 661	5 508	-	-	-	(4 119)	-	-	-	35 625	(28 575)	-	7 050

(1)- reporting year
(2)- previous year

5.2. Results of the scientific and research, design and experimental and technological works and intangible assets

5.2.1. Availability and flow of R&D results

Indicator name	Code	Period	As of year's beginning		Changes for period			As of period's end		
			initial cost	part of cost, written off to expenses	entered	retired	part of cost, written off to expenses for period	initial cost	part of cost, written off to expenses	
1	2	3	4	5	6	7	8	9	10	11
R&D, total	5140	2018	2 966	(2 966)	-	(2 966)	2 966	-	-	-
	5150	2017	2 966	(2 966)	-	-	-	-	2 966	(2 966)
among them:										
Patentable results of fulfilled R&D	5141	2018	-	-	-	-	-	-	-	-
	5151	2017	-	-	-	-	-	-	-	-
Other	5142	2018	2 966	(2 966)	-	(2 966)	2 966	-	-	-
	5152	2017	2 966	(2 966)	-	-	-	-	2 966	(2 966)
For reference: of total sum of R&D			-	-	-	-	-	-	-	-
Expenses for R&D, made in-house	5143	2018	-	-	-	-	-	-	-	-
	5153	2017	-	-	-	-	-	-	-	-
Expenses for R&D, fulfilled by external agencies	5144	2018	-	-	-	-	-	-	-	-
	5154	2017	-	-	-	-	-	-	-	-

(1) – reporting year
(2) – previous year

5.2.2. In-progress and unregistered R&D and operations to acquire intangible assets in-progress

Indicator name	Code	Period	As of year's beginning	Changes for period			As of period's end
				expenses for period	expenses written off as those which haven't given positive result	entered in accounting records in the capacity of intangible assets or R&D	
1	2	3	4	5	6	7	8
Expenses on researches and developments in progress - total including:	5160 5170	2 2	69 571 24 411	44 920 50 568	- -	(7 041) (5 408)	107 450 69 571
Patentable results of fulfilled R&D	5161 5171	2 2	66 579 24 411	31 886 47 576	- -	(7 041) (5 408)	91 424 66 579
Other	5162 5172	2 2	2 992 -	13 034 2 992	- -	- -	16 026 2 992
Operations to acquire intangible assets in-progress- total including:	5180 5190	2 2	6 000 -	7 932 11 508	- -	(6 432) (5 508)	7 500 6 000
from a patent holder for inventions, industrial sample, useful model	5181	2	-	-	-	-	-
from a right holder for software, databases	5182 5192	2 2	- -	- -	- -	- -	- -
from owner, for trade mark, service mark, appellation of origin of goods	5183 5193	2 2	- -	- -	- -	- -	- -
Others	5184 5194	2 2	6 000 -	7 932 11 508	- -	(6 432) (5 508)	7 500 6 000

(1) - reporting year

(2) - previous year

5.3. Fixed assets 5.3.1. Availability and flow of fixed assets

Indicator	Code	Period	As of year's beginning				Changes over the period							As of period's end		
			initial cost	accumulated depreciation	residual value	entered	accumulated depreciation on entered facilities	initial cost	accumulated depreciation	depreciation, accrued	reassessment initial cost	reassessment accumulated depreciation	initial cost	accumulated depreciation	residual value	
																8
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Fixed assets (net of income-bearing investments into tangible assets) - total																
including:																
Depreciable fixed assets - total:																
including:																
production buildings	52011 52111	10 874 958 167	(5 170 825) (5 002 362)	5 704 133 5 748 805	113 999 172 519	(6 784) -	(20 025) (48 728)	19 144 41 339	(211 955) (209 802)	- -	- -	10 968 932 10 874 958	(5 370 420) (5 170 825)	5 598 512 5 704 133	10 874 958 167	
constructions, except power lines	52012 52112	8 2	2 861 327 2 638 598	(1 158 251) (1 014 838)	1 703 076 1 623 760	124 851 223 882	(371) -	(715) (1 153)	715 1 140	(159 324) (144 553)	- -	- -	2 985 463 2 861 327	(1 317 231) (1 158 251)	1 668 232 1 703 076	
power transmission lines and devices	52013 52113	8 2	45 339 212 43 429 408	(15 237 604) (13 667 736)	30 101 608	1 347 225	- -	(75 339) (30 549)	38 740 23 623	(1 727 104) (1 593 491)	- -	- -	46 611 098 45 339 212	(16 925 968) (15 237 604)	29 685 30 101 608	
machinery and equipment to produce electric power, substations, equipment to transform electric power	52014 52114	8 2	39 205 445 37 891 514	(28 361 402) (27 446 014)	10 844 10 445	2 042 568	- -	(98 187) (278 637)	96 816 272 244	(1 255 700) (1 187 632)	- -	- -	41 149 569 39 205 445	(29 520 286) (28 361 402)	11 629 283 10 844 043	
production and household equipment	52015	8	47 012	(39 315)	7 697	1 633	-	(762)	762	(2 317)	-	-	47 883	(40 870)	7 013	
misc.	52016 52116	2 2	43 988 7 917 721 7 445 248	(38 396) (5 202 485) (4 595 933)	5 592 2 715 236 2 849 315	4 144 290 876 514 629	- -	(1 120) (48 113) (42 156)	1 120 48 094 38 283	(2 039) (618 521) (644 835)	- -	- -	47 012 8 160 484 7 917 721	(39 315) (5 772 912) (5 202 485)	7 697 2 387 572 2 715 236	
Facilities with unrestricted useful life, not depreciable - totally																
including:																
land plots	52021	8	136 244	-	136 244	86	-	-	-	-	-	-	136 330	-	136 330	
	5202	8	136 244	-	136 244	122	-	-	-	-	-	-	136 244	-	136 244	
	52021	8	136 244	-	136 244	86	-	-	-	-	-	-	136 330	-	136 330	

	52121	2	136 122	-	136 122	122	136 244	-	136 244
objects of nature management	52022	8	-	-	-	-	-	-	-
Capital investments for fundamental improvement of lands	5203	8	-	-	-	-	-	-	-
	5213	2	-	-	-	-	-	-	-
Accounted in composition of income-bearing investments into tangible assets - totally	5220	8	-	-	-	-	-	-	-
including:	5230	0	-	-	-	-	-	-	-
property to be transferred on lease	5221	8	-	-	-	-	-	-	-
	5231	2	-	-	-	-	-	-	-
property submitted under a lease contract	5222	8	-	-	-	-	-	-	-
	5232	2	-	-	-	-	-	-	-

(1) - reporting year
(2) - previous year

5.3.3. Cost change of the fixed assets as a result of further construction, further equipping, reconstruction and partial liquidation

Indicator name	Code	2018	2017
1	2	3	4
Cost increase of the items of the fixed assets as a result of a further construction, further equipping, reconstruction – total	5260	755 812	799 576
including:			
production buildings	5261	4 370	14 698
construction, except for power transmission lines	5262	9 793	23 473
power transmission lines and devices	5263	708 425	728 123
machinery and equipment to produce electric power, substations, equipment to transform electric power	5264	29 228	30 780
production and household equipment	5265	-	-
miscellaneous	5266	3 996	2 502
Cost decrease of the items of the fixed assets as a result of a partial liquidation – total	5270	(79 019)	(35 153)
including:			
production buildings	5271	(136)	-
construction, except for power transmission lines	5272	-	(120)
power transmission lines and devices	5273	(65 321)	(28 789)
machinery and equipment to produce electric power, substations, equipment to transform electric power	5274	(13 562)	(6 244)
production and household equipment	5275	-	-
miscellaneous	5276	-	-

(1) - reporting year
(2) - previous year

5.3.4. Other use of the fixed assets

Indicator name	Code	As of 31 December 2018	As of 31 December 2017	As of 31 December 2016
1	2	3	4	5
Leased out fixed assets, on the books	5280	81 084	56 189	53 642
Leased out fixed assets, off the books	5281	-	-	-
Taken on lease fixed assets, on the books	5282	-	-	-
Taken on lease fixed assets, off the books	5283	3 092 597	3 041 044	3 621 269
Constructed, commissioned and actually being used property, for which the documents are submitted for state registration	5284	3 261 112	3 305 621	4 341 400
Fixed assets transferred to standby	5285	20 125	23 584	22 957
Other use of fixed assets (pledge etc.)	5286	-	-	-

- (1) – reporting date of the reporting period
(2) – the previous year
(3) – the year preceding the previous year

5.3.5. Capital investments in progress

Indicator	Code	Period	As of year's beginning	Changes for period			As of period's end
				expenditures for period	written off	entered in accounting records as fixed assets or cost is increased	
1	2	3	4	5	6	7	8
Construction-in-progress and unaccomplished operations in respect to acquisition, renovation etc. of the fixed assets - total	5240	2018	6 737 703	9 310 773	(1 946 063)	(3 912 217)	10 190 196
including:	5250	2017	4 320 028	7 842 693	(1 027 436)	(4 397 582)	6 737 703
construction-in- progress	5241	2018	4 715 427	7 663 934	(12 250)	(3 734 277)	8 632 834
fixed assets acquisition	5251	2017	2 555 838	6 338 434	(19 475)	(4 159 370)	4 715 427
equipment for installation	5242	2018	268	177 854	(268)	(177 854)	-
miscellaneous	5252	2017	5 859	280 547	(47 926)	(238 212)	268
	5243	2018	2 021 964	1 468 899	(1 933 501)	-	1 537 362
	5253	2017	1 758 287	1 223 712	(960 035)	-	2 021 964
	5244	2018	44	86	(44)	(86)	-
	5254	2017	44	-	-	-	44

- (1) – reporting year
(2) – previous year

5.3.6. Advances paid for capital construction and fixed assets acquisition

Indicator	Code	Period	Changes within the period										As of the end of the period	
			As of the beginning of the year		Changes within the period						As of the end of the period			
			accounted under contract's clauses	amount of provision for doubtful debts	as a result of economic operations (debt sum on a transaction)	entrance other accruals	accrual of a reserve	repayment	writing off owing to reserve, accrued earlier	writing off to financial result	recovery of a reserve	accounted under contract's clauses	amount of provision for doubtful debts	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Advances paid for capital construction	5291	2018 (1)	1 346 265	(102 648)	413 849	-	(3 709)	(1 251 265)	(92 165)	-	-	-	416 684	(14 192)
	5292	2017 (2)	205 835	(107 301)	1 267 961	-	-	(122 858)	(4 653)	(20)	-	-	1 346 265	(102 648)
including:														
capital construction	52911	2018 (1)	1 323 597	(99 516)	350 719	-	(3 709)	(1 188 767)	(91 333)	-	-	-	394 216	(11 892)
	52921	2017 (2)	124 690	(101 557)	1 265 940	-	-	(64 992)	(2 041)	-	-	-	1 323 597	(99 516)
fixed assets acquisition	52912	2018 (1)	2 543	(2 300)	20 069	-	-	(14 092)	-	-	-	-	8 520	(2 300)
	52922	2017 (2)	2 879	(2 522)	71	-	-	(185)	(222)	-	-	-	2 543	(2 300)
miscellaneous	52913	2018 (1)	20 125	(832)	43 061	-	-	(48 406)	(832)	-	-	-	13 948	-
	52923	2017 (2)	78 266	(3 222)	1 950	-	-	(57 681)	(2 390)	(20)	-	-	20 125	(832)

(1) - reporting year

(2) - previous year

5.4. Financial investments
5.4.1. Availability and flow of financial investments

Indicator	Code	Period	Changes for period										As of the end of the period	
			As of the beginning of the year		Changes for period						As of the end of the period			
			initial cost	accumulated adjustment	entered	retired (repaid)	interest accrual (including the initial cost bringing to nominal cost)	current market value (impairment losses)	initial cost	accumulated adjustment				
1	2	3	4	5	6	7	8	9	10	11	12			
Long-term FI - total	5301	2018 (1)	62 924	(26 920)	-	(17 234)	17 234	-	-	1 552	45 690	(8 134)		
	5311	2017 (2)	62 924	(17 336)	-	-	-	-	-	(9 584)	62 924	(26 920)		
Contributions in authorized (share) capital of other companies - total	53021	2018 (1)	62 924	(26 920)	-	(17 234)	17 234	-	-	1 552	45 690	(8 134)		
including:	53121	2017 (2)	62 924	(17 336)	-	-	-	-	-	(9 584)	62 924	(26 920)		
subsidary companies	530211	2018 (1)	62 921	(26 918)	-	(17 234)	17 234	-	-	1 552	45 687	(8 132)		
	531211	2017 (2)	62 921	(17 334)	-	-	-	-	-	(9 584)	62 921	(26 918)		
dependent companies	530212	2018 (1)	-	-	-	-	-	-	-	-	-	-		
	531212	2017 (2)	-	-	-	-	-	-	-	-	-	-		
Miscellaneous	530213	2018 (1)	3	(2)	-	-	-	-	-	-	3	(2)		
	531213	2017 (2)	3	(2)	-	-	-	-	-	-	3	(2)		
State and municipal securities	53022	2018 (1)	-	-	-	-	-	-	-	-	-	-		
	53122	2017 (2)	-	-	-	-	-	-	-	-	-	-		
Securities of other entities- total	53023	2018 (1)	-	-	-	-	-	-	-	-	-	-		
	53123	2017 (2)	-	-	-	-	-	-	-	-	-	-		
including:														
debt securities (bonds, bills)	530231	2018 (1)	-	-	-	-	-	-	-	-	-	-		
	531231	2017 (2)	-	-	-	-	-	-	-	-	-	-		
Loans granted	53024	2018 (1)	-	-	-	-	-	-	-	-	-	-		
	53124	2017 (2)	-	-	-	-	-	-	-	-	-	-		
Deposits	53025	2018 (1)	-	-	-	-	-	-	-	-	-	-		
	53125	2017 (2)	-	-	-	-	-	-	-	-	-	-		
Miscellaneous	53026	2018 (1)	-	-	-	-	-	-	-	-	-	-		
	53126	2017 (2)	-	-	-	-	-	-	-	-	-	-		
Long-term FI having current market value- total	5302	2018 (1)	-	-	-	-	-	-	-	-	-	-		
	5312	2017 (2)	-	-	-	-	-	-	-	-	-	-		

market value is determined	7130							
<i>including:</i>								
Contributions in authorized (share) capital of other companies – total	7131	(26 920)	-	1 552	17 234	(8 134)		
<i>including:</i>								
subsidary companies	71311	(26 918)	-	1 552	17 234	(8 132)		
dependent entities	71312	-	-	-	-	-		
miscellaneous	71313	(2)	-	-	-	(2)		
State and municipal securities	7132	-	-	-	-	-		
Securities of other entities - total	7133	-	-	-	-	-		
<i>including:</i>								
debt securities (bonds, bills)	71331	-	-	-	-	-		
Loans granted	7134	-	-	-	-	-		
Deposits	7135	-	-	-	-	-		
Miscellaneous	7136	-	-	-	-	-		
Short-term financial investments	7200	-	-	-	-	-		
Difference between the current market value of the financial investments and their previous assessment, on which it was determined	7210	-	-	-	-	-		
<i>including:</i>								
Contributions in authorized (share) capital of other companies – total	7211	-	-	-	-	-		
<i>including:</i>								
subsidary companies	72111	-	-	-	-	-		
dependent entities	72112	-	-	-	-	-		
Miscellaneous	72113	-	-	-	-	-		
Securities of other entities - total	7212	-	-	-	-	-		
<i>including:</i>								
debt securities (bonds, bills)	72121	-	-	-	-	-		
Miscellaneous	7213	-	-	-	-	-		
Difference between the current value of the debt securities and their initial value		-	-	-	-	-		

<i>including:</i>	7220	-	-	-	-	-		
Other entities' securities – total	7221	-	-	-	-	-		
<i>including:</i>								
debt securities (bonds, bills)	72211	-	-	-	-	-		
Miscellaneous	7222	-	-	-	-	-		
Provision for impairment of financial investments, not having a market value	7230	-	-	-	-	-		
<i>including:</i>								
Contributions in authorized (share) capital of other companies – total	7231	-	-	-	-	-		
<i>including:</i>								
subsidary companies	72311	-	-	-	-	-		
dependent entities	72312	-	-	-	-	-		
Miscellaneous	72313	-	-	-	-	-		
State and municipal securities	7232	-	-	-	-	-		
Securities of other entities - total	7233	-	-	-	-	-		
<i>including:</i>								
debt securities (bonds, bills)	72331	-	-	-	-	-		
Loans granted	7234	-	-	-	-	-		
Deposits	7235	-	-	-	-	-		
Miscellaneous	7236	-	-	-	-	-		

5.5. Business inventories
5.5.1. Availability and flow of inventories

Indicator	Code	Period	Changes for period							As of the end of the period											
			As of the beginning of the year		receipts and expenditures	retired prime cost	reserve for cost reduction	losses from cost reduction	inventory turnover within groups (types)	prime cost	reserve for cost reduction										
			prime cost	reserve amount for cost reduction								4	5	6	7	8	9	10	11	12	
1	2	3																			
Inventories, total	5400	2018 (1)	1 587 652	(6 995)	2 341 189	(2 058 969)	6 874	(8 213)	x	1 869 872	(8 334)										
raw material and materials	5420	2	1 416 925	(9 359)	1 859 941	(1 689 214)	5 443	(3 079)	x	1 587 652	(6 995)										
production-in-process	5401	2018 (1)	1 587 652	(6 995)	2 341 189	(2 058 969)	6 874	(8 213)	-	1 869 872	(8 334)										
goods delivered	5421	2	1 416 925	(9 359)	1 859 941	(1 689 214)	5 443	(3 079)	-	1 587 652	(6 995)										
finished products and goods	5402	2018 (1)	-	-	-	-	-	-	-	-	-										
miscellaneous inventories and expenditures	5422	2	-	-	-	-	-	-	-	-	-										
	5403	2018 (1)	-	-	-	-	-	-	-	-	-										
	5423	2	-	-	-	-	-	-	-	-	-										
	5404	2018 (1)	-	-	-	-	-	-	-	-	-										
	5424	2	-	-	-	-	-	-	-	-	-										
		0	-	-	-	-	-	-	-	-	-										
	5405	2018 (1)	-	-	-	-	-	-	-	-	-										
	5425	2	-	-	-	-	-	-	-	-	-										
		0	-	-	-	-	-	-	-	-	-										

