



**ROSSETI**  
KUBAN

# DEVELOPMENT VECTOR – DIGITAL TRANSFORMATION

**PUBLIC JOINT STOCK COMPANY ROSSETI KUBAN  
(ROSSETI KUBAN)**

Approved:  
by the resolution of the Annual  
General Meeting of Shareholders of Rosseti Kuban  
(Minutes No. 45 dated June 4, 2021)

Preliminary approved by the resolution  
of the Board of Directors of Rosseti Kuban  
(Minutes No. 429/2021 dated April 29, 2021)

The reliability of the data contained in this Report was confirmed  
by the Audit Commission of Rosseti Kuban on April 19, 2021  
(Minutes No. 2ns/2021 dated April 19, 2021)

**ANNUAL REPORT**  
**on the Performance of Rosseti Kuban for 2020**  
**for the Annual General Meeting of Shareholders**

General Director, Rosseti Kuban

S.V. Sergeyev

Chief Accountant –  
Head of the Department for Financial  
and Tax Accounting and Reporting

I. V. Skiba



This Annual Report presents the results of Public Joint Stock Company Rosseti Kuban for 2020, as well as some milestones following the reporting date, between January 1, 2021 and the preliminary approval of the Annual Report by the Board of Directors.

The Report was prepared in accordance with the legislation of the Russian Federation, including:

- Federal Law No. 39-FZ "On Securities Market" dated April 22, 1996;
- Federal Law No. 208-FZ "On Joint-Stock Companies" dated December 26, 1995 (hereinafter – Federal Law "On Joint-Stock Companies");
- Bank of Russia Regulation No. 454-P "On Disclosure of Information by Issuers of Equity Securities" dated December 30, 2014;
- Recommendations of the Corporate Governance Code of the Bank of Russia for use by joint-stock companies having stock-exchange securities, by the Letter of the Bank of Russia No. 06–52/2463 dated April 10, 2014
- (hereinafter - the Corporate Governance Code of the Bank of Russia).

In the text of this Annual Report, Public Joint Stock Company Rosseti Kuban is also referred to as Rosseti Kuban, the Company, PJSC Kubanenergo (when referring to the periods (events) that took place from June 22, 2015 to August 10, 2020), JSC Kubanenergo (when referring to the periods (events) that took place before June 22, 2015).

Public Joint Stock Company ROSSETI (until April 4, 2013 – IDGC Holding, JSC, from April 4, 2013 to July 17, 2015 – JSC ROSSETI) and other legal entities are named in this Annual Report as they were called during the mentioned periods.

Due to the introduction of a new version of PBU 18/02 «Corporate Profit Tax Accounting», the Company made adjustments to the Balance Sheet Report as of December 31, 2019 and December 31, 2018 and to the Profit and Loss Statement for 2019. Therefore, the basic financials of the Company for 2018–2019 contained in this Annual Report were calculated based on the adjusted annual accounting statements.

## Disclaimer

This Annual Report (hereinafter referred to as the Report) was prepared using the information available to Rosseti Kuban and its subsidiaries at the time of the Report compilation.

The Report contains information, including the data related to the future production and business operations of Rosseti Kuban based on the projections and estimates of the Company's management in line with the current situation. For objective reasons, the actual performance may differ from these forecasts and assessments.

The Annual Report contains certain forward-looking statements regarding the Company's business operations, financial and economic performance, plans, projects, and expected results. The Report may also include estimates of trends in service/product prices, production and consumption volumes, costs, projected expenditures, development prospects and similar factors, as well as industry and market forecasts, start and end dates of individual Company operations projects.

The words "intends", "strives", "projects", "expects", "estimates", "plans", "believes", "anticipates", "may", "should", "will" and "will continue", as well as similar expressions, generally indicate forward-looking statements.

By their nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there is a danger that assumptions, forecasts, projections and other forward-looking statements may not be fulfilled. In light of these risks, uncertainties and assumptions, the Company warns that actual results may differ significantly from those expressed either directly or indirectly in such forward-looking statements, which are only valid as of the date that this Annual Report was drafted.

The Company does not approve or guarantee that the results indicated in the forward-looking statements will be achieved. The Company does not bear any responsibility for losses that may be incurred by physical or legal entities, whose actions relied upon the forward-looking statements. Such forward-looking statements on a case-by-case basis are just one of many possible scenarios and should not be treated as the most probable option.

Except for the cases explicitly stated by the Russian laws, the Company does not undertake a commitment to publish forward-looking statement updates or amendments based on both new information and subsequent events.

## Memorandum of PJSC Rosseti, the Controlling Shareholder, on the Power Grid Companies Under Control

PJSC Rosseti is a public holding company with a state share of 88.04% in the authorised capital. The Company was established under Presidential Decree No. 1567 dated November 22, 2012 to improve the efficiency and development of the power grid complex of the Russian Federation and to coordinate works on the management of this complex through subsidiaries and affiliates.

PJSC Rosseti holds majority shares in 15 distribution grid companies (Rosseti Kuban, Rosseti Lenenergo, Rosseti Moscow Region, Rosseti Volga, IDGC of North-West, Rosseti North Caucasus, Rosseti Siberia, IDGC of Urals, IDGC of Centre, IDGC of Center and Volga Region, Rosseti South, TDC, Rosseti Tumen, Yantarenergo, Tyvaenergo) and one transmission grid company (PJSC FGC UES). Disposing of these assets is not considered.

PJSC Rosseti has defined the strategic development priorities for the companies of the Group:

- reliable, stable and affordable electricity supply to consumers;
- further improvement in the efficiency of the core business of power transmission;
- promotion of legislative initiatives for development;
- maintenance of the balance of interest for all parties: state, consumers, shareholders, investors;
- development of new business areas (non-tariff services and consumer services) through the digital transformation to ensure the Company's resilience to changes in the sector;
- promotion of energy and environmental safety.

Rosseti manages the companies of the Group according to the unified corporate standards aimed at ensuring the efficiency of business processes, monitoring their quality, minimising all types of corporate risks, and maintaining the disclosure and transparency of their activities.

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# ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



## DEAR SHAREHOLDERS OF ROSSETI KUBAN!



*In 2020, we were faced with a new coronavirus infection, which adjusted our operating models. Ensuring the reliability of power supply, improving the quality of customer service, and increasing the Company's appeal for external and internal stakeholders have become particularly important”.*

We managed to implement these tasks by flexibly adapting to the changing context due to the epidemiological situation and economic consequences of the pandemic, and thereby minimized the negative effects.

Despite a number of unforeseen circumstances related to the pandemic, the Company made every effort to implement its plans for equipment repair and investment activities in full. Among the most important decisions of the Board of Directors in the reporting year were the approval of long-term programs to develop smart electricity metering for 2020–2030, electricity loss reduction; approval of priority anti-crisis measures in the current economic situation, the development plan for the production asset management system, projected indicators of the business plan, changes in the Investment Program.

In 2020, the Board of Directors of Rosseti Kuban approved several internal documents of the Company: Methods for Assessing the Performance of the Board of Directors and Its Committees, new versions of scenario conditions for the formation of an investment program, Anti-Corruption Policy, Brand Style Management Regulations, Regulation on Implementation of the Uniform Communication Policy, Regulation on Providing the Insurance Coverage. Also, amendments were made to the Regulation on Financial Incentives for General Director and the Regulation on Financial Incentives and Social Benefits for Senior Managers.

The Company continued to pursue the Digital Transformation 2030 Concept for Rosseti Group, which aims to automate the management system, to further accumulate data arrays and process them with big data analysis technologies for analysis and decision-making.



As part of the transition to a single Rosseti-branded style, the Company continued to publicly use the Rosseti Kuban brand in 2020. The legal change of the name of PJSC Kubanenergo to Rosseti Kuban took place on August 10, 2020. The overall approach to the naming and visual identification of Rosseti Group companies reflects a common strategy for the management and development of the power grid infrastructure.

To ensure financial sustainability and achieve stable positive financial results, the Company has developed and is implementing the Operational Efficiency and Cost Reduction Program of Rosseti Kuban for 2020–2024, which includes a list of activities aimed at achieving the Company's strategic goals and increasing internal efficiency.

The Company's share in the regional electricity transmission market was 77.5% of the regional revenue requirement in 2020. The Company keeps retrofitting and upgrading its grid facilities at a high rate while also dynamically increasing its grid connection figures, which suggests the Company will remain the leading provider in the regional electricity delivery market.

Taking into account the dynamic development of the region, Rosseti Kuban will pursue the timely and affordable grid connection for new customers, including housing, agribusinesses, and socially significant educational and health care facilities. Also, as the Company continues to provide high-quality grid connection and to address capacity shortages in major industrial and residential clusters of Krasnodar Territory and Republic of Adygea, Rosseti Kuban facilitates social and economic development in the regions of its operation.

In 2020, the Company entered into 26.4 thousand grid connection contracts for a total of 650 MW. During the reporting period, electric facilities of such major applicants as NESK Elektroseti JSC (87 MW), OTEKO-Portservice LLC (12.4 MW), Tamanneftegaz CJSC (10 MW), Food Ingredients LLC (10 MW), Logistic Center Adygea 1 LLC (8.9 MW), Romex Development LLC (4.9 MW), Gazprom Dobycha Krasnodar LLC (2.2 MW) were connected to the power grids of Rosseti Kuban.

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

In the reporting period, amid the spread of the new coronavirus infection (COVID-19), the Company focused on its efforts to maintain a high level of social protection for employees and retirees of the Company in the form of additional material incentives to personnel who remain in their workplaces during the announcement of restrictive measures and remote work. Also, material assistance was provided to workers who found themselves in a difficult life situation due to the spread of COVID-19 for treatment and rehabilitation after a viral infection.

In addition, an internal corporate hotline was launched with information on preventive measures and actions in the event of symptoms of diseases, medical care, the procedure for taking leave, sick leave, etc. All calls were recorded, statistics were generated for operational preventive measures.

**In 2020, the Company entered into**

**26.4** thsd  
**grid connection contracts**  
**for a total of 650 MW**

The employees were regularly tested for COVID-19 to protect health, maintain the safe operation of the Company and prevent the spread of coronavirus infection. In 2020, more than 60 thousand PCR tests were carried out.

In 2021, Rosseti Kuban mainly sought to pass peak-load seasons without accidents, timely obtain the certificates of readiness for fall and winter, complete its investment and repair programs, minimize excessive losses, increase the availability of grid connection, and upgrade the quality of services.

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

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

**Chairman of the Board of Directors  
of Rosseti Kuban  
A. I. Gavrilov**

# ADDRESS OF GENERAL DIRECTOR



## DEAR SHAREHOLDERS, PARTNERS AND COLLEAGUES,



*In 2020, Russia and the world faced a global challenge: the COVID-19 pandemic. The efforts of the Rosseti Kuban management were aimed at developing and implementing anti-crisis measures in connection with the introduction of strict restrictive measures (quarantine and high alert) in the Company's area of responsibility".*

In 2020, Russia and the world faced a global challenge: the COVID-19 pandemic. The efforts of the Rosseti Kuban management were aimed at developing and implementing anti-crisis measures in connection with the introduction of strict restrictive measures (quarantine and high alert) in the Company's area of responsibility.

The priority task of Rosseti Kuban was the uninterrupted power supply to consumers in the region and medical institutions receiving patients with COVID-19. In 2020, there were 29 medical institutions in the Krasnodar Territory and the Republic of Adygea (26 of them in the Krasnodar region, three in the Republic of Adygea) equipped with ventilators for the treatment of patients with COVID-19. Ten of these institutions were connected to the Rosseti Kuban grids and provided with uninterrupted power supply.

Also, from June 1 to September 30, 2020, the Company provided reliable power supply to federal and regional resorts, and infrastructure facilities (transport, communications, sports and cultural facilities), including in Sochi during the Russian Formula One Grand Prix.

In total, in 2020, the Company allocated more than RUB 3.01 bn on its maintenance and repair efforts. The Company successfully completed its preparations for Fall and Winter 2020/2021 and was certified accordingly.

The bulk of investments planned under the Long-Term Investment Program of Rosseti Kuban for 2021–2022 is intended for grid connection (RUB 1.96 bn), reconstruction and retrofitting of grid facilities (RUB 5.59 bn). In 2020, the Company spent a total of RUB 4.66 bn in capital investment, with the funding of such investment totalling RUB 5.61 bn.

In 2020, the Company commissioned 159 MVA of transformer capacity and 593 km of power transmission lines as part of the Investment Program. During the reporting period, 220 facilities were put into operation upon completion of construction.

The most important object of the Company's Investment Program in the reporting period was the construction of a new highly automated 110 kV Angarskaya power center with a capacity of 50 MVA in the suburbs of Krasnodar. The Angarskaya substation is a key power center for consumers in the north-eastern part of Krasnodar, also for new housing and social infrastructure.

In 2020, the emergency automation systems were also reconstructed at 110 kV power centers in Krasnodar, such as Dinskaya, Severskaya, Yugo-Zapadnaya, Yugo-Vostochnaya, Starokorsunskaya substations. As part of the Investment Program, the Company commissioned the automated process and dispatch control systems of the power centers in the area of operation of the Power Grids of Tikhoretsk and Armavir (branches of the Company). Also, the system of technical power metering was implemented at 6(10)/0.4 kV transformer substations at 0.4 kV with remote data acquisition at 35–110 kV power centers.

The capacity connected under the implemented grid connection agreements totalled 650 MW. The decrease in volumes compared to the previous period was due to the introduction of restrictive measures in the country and the region to prevent the spread of COVID-19 infection.

At the same time, by the end of 2020, it was possible not only to fulfill, but also to exceed the approved targets for the grid connection procedure. The introduction and improvement of interactive services allowed to prevent a sharp drop in demand for grid connection services even in the challenging conditions of the pandemic.

With respect to grid connection, the Company prioritizes constructing 110 kV cable (CL) and overhead (OPL) power lines, as well as a 110 kV substation in Novorossiysk for power supply to the Caspian Pipeline Consortium's oil pipeline system, covering the energy demands of the agribusiness of the South of Russia, and addressing the shortage of power in major industrial and residential clusters of the region (Krasnodar, Novorossiysk, and Tuapse).