(1) - reporting year
(2) - previous year

5.5.2. Pledged inventory

Indicator	Code	As of 31 December 2018	As	As
Inventory unpaid as of the reporting date - total	5440	-	-	-
including raw materials	5441	-	-	-
construction in-progress	5442	-	-	-
goods dispatched	5443	-	-	-
finished products and goods	54441	-	-	-
miscellaneous goods and expenses	54442	-	-	-
Pledged inventory under the contract – total	5445	-	-	-
including raw materials	5446	-	-	-
goods dispatched	5447	-	-	-
finished products and goods	5448	-	-	-
miscellaneous goods and expenses	5449	-	-	-

(1) – reporting date of the reporting period
(2) – previous year
(3) – year preceding the previous

5.6. Accounts receivable and accounts payable
5.6.1. Availability and flow of accounts receivable

Indicator name	Code	Period	As of year's beginning						Changes for period						As of period's end		
			amount of provision for doubtful debts	accounted under contract's clauses	4	5	6	as a result of economic operations (debt amount on a transaction of operation)	entrance due interest, penalties and other accruals	accrual of reserve	repayment	writing off owing to reserve accrued earlier	writing off to financial result	reserve recovery	transfer from long-term into short-term indebtedness	accounted under contract's clauses	amount of provision for doubtful debts
1	2	3															
Long-term accounts receivable - total																	
including:																	
Settlements with buyers and customers including:	5501	2018 (1)	28 694	-	12 152	-	-	-	(217)	-	-	-	-	(17 749)	22 880	-	-
electric power transmission	5521	2	12 614	-	21 034	-	-	-	(2 018)	-	-	-	-	(2 936)	28 694	-	-
grid connection	5502	2018 (1)	-	-	1 857	-	-	-	-	-	-	-	-	(729)	1 128	-	-
organization of functioning and development of UES of Russia as to the distribution electric grid complex	5503	2018 (1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
resale of electric power and capacity	5504	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
revenues from lease	5505	2018 (1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
other	5506	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances paid	5522	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bills receivable	5523	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other accounts receivable	5505	2018 (1)	28 694	-	10 295	-	-	-	(217)	-	-	-	-	(17 020)	21 752	-	-
including:	5525	2	12 614	-	21 034	-	-	-	(2 018)	-	-	-	-	(2 936)	28 694	-	-
non-interest bearing bills	55051	2018 (1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	55251	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

others	5502	2018 (1)	28 694	-	10 295	-	-	-	(217)	-	-	-	-	(17 020)	21 752	-	-
From total sum of long-term accounts receivable:	5522	2	12 614	-	21 034	-	-	-	(2 018)	-	-	-	-	(2 936)	28 694	-	-
indebtedness of subsidiary companies	5506	2018 (1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
indebtedness of dependent companies	5526	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term accounts receivable - total																	
including:																	
Settlements with buyers and customers	5511	2018 (1)	7 461 249	(1 305 303)	349 716	-	-	(115 577)	(497 222)	(2 009)	(320)	312 265	729	7 312 143	(1 106 606)	-	-
including:	5531	2	7 844 714	(1 434 133)	562 219	-	(465 884)	(926 464)	(17 843)	(1 377)	(1 377)	576 871	-	7 461 249	(1 305 303)	-	-
electric power transmission	55111	2018 (1)	7 394 900	(1 290 248)	248 347	-	(96 309)	(474 276)	(776)	-	-	308 947	-	7 168 195	(1 076 834)	-	-
grid connection	55311	2	7 808 289	(1 426 363)	520 231	-	(454 768)	(919 608)	(14 012)	-	-	576 871	-	7 394 900	(1 290 248)	-	-
organization of functioning and development of UES of Russia as to the distribution electric grid complex	55112	2018 (1)	37 260	(11 681)	27 415	-	(19 268)	(5 391)	(1 233)	(49)	-	-	729	58 731	(29 716)	-	-
resale of electric power and capacity	55312	2	22 288	(7 404)	23 742	-	(7 798)	(5 249)	(3 521)	-	-	-	-	37 260	(11 681)	-	-
revenues from lease	55315	2	2 852	-	1 144	-	-	(958)	-	-	-	-	-	3 038	-	-	-
other	55116	2018 (1)	26 237	(3 374)	72 810	-	-	(16 597)	-	(271)	-	3 318	-	82 179	(56)	-	-
Advances paid	5512	2018 (1)	53 804	(21 686)	21 562	-	(597)	(23 374)	(12 004)	(145)	-	4 925	-	39 843	(5 354)	-	-
Bills receivable	5513	2018 (1)	29 872	(16 503)	36 147	-	(7 589)	(12 063)	(14)	(138)	-	2 392	-	53 804	(21 686)	-	-
indebtedness of participants (founders) as regards contributions into the charter capital	5514	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
indebtedness of subsidiary and	5515	2018 (1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

5.6.4. Disputes with Sales Companies

Counterparty	As of the beginning of the year		Changes for period				As of the end of the period	
	Counterparty's data		Accrued for the period (turnover on accounts receivable, RUR ths.)		Paid for the period (turnover on accounts payable, RUR ths.)		Counterparty's data	
	Company's data	Counterparty's data	Company's data	Counterparty's data	Company's data	Counterparty's data	Company's data	Counterparty's data
1	2	3	4	5	6	7	8	9
Kvant, LLC	59	59	-	-	59	59	-	-
TNS Energo Kuban, PJSC	671 486	671 486	107 288	107 288	59 537	59 537	719 237	719 237
Maikop CCP, LLC	153 196	153 196	146	146	153 196	153 196	146	146
Independent energy selling company, JSC	172 493	172 493	216 866	216 866	-	-	389 359	389 359
ESK, LLC	481	481	-	-	-	-	481	481
Oboronenergoby, JSC	22 875	22 875	359	359	-	-	23 234	23 234
Forest, LLC	802	802	355	355	-	-	1 157	1 157
EnergoHolding, LLC	1 075	1 075	-	-	1 075	1 075	-	-

5.6.5. Availability and flow of accounts payable

Indicator	Code	Period	Balance as of year's beginning	Changes for period						Balance as of period's end
				entrance		repayment	writing off to financial result	transfer from long-term into short-term indebtedness		
				as a result of economic operations (debt amount on a transaction, operation)	acquired interest, penalties and other accruals					
1	2	3	4	5	6	7	8	9	10	
Long-term accounts payable – total	5551	2018 (1)	989 505	511 998	-	-	-	(252 828)	1 248 675	
including:	5571	2017 (2)	1 429 365	326 845	-	(41)	-	(766 664)	989 505	
accounts payable of suppliers and contractors	5552	2018 (1)	3 634	5 950	-	-	-	(3 634)	5 950	
including:	5572	2017 (2)	47	3 634	-	(40)	-	(7)	3 634	
	55521	2018 (1)	3 634	-	-	-	-	(3 634)	-	

construction	55721	2017 (2)	29	3 634	-	(22)	-	(7)	3 634
other	55522	2018 (1)	-	5 950	-	-	-	-	5 950
	55722	2017 (2)	18	-	-	(18)	-	-	-
Other accounts payable	5553	2018 (1)	985 871	506 048	-	-	-	(249 194)	1 242 725
	5573	2017 (2)	1 429 318	323 211	-	(1)	-	(766 657)	985 871
From total sum of long-term indebtedness	5554	2018 (1)	-	-	-	-	-	-	-
debt to subsidiary companies	5574	2017 (2)	-	-	-	-	-	-	-
	55541	2018 (1)	-	-	-	-	-	-	-
	55741	2017 (2)	-	-	-	-	-	-	-
debt to dependent companies	55542	2018 (1)	-	-	-	-	-	-	-
	55742	2017 (2)	-	-	-	-	-	-	-
Short-term accounts payable - total	5560	2018 (1)	11 044 750	6 828 311	-	(5 275 025)	(17 775)	252 828	12 833 089
including:	5580	2017 (2)	8 280 201	7 211 065	-	(5 173 568)	(39 612)	766 664	11 044 750
Settlements with suppliers and contractors	5561	2017 (2)	6 198 136	2 209 396	-	(3 166 727)	(5 882)	3 634	5 238 557
including:	5581	2018 (1)	4 837 353	4 637 326	-	(3 258 477)	(18 073)	7	6 198 136
construction	55611	2018 (1)	551 360	694 195	-	(496 869)	(1 737)	3 634	750 583
other	55811	2017 (2)	711 673	463 207	-	(609 555)	(13 972)	7	551 360
	55612	2018 (1)	5 646 776	1 515 201	-	(2 669 858)	(4 145)	-	4 487 974
	55812	2017 (2)	4 125 680	4 174 119	-	(2 648 922)	(4 101)	-	5 646 776
Advances received	5562	2018 (1)	2 889 096	2 574 402	-	(537 799)	(9 385)	248 489	5 164 803
including:	5582	2017 (2)	1 922 409	814 684	-	(596 929)	(17 020)	765 952	2 889 096
electricity transmission	55621	2018 (1)	13 267	8 587	-	(8 886)	(32)	-	12 936
	55821	2017 (2)	5 878	9 805	-	(1 862)	(554)	-	13 267
grid connection	55622	2018 (1)	2 867 111	2 560 769	-	(523 554)	(8 399)	248 489	5 144 416
	55822	2017 (2)	1 909 489	798 598	-	(591 087)	(15 841)	765 952	2 867 111
organization of functioning and development of UES of Russia as to the distribution electric grid complex	55623	2018 (1)	-	-	-	-	-	-	-
resale of electric power and capacity participation in other entities	55823	2017 (2)	-	-	-	-	-	-	-
	55624	2018 (1)	-	-	-	-	-	-	-
	55824	2017 (2)	-	-	-	-	-	-	-
	55625	2018 (1)	-	-	-	-	-	-	-
	55825	2017 (2)	-	-	-	-	-	-	-
	55626	2018 (1)	23	12	-	(17)	-	-	18
	55826	2017 (2)	97	18	-	(91)	(1)	-	23

<i>other</i>	55627	2018 (1)	8 695	5 034	-	(5 342)	(954)	-	7 433
	55826	2017 (2)	6 945	6 263	-	(3 889)	(624)	-	8 695
Debt to participants (founders) as regards the revenues payout	5563	2018 (1)	500	463	-	(44)	-	-	919
	5583	2017 (2)	37	463	-	-	-	-	500
Bills payable	5564	2018 (1)	-	-	-	-	-	-	-
	5584	2017 (2)	-	-	-	-	-	-	-
Debt to state non-budgetary funds	5565	2018 (1)	108 782	120 710	-	(108 782)	-	-	120 710
	5585	2017 (2)	93 935	108 782	-	(93 935)	-	-	108 782
Settlements in respect to taxes and levies	5566	2018 (1)	258 006	606 530	-	(258 001)	(5)	-	606 530
	5586	2017 (2)	654 431	258 006	-	(654 418)	(13)	-	258 006
Indebtedness towards organization's personnel	5567	2018 (1)	209 427	313 073	-	(209 427)	-	-	313 073
	5587	2017 (2)	212 336	209 427	-	(212 336)	-	-	209 427
Other accounts payable	5568	2018 (1)	1 380 803	1 003 737	-	(994 245)	(2 503)	705	1 388 497
	5588	2017 (2)	559 700	1 182 377	-	(357 473)	(4 506)	705	1 380 803
From the total sum of short-term indebtedness	5569	2018 (1)	58 758	4 048	-	(57 035)	-	-	5 771
	5589	2017 (2)	947	3 613	55 145	(947)	-	-	58 758
<i>debts to subsidiary entities</i>	55691	2018 (1)	58 758	4 048	-	(57 035)	-	-	5 771
	55891	2017 (2)	947	3 613	55 145	(947)	-	-	58 758
<i>debts to dependent companies</i>	55692	2018 (1)	-	-	-	-	-	-	-
	55892	2017 (2)	-	-	-	-	-	-	-
Total	5550	2018 (1)	12 034 255	7 340 309	-	(5 275 025)	(17 775)	-	14 081 764
	5570	2017 (2)	9 709 566	7 537 910	-	(5 173 609)	(39 612)	-	12 034 255

(1) – reporting year

(2) – previous year

5.6.6. Overdue accounts payable

Indicator	Code	As of 31 December 2018	As of 31 December 2017	As of 31 December 2016
I	2	3	4	5
V. Short-term Liabilities				
Accounts payable		3 058 041	3 938 683	2 073 360
including:				
Settlements with suppliers and contractors	5691	2 198 576	3 222 591	1 384 390
<i>including:</i>				
<i>construction</i>	56911	249 754	267 079	472 615
<i>other</i>	56912	1 948 822	2 955 512	911 775
Notes payable	5692	-	-	-
Salaries payable	5693	-	-	-
Debt to state non-budgetary funds	5694	-	-	-
Taxes and levies payable	5695	-	-	-
Advances paid	5696	704 179	523 158	549 816
Dividends payable to participants (shareholders)	5697	-	500	-
Other accounts payable	5698	155 286	192 434	139 154

Chief Accountant _____ Skiba I. V.
(signature)

5.6.7. Credits and loans

Indicator	Code	Period	As of year's beginning	Changes for period			As of period's end		
				Entrance	Accrual of interest	Repayment of indebtedness's principle amount			
1	2	3	4	5	6	7	8	9	10
Long-term borrowed funds, total	7410	2018 (1)	22 617 796	38 940 412	-	(37 127 839)	-	(11 147 130)	13 283 239
including:	7430	2017 (2)	18 912 239	39 979 832	-	(35 839 237)	-	(435 038)	22 617 796
Credits	7411	2018 (1)	-	-	-	-	-	-	-
Loans	7431	2017 (2)	15 617 796	38 940 412	-	(37 127 839)	-	(7 747 130)	9 683 239
	7412	2018 (1)	11 912 239	39 979 832	-	(35 839 237)	-	(435 038)	15 617 796
	7432	2017 (2)	7 000 000	-	-	-	-	(3 400 000)	3 600 000
Short-term borrowed funds - total	7420	2018 (1)	7 000 000	-	-	-	-	-	7 000 000
including:	7440	2017 (2)	91 064	157 765	2 166 512	(5 513)	(2 161 679)	11 147 130	11 395 279
Credits	7421	2018 (1)	79 078	1 517 675	2 091 660	(1 952 714)	(2 079 674)	435 039	91 064
	7441	2017 (2)	-	-	-	-	-	-	-
<i>Interest on credits</i>	7421	2018 (1)	-	157 765	-	(5 513)	-	7 747 130	7 899 382
	7441	2017 (2)	-	1 517 675	-	(1 952 714)	-	435 039	-
Loans	7422	2018 (1)	13 120	-	1 361 182	-	(1 358 583)	-	15 719
	7442	2017 (2)	3 264	-	1 286 434	-	(1 276 578)	-	13 120

(1) – reporting year

(2) – previous year

5.6.8. Expenditures on credits and loans

Indicator	Indicator		In respect to long-term credits and loans	In respect to short-term credits and loans
	Name	Code		
	1	2	3	4
Expenditures on credits, total:		7510	1 273 630	87 552
written off to other expenditures included in the assets' cost		7511	938 479	49 480
		7512	335 151	38 072
Expenditures on loans, total:		7520	768 848	36 482
written off to other expenditures included in the assets' cost		7521	768 848	36 482
		7522	-	-
From total expenditures on loans and credits:		7530	2 042 478	124 033
accrued %		7531	2 042 478	124 033
other expenditures		7532	-	-

5.7. Contingent assets and liabilities

5.7.1. Estimated liabilities

Indicator	Indicator		Balance as of year's beginning	Acknowledged	Repaid	Written off as excess sum	Balance as of period's end
	Name	Code					
	1	2	3	4	5	6	7
Estimated liabilities - total		5700	2 930 335	2 036 773	(3 353 568)	(214 268)	1 399 272
including:							
Payment of forthcoming vacation leaves		5701	240 124	398 376	(380 415)	-	258 085
Payment of remuneration following a year's results		5702	243 882	258 008	(217 884)	(25 998)	258 008
Court proceedings not completed as of reporting date		5707	238 603	173 492	(286 578)	(66 711)	58 806
Claims of tax authorities following results of tax audits, not settled as of reporting date		5708	-	-	-	-	-
Other estimated liabilities		5709	2 207 726	1 206 897	(2 468 691)	(121 559)	824 373
From total sum of contingent liabilities:							
Created for account of expenses on usual types of activity		5710		864 229			
Created for account of expenses		5720		701 851			
Included in assets cost		5730		31 079			

5.7.2. Deferred taxes

Name	Code	Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities
1	2	3	4	5	6
Balance as of the beginning of reporting year	7700	4 409 737	881 948	894 158	178 832
Revenue	7710	1 351 965	270 393	1 416 506	283 301
Expenses	7720	(1 635 477)	(327 095)	(116 972)	(23 394)
Result of tax rate changes	7730	X	-	X	-
Result of correction of errors of past years	7740	-	-	-	-
Permanent differences in cost of assets and liabilities	7750	-	-	-	-
Write-off which does not imply tax consequences	7760	(301 487)	(60 298)	(96)	(20)
Balance as of the end of reporting year	7800	3 824 738	764 948	2 193 596	438 719

5.8. Collaterals

Indicator		As of 31 December 2018	As of 31 December 2017	As of 31 December 2016
1	Code	3	4	5
Received – total	5800	578 597	1 923 541	466 369
including:				
bills	5801	-		
pledged property	5802	107	107	107
among it:				
items of fixed assets	58021	107	107	107
securities and other financial investments	58022	-	-	-
other	58023	-	-	-
other received	5803	578 490	1 923 434	466 262
Issues under own security – total	5810	-	-	-
including:				
bills	5811	-	-	-
collateral	5812	-	-	-
among it:				
items of fixed assets	58121	-	-	-
securities and other financial investments	58122	-	-	-
other	58123	-	-	-
Other issued	5813	-	-	-