Sales of additional services generated a revenue of RUB 536 mln in 2020, the bulk of which came from: imposing limits on (recovery of) electricity consumption, installation of telecommunication equipment, operational and technical maintenance of grid facilities. At the end of 2020, the Company had a loss in the amount of RUB 1,501.3 mn due to the negative consequences associated with the spread of the COVID-19 infection in the territory of the Russian Federation.

In order to increase the efficiency of operations and improve the financial and economic condition, Rosseti Kuban implements its Operational Efficiency Improvement and Cost Reduction Program for 2020–2024, which defines steps to accomplish the Company's strategic objectives, improve its internal efficiency, and enhance profitability by optimising the internal business processes.

In 2020,

the Company commissioned

**159** MVA  
of transformer capacity  
and

**593** km  
of power transmission line  
as part of the Investment Program.

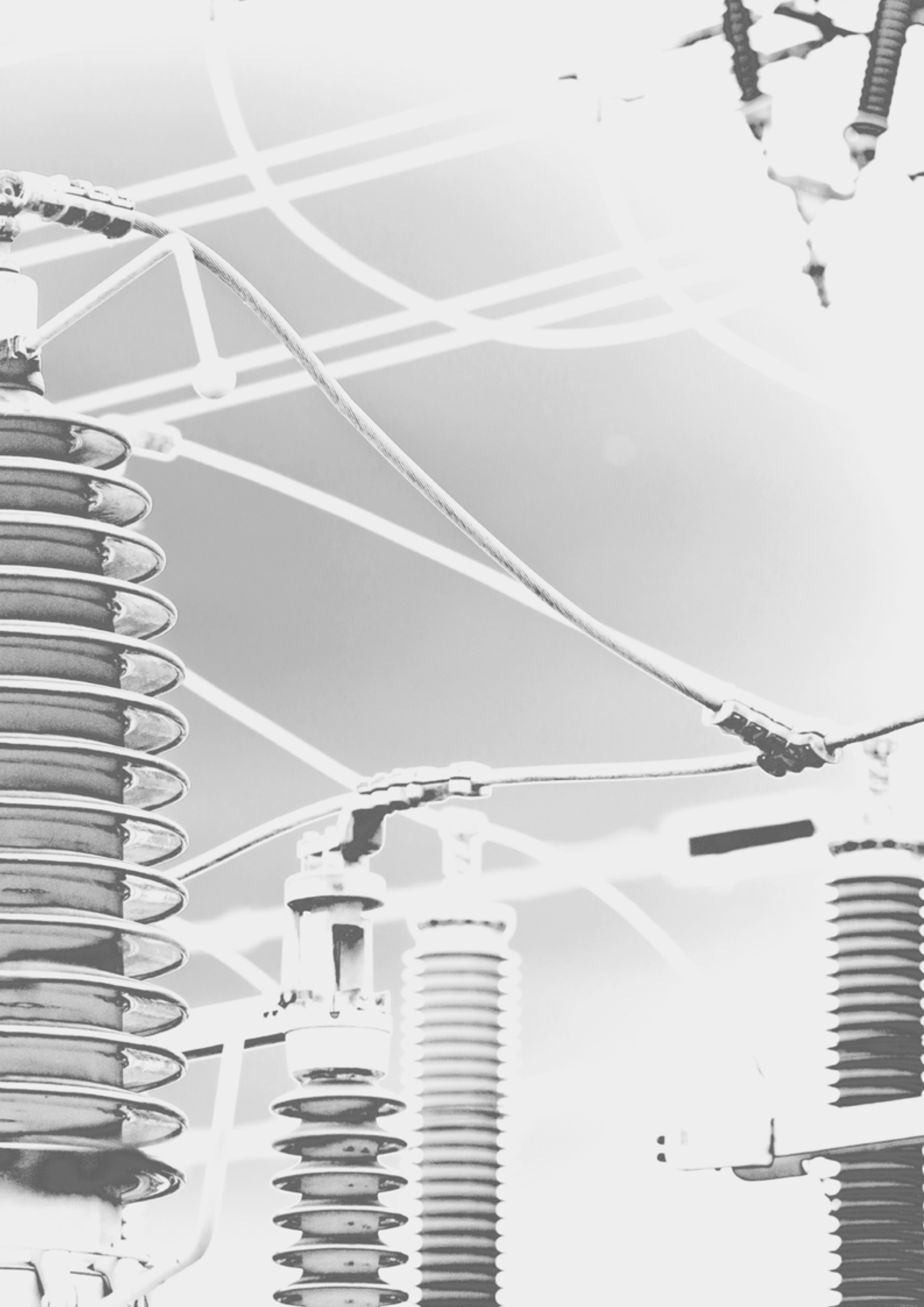
**220** facilities  
were put into operation upon completion  
of construction.

Thus, it is safe to say that in 2020, Rosseti Kuban did complete its task of reliable and high-quality power supply, reinforcing its image of a company of outstanding social significance for the economic development of the Krasnodar Territory and the Republic of Adygea.

General Director,  
Rosseti Kuban  
**S.V. Sergeev**



# 01 ABOUT THE COMPANY



# ROSSETI KUBAN'S POSITION ON THE MARKET

**Rosseti Kuban's business is electricity delivery and distribution in grid of 110 kV and below between the settlements, in the countryside, individual cities, and district centers of Krasnodar Territory (including Sochi) and the Republic of Adygea.**

Rosseti Kuban serves an area of 83.8 thousand sq.km and over 6 mn people in the Krasnodar Territory and the Republic of Adygea.

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

Rosseti Kuban PJSC is a public company whose shares are admitted to trading on the Moscow Stock Exchange.

The Company's core business is a natural monopoly regulated by the state in terms of:

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

## Company Profile in 2020

Total length of transmission lines	<b>92.226 thousand km (circuit-wise)</b>
Maximum design capacity of the grid	<b>8,952.8 MVA</b>
Design capacity utilization rate	<b>4,982 MVA (55.6% of maximum capacity)</b> Underuse of design capacity due to creating backups for power failures or scheduled repair
Total number of metering points connected to the Company's grids under the signed electricity delivery contracts	<b>1,156,490</b>
Power grid branches	<b>11</b>

The Company's share in the regional electricity transmission market was

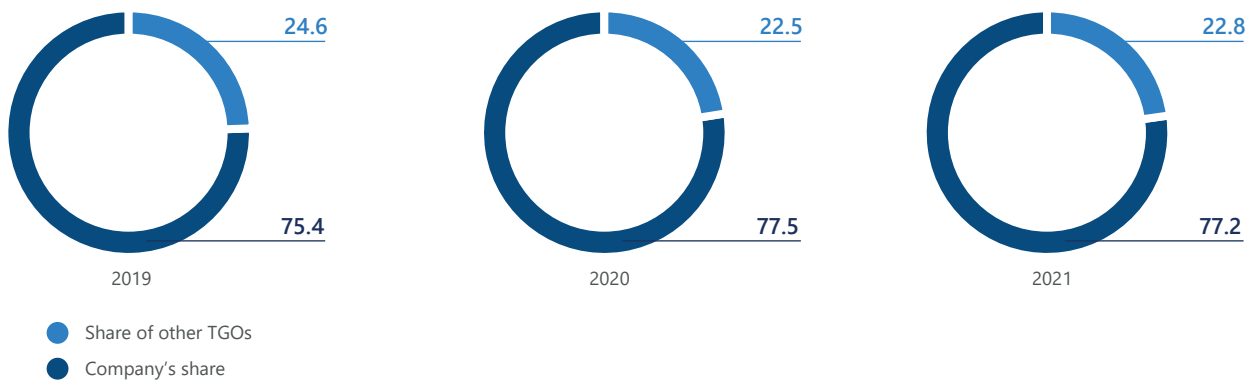
ROSSETI KUBAN IS THE LARGEST POWER GRID COMPANY IN THE KRASNODAR TERRITORY AND THE REPUBLIC OF ADYGEA.

**77.5%**

of the regional revenue requirement (RR)

in 2020.

The Company's share in the regional electricity transmission market (of RR for the region), %



The Company keeps retrofitting and upgrading its grid facilities at a high rate while also dynamically increasing its grid connection figures, which suggests the Company will remain the leading provider in the regional electricity transmission market.

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

## The Company's Operating Flows Scheme





The Company's grids receive electricity:

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

Consumers of the Company's electricity transmission services are:

- guaranteeing suppliers (NESK and TNS energo Kuban in the reporting year), which are actors in the wholesale and retail markets that sell electricity to end users connected to the Company's and other grid operators' grids;
- electricity sales companies (51 in the reporting year), which are actors in the wholesale and retail markets that sell electricity to end users connected to the Company's and other grid operators' grids;
- consumers (94 in the reporting year) that signed direct contracts to purchase electricity from Rosseti Kuban (Novoroscement JSC, Tamanneftegaz CJSC, Eurochem - Belorechenskie Minudobrenia LLC, Ptitsefabrika Primorskaya LLC, Agrofirma-Plemzavod Pobeda JSC, Kubanmeliovodkhoz Administration FSBI, Sad-Gigant JSC, Verkhnebakansky Cement Plant JSC, Abrau-Durso CJSC, Novoroslesexport JSC, RAMO-M JSC, NMTP PJSC, Formika-Yug LLC, Kanevskoy Gas Equipment Plant Ltd, IPP JSC, etc.).

The Company receives pay for its electricity transmission services from electricity providers as well as from "direct" consumers.

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

Since 2007, a common pot technique for calculating tariffs for power transmission for all consumers has been applied in the region: for all consumers of Kuban and Adygea of the power transmission service, a single pot tariff is applied, regardless of the grid operator and the grid they are connected to.

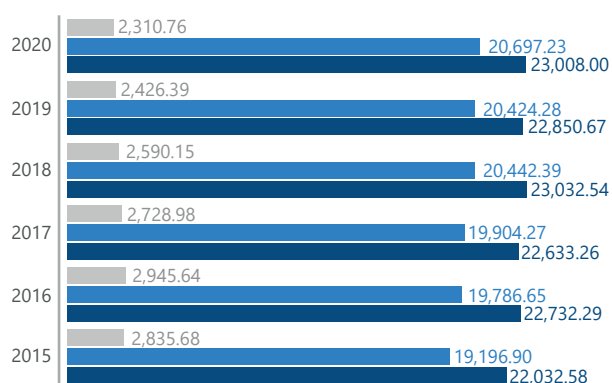
## THE MAIN TARIFF-CONTRACTUAL MODEL USED FOR CALCULATIONS IS THE "POT AT THE TOP":

the status of a system-forming network organization – "pot holder" is enshrined for Rosseti Kuban. According to this model, Rosseti Kuban collects funds paid by consumers for the electricity transmission services (regardless of the grid operator and the grid they are connected to), after which the Company settles accounts with lower-level grid operators, to the grids of which the electric energy consumers' electric load is connected, for individual tariffs.

# KEY PERFORMANCE INDICATORS

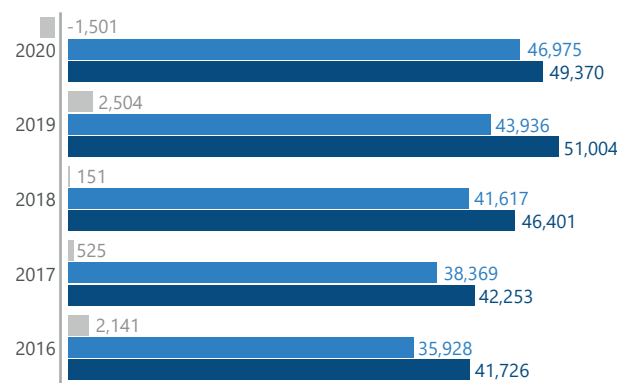
Indicator	Unit of measurement	2016	2017	2018	2019	2020	Change 2020/2019, %
<b>FINANCIAL INDICATORS</b>							
Revenue	RUB mn	41,726.2	42,253	46,401.1	51,003.7	49,369.6	-3.2
Including:							
from sales of power transmission services	RUB mn	39,262.4	41,485.7	45,583.5	46,515.7	48,101.9	+3.4
from sales of grid connection services	RUB mn	2,380.5	647.9	602.5	4,206.2	731.3	-82.6
from sales of ancillary services	RUB mn	83.3	119.4	215.1	281.8	536.4	+90.3
Net cost <sup>1</sup>	RUB mn	35,927.8	38,369.0	41,616.9	43,936.1	46,975.3	+6.9
Net income (loss)	RUB mn	2,140.5	525.3	151.2	2,503.7	-1,501.3	-160.0
Return on equity	%	6.32	1.48	0.43	6.72	-3.86	-10.58
Return on assets	%	5.33	1.68	1.73	4.63	-1.80	-6.43
Cash at the end of the year	RUB mn	1,245.6	1,667.7	2,194.5	1,699.6	718.0	-57.8
Long-term loans and borrowings at the end of the year	RUB mn	18,912.2	22,617.8	13,283.2	19,432.9	17,882.9	-8.0
Short-term loans and borrowings at the end of the year	RUB mn	79.1	91.0	11,395.3	3,652.6	5,553.9	+52.1
Amount of dividends accrued in the reporting year based on the previous year results	RUB mn	1,144.8	535.1	321.6	143.6	636.9	+343.5
Application of capital investments	RUB mn	4,913	6,700	7,727	6,769	4,658	-31.2

Electricity delivered to and from Rosseti Kuban's grids, losses at electricity transmission (mln kWh)



- Amount of electricity delivered to the grid
- Grid output to consumers and related TGOs
- Amount of electricity losses

Trends in Rosseti Kuban's key economic indicators (RUB mln)

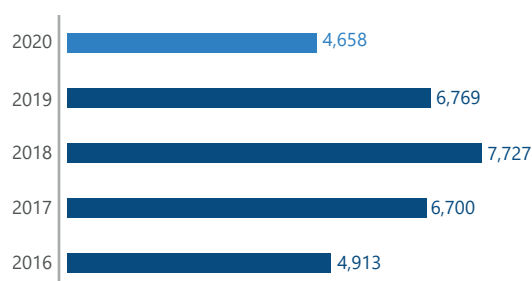


- Revenue
- The net costs (including administrative expenses)
- Net income (loss)

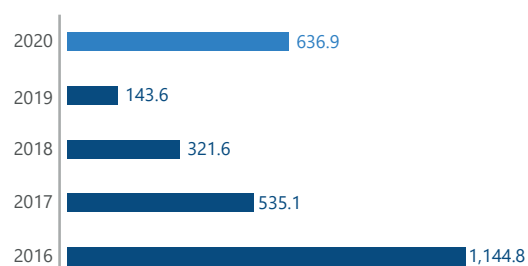
<sup>1</sup> Inclusive of administrative costs.