(1) – reporting date of the reporting period

(2) – previous year

(3) – year preceding the previous

5.9. State assistance

Indicator	Code	2018				2017			
		As of the beginning of the year	Received for year	Returned for year	As of the end of the year	As of the beginning of the year	Received for year	Returned for year	As of the end of the year
Budgetary funds received - total	5900	-	2 167	(2 167)	-	-	2 560	(2 560)	-
including:									
Current expenses	5901	-	409	(409)	-	-	417	(417)	-
Compensation for Chernobyl veterans	5902	-	-	-	-	-	-	-	-
Accomplishment of tasks on mobilization preparation	5903	-	-	-	-	-	-	-	-
For liquidation of the interterritorial cross subsidising	5904	-	-	-	-	-	-	-	-
For investments in non-current assets	5905	-	-	-	-	-	-	-	-
For other purposes	5906	-	1 758	(1 758)	-	-	2 143	(2 143)	-
including:									
financing of precautionary measures on reducing of industrial injuries and occupational diseases	5911	-	1 757	(1 757)	-	-	2 143	(2 143)	-
financing of profound medical checks of the employees at work with harmful and (or) dangerous production factors	5912	-	-	-	-	-	-	-	-

(1) – reporting year

(2) – previous year

5.11. Other revenues and expenditures

Indicator	Code	Jan-Dec 2018	Jan-Dec 2017
1	2		
Other revenues total	8000	2 575 341	2 392 613
including:			
From sale of fixed assets, except for flats	8001	222	127
From sale of flats	8002	-	-
From sale of business inventories	8003	9 791	10 145
From sale of currency	8004	-	-
From sale of intangible assets	8005	-	-
From sale of securities	8006	-	-
From sale of other assets	8007	-	-
From joint activities	8008	-	-
Profit of 2017, revealed in reporting period	8009	79 231	-
Profit of 2016, revealed in reporting period	8010	39 352	88 410
Profit of 2015, revealed in reporting period	8011	48 164	20 207
Profit before 01.01.2015, revealed in reporting year	8012	30 752	70 467
Acknowledged penalties, fines and forfeits or on which court's decisions (arbitration court's decisions) are got on their collection	8013	767 250	471 116
Accounts payable in respect to which a limitation period has expired (over three years)	8014	17 775	39 612
Currency differences	8015	-	-
Property in surplus following results of inventory taking	8016	433	5 709
Donated assets, except for fixed assets and intangible assets	8017	1 609	2 056
Revenue from donated fixed assets, determined according to an established procedure	8018	20 123	19 373
Cost of material valuables, remained from writing off of assets, which are not eligible for recovery and further use	8019	3 707	6 716
Reassessment of financial investments on current market value	8020	-	-
Revenue from decrease (writing off) of provision for doubtful debts	8021	345 357	652 729
Revenue from decrease (writing off) of reserve for estimated liabilities	8022	360 743	214 268
Revenue from decrease (writing off) of reserve for cost reduction of business inventories	8023	6 874	5 472
Revenues on claim assignment agreements	8024	-	-
Revenue from revealed non-contractual consumption of electric power	8025	98 171	32 240
Insurance payments receivable	8026	51 558	93 028
Revenues tied with participation in other organizations' charter capitals	8027	-	-
Recovery of accounts receivable written off earlier	8028	152	68
Discount on bills	8029	-	-
Compensation for difference in tariffs (budgetary financing)	8030	-	-
Revenue from decrease (writing off) of reserve for possible losses of financial investments	8031	18 786	-
Increases in the value of assets	8032	-	-
Revenue from earlier discounted fixed assets	8033	-	-
Revenue from payment of a bill	8034	-	-

Other	8035	675 291	660 870
Other expenditures, total	8100	(4 258 941)	(3 249 452)
including:			
From sale of fixed assets, except for flats	8101	(1)	-
From sale of flats	8102	-	-
From sale of business inventories	8103	(7 908)	(8 196)
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	-	-
Expenditures in respect to banks' services payment	8109	(265)	(472)
Expenditures to performance of service financial investments	8110	-	-
Provision for doubtful debts	8111	(258 949)	(579 341)
Reserve for possible losses of financial investments	8112	-	(9 584)
Reserve for cost reduction of material valuables	8113	(8 401)	(3 079)
Reserve for discontinuing operation	8114	-	-
Reserve for estimated liabilities	8115	(610 651)	(208 333)
Retirement of incomeless assets	8116	(17 234)	-
VAT on donated property	8117	-	-
Loss of 2017, revealed in reporting period	8118	(442 284)	-
Loss of 2016, revealed in reporting period	8119	(187 450)	(379 775)
Loss of 2015, revealed in reporting period	8120	(302 207)	(193 838)
Loss before 01.01.2015, revealed in reporting period	8121	(252 306)	(78 611)
Acknowledged penalties, fines and forfeits or on which court's decisions (arbitration court's decisions) are got on their collection	8122	(325 631)	(202 725)
State duties in respect to economic contracts	8123	(15 858)	(13 274)
Reassessment of financial investments on current market value	8124	-	-
Discount on bills	8125	-	-
Expenditures under claim assignment agreements	8126	-	-
Nonreimbursable VAT	8127	(16 329)	(48 027)
Expenditures in respect to revealed non-contractual consumption of electric power	8128	-	-
Contributions in incorporations and funds	8129	(3 737)	(2 289)
Accounts receivable in respect to which a limitation period has expired (over three years)	8130	(6 887)	(5 143)
Currency differences	8131	-	-
Court costs	8132	(1 653)	(4 337)
Plundering, deficiencies	8133	(9 426)	(1 578)
Costs in respect to enforcement proceedings	8134	-	-
Cost redemption of employees' flats	8135	-	-
Other material (financial) aid and other payments to employees	8136	(272 401)	(243 834)
Material aid to pensioners (including lump sum payments, compensations of community charges)	8137	(7 354)	(7 623)
Expenditures to carry out sporting events	8138	(5 191)	(4 775)
Expenditures to carry out social activities	8139	(5 356)	(4 511)
Expenditures for charity	8140	-	-
Cost of the redeemed bonds	8141	-	-
Balance after the wrote off of the fixed assets	8143	-	-
Write-down of fixed assets	8144	-	-
Miscellaneous	8145	(1 501 462)	(1 250 107)

Director _____ Ocheredko O.V.
(signature)

Chief accountant _____ Skiba I.V.
(signature)

19 February 2019

(1) – reporting date of the reporting period

(2) – previous year's period similar to the reporting period

5.13. Reportable segments information

	Code	Period	Transfer of electric energy	Technological connection	Reporting segment 6	Reporting segment 7	Reporting segment 8	Other segments	Total
1	2	3	4	5	6	7	8	9	10
Proceeds from outside buyers	8310	2018	45 583 484	602 467	-	-	-	215 128	46 401 079
	8311	2017	41 485 670	647 952	-	-	-	119 405	42 253 027
Proceeds from sales between segments	8320	2018	-	-	-	-	-	-	-
	8321	2017	-	-	-	-	-	-	-
Proceeds of segment, total	8300	2018	45 583 484	602 467	-	-	-	215 128	46 401 079
including	8400	2017	41 485 670	647 952	-	-	-	119 405	42 253 027
<i>proceeds from transmission</i>	8301	2018	45 583 484	-	-	-	-	-	45 583 484
	8401	2017	41 485 670	-	-	-	-	-	41 485 670
<i>proceeds from grid connection</i>	8302	2018	-	602 467	-	-	-	-	602 467
	8402	2017	-	647 952	-	-	-	-	647 952
<i>other proceeds</i>	8303	2018	-	-	-	-	-	215 128	215 128
	8403	2017	-	-	-	-	-	119 405	119 405
Interest receivable	8303	2018	-	-	-	-	-	81 528	81 528
	8403	2017	-	-	-	-	-	47 248	47 248
Interest payable	8304	2018	1 911 383	-	-	-	-	-	1 911 383
	8404	2017	1 907 082	-	-	-	-	-	1 907 082
Profit tax expenditures	8305	2018	1 128 620	-	-	-	-	-	1 128 620
	8405	2017	642 398	-	-	-	-	-	642 398
Profit/(loss) of segment	8306	2018	498 740	(190 380)	-	-	-	(157 162)	151 198
	8406	2017	587 988	174 596	-	-	-	(237 308)	525 276
Assets of segments	8307	2018	73 940 841	1 329 403	-	-	-	638 571	75 908 815
including non-current assets	8407	2017	69 339 697	2 051 070	-	-	-	465 986	71 856 753
	8308	2018	62 259 163	1 165 387	-	-	-	189 385	63 613 935
	8408	2017	58 807 465	1 776 528	-	-	-	181 017	60 765 010
Liabilities of segments	8309	2018	67 743 703	7 472 163	-	-	-	692 949	75 908 815
	8409	2017	65 574 225	5 084 432	-	-	-	1 198 096	71 856 753
Depreciation of fixed assets and intangible assets	8390	2018	3 913 180	59 624	-	-	-	11 925	3 984 729
	8490	2017	3 723 396	56 875	-	-	-	11 375	3 791 646



PUBLIC JOINT-STOCK COMPANY
OF POWER ENERGY AND
ELECTRIFICATION OF KUBAN

Kubanenergo PJSC



Notes to Financial Statements for 2018

Krasnodar
2019

Kubanenergo PJSC

1. General Provisions

Kubanenergo PJSC is the largest power grid company in the Krasnodar region and the Republic of Adygea transmitting and distributing electricity across 110 kV and lower electrical networks in populated areas, rural settlements, particular cities and towns, and district centres of the Krasnodar region and the Republic of Adygea, including Sochi.

Full name: Public joint stock company of power industry and electrification of Kuban.

Abbreviated name: Kubanenergo PJSC.

The company was registered on 10 February 1993.

The name was entered into the Unified State Register of Legal Entities by Russian Federal Tax Service Inspection No. 3 for Krasnodar under No. 1022301427268 on September 17, 2002. Certificate 23 No.001806938.

INN (Taxpayer Identification Number) / (Tax Registration Reason Code): 2309001660 / (997450001);

Form of incorporation/type of ownership of Kubanenergo PJSC: Public Joint Stock Company (code under the Russian Classifier of Forms of Incorporation: 47) / private ownership (code under the Russian Classifier of Types of Ownership: 16).

Location/registered address of Kubanenergo PJSC: 2A Stavropolskaya str., Krasnodar 350033, Russian Federation.

The Company's main activities are:

- transmission and distribution of electricity through electrical networks
- technological connection to networks

Table 1 - Licenses

Type of Activity	Issuing Authority	Details	Validity Period of License
1	2	3	4
The right to use mineral resources (extraction of fresh groundwater for utility and drinking water supply and process water supply in Krasnodar)	The Russian Ministry of Natural Resources	КРД (KRD) No. 03378 ВЭ	17.07.2007 – 20.07.2034
Use of information constituting a state secret	Department of the Russian Federal Security Service (FSB) for the Krasnodar Region	GT 0062143, registration # 1223	06.08.2013 – 06.08.2018
Permit to work related to construction, reconstruction and overhaul	Self-regulatory Organization Energostroy, NP (non-for-profit partnership)	0212.03-2012- 2309001660-S-060	16.12.2013, with no expiration date
Permit to work related to preparation of design documentation for external networks of 35kV and their installation	Self-regulatory organization Energostroy, NP (non-for-profit partnership)	P-0263-01-2010-0274	03.02.2014, with no expiration date

Kubanenergo PJSC

The right to use mineral resources (extraction of fresh groundwater for utility and drinking water supply and process water supply)	The Russian Ministry of Natural Resources in Krasnodar region	КРД (KRD) No. 80380 БЭ	26.10.2015 – 01.01.2035
The right to operate fire explosive production facilities	The Russian Federal Service for Environmental, Technological and Nuclear Supervision	BP-30-003995 series AB No. 087343	11.11.2011, with no expiration date

The financial statements of Kubanenergo PJSC include performance indicators of all branches, representative offices, and other subdivisions, namely:

Table 2 – branches of Kubanenergo PJSC

#	Name	Location
1	Krasnodarskiye Elektricheskiye Seti (Krasnodar Electric Networks)	131 Pashkovskaya str., Krasnodar 350000
2	Sochinskiye Elektricheskiye Seti (Sochi Electric Networks)	42 Konstitutsii str., Sochi 354000
3	Armavirskiy Elektricheskiye Seti (Armavir Electric Networks)	54 Vorovskogo str., Armavir 352900
4	Adygeyskiye Elektricheskiye Seti (Adygeya Electric Networks)	358 Shovgenova str., Maykop 385000
5	Timashevskiy Elektricheskiye Seti (Timashevsk Electric Networks)	176 Lenina str., Timashevsk 353760
6	Tikhoretskiye Elektricheskiye Seti (Tikhoretsk Electric Networks)	62 Dzerzhinskogo str., Tikhoretsk 352100
7	Leningradskiy Elektricheskiye Seti (Leningradskaya Electric Networks)	6bld., 302-y Divizii str., Leningradskaya village 353740
8	Slavyanskiye Elektricheskiye Seti (Slavyansk Electric Networks)	49 Stroiteley str., Slavyansk-na-Kubani 353840
9	Yugo-Zapadnye Elektricheskiye Seti (South-West Electric Networks)	1 Vostochny Mol, Novorossiysk 353902
10	Labinskiye Elektricheskiye Seti (Labinsk Electric Networks)	334 Mira str., Labinsk 352510
11	Ust-Labinskiye Elektricheskiye Seti (Ust-Labinsk Electric Networks)	4 Krasnodarskaya str., Ust-Labinsk 352300

Average annual number of employees in Kubanenergo PJSC for the reporting period was 8 611 employees, 8 494 in the previous year, and in the year preceding the previous (2016) – 8 428 employees.

The Company's Auditor:

Name: Limited Liability Company Ernst and Young
Registered address: Petrovsky pereulok, 8, bldg.2, Moscow
107031 Russian Federation
Location: Petrovsky pereulok, 8, bldg.2, Moscow

Kubanenergo PJSC

107031 Russian Federation
Taxpayer Number (INN): 7709383532
Primary State Registration Number (OGRN): 1027739707203
Telephone: (495) 755-9700
Fax: (495) 755-9701

The Company's management bodies are: the General Meeting of Shareholders, the Company's Board of Directors, the Company's Management Board (collegiate executive body), General Director of the Company (sole executive body).

General Director of the Company: Gavrilov Alexander Ilyich

Chief Accountant of the Company: Skiba Inna Viktorovna.

Table 3 – Members of the Board of Directors (31.12.2018)

#	Name	Place of employment and position	Status at the Board of Directors
1	Sergeeva Olga Andreevna	Deputy Director General – Chief of Staff, Rosseti PJSC; Chairperson of the Management Board	Chairperson of the Board of Directors
2	Selivanova Lyudmila Vasilievna	Deputy Director General for Government Authorities Relations, Rosseti PJSC	member of the Board of Directors
3	Varvarin Aleksandr Viktorovich	Vice-president - Managing Director in charge of Corporate Relations and Legal Support, Russian Union of Industrialists and Entrepreneurs	member of the Board of Directors
4	Gavrilov Alexander Ilyich	Director General of Kubanenergo PJSC	member of the Board of Directors
5	Gritsenko Vladimir Fyodorovich	Director in charge of Business Development at Unitel Engineering LLC; Presidium Member of Non-profit Partnership OPORA RUSSIA	member of the Board of Directors
6	Osipova Yelena Nikolaevna	Head of Financial Analysis and Liquidity Management Sector of the Treasury Department, Rosseti PJSC	member of the Board of Directors
7	Medvedev Mikhail Vladimirovich	Deputy Director General, Holding Intra Tool LLC; Deputy Director General for Economics and Finances, Industrial Park "Safonovo" LLC	member of the Board of Directors
8	Tyurkin Konstantin Vladimirovich	Deputy Head of Communications and Public Relations Sector of the Information Policy and Public Relations Department, Rosseti PJSC	member of the Board of Directors
9	Khokholkova Ksenia Valerievna	Deputy Head of Directorate of Share Capital Issues and Information Disclosure, Department of Corporate Governance and Interaction with Shareholders, Rosseti PJSC	member of the Board of Directors
10	Shagina Irina Alexandrovna	Head Tariff Policy Department, Rosseti PJSC	member of the Board of Directors
11	Tyukanko Alexey Sergeevich	Head of the Department of Documentation	member of the Board of Directors

Kubanenergo PJSC

	Support and Control of the Implementation of Instructions of the Department of Organizational Support, Rosseti PJSC	Directors
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Table 4 – Members of the Management Board (31.12.2018)

#	Name	Place of employment and position	Status at the Management Board
1	Gavrilov Alexander Ilyich	General director of Kubanenergo PJSC	Chairperson of the Management Board
2	Shishigin Igor Nikolaevich	Deputy Director General for Technical Issues – Chief Engineer, Kubanenergo PJSC	Deputy Chairperson of the Management Board
3	Armaganyan Edgar Garrievich	First Deputy Director General – Director of Sochi electric networks, branch of Kubanenergo PJSC	Member of the Management Board
4	Golov Andrey Valerievich	Deputy Director General for Investment Activity, Kubanenergo PJSC	Member of the Management Board
5	Golovakha Lyudmila Alekseevna	Deputy Director General, Chief of Staff, Kubanenergo PJSC	Member of the Management Board
6	Nischyuk Oleg Fyodorovich	Deputy Director General for Selling of Services, Kubanenergo PJSC	Member of the Management Board
7	Kostetskiy Vyacheslav Yurievich	Deputy Director General for Development and Grid Connection	Member of the Management Board
8	Khazikova Zanda Ivanovna	Deputy Director General for Corporate Governance, Kubanenergo PJSC	Member of the Management Board
9	Ocheredko Olga Vyacheslavovna	Deputy Director General for Economic and Financial Affairs, Kubanenergo PJSC	Member of the Management Board
10	Statuyev Vladislav Andreyevich	Deputy Director General in charge of Security, Kubanenergo PJSC	Member of the Management Board
11	Golovakha Dmitriy Nikolaevich	Director of Southwestern electric networks – branch of Kubanenergo PJSC	Member of the Management Board

The Company's Auditing Commission controls financial and business operations of the Company.

Table 5 – Members of the Auditing Commission (31.12.2018)

#	Name	Place of employment and position	Status at the Auditing Commission
1	Kim Svetlana Anatolievna	Head of Directorate for Inspection Activity at Department for Control and Inspection, Rosseti PJSC	Chairperson of the Commission
2	Yerandina Yelena Stanislavovna	Leading expert at Directorate for Inspection Activity at Department for Control and Inspection, Rosseti PJSC	Member of the Commission
3	Kabizskina Yelena Alexandrovna	Deputy Head of Administration for Auditing Activity at Department of Control and Inspection, Rosseti PJSC	Member of the Commission
4	Malyshev Sergey Vladimirovich	Leading Expert of Auditing Activity Sector at Department of Control and Inspection, Rosseti PJSC	Member of the Commission
5	Slesareva Yelena Yurievna	Chief Expert at Internal Audit Department, Rosseti PJS	Member of the Commission

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Table 6 – The Company's Subsidiaries and Affiliates

Name	Share in the charter capital (%)	Location	Type of activities
“Energetik” Recreation Centre” JSC	100	4 Pionerskaya str., village Divnomorskoye, Gelendzik 353490, Krasnodar region,	Provision of healthcare services, health and fitness services, services related to accommodation (temporary accommodation), catering
“Energoservice of Kuban” JSC	100	47 Novorossiyskaya str., Krasnodar, 350080 Krasnodar region	Implementation of Programmes for Energy Saving and Improvement of Energy Efficiency in the Regions of Responsibility by Implementing the Multilevel System of Energy Services

2. General Provisions of the Accounting Policy

Kubanenergo PJSC maintains its accounting records in accordance with the Federal Law of 06.12.2011 No.402-FZ “On Accounting”, as well as in accordance with the Corporate Standard of Rosseti PJSC “Unified Corporate Accounting Principles”. The figures in the financial statements are given in thousands of rubles (unless otherwise stated).

2.1. Assets and Liabilities in Foreign Currencies

At the beginning and the end of the reporting year, no assets and liabilities expressed in foreign currency were recorded on the Company's accounting records.

2.2. Expenses on research-and-development activities (R&D)

Accounting of expenses on research-and-development activities is carried out in accordance with Regulations of Accounting 17/02 approved by order of the RF Ministry of Finance No.115n of 19.11.2002, as subsequently amended. Expenses on each particular R&D activity are written off using straight-line method.

2.3. Intangible Assets

The Company accounts intangible assets in accordance with the Accounting Standard 14/2007 “Accounting for Intangible Assets” approved by Order of the Russian Ministry of Finance No.153n of 27.12.2007.

Intangible assets with definite useful life are amortized using the straight-line method.

2.4. Fixed Assets and Construction in Progress

The Company accounts fixed assets in accordance with the Accounting Standard 6/01 “Accounting for Fixed Assets” approved by the Order of the Russian Ministry of Finance No.26n of 30.01.2001, and Guidelines for Accounting for Fixed Assets approved by the Order of the Russian Ministry of Finance No.91n of 13.10.2003.

The Company accounts construction-in-progress in accordance with the Russian Accounting Standard approved by the Order of the Russian Ministry of Finance No.34 n of 29.07.1998 as well as in accordance with the Regulation on Accounting for Long-Term Investments (Letter of the Russian Ministry of Finance of No.160 of 30.12.1993) insofar as it does not conflict with any subsequent law or regulation in relation to accounting.

The fixed assets were recorded on the accounting records at their initial cost, which is determined depending on the method of receipt/acquisition: for a fee, creation with the use of the company's own resources, construction, receipt free of charge, etc.

Kubanenergo PJSC

Assets that meet the conditions to be qualified as fixed assets costing at least 40 000 rubles per unit shall be accounted at balance sheet and reports as part of inventories and written-off to production expenses in the course of their commissioning. The following facilities are recognized fixed assets regardless of their cost:

- power lines
- land plots
- buildings
- constructions
- vehicles

Expenses on loans and credits related to forming an investment asset (fixed assets, property and other similar assets that require a lot of time and cost to purchase and/or build) shall be included in the value of the depreciated asset.

The fixed assets were depreciated using the straight-line method on the basis of their useful life.

The useful life is determined by the Company's Commission for the acceptance of fixed assets based on the opinion of technical specialists, taking into account the information specified in the technical documentation of the facility.

For newly commissioned fixed assets belonging to "Power lines and devices" and "Machines and mechanisms" groups, for accounting purposes, the following useful live periods are established in accordance with the regulatory and technical documentation and operating instructions of equipment manufacturers:

Object of fixed assets	Useful life (years)
Material-working machinery and equipment	
Power transformer	30
Shunt reactor	30
Current limiting reactor	30
Gas-insulated switchgear unit	30
Switchgear unit	25
Current transformer	30
Voltage transformer	30
Switcher	30
Disconnecter, breaker switch, short-circuiting line switch	30
Surge arrester	30
Transmission facilities (power lines)	
Overhead lines	35
Cable lines	30
Overhead and cable lines	30

Depreciation expense in relation to fully depreciated / worn-out fixed assets was not charged.

The result of the disposal, write-off, and gratuitous transfer of fixed assets is specified in the Statement of Financial Results, as part of other income and expenses.

The cost of the fixed assets was not subject to changes except as the objects were renovated, reconstructed or their construction was completed. Costs of recovery of fixed assets shall be recorded in the accounting records of the reporting period to which they

Kubanenergo PJSC

relate.

Property received under financial lease agreements shall be recorded in accounting records in accordance with the Federal Law No. 64-FZ of 29.10.1998 "On Financial Lease".

2.5. Inventories

The Company accounts its inventories in accordance with the Accounting Standard 05/01 "Accounting for Inventories" approved by the Order of the Russian Ministry of Finance No.44n of 09.06.2001 and Guidelines for Accounting for Inventories approved by the Order of the Ministry of Finance No.119n of 28.12.2001.

When entering inventories into the books of account, the Company values them as follows:

- if the inventories are purchased for a fee: as the sum of actual costs of their purchase, except for value-added tax and other taxes to be recovered from the budget (paragraph 6, 11 of the Accounting Standard 5/01);
- if the inventories are produced with the use of the company's own resources: based on actual costs related to the production of such inventories. Costs of the inventories production shall be recorded and formed in the books of account in the manner set forth to determine the prime cost of the relevant types of products (paragraph of the Accounting Standard 5/01);
- if the inventories are received as a contribution to the charter capital: based on their estimated monetary value approved by the founders/members except as otherwise required by the law of the Russian Federation; for these purposes, the actual expenses for delivery of the inventories and making them suitable for use shall be taken into account, according to paragraph 6 of Accounting Standard 5/01 (paragraph 8, 11 of the Accounting Standard 5/01);
- if the inventories are received without charge or under a deed of gift as well as remained after the retirement of fixed assets and other property, entering the inventories, which have been found as overstock based on the results of stock-taking, into the books of account: based on the current market value of the inventories as at the date of their entering into the books of account; the actual expenses for delivery of the inventories and making them suitable for use shall be taken into account (paragraph 9, 11 of the Accounting Standard 5/01);
- if the inventories are received under the agreements, which stipulate that the obligations shall be performed (payment shall be made) without use of money: based on the price of the values transferred or to be transferred to the Company; such price shall be determined based on the price, under which the Company typically determines the price of similar values under comparable circumstances. If it is impossible to determine the value of the assets transferred or to be transferred to the Company, the value of the inventories received by the company under the agreements, which stipulate that the obligations shall be performed (payment shall be made) without use of money, shall be determined based on the price, by which similar inventories are normally purchased under comparable circumstances. The actual cost price of such inventories also includes the actual expenses for delivery of the inventories and making them suitable for use, according to paragraph 6, 10, 11 of the Accounting Standard 5/01;
- the fixed price specified in the contract is considered to be the value of the

Kubanenergo PJSC

inventories received under the contracts of exchange, in which the agreed price of the property being exchanged is stated.

According to paragraph 16 of the Accounting Standard 5/01 “Accounting for Inventories”, if inventories are commissioned to production or are otherwise retired they shall be valued based on the average cost price of each type of the inventories.

Special clothing before it is put into use shall be recorded in the accounting records on account 10 “Materials”, separate sub-account “Special Gear and Special Clothing in Stock”. The value of special clothing with useful life over 12 months shall be amortized using the straight-line method based on the useful life of the special clothing stated in the standard industry norms for provision of special clothing, special footwear and other personal protective gear, as well as in the Rules for Provision of Employees with Special Clothing, Special Footwear and Other Personal Protective Gear approved by Decree of the Russian Ministry of Labour and Social Development No.290n of 01.07.2009.

The Company makes provision for reduction of value of the inventories at the expense of the financial results.

2.6. Prepaid Expenses

Recognition of costs incurred as a prepaid expense and their reporting on the books of account and financial statement as an asset is a principled approach accepted in the Company. This approach is based on the understanding of the temporary fact that the company is likely to receive economic benefits from this asset in the future and of its value assessment with a sufficient degree of reliability.

The Company has determined that balance of prepaid expenses shall be recorded on the rows “Other Non-Current Assets” and “Other Current Assets”.

For these purposes, distribution between sections I and II of the balance sheet shall be made based on the period of expensing relevant costs, i.e. costs with the period of expensing over 12 months shall be recorded in section I of the balance sheet, the rest of costs shall be recorded in section II.

2.7. Financial Investments

The Company accounts financial investments in accordance with the Accounting Standard 19/02 “Accounting for Financial Investments” approved by the Order of the Russian Ministry of Finance No.126n of 10.12.2002.

Investments in authorized capitals of other companies are recognized as financial investments of the company and shall be recorded in the books of account as actual costs of the investor, i.e. in accordance with the value of the contributed assets, based on which they were reported on the investor’s balance sheet.

Financial investments, in relation to which the current market value cannot be determined, shall be reported in the books of account and financial statements as at the reporting date in accordance with the initial value (paragraph 21 of the Accounting Standard 19/02).

Financial investments, in relation to which it is possible to determine the current market value, shall be reported in the financial statements as at the end of the reporting year in accordance with the current market value by adjusting their valuation as at the previous reporting date (paragraph.20 of the Accounting Standard 19/02).

Debt securities shall be recorded in the accounting records in accordance with the purchase price. The difference between the nominal purchase price and nominal value of the securities shall be included in “Other Income and Expenses”.

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2.8. Loans and Credits

The Company accounts costs of loans and credits in accordance with the Accounting Standard 15/2008 “Accounting for Costs of Loans and Credits” approved by the Order of the Russian Ministry of Finance No.107n of 06.10.2008.

2.9. Estimated Liabilities

The Company accounts estimated and contingent liabilities in accordance with the Accounting Standard 1 “Estimated Liabilities, Contingent Liabilities and Contingent Assets” approved by the Order of the Russian Ministry of Finance No.167n of 13.12.2010.

2.10. Deferred Taxes

The Company accounts for deferred taxes in accordance with the Accounting Standard 18/02 “Accounting for Settlements in relation to Corporate Income Tax” approved by the Order of the Russian Ministry of Finance No.114n 19.11.2002.

When preparing its financial statements company shall report on the amounts of deferred tax assets and deferred tax liabilities on the balance sheet in expanded form.

2.11. Revenue and other income

The Company accounts its revenue and other income in accordance with the Accounting Standard 9/99 “Income of Company” approved by the Order of the Russian Ministry of Finance No.32n of 06.05.1999.

Revenue shall be recognized in the Company’s accounting records if the following conditions are met:

- 1) the company has the right to receive this revenue, which follows from a particular agreement or is otherwise confirmed;
- 2) the amount of the revenue can be determined;
- 3) there is certainty that the company’s economic benefits will increase in the result of a particular transaction. Confidence, that the company’s economic benefits will increase after a particular transaction, exists in case where the company has received the asset in return or there is no uncertainty with regard to the receipt of the asset;
- 4) the title (including right, title and interest) to products / goods has passed from the company to the buyer or the work has been accepted by the client (the service has been rendered);
- 5) costs that were incurred or will be incurred in connection with the transaction can be determined.

The Company’s other income includes revenues related to participation in charter capitals of other companies, receipts from sale of fixed assets and other assets, fines, penalties (including interest-based penalties) for breach of contract conditions, receipt of assets without consideration, profit of previous years, accounts payable in relation to which the limitation period has expired, foreign exchange differences, and other income, according to paragraph 7 of the Accounting Standard 9/99.

Other revenues are specified in the Statements of Financial Results minus the expenses related to these revenues when:

- certain accounting rules provide or do not prohibit such a reflection of revenue
- revenues and related expenses arising from the fact of economic activity that is the same or similar in nature (for example, temporary lending (temporary possession and use) of its assets) are not significant enough to characterize the Company’s financial state.

Kubanenergo PJSC

2.12. Cost of Sold Goods, Products, Works, Services, Selling and Administrative Expenses, Other Expenses

The Company accounts the expenses in accordance with the Accounting Standard 10/99 "Expenses of Company" approved by the Order of the Russian Ministry of Finance No. 33n of 06.05.1999. Management and administrative expenses are included in the cost of goods of the products sold and services of the reporting period; then they are distributed by the types of activity proportionally to the revenue.

Management expenses are recognized on account 26 "General expenses" in the context of cost centers and nomenclature. Management expenses are recorded in the Statement of Financial Results under the line "Administrative expenses".

2.13. Government Assistance

The Company accounts the funds received as government assistance in accordance with the Accounting Standard 13/2000 "Accounting for Government Assistance" approved by Order of the Russian Ministry of Finance of No.92n of 16.10.2000.

2.14. Related Parties

The Company discloses information on related parties in accordance with the Accounting Standard 11/2008 "Information on Related Parties" approved by Order of the Russian Ministry of Finance No.48n of 29.04.2008.

2.15. Segment Information

The Company discloses segment information in accordance with the Accounting Standard 12/2010 "Segment Information" approved by Order of the Russian Ministry of Finance No. 143n of 08.10.2010.

2.16. Information on Cash Flows

Information on cash flow is disclosed by the Company in accordance with the Regulations of accounting "Report on cash flow" 23/2011, approved by order of the RF Ministry of Finance No.11n of 02.02.2011.

3. Changes in Accounting Policy in 2018

In 2018 the Accounting Policy of Kubanenergo PJSC remained unchanged.

4. Changes in Accounting Policy in 2019

Substantial changes were not introduced in the Company's Accounting Policy in 2019.

5. Adjustments and Other Amendments in Accounting Related to Prior Periods

Adjustments and other amendments in accounting related to prior periods are absent in the report for 2018.

6. Disclosure of Individual Figures in the Accounting Statements for 2016

6.1. Fixed Assets

As of 31.12.2018 revaluation of fixed assets (code 110 "Production buildings", code 420 "Equipment for power conversion") was carried out by "LAIR" LLC in accordance with contract No.407/30-1132 of 14.09.2018. The Company management bodies decided not to include the results of revaluation of homogeneous groups of assets in accounting statements for 2018, because after revaluation the cost of fixed assets does not exceed the materiality level specified in the Company's Accounting Policy. The materiality level when making a decision whether to reflect the results of the revaluation in the accounting (financial) statements is less than 10%.

The properties taken into operation and actually used that are currently in the process of state registration were recognized on the balance account 01.06 "Real estate with unregistered ownership". As of 31.12.2018 the cost of real estate taken into operation

Kubanenergo PJSC

and actually used that is the process of state registration amounted to 3 261 112 thousand rubles.

There are no fixed assets received under contracts stipulating implementation of obligations using non-monetary assets for the period from 1 January till 31 December 2018.

Information about the presence and movement of fixed assets is disclosed in annexes 5.3.1; 5.3.3; 5.3.4.

6.1.1. Capital Investments in Progress (Construction in Progress; CIP)

The amount of advances and pre-payment for services related to the construction and acquisition of fixed assets as well as purchase of raw materials and materials, excluding VAT, are recorded in the Company's balance sheet as the capital investments in progress. As of December 31, 2018, the amount of advances and pre-payment for services related to the construction and acquisition of fixed assets, amounted to 341 336 thousand rubles; VAT on advances and pre-payment for services related to the construction and acquisition of fixed assets is recorded in line 1260 "Other Current Assets" and amounts to 61 156 thousand rubles. As of 31.12.2018 the sum of purchase of raw materials intended for construction of fixed assets amounted to 891 031 thousand rubles.

Information on stocks and transactions of construction in progress is disclosed in Annex 5.3.5.

6.1.2. Leased Fixed Assets

That are no leased fixed assets in the current reporting period. Lease payments are not planned in the nearest future.

6.2. Other Non-Current and Current Assets

As of December 31, 2018, the deferred expenses amounted to 200 241 thousand rubles; these expenses are recorded in the balance sheet depending on the writing-off period fixed as of the date of entry in the accounting records, as follows:

1) Non-exclusive rights to software programmes:

- Useful life is more than 12 months (Line 1190): 129 591 thousand rubles;

- Useful life is within 12 months (Line 1260): 69 261 thousand rubles;

2) Licenses:

- Useful life is within 12 months (Line 1260): 7 thousand rubles;

3) Other:

- Useful life is more than 12 months (Line 1190): 1 134 thousand rubles;

- Useful life is within 12 months (Line 1260): 248 thousand rubles.

6.3. Financial Investments

The Commission for Inspection of Available Devaluation of Financial Investments of Kubanenergo PJSC analyzed financial investments as of December 31, 2018 for the signs of impairment and, as a result of the audit, the reserve for the reduction of financial investments was restored to the amount of 1 552 thousand rubles.

Information on stocks and transactions of financial investments is disclosed in Annexes 5.4.1, 5.4.2.

6.4. Government Aid

Local bodies of the Social Insurance Fund of RF adopted resolutions on financial support of preventive measures for reduction of injuries.

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Information is disclosed in Annex 5.9.

6.5. Accounts Receivable

Table 9 – Budget settlements

(in thousand rubles)

Indicator	Liability as of 31.12.2017		Accrued for 2018	Paid for 2018	Liability as of 31.12.2018	
	Debit	Credit			Debit	Credit
Value-Added Tax	-	59 494	2 271 935	2 003 808	-	327 621
Property tax	2	152 375	953 811	906 220	14 550	214 514
Income tax	317 129	-	663 748	604 721	258 102	-
Land fee	1 583	1 135	5 911	5 490	1 067	1 040
Individual income tax	-	43 463	651 816	635 140	1	60 140
Transport tax	-	1 539	8 398	7 966	-	1 971
Total taxes:	318 714	258 006	4 555 619	4 163 345	273 720	605 286
Fines	1	-	25 527	25 528	2	-
Penalties	774	-	62 485	61 189	722	1 244
Total:	319 489	258 006	4 643 631	4 250 062	274 444	606 530

In 2018, accounts receivable for taxes and dues have decreased by 45 045 thousand rubles.