Indicator	Unit of measurement	2016	2017	2018	2019	2020	Change 2020/2019, %
<b>OPERATING INDICATORS</b>							
System Average Interruption Duration Index (Isaidi)	h	–	1.6577	1.1138	1.0887	0.8870	–18.5
System Average Interruption Frequency Index (Isaifi)	pcs.		0.9491	0.5012	0.4675	0.4592	–1.8
The System Average Interruption Duration Index in relation to the point of connection of service consumers to the power grid of the grid organization	h	0.0124	–	–	–	–	–
Total length of overhead and cable power lines (circuit length)	km	90,661.0	91,106	91,000.94	91,645.93	92,226.11	+0.63
Installed capacity of 35 to 220 kV substations	MVA	9,519.1	9,696.63	9,937.1	10,514.97	11,471.07	+8.33
Installed capacity of 10 to 6/0.4 kV substations in the distribution grid	MVA	4,741.061	4,805.905	4,896.04	4,981.68	5,073.26	+1.81
Electricity delivered to the grid of the Company	mn kWh	22,732.3	22,633.2	23,032.5	22,850.7	23,008.0	+0.6
Electricity delivered	mn kWh	18,059.1	18,204.1	18,766.5	18,874.2	19,108.1	+1.2
Electricity losses	mn kWh	2,945.6	2,729.0	2,590.1	2,426.4	2,310.8	–4.8
Connected consumer capacity	MW	618	684	723	797	650	–18.4
Actual average staff headcount	ppl.	8,428	8,494	8,611	8,644	8,959	+3.6
<b>STAFF BREAKDOWN BY EDUCATION</b>							
Higher vocational education	%	45.2	47.3	48.4	48.7	49.5	+0.8
Secondary education, basic vocational education	%	39.4	39.2	36.5	36.1	36.7	+0.6
General secondary education	%	15.4	13.5	15.1	15.2	13.8	–1.4

#### Application of capital investments by the Company (RUB mln excl. VAT)



#### Amount of dividends accrued and paid based on the previous year results (RUB mln)



## Corporate Structure

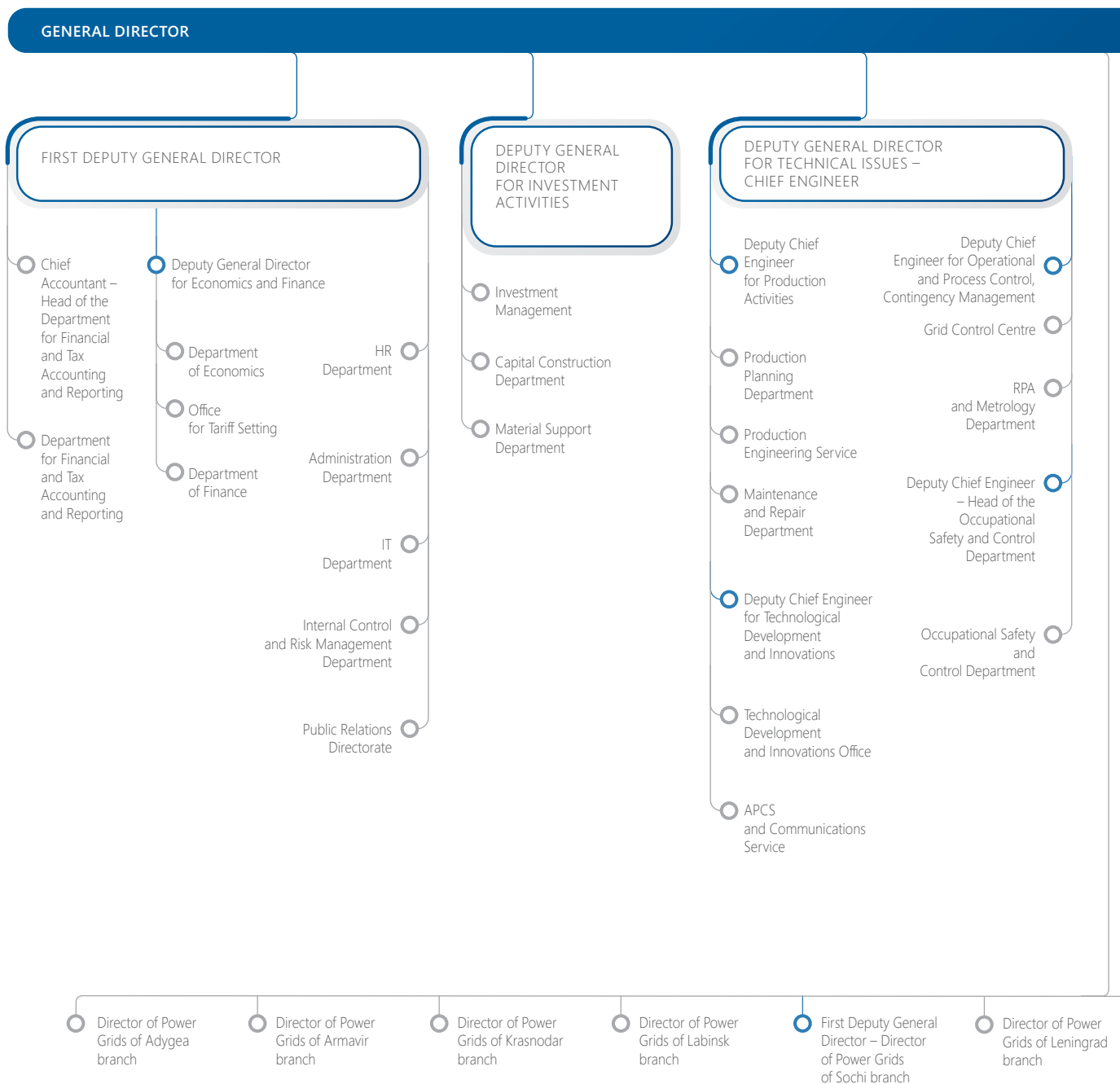
The revised corporate structure of the Company's executive office was approved by the Board of Directors on August 3, 2020 (Minutes No.397/2020). The main changes in the corporate structure are as follows:

- responsibility for the Company's implementation of services on electricity transmission, grid connection and additional (non-tariff) services is assigned to the First Deputy

General Director, the Director of the Power Grids of Sochi branch, which has increased the control and efficiency of the decisions made;