A significant decrease in receivables occurred for income tax in the amount of 59 027 thousand rubles. Income tax receivables in the amount of 258 102 thousand rubles was formed as a result of excess of advance payments paid during 2018 over the amount of income tax calculated for the year.

Table 10 – Insurance contributions for compulsory social insurance

(in thousand rubles)

	Liability as of 31.12.2017		Accrued for 2018	Paid for 2018	Liability as of 31.12.2018	
	Debit	Credit			Debit	Credit
Insurance contributions - total:	6 020	108 774	1 451 667	1 437 907	4 192	120 706
including:						
Contributions to the Pension Fund	1	82 825	1 048 040	1 039 755	22	91 131
Compulsory Medical Insurance	-	22 341	256 981	253 850	-	25 472
Social Insurance	6 019	3 608	146 646	144 302	4 170	4 103
Fines - total:	-	-	-	-	-	-
Penalties - total:	-	8	7	13	2	4
Total:	6 020	108 782	1 451 674	1 437 920	4 194	120 710

There were not any significant changes in compulsory medical insurance receivables and payables in 2018.

Table 11 – Allocation of taxes, fines and penalties over the budget levels

(in thousand rubles)

Indicator	Liability as of 31.12.2017		Accrued for 2018	Paid for 2018	Liability as of 31.12.2018	
	Debit	Credit			Debit	Credit
Taxes - total:	318 714	258 006	4 555 619	4 163 345	273 720	605 286
Federal budget	47 569	102 958	3 017 012	2 723 332	38 692	387 761

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Regional budget	269 561	153 914	1 532 696	1 434 525	233 961	216 485
Local budget	1 584	1 134	5911	5 488	1 067	1 040
Fines - total:	1	-	25 527	25 528	2	-
Federal budget		-	1 842	1 843	1	-
Regional budget		-	23 685	23 685	-	-
Local budget	1	-	-	-	1	-
Penalties - total:	774	-	62 485	61 189	722	1 244
Federal budget	678	-	23 056	21 750	578	1 206
Regional budget	37	-	39 407	39 420	88	38
Local budget	59	-	22	19	56	-
Total:	319 489	258 006	4 643 631	4 250 062	274 444	606 530

Accounts receivable from customers and clients and other accounts receivable are disclosed in Annexes 5.6.1 - 5.6.3.

6.6. Capital and Reserves

On 10 October 2018 the company registered changes to the authorized capital of Kubanenergo PJSC and as of 31 December 2018 the authorized capital amounted 30 379 335 thousand rubles.

Additional paid-in capital of the Company was formed due to increase in the fixed assets value as determined by revaluation and due to share premium.

The Company generates the reserve capital for covering losses that, although not specifically identified, but may be incurred during the economic operations. The reserve capital is created from net income of the Company.

6.7. Accounts Payable, Loans and Borrowings

In 2018, there was a significant increase in tax payables to the federal budget. Tax payables increased by 348 524 thousand rubles.

A significant increase in payables occurred in value added tax. Accounts payable for value added tax increased by 268 127 thousand rubles as a result of a significant excess of VAT accrual for the 4th quarter of 2018 in the amount of 324 744 thousand rubles over the amount of accrual of VAT for the 4th quarter of 2017 of 40 613 thousand rubles. The increase in accounts payable on property tax of organizations by 62 139 thousand rubles was due to the increase of accruals on this tax. Property tax liabilities increased as a result of an increase in the tax base due to an increase in the tax rate applied to transmission lines and facilities, which are an integral part of their technology from 1.6% in 2017 to 1.9% in 2018, and due to the change in tax legislation and the application in 2018 to movable property, accepted at accounting as fixed assets from 2013, the tax rate is 1.1%, while in 2017 such property was exempted from taxation, in accordance with paragraph 25 of articles 381 of the Tax Code of the Russian Federation.

Table 12 – Sums and maturities of loans and borrowings of Kubanenergo PJSC

in thousand rubles

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Bank	# of credit contract	Sum of actual debt (in thousand rubles)	Interest debt (in thousand rubles) as of 31.12.2018	Due date
Gazprombank JSC	0716-061	15 020	-	3-12 months
Gazprombank JSC	0716-061	423 459	-	3-12 months
Gazprombank JSC	0716-063	1 456 157	-	3-12 months
Russian Regional Development Bank (RRDB)	341ю	800 000	-	3-12 months
VTB Bank (PJSC)	KC-ИБ-	-	-	1 than 1 month
VTB Bank (PJSC)	KC-ИБ-	-	-	1 than 1 month
VTB Bank (PJSC)	KC-ИБ-	-	-	1 than 1 month
VTB Bank (PJSC)	KC-ИБ-	-	-	1 than 1 month
Sberbank PJSC	5400/307	451 350	589	3-12 months – debt; less than 1 months for interest
Sberbank PJSC	5400/343	990 782	2 614	3-12 months – debt; less than 1 months for interest
Sberbank PJSC	5400/344	1 134 277	1 468	3-12 months – debt; less than 1 months for interest
Sberbank PJSC	5400/345	1 500 000	1 960	3-12 months – debt; less than 1 months for interest
Sberbank PJSC	5400/406	1 128 338	1 591	3-12 months – debt; less than 1 months for interest
Bonded loan	4B02-02-00063-A-001P	3 400 000	48 246	3-12 months
Bonded loan	4B02-01-00063-A-001P	0	31 932	3-12 months
Total, line 1510	-	11 299 383	95 896	-
Gazprombank JSC	0717-005	2 581 708	-	1-3 years
VTB Bank (PJSC)	KC-ИБ-	1 000 000	-	1-3 years
VTB Bank (PJSC)	KC-ИБ-	1 000 000	-	1-3 years
VTB Bank (PJSC)	KC-ИБ-	2 000 000	-	1-3 years
VTB Bank (PJSC)	KC-ИБ-	2 000 000	-	1-3 years
Sberbank PJSC	5400/343	1 009 218	-	1-3 years
Sberbank PJSC	5400/344	2 955	-	1-3 years
Sberbank PJSC	5400/406	7 484	-	1-3 years
Sberbank PJSC	5400/406	2 850	-	1-3 years
Sberbank PJSC	5400/406	58 620	-	1-3 years
Sberbank PJSC	5400/406	5 113	-	1-3 years
Sberbank PJSC	5400/406	13 011	-	1-3 years
Sberbank PJSC	5400/406	2 270	-	1-3 years
Sberbank PJSC	5400/406	10	-	1-3 years
Bonded loan	4B02-01-00063-A-001P	3 600 000	-	over 3 years

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As of 31 December 2018, interest rates on the loan portfolio were in the range of 7.60% to 9.25% per annum, bond rates were in the range of 10.44% to 12.63% per annum. Information is disclosed in Annexes 5.6.5. – 5.6.8.

6.7.1. Collateral for obligations

As of 31 December 2018, on the off-balance account 008 “Securities received for obligations and payments”, the sum of bank guarantees received for implementation of obligations under the construction/delivery contracts and return of payments (advances) amounted 578 490 thousand rubles. Pledged property under purchase agreement: 107 thousand rubles. (Annex 5.8.)

6.7.2. Information on the Company’s Capabilities to Raise Additional Funds as of the Reporting Date**Table 11 – Unutilized credit lines of the Company**

(in thousand rubles)

Creditor Bank	Agreement	Sum of unutilized limits	End of drawdown period
Gazprombank JSC	No.0716-060 of 30.09.2016	720 000	30.03.2019
Gazprombank JSC	No.0716-061 of 01.11.2016	561 521	30.04.2019
Gazprombank JSC	No.0716-062 of 01.11.2016	2 000 000	30.04.2019
Gazprombank JSC	No.0716-063 of 01.11.2016	543 843	30.04.2019
Sberbank PJSC	No.5400/307 of 12.09.2016	1 548 650	11.09.2019
Gazprombank JSC	No.0717-005 of 31.03.2017	418 293	30.09.2019
Sberbank PJSC	No.5400/344 of 03.05.2017	862 767	30.04.2020
Sberbank PJSC	No.5400/375 of 28.12.2017	500 000	25.12.2020
Gazprombank JSC	No.0717-035 of 29.12.2017	500 000	28.12.2020
Sberbank PJSC	No.5400/406 of 29.12.2017	782 304	28.12.2020
Sberbank PJSC	No.5400/407 of 29.12.2017	2 000 000	28.12.2020
Sberbank PJSC	No.5400/380 of 25.09.2017	3 000 000	23.09.2022
Sberbank PJSC	No.5400/449 of 09.07.2018	2 000 000	08.07.2023
Russian Regional Development Bank (RRDB)	No.355ю of 06.11.2018	1 261 000	05.05.2023
Russian Regional Development Bank (RRDB)	No.356ю of 06.11.2018	1 261 000	05.05.2023
Russian Regional Development Bank (RRDB)	No.357ю of 06.11.2018	1 261 000	05.05.2023

The Company has available credits, allowing refinancing of borrowed funds, urgent to maturity in 2019. The total amount of the credit limit with the end of the drawdown period in 2020–2023 as of 31 December 2018 is 12 428 071 thousand rubles, including at Sberbank PJSC in the amount of 8 645 071 thousand rubles, and at the Russian Regional Development Bank (RRDB) in the amount of 3 783 000 thousand rubles. In addition, the Company has opened overdraft lending limits at Sberbank PJSC and Gazprombank JSC in the total amount of 1 000 000 thousand rubles.

6.8. Information on the Risks of Business Activity

The Board of Directors of “Rosseti” PJSC approved the Strategy of development and improvement of internal control system of “Rosseti” PJSC and subsidiaries and affiliates of “Rosseti” JSC (Minutes No.143 of 13.02.2014), that determines current and target condition of internal control and risks management system of “Rosseti” PJSC and its subsidiaries and affiliates.

To implement this Strategy, the Issuer's Board of Directors approved the Policy of internal control and Policy of risks management (Minutes No. 233/2016 dd. 18.03.2016) that are aimed at timely finding and providing of preventive actions on minimization of risk (control procedures) to decrease the possibility of financial and other losses that influence at reaching the goals of the Company. The Policy of the Issuer on risks management requires the necessity of compliance with the following principals:

1) establishment and protection of values of the Company (the risk management system promotes achievement of goals and productivity improvement, provision of health and safety of people, safety of all types of activity of the Company, observance of legal and standard requirements, preservation of the environment, improvement of quality of services, efficiency of operations, management and reputation).

2) management of risks is an integral part of all organizational processes (management of risks is not an isolated activity which is separated from the core activity and processes in the organization; it is a part of obligations of the management and an integral part of all organizational processes, including strategic planning and all processes to manage projects and changes)

3) management of risks is a part of the decision-making process

4) management of risks is regular, structured and timely

5) management of risks is based on the best available information.

6) management of risks is transparent and considers interests of interested parties.

7) management of risks is dynamical, iterative (repeating) and reacting to changes.

8) management of risks promotes constant improvement of the organization.

9) responsibility for management of risks: all participants of the Risk Management System bear responsibility for revealing, estimation, analysis and continuous monitoring of risks within the limits of their activity, development and implementation of necessary events for management of risks, continuous monitoring of efficiency of events for management of risks.

10) the optimality principle (the ratio of costs for implementation of events for management of risks and effect from realization of these events, including conformity between the level of complexity of the Risk Management System at the level of complexity and degree of importance of the object subject to the analysis from the point of view of risks, is analyzed)

11) the unity of methodological base. Management of risks (revealing, analysis, estimation and monitoring of risks, development and monitoring of efficiency of events for management of risks) is performed on the basis of approaches and standards, uniform for all structural units of the Company.

Every quarter the Company collects and analyses information on internal and external factors that can negatively affect the Company's goals. For minimization of consequences from risks implementation the Issuer developed and carried out the events on prevention of negative consequences; at the same time there are political and economic factors that influence the activity of "Kubanenergo" PJSC in respect of which the Company cannot guarantee that events aimed to overriding of possible negative situations can change the situation for the better because these risks factors are beyond the Issuer's control.

Industry Risks

Tariff risks

In connection with the restriction of growth of tariffs for transmission services for end-users at the level of the RF Government, the likelihood of establishing a tariff lower than the economically justified level is estimated as high.

To prevent and mitigate the impacts from implementation of this risk the Company provides supporting materials to regulatory authorities, that confirm level of economically feasible expenses of the Issuer, upholds the position on necessity of outrunning growth of expenditures, as strategic Company, collective fund holder of Krasnodar region and Republic of Adygea, forms and send disputes to Federal Antimonopoly Service of the Russian Federation.

The Issuer is exposed to risks of reducing of revenues amount in connection with changing of structure of electric energy transmission relating to accepted one while tariffs were approved, and risks of changing of legislation in sphere of tariffs 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 Issuer 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) development and implementation of the Programme of cost management.

The issuer's sphere of influence on the tariff regulation agencies is limited, and the issuer cannot guarantee that the measures aimed at minimizing the consequences will be as effective as possible.

The Issuer is exposed to risk of scarcities of source of funding of events on agreements on implementation of technological connection (hereafter – technological connection) due to approving by regulating authority of paying rate for technological connection lower of economically feasible level. One of the factors of this risks arising is introduction of amendments to legislation of the Russian Federation (Federal Law No. 35-FZ dd. 26.03.2003 "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 1 October of 2015 – no more than 50% from amount of specified expenditures, from 1 October of 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 Issuer on technological connection on concluded agreement on technological connection (because of scarcity of funds and large number of agreements on 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 Issuer implements monitoring of current and expected economic situation in region and in country, fulfills preparation works for appropriate work of power equipment in all seasons, carries out maintenance and repair of power facilities.

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.

Issuer 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.

Country and regional risks

Risks associated with the political and economic situation in the country and region

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;
- detriment to the Issuer's properties that may negatively affect its ability to timely and fully fulfil its liabilities to consumers and counterparties.

The Company operates in the Krasnodar region and the Republic of Adygea. The regions where the Company carries out its activity are politically stable with the risk of a military conflict or a state of emergency occurrence there due to internal causes being minimal. At the same time, because of the proximity of the republics of the North Caucasus region, there is a considerable risk of terrorist acts; for its minimization, the Company actively cooperates with state bodies in charge and takes coordinated measures to ensure security of production. The Company has elaborated and is carrying out target arrangements for protection of the Issuers' 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. To compensate for damage of the effect of emergency circumstances associated, inter alia, with natural disasters, the Issuer concludes property insurance contracts.

Sharp regional scale changes (environmental, political, demographic, 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 favourable 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 risks

Risk of interest rates change:

The Company attracts short- 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. A substantial increase of interest rates on credits and loans may entail appreciation of the Company's

debt servicing. For optimization of the debt portfolio structure and reduction of its servicing costs, the Issuer strains after use of credits and loans 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 credits to avoid negative effect of interest rates short-term fluctuations and diversify funding sources. Due to the decreasing of inflation rate, the risk is evaluated as moderate.

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 Issuer'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. However, during high inflation periods, risks of reduction of the tariff compensatory component amount and of solvency of the Company's major consumers grow up.

Taking into account the abovementioned information, there are no guarantees that possible increase of consumer prices will not lead to a drop of the Company's rate of return in future. However, due to reduction of inflation this risk is estimated as moderate.

Inflation risks

The current inflation level cannot have a significant effect on the financial status of the Company. 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 Issuer's solvency and liquidity, which enable one to promptly detect drawbacks in the Issuer's work and take measures for their elimination. As well as in accordance with RF Government Regulation No. 1178 dd. 29.12.2011 "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 placed securities.

Reputational risks

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 risks

The Company, being a part of the single distribution grid complex of Russia, seeks to achieve the objectives defines at the national level. On 3 April 2013, the Russian Government approved the development strategy for the electric grid complex of the

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Russian Federation. Since the Company is a subsidiary of Rosseti, the largest Russian backbone grid company, the Company is a participant in implementation of policies and programmes on activities (business processes) of 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;
- 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 Issuer.

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 in time

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5) emergency situations in related networks, that can breakdown the equipment of the Company

6) excessive losses of electric energy

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 risks

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 Issuer approved several local document aimed to fulfillment of control of terms and quality of investment projects.

6.9. Deferred taxes

In order to recognize income and expense 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.

Current income is recognized as obligation to budget equal to non-paid sum of income tax.

Provisional profits tax expense (income) is accounted as multiplication of accounting income (loss) with rate of the income tax set by the RF legislation on taxes and levies. In 2018, the Company defined the following components of income tax, in thousand rubles:

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Table 12 – Income tax

thousand rubles				
Indicators	Sum	Tax rate	Sum	Tax component
Profit/loss before the taxation	1 279 818	20%	255 964	Provisional profits tax income
Taxable temporary difference	(1 299 533)	20%	(259 907)	Deferred tax obligations
including				
- difference appeared	(1 416 504)	20%	(283 301)	Deferred tax obligations were accrued
- difference discharged	116 971	20%	23 394	Deferred tax obligations were discharged
Deductible temporary difference	(283 512)	20%	(56 702)	Deferred tax asset
including				
- difference appeared	1 351 965	20%	270 393	Deferred tax assets were accrued
- difference discharged	(1 635 477)	20%	(327 095)	Deferred tax assets were discharged
Taxable (deductible) permanent difference	3 379 607	20%	675 921	Permanent tax asset (obligation)
Tax base	3 076 380	20%	615 276	Current tax

There were no reasons to change the tax rates in comparison to the previous period. During the reporting period due to disposal of assets (sale, transfer on free of charge basis, dissolution) the differed tax obligation in amount 20 thousand rubles, deferred tax assets in amount of 30 298 thousand rubles were written-off on account of profit and losses.

Information on taxation of profit, cash flow is disclosed in annexes 2.3 and 5.7.2.

6.10. Cost of goods sold, commercial expenses, administrative expenses and other expenses

Expenses are calculated for the reporting period in which they occurred regardless the time of actual payment of monetary assets (the accrual principle assumption).