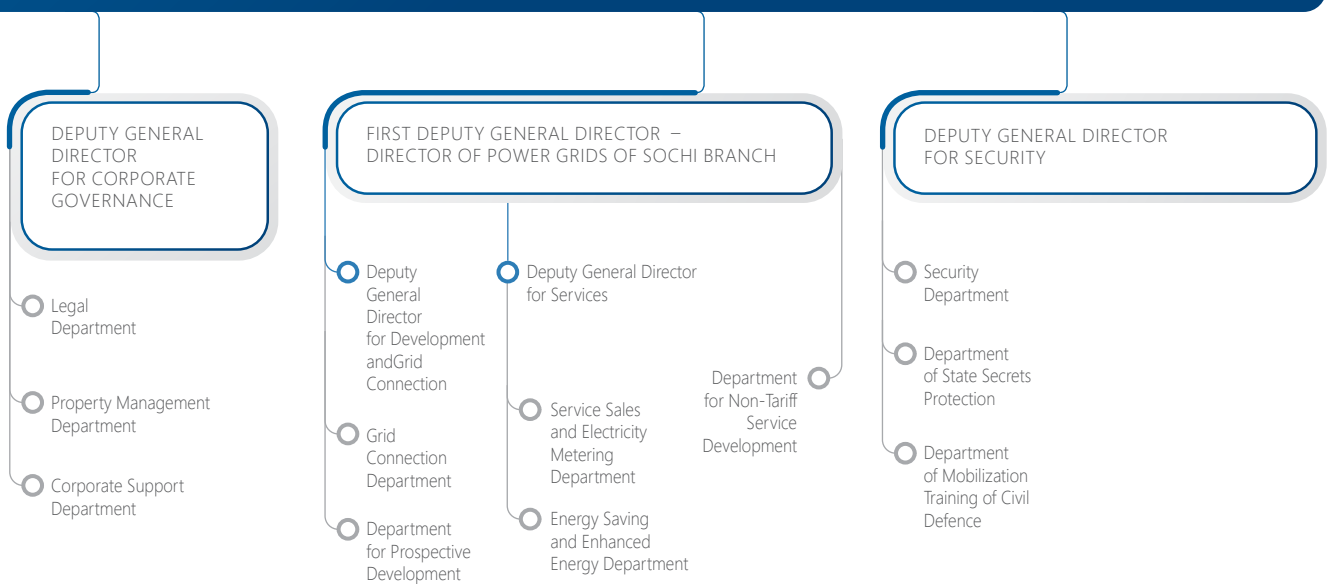
- in order to reduce the number of functional relationships directly assigned to the General Director, part of the powers is delegated to the newly formed unit of the First Deputy General Director, including the coordination of a number

### Corporate Structure of the Executive Office of Rosseti Kuban



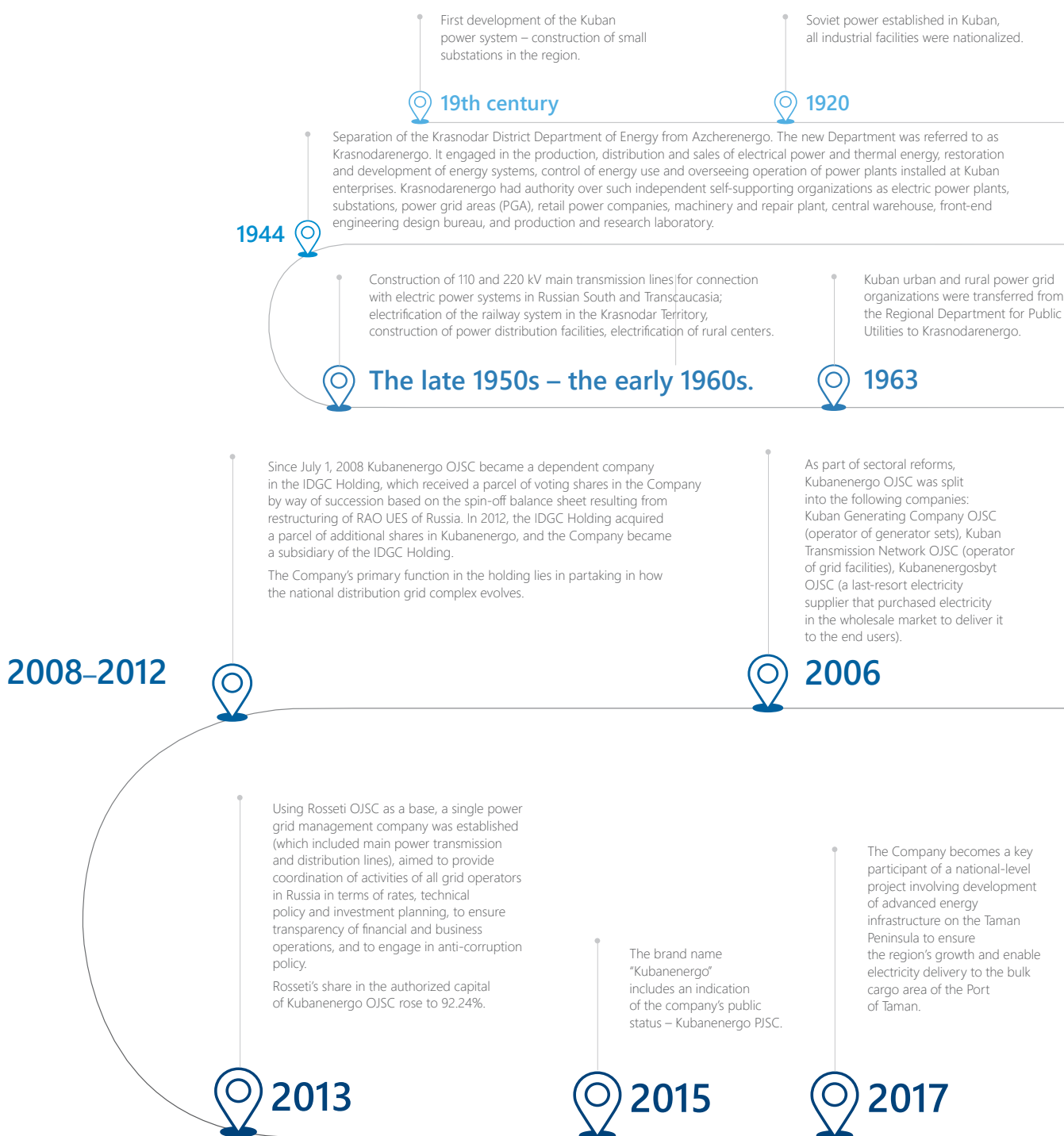
- of functional areas and their operational management, namely: economics and finance, financial and tax accounting and reporting, HR management, business management, information technology, internal control and risk management, public relations;
- positions of Deputy General Director - the Head of the Office, Deputy General Director, Deputy General Director for Controlling are excluded;

- The Digital Transformation Department has been created in the direct command of the General Director;
- the technical unit has been transformed.



- Director of Power Grids of Slavyansk branch
- Director of Power Grids of Timashevsk branch
- Director of Power Grids of Tikhoretsk branch
- Director of Power Grids of Ust-Labinsk branch
- Internal Control Directorate
- Digital Transformation Department
- Director of Power Grids of South-West branch

# HISTORY OF ORIGIN AND DEVELOPMENT OF KUBAN POWER SYSTEM AND ROSSETI KUBAN





Establishment of the Electricity Department under Kuban Black Sea National Economic Council to manage power facilities in Kuban.