Table 13 – “Miscellaneous costs”

(thousand rubles)

Indicator		2018	2017
Name	Code		
Cost of goods sold	6510	41 461 392	38 258 835
including			
Other expenses	6515	22 713 249	20 672 301
Including			
Services of electricity distribution companies		12 631 704	10 940 261
Services of “FGC UES” PJSC		7 081 576	6 156 017
Other expenses		2 999 969	3 576 023

6.10.1 Information on the expenses on use of energy resources

Table 14 – Information on the expenses on use of energy resources

#	Approved target indicators	Measurement unit	2018 (fact)	2017 (fact)
1	2	3		
1.1.	Electric energy losses, including	Mln rubles, including VAT	9 091.283	8 966.093
		Mln kilowatt-hour	2 590.145	2 728.984
1.1.1.	Energy for own needs	Mln rubles, including VAT	50.700	58.746
		Mln kilowatt- hour	17.118	17.821
1.2.	Energy purchased for operational and household needs, by resource types	Mln rubles, including VAT	133.484	136.272
1.2.1.	Fuel and energy, including	Mln rubles, including VAT	130.388	132.803
		Tons of fuel	4 488	4 690

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1.2.1.1.	Electric energy	Mln rubles, including VAT	119.854	122.149
		Thousands kilowatt-hour	30 968.873	32 287.897
		Thousands kilowatt-hour per square meter of premises	0.273	0.275
1.2.1.2.	Thermal energy	Mln rubles, including VAT	9.505	9.686
		gCal	4369.918	4 400.286
		gCal per square meter of premises	0.134	0.117
1.2.3.	Hot water supply	Thousands of cubic meters	-	-
		Mln rubles, including VAT	-	-
1.2.4.	Cold water supply	Thousands of cubic meters	82.318	94.891
		Mln rubles, including VAT	3.095	3.469
1.2.5.	Natural gas	Thousands of cubic meters	127.327	161.509
		Mln rubles, including VAT	1.029	0.968
1.3.	Metering devices of electric energy consumed for the Company’s own needs	%	100	100
1.4.	Smart electricity metering devices for consumers in the retail market, in accordance with the Programme for future development of electricity metering systems	%	73.1	72.2

6.11. Cash flow dynamics information

In accordance with Accounting Regulations 23/2011, the Company’s cash flow in the form of revenue receipts and payments of VAT (receipts from customers and buyers, payments to contractors and budget of RF or reimbursement) is briefly calculated in line 4129 “Other payments” in the form “Cash flow dynamics report” in the amount of (149 908) thousands rubles, including:

VAT included in received amounts	7 167 958 thousands rubles
VAT included in amounts transferred	5 290 693 thousands rubles
VAT paid to a budget	2 027 173 thousands rubles
Result	(149 908) thousands rubles

Highly liquid investments (cash equivalents) that can be readily converted into previously known amounts of cash and which are subject to insignificant risk of changes in value for the period from 01.01.2018 to 31.12.2018 amounted 12 649 000 thousand rubles (deposits). Transfer of funds to deposits recognized as cash equivalents is not a cash flow and is not reflected in the Cash Flow Report.

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Table 15 – Sum of minimum required balance on current accounts of the Company as of 31 December 2018

(thousand rubles)

Ground (additional agreement, confirmation of transaction)	Transaction starting date	Transaction ending date	Sum of minimum required balance
1	2	3	5
Confirmation No.38 of 29.12.2018 to Agreement of 30.07.2017	29.12.2018	11.01.2019	500 000
Confirmation No.39 of 29.12.2018 to Agreement of 30.07.2017	29.12.2018	09.01.2019	125 000
Confirmation No.40 of 29.12.2018 to Agreement of 30.07.2017	29.12.2018	09.01.2019	20 000
Joint stock bank “Rossiya” JSC, total			159 000
Notification No.1 of 28.12.2018 to Additional Agreement No.1-no/40730-1358 of 06.11.2018	28.12. 2018	11.01.2019	450 000
Branch of Russian Regional Development Bank JSC			450 00
Total			1 095 000

There is no debt on overdraft loan as of 31 December 2018.

As of December 31, 2018, there are no third-party guarantees received and not used by the Company to raise a credit with specification of the amount of monetary funds that can be raised by the Company.

Cash (or cash equivalents) that cannot be used by the Company (e.g., letters of credit opened for the benefit of other organizations for transactions in progress as of the reporting sheet date) is absent as of 31 December 2018.

6.12. Segment Information

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) electricity transmission
- 2) network connection

The Company discloses the information in the accounting statements only by the reportable segments. The remaining segments are presented in the accounting statements as other segments. 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 financial statements

Table 16 – Consumers, the sales revenue from which is not less than 10 % of the total revenue of the Company

(thousand rubles)

#	Consumer (Customer)	Total Revenue	Including Electricity Transmission	Including Other Services
1	Independent Energy Selling Company of Krasnodar region JSC	16 404 971	16 404 971	-
2	TNS Energo Kuban PJSC	21 220 870	21 148 161	72 709

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In addition, information by the reportable segments is presented in Annex 5.13.

6.13. Information on the Related Parties**6.13.1. List of the Related Parties**

The operations of Kubanenergo PJSC are strongly affected by following persons/entities, which are affiliated to the Company. Within the legislation of the Russian Federation, Kubanenergo PJSC publishes the lists of affiliates on its website at <http://www.kubanenergo.ru> in Section “For Shareholders and Investors / Lists of Affiliates”, as well as at <http://www.e-disclosure.ru/portal/company.aspx?id=2827>.

Entities/persons affecting the Company’s activity:

- the largest shareholders of the Company – Rosseti JSC (owns 92.78 % of the Company shares);
- persons, that are members of the management bodies of the Company (BoD members, Management Board members, director general of Kubanenergo PJSC). Kubanenergo PJSC supervises the operations of its subsidiaries: “Recreation Centre “Energetik” JSC and “Energoservis Kuban” JSC by methods of corporate management.

6.13.2. Transactions Made with the Related Parties and Related-Party Transactions in Progress**Table 17 – Income and related receivables for 2017**

(thousand rubles)

Contractor	As of 31 December 2016	Accrued	Paid	As of 31 December 2017
Recreation Centre Energetik JSC***	180	3 077	(3 219)	38
Energoservice of Kuban JSC	8	683	(332)	359
Rosseti PJSC***	-	1 398	(1 398)	-
Main Computer Center of Power Industry	30	60	(75)	15
MOESK PJSC	-	13 252	-	13 252

Table 18 – Income and related receivables for 2018

thousand rubles

Counterparty	As of 31 December 2017	Accrued	Paid	As of 31 December 2018
Recreation Centre Energetik JSC***	38	2 660	(2 438)	260
Energoservice of Kuban JSC	359	68	(427)	
Rosseti PJSC***	-	1 049	(1 049)	
Rosseti – Engineering Supervision Centre, branch		350	(350)	
Main Computer Center of Power Industry	15			15
IDGC of Volga PJSC	-	5 658	(5 658)	
IDGC of the South PJSC	-	1 000	(1 000)	
IDGC of North Caucasus PJSC		42 444		
MOESK PJSC	13 252	-	(13 252)	

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Table 19 – Expenses and other transactions and related to it payables for 2017-

(thousand rubles)

Counterparty	As of 31 December 2016	Accrued	Repaid	As of 31 December 2017
1	2	3	4	5
IDGC of the South PJSC*				
- trading transactions	(24 861)	(610)	25 471	-
- other payables	(90 379)	(3 268)	93 647	-
IDGC of the Centre and Volga region PJSC*				
- other payables	-	(7 074)	7 074	-
Rosseti PJSC **				
- other payables	(5 297)	(115 874)	115 874	(5 297)
- dividends	-	(496 441)	496 441	-
- payments to founders	-	(20 357)	20 357	-
FGC UES PJSC *				
- trading transactions	(502 268)	(10 290 048)	8 498 315	(2 294 001)
- other payables	(33 885)	(211 028)	211 050	(33 863)
- other payables	255 920	535 612	(594 079)	197 453
Reserve	(167 116)	(1 854)	561	(168 409)
IDGC of North Caucasus PJSC *				
- other payables	(54)	-	-	(54)
Recreation Centre Energetik JSC***				
- other payables	-	(12 107)	11 968	(139)
- dividends	-	(277)	277	-
Engineering Supervision Centre JSC				
- other payables	-	(2 113)	2 038	(75)
IT Energy Service JSC				
- other payables	(189)	(1 611)	1 684	(116)
IDGC of Volga PJSC *				
- other payables	(2 356)	(2 320)	4 676	-
Energoservice of Kuban JSC***				
- other payables	(947)	(120 807)	63 135	(58 619)
IDGC of Centre PJSC *				
- other payables	-	(3 657)	3 657	-
IDGC of Siberia PJSC *				
- other payables	-	(1 249)	1 249	-
MOESK PJSC				
- other payables	-	(4 673)	4 673	-
Scientific and Research Centre of FGC UES				
- other payables	-	(90)	90	-
Directorate of FOCL-Power Lines JSC				
- other payables	(1 146)	(18 140)	17 294	(1 992)

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Table 20 – Expenses and other transactions and related to it payables for 2018

(thousand rubles)

Counterparty	As of 31 December 2017	Accrued	Repaid	As of 31 December 2018
1	2	3	4	5
IDGC of the South PJSC *				
- other payables	-	(1 252)	2 525	-
IDGC of the Centre and Volga region PJSC *				
- other payables	-	(413)	413	-
Rosseti PJSC ***				
- other payables	(5 297)	(160 736)	141 827	(24 206)
- dividends	-	(298 340)	298 340	-
FGC UES PJSC *				
- trading transactions	(2 294 001)	(9 639 146)	10 694 906	(1 238 241)
- other payables	(33 863)	(453 396)	191 449	(295 810)
- other payables	197 453	1 029 709	(1 042 486)	184 676
Reserve	(168 409)		960	(167 449)
IDGC of North Caucasus PJSC *				
- other payables	(54)	-	-	(54)
Recreation Centre Energetik JSC***				
- other payables	(139)	(11 953)	12 092	-
Engineering Supervision Centre JSC				
- other payables	(75)	(27 526)	20 926	(6 675)
IT Energy Service LLC*				
- other payables	(116)	-	116	(116)
Energoservice of Kuban JSC***				
- other payables	(58 619)	(38 425)	91 273	(5 771)
-dividends	-	(9 068)	9 068	-
Scientific and Research Centre of FGC UES				
- other payables	-	(50)	50	-
Directorate of FOCL-Power Lines JSC				
-trade transactions	-	(22 844)	-	(22 844)
- other payables	(1 992)	(39 931)	26 201	(15 722)
Elektrosetservice UNPG JSC				
-trade transactions	-	(158 448)	112 517	(45 931)
- other payables	-	(250 879)	205 045	(45 834)

* - company belongs to the same group as the Company

**- company has the right to dispose of more than 20 % of the Company's shares

***- company has the right to dispose of more than 50 % of the total votes of the shares in the Authorized Capital of the person

Write-off of accounts receivable, the limitation period of which has expired, of other bad debts, including out of provision for doubtful debts, has not been made.

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16.13.3. Compensations Payable to Key Management Personnel
Table 21 – Information on the compensations payable to key management personnel

thousand rubles

Payments	Members of the Board of Directors		Members of Auditing Committee		Members of Management Board	
	2018	2017	2018	2017	2018	2017
Short-term compensations, incl.:	9 917	8 771	1 039	1 020	1 827	2 221
1.1. Salaries for the reporting period (vacation bonus excl.)	7 605	6 829	797	782	1 401	1 703
a) premiums	0	0	0	0	0	0
b) bonuses	0	0	0	0	и	0
c) other incentive payments, the bases for which are the indices of labour or performance	0	0	0	0	0	0
1.2. Annual paid holidays for operations in the reporting period	0	0	0	0	0	0
1.3. Total other payments for the benefit of key management personnel (not depending on the respective terms in the labour contract), incl.:	0	0	0	0	0	0
a) the Company's payment for public services	0	0	0	0	0	0
b) the Company's payment for medical care, incl. treatment	0	0	0	0	0	0
c) one-off pecuniary aid payments for vacation	0	0	0	0	0	0
d) full or partial vacation bonus	0	0	0	0	0	0
e) full or partial payment for education in the private interests	0	0	0	0	0	0
f) others (please, specify), incl.:	0	0	0	0	0	0
compensation for residential premises lease	0	0	0	0	0	0
material aid for mortgage repayment	0	0	0	0	0	0
1.4. Taxes payable and other compulsory payments into the respective budgets and extra-budgetary funds	2312	1 942	242	238	426	518
2. Long-term compensations, incl.:	0	0	0	0	0	0
2.1. Compensations upon withdrawal, incl.:	0	0	0	0	0	0
a) payments under the voluntary insurance contracts concluded with the insurance companies	0	0	0	0	0	0
b) payments under the non-governmental retirement insurance contracts concluded with the non-governmental pension funds	0	0	0	0	0	0
c) other pension and social safety net payments upon withdrawal	0	0	0	0	0	0
2.2. Other long-term compensations	0	0	0	0	0	0
2.3. Long-term compensation charges	0	0	0	0	0	0
3. TOTAL (short-term and long-term) compensations, charges excl.	7 605	6 829	797	782	1 401	1 703
4. TOTAL (short-term and long-term) compensation payments	2 312	1 942	242	238	426	518

6.14. Going Concern Principle

Accounting (financial) statements of Kubanenergo PJSC for 2018 have been prepared on a going concern basis, which assumes that the Company is able to sell its assets and discharge its liabilities in the normal course of business in the foreseeable future. As reflected in the accounting (financial) statements the Company's net profit in 2016 amounted to 151 198 thousand rubles (in 2015 net profit amounted 525 276 thousand rubles). Short-term liabilities of the Company as of 31 December 2018 amounted to 25 699 636 thousand rubles; including debt obligations in the amount of 11 395 279 thousand rubles.

The Company has available credit, allowing refinancing of borrowed funds, urgent to maturity in 2019. The total amount of the credit limit with maturity in 2020-2023 as at

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31 December 2018 is 12 428 071 thousand rubles, including at Sberbank PJSC in the amount of 8 645 071 thousand rubles, and at Russian Regional Development Bank (JSC) in the amount of 3 783 000 thousand rubles. Besides, the company has overdraft lending limits at Sberbank and GPB Bank (JSC) with a total amount of 1 000 000 thousand rubles.

We assume that the cash flow from business activity in 2019 will enough to cover our obligations that are due in 2019.

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 2019.

6.15. Estimated Liabilities, Contingent Assets and Liabilities

In 2018 the Company recognized in the accounting the estimated liabilities related to possible compensation for unused vacation in the amount of 436 549 thousand rubles, partly the written off previously formed a provision in the amount of 429 069 thousand rubles, the balance as of the end of the reporting period amounted 265 565 thousand rubles. As of 31 December 2018 a provision related to the possible payment of remuneration for the year was recognized in the amount of 348 878 thousand rubles.

The amount of liabilities on outstanding claims at the beginning of reporting period is reflected in the financial statements in the amount of 824 373 thousand rubles, including 647 742 thousand rubles in part of inconsistent volume of losses, 176 631 thousand rubles in terms of electricity transmission services. Charges totaled 202 266 thousand rubles, including 31 331 thousand rubles in part of inconsistent volume of losses, 170 935 749 thousand rubles in terms of electricity transmission services. The amount of the estimated liability for outstanding claims of providers at end of period is 476 031 thousand rubles, including 2 44 422 thousand rubles in part of inconsistent volume of losses, 231 609 thousand rubles in terms of electricity transmission services.

The amount of the provision for judicial disputes is 22 759 thousand rubles, other estimated liabilities – 34 796 thousand rubles (annex 5.7.1).

Discounting of the value of the recognized estimated liabilities was not made because the expected period of performance is less than 12 months after the balance sheet date.

The expected amount of counter-claims or amounts to a third party claims in respect of costs which the Company will incur in the performance of obligations and assets recognized by such requirements in accordance with paragraph 19 of PBU 8/2010 at the balance sheet date are absent.

Due to the fact that the current tax legislation of the Russian Federation permits the possibility of different interpretations of the concepts and terms of civil, family and other branches of the Russian legislation used in the Tax Code of the Russian Federation, the position of the Company's management regarding taxes may be challenged by tax authorities, in particular pertaining to qualification of immovable (movable) property and determining its composition when calculating tax on property. The risk of claims from the tax authorities, as well as the likelihood of unfavorable resolution of tax disputes (if they arise) is assessed by the Company as "possible". The management of the Company assesses conditional tax risks in the range of 500 million rubles, which does not exceed 1% of the value of the Company's assets.

6.16. Events After the Reporting Date

The Company accounts events occurring after the reporting date and makes disclosure thereof in the statements in accordance with the Accounting Regulations "Events

Kubanenergo PJSC

Occurring after the Reporting Date” PBU 7/98 approved by Decree of the Ministry of Finance of the Russian Federation No. 56n of 25.11.1998.

On 5 February 2019, the decision of the Fifteenth Commercial Court of Appeal in case No.A32-1878/2018 satisfied the claims of TNS Energo Kuban PJSC to recover the cost of electrical energy released by Yugvodokanal LLC in the amount of 318 702 thousand rubles. This fact of business activity is qualified by Kubanenergo PJSC as a significant event and is reflected accordingly in the financial statements for 2018.

There are no other facts of economic operations, which have, or in the future may have, an impact on the financial condition or the performance of the Company and which occur from the reporting date (31 December 2018) till the date of signing of the accounting statements for 2018.

Deputy Director General in charge of
Economics and Finances of Kubanenergo PJSC

Ocheredko O.V.

Skiba I.V.

Chief Accountant - Head of Department for
Accounting, Tax Accounting and Reports,
Kubanenergo PJSC

19 February 2019

Kubanenergo PJSC

Annexes to the Balance Sheet and to the Income Statement

Annex 5.1.1 Stocks and Transactions of Intangible Assets

Annex 5.2.1 R&D Stocks and Transactions

Annex 5.2.2 R&D in Progress, Unexecuted R&D and Intangible Assets Acquisition Transactions in Progress

Annex 5.3.1 Stocks and Transactions of Fixed Assets

Annex 5.3.3 Changes in the Fixed Assets Value as a Result of Completion of Construction, Extra Fitting, Reconstruction and Partial Liquidation

Annex 5.3.4 Other Use of Fixed Assets

Annex 5.3.5 Capital Investments in Progress

Annex 5.3.6 Advances for Capital Construction and Fixed Assets Acquisition

Annex 5.4.1 Presence and Flow of Financial Investments

Annex 5.4.2 Adjustments of Financial Investment Estimates

Annex 5.5.1 Stocks and Transactions of Inventories

Annex 5.5.2. “Pledged Inventory”

Annex 5.6.1 Stocks and Transactions of Accounts Receivable

Annex 5.6.3 Overdue Accounts Receivable

Annex 5.6.5 Stocks and Transactions of Accounts Payable

Annex 5.6.6 Overdue Accounts Payable

Annex 5.6.7 Loans and Borrowings

Annex 5.6.8 Cost of Loans and Borrowings

Annex 5.7.1 Estimated Liabilities

Annex 5.7.2 Deferred Taxes

Annex 5.8 Provisions

Annex 5.9 Government Aid

Annex 5.11 Other revenues and expenses

Annex 5.13 “Information of Reportable Segments”

Annex 2.1 Cost of Sales, Works and Services by Cost Elements

Annex 2.2 Earnings per Share, Diluted Earnings per Share

Annex 2.3 Taxation of Profit

REPORT ON TRANSACTIONS CONCLUDED IN 2018, WHICH PRESENTS AN INTEREST FOR KUBANENERGO PJSC

APPENDIX 2

REPORT ON TRANSACTIONS CONCLUDED IN 2018, WHICH PRESENTS AN INTEREST FOR KUBANENERGO PJSC

Details of interested party transactions less than 2% of the book value of assets

SEQ. NO.	DATE OF THE TRANSACTION	DATE OF APPROVAL (OBTAINING CONSENT FOR THE TRANSACTION)	THE COMPANY'S BODY THAT MADE THE DECISION TO GRANT CONSENT TO THE TRANSACTION	SUBJECT MATTER AND ITS MATERIAL TERMS	INFORMATION ABOUT THE PERSON(S) INTERESTED IN THE TRANSACTION, THE GROUND FOR INTEREST
1	06.02.2018	20.12.2017	The notice of the transaction, which presents an interest, was sent to the persons referred to in cl. 1, Art. 81 of the Federal Law dated 26.12.1995, No. 208-FZ "On Joint-Stock Companies", on 20.12.2017, no later than 15 days before the date of transaction. The requirements to hold a meeting of the Board of Directors of Kubanenergo PJSC to resolve the issue of obtaining consent to the transaction, which was an object of interest from the persons, referred to in cl. 1, Article. 83 of the Federal Law dated 26.12.1995, No. 208-FZ "On Joint-Stock Companies," were not received	<p>Service Contract for the Organization of the Operation and Development of the Electric Grid Complex</p> <p>Parties to the contract:</p> <ul style="list-style-type: none"> • Kubanenergo PJSC – the Customer; • PJSC Rosseti – the Contractor. <p>Subject of the Contract:</p> <ul style="list-style-type: none"> • The Contractor undertakes to provide the Customer with a service for organizing the operation and development of the Customer's power grid complex under the terms of the contract, and the Customer respectively undertakes to accept and pay for the service in accordance with the terms of the Contract. <p>Contract price:</p> <ul style="list-style-type: none"> • The cost of the services of the Contractor for one year is not more than 118,321,766.54 rubles; in addition VAT, calculated in accordance with the legislation of the Russian Federation¹. • The cost of service of PJSC Rosseti under the service provision Contract for the operation and development of the electric grid complex may be subject to review. • The cost of the services of PJSC Rosseti under the service Contract cannot amount to 10 or more percent of the book value of the Kubanenergo PJSC assets, according to its financial statements as of the latest reporting date. <p>The term of the service: 01.01.2018 to 31.12.2020.</p> <p>Term of the Contract: The Contract comes into force from the moment of its signing and is valid until 31.12.2020, in part of settlements, until the Parties fulfill their obligations</p>	PJSC Rosseti – is the controlling entity of Kubanenergo PJSC and, at the same time, PJSC Rosseti is a party to the transaction

1. At the conclusion of the transaction, VAT was provided at a rate of 18%; in the fourth quarter of the reporting year, the parties entered into an additional agreement to change the VAT rate by 20%.

SEQ. NO.	DATE OF THE TRANSACTION	DATE OF APPROVAL (OBTAINING CONSENT FOR THE TRANSACTION)	THE COMPANY'S BODY THAT MADE THE DECISION TO GRANT CONSENT TO THE TRANSACTION	SUBJECT MATTER AND ITS MATERIAL TERMS	INFORMATION ABOUT THE PERSON(S) INTERESTED IN THE TRANSACTION, THE GROUND FOR INTEREST
2	05.03.2018	15.01.2018	The notice of the transaction, which presents an interest, was sent to the persons referred to in cl. 1, Art. 81 of the Federal Law dated 26.12.1995, No. 208-FZ "On Joint-Stock Companies", on 15.01.2018, no later than 15 days before the date of transaction. The requirements to hold a meeting of the Board of Directors of Kubanenergo PJSC to resolve the issue of obtaining consent to the transaction, which was an object of interest from the persons, referred to in cl. 1, Article. 83 of the Federal Law dated 26.12.1995, No. 208-FZ "On Joint-Stock Companies," were not received	The Contract for the provision of services for technical supervision Parties to the contract: <ul style="list-style-type: none"> Kubanenergo PJSC – the Customer; PJSC Rosseti – the Contractor. Subject of the contract: <ul style="list-style-type: none"> The Customer appoints, and the Contractor assumes the obligation to undertake the technical supervision at the Customer's power supply facilities, including new construction, reconstruction, and technical re-equipment, and the Customer, respectively, undertakes to accept and pay for these services. To create the necessary conditions for the activities of the Contractor's personnel, directly providing services at the Customer's facilities, the Customer accommodated the Contractor, on a reimbursable basis, for the entire term of the contract, with workplaces (rooms) with furniture, computer and organizational equipment, office equipment, communication facilities, fixed line and Internet services, and with office supplies. Contract price: <ul style="list-style-type: none"> The cost of services of the Contractor under the contract for the calendar year is 15,272,000.04 rubles; in addition – VAT, calculated in accordance with the legislation of the Russian Federation The cost of the Customer's services under the contract for a calendar year is 1,184,760.48 rubles, plus VAT, calculated by the legislation of the Russian Federation. The cost of services under the contract cannot amount to 10 or more percent of the book value of the assets of Kubanenergo PJSC, according to its accounting statements as of the latest reporting date. The term of the service: 01.01.2018 to 31.12.2020. In case neither of the parties notified the other party about the termination of the Contract within 30 calendar days before the expiration date of the provision of services under the contract, the term of services under the Contract is extended by one calendar year without any restriction for such prolongations. Term of the Contract: <ul style="list-style-type: none"> The Contract comes into force from the moment of its signing by the parties and is valid until the termination of the proper performance of obligations by the parties. The Contract covers the legal relations between the parties arising from the 01.01.2018. 	PJSC Rosseti – is the controlling entity of Kubanenergo PJSC and, at the same time, is a party to the transaction

1. The same.

SEQ. NO.	DATE OF THE TRANSACTION	DATE OF APPROVAL (OBTAINING CONSENT FOR THE TRANSACTION)	THE COMPANY'S BODY THAT MADE THE DECISION TO GRANT CONSENT TO THE TRANSACTION	SUBJECT MATTER AND ITS MATERIAL TERMS	INFORMATION ABOUT THE PERSON(S) INTERESTED IN THE TRANSACTION, THE GROUND FOR INTEREST
3	04.09.2018	07.08.2018	The notice of the transaction, which presents an interest, was sent to the persons referred to in cl. 1, Art. 81 of the Federal Law dated 26.12.1995, No. 208-FZ "On Joint-Stock Companies", on 07.08.2018, no later than 15 days before the date of transaction. The requirements to hold a meeting of the Board of Directors of Kubanenergo PJSC to resolve the issue of obtaining consent to the transaction, which was an object of interest from the persons, referred to in cl. 1, Article. 83 of the Federal Law dated 26.12.1995, No. 208-FZ "On Joint-Stock Companies," were not received	Energy Service Contract Parties to the contract: <ul style="list-style-type: none"> Kubanenergo PJSC – the Customer; JSC "Energy Service of Kuban" – the Power Service Company. Subject of the contract: <ul style="list-style-type: none"> Performing actions aimed at energy saving and energy efficiency of energy resources use (including reduction of technological consumption (losses) of electricity during transmission in electric networks) by the Customer, implementation of energy-saving technologies by and at the expense of the Energy Service Company in the Customer's power grid facilities. Contract price: <ul style="list-style-type: none"> 57,615,030.41 rubles (including VAT¹). Term of the Contract: <ul style="list-style-type: none"> The term of the Contract is determined by a period during which there will be achieved the planned amount of savings in volume (physical) terms, and the total amount of payments from the Customer in favor of the Energy Service Company will be equal to the contract price, but not more than eight years. The term of the Contract may include an additional period, which is added to compensate for possible non-compliance of: <ul style="list-style-type: none"> source data provided by the Customer, by the results of the pre-project survey, the actual cost of energy (including energy losses) by the predicted values used at the conclusion of the Contract 	1. The controlling entity of the Company – is PJSC Rosseti, which is, concurrently, the controlling body of JSC "Energy Service of Kuban" – a party to the transaction. 2. Member of the Company's Management Board – E. Armaganyan, occupying a position in the management bodies (member of the Board of Directors) of JSC "Energy Service of Kuban", which is a party to the transaction

1. The same.

Information on transactions, which presents interest, the size of which was 2% or more of the book value of the assets

SEQ. NO.	DATE OF THE TRANSACTION	DATE OF APPROVAL (RECEIPT OF CONSENT FOR THE TRANSACTION)	THE COMPANY'S BODY THAT MADE THE DECISION TO GRANT CONSENT TO THE TRANSACTION	SUBJECT MATTER AND ITS MATERIAL TERMS	INFORMATION ABOUT THE PERSON(S), INTERESTED IN THE TRANSACTION, THE BASIS OF INTEREST AND SHARES OF THE ISSUER AND CONTRACTOR
1	05.03.2018	07.02.2018	Board of Directors Kubanenergo PJSC (minutes No. 298/2018, dated 08.02.2018)	<p>Agreement on repayment of debt of Kubanenergo PJSC for the electrical energy transmission services.</p> <p>Parties to the agreement:</p> <ul style="list-style-type: none"> • Debtor – Kubanenergo PJSC; • The Lender – PJSC FGC UES. <p>Subject of the Agreement: settlement of the procedure and maturity of the Debtor's amounts owed to the Creditor with a maturity date under the electricity transmission services Contract.</p> <p>Price agreement: The amount of the debt to be settled by agreement is 1,957,869,991.84 rubles, including:</p> <ul style="list-style-type: none"> • debt for services rendered under the Contract for transfer of electrical energy from 24.12.2014 for the period 01.04.2016 to 30.06.2017 in the amount of 1,662,133,690.02 rubles (including VAT); • debt for payment of penalties, interest in the amount of 295,736,301.82 rubles, including: <ul style="list-style-type: none"> / a) arrears for payment of penalties under the Contract accrued to the amount of 1,662,133,690.02 rubles for the period 17.05.2016 to 31.07.2017, from the amount of 261,122,475.53 rubles; / b) debt for payment of interest, confirmed by a court decision in case No. A32-28104/15, in the amount of 34,613,826.29 rubles. <p>The amount of debt for services rendered, penalties, interest, collectively referred to as debt.</p> <p>For the use of funds, Kubanenergo PJSC undertakes to pay FGC UES interest, charged on the amount of the Debt. The interest rate is set at 9% per annum, while the amount of interest is calculated for the part of the Debt outstanding at the beginning of each day from 01.08.2017, to the date of the actual final repayment of the Debt inclusively, and taking into account the actual repayment schedule.</p> <p>Term of Agreement:</p> <ul style="list-style-type: none"> • The Agreement comes into force from the date of its signing by the parties and is valid until the Debtor fulfills all obligations thereunder. The terms of the Agreement apply to the relations of the parties from 01.08.2017 	The controlling entity of the Company is PJSC Rosseti, which is, concurrently, the controlling body of PJSC FGC UES – a party to the transaction. PJSC Rosseti owns 92.78% of the authorized capital of Kubanenergo PJSC and 80.13% of the authorized capital of PJSC FGC UES

APPENDIX 3

REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE, RECOMMENDED BY THE BANK OF RUSSIA IN 2018

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.

The Board of Directors of Kubanenergo PJSC confirms that the data presented in this report contain complete and reliable information of the Company's compliance with the principles and recommendations of the Code 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. 	<p>V Totally met</p> <p>Partially met</p> <p>Not met</p>	
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 person, who proposed agenda items and who nominated candidates to the Board of Directors and to the Company's Auditing Commission. 	<p>V Totally met</p> <p>Partially met</p> <p>Not met</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
1.1.3	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. 	<p>V Totally met</p> <p>Partially met</p> <p>Not met</p>	
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. 	<p>V Totally met</p> <p>Partially met</p> <p>Not met</p>	
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. 	<p>V Totally met</p> <p>Partially met</p> <p>Not met</p>	

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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.	<p>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.</p> <p>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.</p> <p>3. The issue of using telecommunication means 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.</p>	Totally met V Partially met Not met	<p>Criterion 2 is partially met. To make possible for candidates for members of management and control bodies to give answer at the General Meeting of Shareholders, the Regulation for the General Meeting of Shareholders of the Company, approved by the Annual General Meeting of Shareholders in 2017, has established that in preparation of Shareholders for the General Meeting in the form of joint attendance, the Company provides invitations to members of the Company's executive bodies, members and candidates for membership in the Board of Directors, members and candidates for the Company's Auditing Commission, and to the Company's auditor to participate in the General Meeting of Shareholders.</p> <p>Invitations to participate in the General Shareholders Meeting are sent to all Candidates, though, the invited candidates cannot always ensure their presence due to various factors of a working and personal nature. However, shareholders can ask any questions to those candidates who are present at the meeting.</p> <p>Criterion 3 is not met.</p> <p>In part of the use of telecommunication means for providing shareholders with remote access for participation in General Meetings of Shareholders, the Company's Charter provides for such an opportunity, if such a method of participation in a meeting is stipulated by a decision of the Board of Directors in preparation for the General Meeting of Shareholders.</p> <p>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. The Company will review the current practice as necessary.</p>
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.	<p>1. A Dividend Policy has been developed by the Company, approved by the Board of Directors and disclosed.</p> <p>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.</p>	V 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.	1. The Company's Dividend Policy contains clear indications of the financial/economic circumstances under which the Company should not pay dividends.	V Totally met Partially met Not met	

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1.2.3	The Company does not allow any deterioration of the dividend rights of existing shareholders.	1. In the reporting period, the Company did not undertake any actions leading to the deterioration of the dividend rights of existing shareholders.	V 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.	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.	Totally met V Partially met Not met	Control mechanisms that ensure timely identification and approval of transactions with persons affiliated with significant shareholders are not currently established in the Company's internal documents. The Company analyzes the necessary changes and amendments to internal documents, the implementation of which will be carried out after coordination at the level of the management bodies, as well as with the Company's shareholders. However, the Company has a Regulation on contractual work, which regulates the qualification process and the subsequent control of transactions for the interest in their execution in accordance with the indications established by the current legislation. In addition, the list of affiliates of the Company meets all the requirements of current legislation and includes the most complete and current information about related parties.
1.3	The system and practice of corporate governance ensures equal conditions for all shareholders - owners of shares of the same category (type), including minority (small) shareholders and foreign shareholders, and equal treatment of them by the Company.			
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.	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.	V 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.	1. There are no quasi-treasury shares or did not participate in voting during the reporting period.	V 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.	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.	V Totally met Partially met Not met	

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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.			
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.	1. 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. 2. 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.	V 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.	1. 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.	V 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.	1. The Board of Directors determined the principles and approaches to the organization of the risk management and internal control system in the Company. 2. The Board of Directors conducted an assessment of the risk management and internal control systems of the Company during the reporting period.	V 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.	1. 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. 2. During the reporting period, the Board of Directors discussed issues related to this policy(s).	Totally met V Partially met Not met	The Company has developed and implemented a policy (policies) approved by the Board of Directors on remuneration of members of the Board of Directors, executive bodies and other key executives of the Company and reimbursement (compensation) of their expenses, but during the reporting period, the Board of Directors did not consider issues related to this policy (policies), in the absence of necessity.
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.	1. The Board of Directors plays a key role in the prevention, detection, and resolution of internal conflicts. 2. 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.	V 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.	1. The Board of Directors approved the Regulation on information policy. 2. The Company has defined persons responsible for the implementation of the information policy.	V 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.	1. During the reporting period, the Board of Directors considered the issue of corporate governance practices in the Company.	V Totally met Partially met Not met	

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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.	1. 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. 2. 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.	Totally met V Partially met Not met	Criterion 2 is not met. Such estimation was not conducted in the reporting period due to a lack of a currently-designed and consistent estimation procedure.
2.2.2	The Chairman of the Board of Directors is available to communicate with shareholders of the Company.	1. 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.	V 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.	1. 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. 2. 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).	Totally met Partially met V 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.
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 V 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.

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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 V Not met	The performance evaluation of the Board of Directors in the reporting year was not carried out due to the lack of an approved methodology. The HR and Remuneration Committee also did not evaluate the work of the Board of Directors during the reporting period. However, in the opinion of the Company, the composition of the Board of Directors is balanced, the qualifications of its members, their experience, knowledge and business skills fully correspond to the tasks and goals set before the Board of Directors. Considering that the shareholders under Art. 53 of the Federal Law "On Joint-Stock Companies" nominated candidates who were elected by the Annual General Meeting of Shareholders – 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 V Partially met Not met	The assessment in the reporting period was not conducted due to the lack of an approved assessment methodology. The quantitative composition of the Board of Directors is determined by the Company's Charter – 11 people, which, in the Company's opinion, is sufficient to achieve the goals and objectives 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.	V Totally met Partially met Not met	

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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 V 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 25.05.2018 – three independent directors, • from 05.25.2018 – 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 V Not met	The Board of Directors in the reporting period included: <ul style="list-style-type: none"> • until 25.05.2018 – three independent directors, • from 05.25.2018 – 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.

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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 V 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.			
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.	1. The Chairman of the Board of Directors is an independent director, or a senior independent director is appointed among independent directors. 2. 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 V 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.	1. 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 V Not met	The assessment in the reporting period was not carried out due to the lack of a developed and agreed methodology for such an assessment.
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.	1. 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.	V 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.	1. 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. 2. 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. 3. 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 V 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.