In total, there were 353 electric power plants operating in Kuban, with a total capacity of 13.7 MW; 16.2 thousand of electric lamps, and 621 electric motors were connected to the grid.

The Vodeltram Association was founded. It included urban and utility services for water supply, transport (trams), and electricity delivery in Krasnodar. There were 45 km of transmission lines, and power grids were rated at 2 kV.

**1921**

North Caucasus Power Authority (Sevkavenergo) was established to manage power facilities in Kuban.

In 1934, Sevkavenergo was divided into two independent departments: Azcherenergo (Rostov-on-Don) and Sevkavenergo (Pyatigorsk).

**1930s**

The first two gas turbine plants in the USSR, each of 100 MW capacity, were installed at the Krasnodarskaya CHPP. The CHPPs, the block part, and the two gas turbines had a total capacity of 959 MW.

**1972–1975**

**1970–1980**

Significant increase in the construction of new electricity transmission lines due to explosive growth in electricity consumption. Total line length rose to 90 thousand km, and the number of 35 to 500 kV SS rose over 700.

**1988**

Krasnodarenergo was eliminated and Krasnodar Production Association of Power Supply and Electrification (Krasnodarenergo) was set up as a successor.

As part of reforming Russia's electric power industry, Kubanenergo got rid of service and non-core assets, as well as of its grid control functions by allocating them to separate enterprises. Thus, the operational and supervisory control was transferred to SO UES; open joint-stock companies Krasnodarenergo-rent and Krasnodarenergo-setremont, the Energetik Spa Resort, the Plamya Health Facility, and the Kubanenergo Training Center (a non-governmental, non-profit educational institution).

During privatization, Krasnodarenergo was reorganized into a joint stock company named Kubanenergo. Apart from local grid operators, Kubanenergo then consisted of the Krasnodarskaya CHPP, Energonadzor, repair and construction enterprises, a training school, a corporate spa resort, and a summer camp.

49% of Kubanenergo's shares were vested as payment of authorized capital for RAO UES and the remaining 51% were acquired by members of the work collective and other parties entitled to benefits according to State Privatization Program.

**2004–2005**

**1993**

Rosseti's share in the authorized capital of Kubanenergo rose to 92.78%.

**2018**

The 220 kV Port SS commissioned. Rosseti's share in the authorized capital of Kubanenergo rose to 93.44%.

**2019**

**2020**

As part of the transition to a single brand architecture of Rosseti Group, the change in the name of Kubanenergo PJSC to Rosseti Kuban PJSC was registered in the Krasnodar Territory and the Republic of Adygea.

# KEY EVENTS

## 2020

### JANUARY

Specialists of Power Grids of the South-West identified 48 websites that were promoting sales of tampered-with meters, magnets, and sundry devices that could alter the meter readings.

January 21 was the 55th anniversary of Power Grids of Leningradskiy District branch.

### FEBRUARY

Three branches: Power Grids of Slavyansk, Labinsk and Timashevsk celebrated the 55th anniversary of their founding.

About RUB 16.5 bn are planned to be spent on the construction of new and reconstruction of existing power centers with a voltage class of 35–110 kV for development of the Power Grid Complex of Kuban and Adygea between 2020 and 2022. This will raise the transformer capacity by about 660 MVA.

The General Director of the Company Sergey Sergeev held a press conference with journalists from top media outlets of Krasnodar Territory and the Republic of Adygea. They discussed Power Grid Complex development and digitalization in the region. In 2020, specialists of Power Grids of Adygea installed over 1,740 digital meters at 6(10)/0.4 kV transformer substations at 0.4 kV in settlements.

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

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

Young professionals of Power Grids of Krasnodar and members of teams Power of Kuban (Kuban State Agrarian University, KubSAU), Lightning (Krasnodar College of Technology), and 220 V (Kuban State Technological University, KubSTU) took part in a commemorative rally dedicated to the 77th anniversary of liberation of Krasnodar from the Nazi invaders.

Specialists of Power Grids of Sochi hosted a Doors Open Day for high-school students of the Physics and Mathematics Lyceum No.22.

### MARCH

March 1 was the 55th anniversary of Power Grids of Tikhoretsk branch.

The Company plans to spend RUB 223 mn to repair and maintain the grid facilities of Krasnodar power area that cover the City of Krasnodar, its suburbs, the Dinsky, Seversky, and Goryacheklyuchevsky Districts, as well as the Teuchezhsky and Takhtamukaisky Municipalities in the Republic of Adygea).

The power engineers of the Power Grids of Armavir branch have started a comprehensive repair of the 110 kV Divnaya substation. RUB 4.3 mn were addressed for repair of the power facility. The substation provides electricity to household consumers and socially significant facilities in the Uspensky District of Krasnodar Territory.

Since the beginning of 2020, specialists of the Power Grids of Adygea branch have repaired 23 substations and 238 km of low-voltage and high-voltage overhead transmission lines in the areas of responsibility.

As part of a working trip to Stavropol Territory, the Company's General Director Sergey Sergeev visited the plants of the largest domestic power equipment enterprise (Energomera in Stavropol and Nevinnomyssk).

Due to the unfavorable epidemiological situation, since March 18, the Company temporarily stopped in-person consumer service at service centers and consumer reception centers.





Since the beginning of the year, specialists of the Power Grids of Krasnodar branch have identified 102 facts of uncounted and uncontracted electricity consumption.

During 2020, the Company plans to install more than 50,000 modern smart electricity metering devices to its consumers.

## APRIL

In 2020, the branch of Power Grids of Tikhoretsk will send RUB 64.3 mn to repair the distribution grid of 0.4–10 kV in five district of the Territory - Tikhoretsk, Novopokrovs, Pavlovs, Beloglins and Krylovs Districts.

The Head of the Republic of Adygea Murat Kumpilov and the General Director of the Company Sergey Sergeyev discussed the reliability of the energy supply of important social and infrastructure facilities in Adygea in the conditions of combating the spread of coronavirus infection during a telephone conversation on April 16.

The Governor of the Krasnodar Territory, Veniamin Kondratyev, the General Director of Rosseti Group of Companies Pavel Livinsky and the Company's General Director Sergey Sergeyev discussed the issues of ensuring a reliable energy supply to important social and infrastructure facilities in the region in the fight against the spread of coronavirus infection during the video conference.

As part of the repair campaign and preparations for the peak loads of summer and autumn-winter periods of 2020–2021, the Company will overhaul more than 700 km of power lines and 40 large substations in the territory of the Republic of Adygea.

## MAY

Specialists of the Power Grids of Timashevsk completed maintenance and repair of five high-voltage 110 kV overhead lines passing through the Bryukhovets and Timashevsk Districts of the Krasnodar Territory. These power transmission lines (PTL) provide electricity transmission to dozens of rural settlements where more than 150,000 people live.

The Company's General Director Sergey Sergeyev made a business trip to the Slavyansky Power Distribution Zone. During the visit, he was in the Temryuk District, inspected a new

consumer service center, met with the Temryuk PGA team and held a production meeting with the Heads of the structural units of the Power Grids of Slavyansk.