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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.	1. The Company has adopted and published an internal document that clearly defines the rights and obligations of members of the Board of Directors.	V Totally met Partially met Not met	
2.6.3	Board members have ample time to fulfill their duties.	1. 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. 2. 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 V Partially met Not met	Criterion 1 is not met. The assessment in the reporting period was not conducted due to the lack of an approved assessment methodology. High involvement of members of the Board of Directors in the reporting year confirms that 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 members of the Board of Directors to notify the Board of Directors of their intention to join the management bodies of other organizations (in addition to the Company's controlled and dependent organizations), as well as the fact of such appointment. However, in practice the Company: <ul style="list-style-type: none"> quarterly sends requests to members of governing bodies, containing information about positions held, and has the opportunity to receive current information, carries out regular monitoring of open sources of information on the entry of members of the Board of Directors of the Company into 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.	1. 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. 2. The Company has a formalized awareness program for newly elected members of the Board of Directors.	V 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.			
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.	V 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.	V Totally met Partially met Not met	

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2.7.3	The form of the meeting of the Board of Directors is determined based on the importance of the issues on the agenda. The most important issues are resolved at meetings held in person.	1. The Charter or internal document of the Company stipulates that the most critical issues (according to the list given in recommendation 168 of the Code) should be considered at the in-person meetings of the council.	Totally met V Partially met Not met	Regulation for the Board of Directors stipulates that the Chairman of the Board of Directors determines the form of holding meetings of the Board of Directors, considering the importance of the issues under consideration and recommendations provided for by recommendation 168 of the Code.
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 170 of the Code should be taken at a meeting of the Board of Directors by a qualified majority of at least three-quarters of the votes or the votes of all elected members of the Board of Directors.	Totally met V Partially met Not met	This norm is provided concerning the decision on the consent to the commission or the subsequent approval of a significant transaction. Regarding the other issues mentioned, there is a rule on decision-making by a two-thirds majority or by a majority of those participating in the meeting of the Board of Directors. The Company plans to change the current practice during the next amendment of internal documents.
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, consisting of independent directors.	1. The Board of Directors 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 172 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.	Totally met V Partially met Not met	Criteria 1 and 3 are not met. 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.
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.	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 180 of the Code.	Totally met V Partially met Not met	Criterion 1 is not met. The Company has established a Human Resources and Remuneration Committee. It does not include independent directors (clause 2.4.1). 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. The Committee is headed by a person who is not the Chairman of the Board of Directors. The Company plans to change the current practice as necessary.

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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.	1. The Board of Directors has a nominations committee (or its tasks, indicated in recommendation 186 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 186 of the Code.	Totally met V Partially met Not met	Criterion 1 is not met. The Company has established a Human Resources and Remuneration Committee, which does not include independent directors (clause 2.4.1). Criterion 2 is partially met. Of the specified in the recommendations of the Code, this Committee is entrusted with only tasks in terms of election and termination of powers of members of the Board, as well as coordination of candidates for certain positions in the executive office. The tasks of the Committee are defined in the Regulation on the Committee for Personnel and Remuneration, 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. The Company plans to change the current practice as necessary.
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.	Totally met V Partially met Not met	The Board of Directors elected the committees' composition, based on skills and qualifications of the candidates, has approved the Regulations for the committees. Currently, the Board of Directors committees made entirely consistent with its goals and objectives of activity. There have been formed the following committees of the Board of Directors: <ul style="list-style-type: none"> • Audit Committee; • Human Resources and Remuneration Committee; • Technological connection committee; • Strategy, Development, Investment and Reform Committee; • Reliability Committee. In the reporting period, the Board of Directors did not consider the issue of the compliance of the composition of its Committees with the objectives of the Board of Directors and the objectives of the Company's activities due to the fact that the above issue was not included in the schedule of meetings of the Board of Directors and was not included in the agenda of the Chairman. The Company plans to review the current practice.
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.	1. Independent directors head board committees. 2. 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 V Not met	The Board of Directors elected the committees' composition, guided by the skills and qualifications of the candidates, has approved the Regulations for the committees. Currently, the Board of Directors committees made entirely consistent with its goals and objectives of activities. When necessary, the Company will review the current practice and make the appropriate changes in 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.	1. During the reporting period, the chairmen of the committees regularly reported on the work of the committees to the Board of Directors.	V Totally met Partially met Not met	

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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.	1. 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. 2. The results of the self-assessment 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 V Not met	The assessment in the reporting period was not carried out due to the lack of an approved self-assessment/ assessment methodology.
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.	1. 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 V 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.	1. The Company has adopted and disclosed an internal document – the Regulation of the corporate secretary. 2. 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.	V 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.	1. The Board of Directors approves the appointment, removal from office and additional remuneration of the corporate secretary.	V 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.	1. 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	V Totally met Partially met Not met	
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.	V Totally met Partially met Not met	

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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.	V 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.	V Totally met Частично Totally 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.	V Totally met Partially met Not met	
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.	V 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.	V Totally met Partially met Not met	

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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.		
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.	<p>1. 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.</p> <p>2. 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.</p> <p>3. 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.</p>	<p>V Totally met</p> <p>Partially met</p> <p>Not met</p>	
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).	<p>1. The Company introduced a long-term motivation program for members of the executive bodies and other key managers of the Company using the Company's shares (financial instruments based on the Company's shares).</p> <p>2. The program of the long-term motivation of members of the executive bodies and other key managers of the Company provides that the right to sell shares and other financial instruments used in such a program comes no earlier than three years after they are granted. At the same time, the right to implement them is conditioned by the achievement of certain indicators of the Company's activity.</p>	<p>Totally met</p> <p>Partially met</p> <p>V Not met</p>	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.	1. 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.	<p>V Totally met</p> <p>Partially met</p> <p>Not met</p>	
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.	1. 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.	<p>V Totally met</p> <p>Partially met</p> <p>Not met</p>	
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.	1. 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.	<p>V Totally met</p> <p>Partially met</p> <p>Not met</p>	
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.	<p>1. The Company approved a policy to counter corruption.</p> <p>2. 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.</p>	<p>V Totally met</p> <p>Partially met</p> <p>Not met</p>	

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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.		
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.	<p>V Totally met</p> <p>Partially met</p> <p>Not met</p>	
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.	1. 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.	<p>V Totally met</p> <p>Partially met</p> <p>Not met</p>	
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.	1. During the reporting period, the internal audit assessed the effectiveness of the internal control and risk management system.	<p>V Totally met</p> <p>Partially met</p>	
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.	<p>1. The Board of Directors of the Company approved the information policy of the Company, developed taking into account the recommendations of the Code.</p> <p>2. 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.</p>	<p>V Totally met</p> <p>Partially met</p> <p>Not met</p>	
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.	<p>1. 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.</p> <p>2. 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).</p> <p>3. 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.</p>	<p>V Totally met</p> <p>Partially met</p> <p>Not met</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
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.	1. 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. 2. 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. 3. 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.	V 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.	1. 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. 2. 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.	V 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.	1. The Company's annual report contains information on critical aspects of the Company's operations and its financial results. 2. The Company's annual report contains information on the environmental and social aspects of the Company's operations.	V 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.	1. 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.	V 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.	1. During the reporting period, the Company did not refuse to satisfy the requests of shareholders for information, or such refusals were justified. 2. 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.	V 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.	1. 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. 2. 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 V 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". <p>The following issues are related to the competence of the Board of Directors of the Company:</p> <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: <ul style="list-style-type: none"> 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. <p>Criterion 2 is not met.</p> <p>The Company is developing relevant changes and will be introduced into the Company's Charter, subject to a positive decision by the shareholders</p>
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.	1. The Company has a procedure under which independent directors declare their position on significant corporate actions before their approval.	Totally met V 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.

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
7.1.3	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.	<p>1. 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.</p> <p>2. During the reporting period, all material, corporate actions were approved prior to their implementation.</p>	<p>V Totally met</p> <p>Partially met</p> <p>Not met</p>	
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.	1. 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.	<p>V Totally met</p> <p>Partially met</p> <p>Not met</p>	
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.	<p>1. 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.</p> <p>2. 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.</p> <p>3. 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.</p>	<p>Totally met</p> <p>V Partially met</p> <p>Not met</p>	<p>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.</p> <p>Criterion 3 is not met</p> <p>The Company is considering the possibility of developing appropriate changes.</p>

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

The non-core asset disposal program of Kubanenergo PJSC (approved by the decision of the Board of Directors on February 22, 2018, minutes No. 300/2018 in a new edition) (hereinafter referred to as the Program) was approved pursuant to the Decree of the President of Russia on 07.05.2012, No. 596, Directives of the Government of Russia on 07.07.2016, No. 4863p-P13 and the orders of the Government of Russia of 10.05.2017 No. 894-p by the decision of the Board of Directors of Kubanenergo PJSC dated 23.12.2016 (minutes No. 259/2016 dated 26.12.2016).

The program defines the main approaches, principles, and procedures for identifying and selling non-core assets, establishes the criteria for classifying assets as non-core, the procedure for maintaining the register of non-core assets, approaches to determining the value of non-core assets, the main provisions for their disposal, and the procedure for submitting reports on the performance of the non-core registry assets.

By decision of the Board of Directors of the Company, dated February 8, 2019 (minutes No. 330/2019), an up-to-date register of non-core assets was approved, formed by the requirements of the Program.

Information on the sale of non-core assets for 2018

SEQ NO.	ASSET NAME	INVENTORY NUMBER (IF APPLICABLE)	THE LINE OF THE BALANCE SHEET WHERE THE ASSET WAS RECORDED AT THE REPORTING DATE PRECEDING THE SALE OF THE ASSET	ACCOUNTING ACCOUNTS (INCLUDING ANALYTICS), WHICH REFLECT THE INCOME AND EXPENSES FROM THE DISPOSAL OF AN ASSET (91.1 AND 91.2)	CARRYING AMOUNT OF THE ASSET, THOUSAND RUBLES	THE ACTUAL COST OF SALES, THS. RUB.	DEVIATION OF THE ACTUAL COST OF REALIZATION FROM BOOK VALUE OF THE ASSET, THOUSAND RUBLES.	THE REASONS FOR THE DEVIATION OF THE ACTUAL COST OF IMPLEMENTATION FROM THE BOOK VALUE OF THE ASSET
1	Accommodation of linear workers	741004	1150	01	0,0	222.54	222.54	Implemented at a price higher than the residual value
2	Shares of JSC OC "Flame"	1680	1170	58	17,234.2	17,234.2	-	The facility was liquidated
Total					17,234.2	17,456.74		

Participation of Kubanenergo PJSC in commercial organizations

As of December 31, 2018 Kubanenergo PJSC owned shares of four joint stock companies, including two subsidiaries.

SEQ NO.	NAME AND ADDRESS OF COMPANIES	AREA OF ACTIVITY	KIND OF ACTIVITY	SHARE OF THE COMPANY IN THE AUTHORIZED CAPITAL OF THE COMPANY, %
Subsidiaries of Kubanenergo PJSC				
1	Joint-stock Company Recreation House "Energetik" (JSC R/h "Energetik"), 353490, Krasnodar Territory, Divnomorskoe village, st. Pionerskaya, 4	Krasnodar region	Organization of recreation and rehabilitation of children and adults, primarily employees of Kubanenergo PJSC and their family members; arranging and holding of seminars and conferences	100
2	Joint-stock Company "Energy Service of Kuban" (JSC "Energy Service of Kuban") 350080, Krasnodar, st. Novorossiysk, 47	Krasnodar Territory	Design, installation and commissioning of metering stations for electricity, gas and technological equipment, hot and cold water supply	100
Other commercial organizations, whose shares are owned by the Company				
3	Closed Joint Stock Company "Regional Engineering and Technological Energy Company - SOYUZ" (CJSC RETEC-SOYUZ) Legal address: • 350033, Krasnodar, Central Administrative District, st. Stavropol, 2 Mailing address: • 350080, Krasnodar, st. Demus, 50	Krasnodar Territory	Organization, performance and support of research and scientific and technical development, engineering, construction, installation and commissioning works; monitoring and controlling	1
4	Closed Joint-Stock Company North-Caucasus Scientific-Production Joint-Stock Corporation "Turbogaz" (CJSC "Turbogaz") Legal address: 353470, Krasnodar Territory, Gelendzhik Mailing address: 350000, Krasnodar, st. Ordzhonikidze, 66	Krasnodar Territory	Development of energy saving technologies; production, operation, maintenance and repair of power plants; production and sale of electricity	4

Shares of the above joint-stock companies, except for "Energy Service of Kuban" JSC, were included in the register of non-core assets.

Packages of shares of CJSC Turbogaz are subject to liquidation, shares of CJSC RETEC-SOYUZ are subject to sale.

The Company plans to retain participation in the authorized capital of JSC Recreation House "Energetik".

The share of the voting shares of CJSC Turbogaz and CJSC RETEC-SOYUZ held by the Company does not allow it to independently decide on the functioning of these commercial organizations, including determining the composition of their management and control bodies.

Kubanenergo PJSC interacts with its subsidiaries (further referred to as Subsidiaries) in accordance with the requirements of the legislation of the Russian Federation, the charters and internal documents of the Company and its subsidiaries, including the procedure for the interaction of the Company with economic companies whose shares (interest) are owned by the Company, approved by decision of the Board of Directors of the Company (minutes No. 69/2009, dated 27.03.2009).

The main objectives of the Company's interaction with subsidiaries:

- securing a 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 the coordinated and effective investment policy of subsidiaries.

Management and control of subsidiary activities is carried out by the Company through the following corporate governance mechanisms:

- in accordance with the Charter of Kubanenergo PJSC, the functions of the General Meetings of shareholders of 100% subsidiaries are carried out by the Management Board of the Company;

- the general management of the subsidiaries is carried out by their boards of directors, the majority of whose members are representatives of Kubanenergo PJSC;
- concerning the main issues on the agenda of the General Meetings of shareholders and meetings of the boards of directors of subsidiaries, the position of Kubanenergo PJSC is determined by the Company's Board of Directors;
- Regular control of financial and economic activities of subsidiaries is carried out by their Auditing Commissions, consisting of representatives of Kubanenergo PJSC.

The operational management of each subsidiary is carried out by the sole executive body – the General Director. Collective executive bodies (administrations) are not provided for by the charters of subsidiaries.

As a part of the formation of business plans for subsidiaries, as well as to monitor and control their current activities, the Company approves the planned values of net profit and the current ratio of subsidiaries.

FINANCIAL AND ECONOMIC PERFORMANCE INDICATORS OF SUBSIDIARIES

Financial and economic indicators of activity of JSC Recreation House "Energetik".

SEQ NO.	INDICATOR	2018	2017	2016
1	Revenue, ths. rub.	64,289	57,146	73,889
2	Gross profit, ths. rub.	730	-410	-707
3	Net profit (retained earnings/ uncovered loss), ths. rub.	-784	4	554
4	Return on equity (ROE) ¹ , %	-2.26	0.01	1.60
5	Return on total assets (ROTA) on profit before tax ¹ , %	0.3	2.2	2.0
6	Net profit ratio, %	-1.2	0.0	0.7
7	Product profitability (sales), %	1.1	-0.7	-1.0
8	The amount of uncovered loss at the reporting date, ths. rub.	897	113	4,993
9	The ratio of uncovered loss at the reporting date and the balance sheet total, %	2.5	0.3	12.2

Financial and economic performance indicators of OJSC "Energy Service of Kuban"

SEQ NO.	INDICATOR	2018	2017	2016
1	Revenue, ths. rub.	39,895	102,364	62,118
2	Gross profit, ths. rub.	12,924	55,681	-7,175
3	Net profit (retained earnings/ uncovered loss), ths. rub.	1,269	36,271	-9,013
4	Return on equity (ROE) ¹ , %	6.9	858.6	95.8
5	Return on total assets (ROTA) on profit before tax ¹ , %	3.1	105.3	-101.9
6	Net profit ratio, %	3.2	35.4	-14.5
7	Product profitability (sales), %	9.6	46.2	-18.3
8	The amount of uncovered loss at the reporting date, ths. rub.	-	-	14 016
9	The ratio of uncovered loss at the reporting date and the balance sheet total, %	-	-	105.9

Details of the subsidiaries and affiliates of Kubanenergo PJSC are posted on the Company's website in the section "About us/ Subsidiaries".

1. 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 Profit/ Average Equity × 100%; Return on total assets (ROTA) on profit before tax = Profit before tax/ Average total assets × 100%.

APPENDIX 5

FUNCTIONS OF THE PARTICIPANTS OF THE INTERNAL CONTROL SYSTEM OF KUBANENERGO PJSC

FUNCTIONS OF THE PARTICIPANTS OF THE INTERNAL CONTROL SYSTEM OF KUBANENERGO PJSC. (FURTHER REFERRED TO AS – ICS)

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: <ul style="list-style-type: none"> Human Resources and Remuneration Committee; Reliability Committee; Strategy, Development, Investment and Reform 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

NO.ITEM NUMBER	ICS PARTICIPANTS	THE MAIN FUNCTIONS IN THE FIELD OF ICS
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"
1st line of protection		
7	Heads of units and structural subdivisions of the Company	<p>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:</p> <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

NO.ITEM NUMBER	ICS PARTICIPANTS	THE MAIN FUNCTIONS IN THE FIELD OF ICS
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
10.6	Corporate Governance and Shareholder Relations Department	<ul style="list-style-type: none"> • monitors the implementation of decisions of the Board, Board of Directors and its committees; • controls the provision of information transparency of the Company in the interests of shareholders and potential investors
10.7	Management of documentary support and control of execution of orders	<ul style="list-style-type: none"> • provides a unified office management system in the executive office and branches of the Company; • organizes control over the execution of documents, including organizational and administrative documents, instructions of the general director, minutes of meetings; • organizes control over the execution of documents in the areas of activity of the deputies general director
3rd line of protection		
11	Internal Audit Department	<ul style="list-style-type: none"> • develops recommendations for improving control procedures, individual components (elements) of compliance control and ICS based on the results of the internal audit; • carries out an independent internal assessment of the effectiveness of ICS and issue recommendations for improving the effectiveness and efficiency of ICS