The Company identified 628 facts of non-contractual and unaccounted consumption of electricity. The total volume of theft amounted to almost 110 mn kWh. This amount of electricity is enough to provide electricity for a whole year to the Starominsky District of Krasnodar Territory with a population of approximately 56,000 people. Under a pre-trial protocol, the swindlers reimbursed losses amounting to more than RUB 27 mn on a voluntary basis.

The Power Grids of the South-West is building two high-voltage transmission lines with a voltage of 110 kV with a total length of 10 km in the suburbs of Novorossiysk.



## JUNE

As part of the "Children of Kuban" state program of the Krasnodar Territory, the Power Grids of Timashevsk branch has carried out the grid connection of new residential complexes for 35 apartments for orphans in the Timashevsk District of Krasnodar Territory.

The Company has started construction of the first digital substation with a voltage class of 110 kV - Angarskaya SS in Krasnodar. The new power center with a total capacity of 50 MVA will provide additional power to the residential areas under construction in the territory capital and social facilities, and create a reserve of power to connect new consumers in the coming years. Investments in the project will amount to about RUB 700 mn.

Specialists of the Power Grids of Adygea performed a grid connection to the power grid infrastructure of the enterprise and provided the delivery of 440 kW of capacity for the first ice palace in the Republic of Adygea. The sports facility is located in the suburb of Maikop.

The Company awarded the winners and prize-winners of the III All-Russian Olympiad of schoolchildren of Rosseti PJSC in 2020. According to the results of the ranking of participants with the maximum number of points, five young men and women from the Krasnodar Territory and the Republic of Adygea were among the 59 leaders of the intellectual championship from all regions of Russia.

## JULY

The Head of the Krasnodar Territory's administration, Veniamin Kondratyev and the Company's General Director Sergey Sergeev discussed the reliability of energy supply during the abnormal heat period. Power engineers prepared for the peak load period and, if necessary, were ready to quickly eliminate technological violations in power grids.

The Company's General Director Sergey Sergeev visited the training site of the corporate Energy Institute for Advanced Training in Krasnodar, assessed the results of the first stage of the reconstruction of the facility and discussed the prospects of upgrading the site with the management of the educational center.

The Power Grids of Krasnodar provided backup power supply sources to an adjacent power grid company, NESK Elektroseti JSC, which faced increased loads on the distribution grid in Krasnodar due to abnormal heat. To help NESK Elektroseti JSC, the Company sent 14 backup power supply sources with a total capacity of 1,840 kW and three mobile electrical laboratories to Krasnodar to restore electricity supply to consumers.

A new consumer service facility has started work in the village of Taman of Temryuk District of Krasnodar Territory. The company's General Director Sergey Sergeev took part in the opening of the client office.

The Head of Sochi Aleksey Kopaygorodsky held an in-field business meeting on energy supply and readiness of Power Grids of Sochi for the summer holiday season on the basis of Power Grids of Sochi branch.

The Company's General Director Sergey Sergeev took part in a meeting on energy supply for consumers of the Krasnodar Territory, which took place on July 13 in the territory administration under the leadership of the Governor of the Krasnodar Territory Veniamin Kondratyev.

The Company has sent RUB 1.3 bn to modernize the Krasnodar Power Grid Complex in 2020. The first 110 kV digital substation will be built in the territory capital and a number of large power centers will be reconstructed.

## AUGUST

The Company has identified the best structural divisions based on the results of work to counter theft and reduce power losses in 2019. The top three leaders included the Belorechensk, Krasnopolyansk and Timashevsk power grid areas.

The Head of Krasnodar, Yevgeny Pervyshov and the Company's General Director Sergey Sergeev inspected the construction site of the first digital substation in Krasnodar. The new power facility with a total capacity of 50 MVA will provide electricity to the residential areas under construction, business and social facilities in the north-eastern part of Krasnodar.

Almost RUB 3 bn was allocated by the Company for the implementation of the repair program in 2020. The staff of the Company is completing the preparation of the Power Grid Complex for the autumn-winter period of 2020/2021, 90% of the work has been completed. This was reported by the General Director of Rosseti Kuban Sergey Sergeev at a selector meeting on the preparation of housing and utilities for winter under the leadership of the Head of the Administration (Governor) of the Krasnodar Territory Veniamin Kondratyev.

The Press Service of Rosseti Kuban was recognized as the best one in the region by the results of the regional stage of the Sixth All-Russian Media Competition, the Press Services of FECs and the regional administrations of MediaTEK.



## SEPTEMBER

Since the beginning of the year, 11 new pre-school and general education facilities have been connected to the power grids of Rosseti Kuban, where 3.2 thousand students and 560 young children will study.

The power engineers of Power Grids of Adygea branch of Rosseti Kuban have fulfilled the grid connection of the first solar power plant in the region to the Company's grid infrastructure. The facility is located in the suburb of Maikop. The solar generator has a capacity of 4 MW.

Specialists of the Power Grids of Timashevsk performed the grid connection of the first municipal martial arts center in the Krasnodar Territory in the village of Bryukhovetskaya.

## OCTOBER

During a working visit to Sochi, Minister of Energy Alexander Novak, Governor of Krasnodar Territory Veniamin Kondratyev, Rosseti's Head Pavel Livinsky and General Director of Rosseti Kuban Sergey Sergeev discussed the power reserve in the Sochi energy facilities and the prospects for the development of the power distribution zone.

General Director of Rosseti Kuban Sergey Sergeev visited the training site of the Energy Institute for Advanced Training Further Professional Education Institution of Kubanenergo and assessed the educational platform for training technical staff on the programs of under voltage works.

Deputy Governor of Krasnodar Territory Alexander Trembitsky and General Director of Rosseti Kuban Sergey Sergeev discussed the program of promising development of the territory's electricity industry and preparation of the Power Grid Complex for the upcoming autumn-winter period.

Specialists of Power Grids of Adygea provided of delivery 135 kW capacity for five medical facilities in the Apsheronsk and Belorechensk Districts of Krasnodar Territory and in the Maikop and Shovgensk Districts of the Republic of Adygea.

Rosseti Kuban provided electricity to 160 agribusiness enterprises in the Abinsk and Crimean regions of the Krasnodar Territory, as well as in the suburbs of Anapa, Gelendzhik and Novorossiysk. The total capacity of the facilities connected to the Company's infrastructure exceeded 3 MW.

Specialists of the Power Grids of Tikhoretsk carried out the grid connection of a new modular rural health post in the village of the Pervomaisky of Pavlovsk District of Krasnodar Territory. Earlier, the power engineers provided electricity to similar rural health posts in the village of Krasny in the Pavlovsk District and in the village of Novolokinskaya of Beloglinsk District.

In the administration of Sochi, the Head of the city Alexey Kopaygorodsky and the General Director of Rosseti Kuban Sergey Sergeev held a working meeting, during which they discussed the reconstruction of the largest power centers in the resort capital, new construction of distribution grid facilities in the areas of Greater Sochi.

## NOVEMBER

A training to work out the actions to eliminate possible emergencies (ES) caused by the impact of dangerous weather events was held in the branches of Rosseti Kuban. The power engineers have worked out cooperation with the regional units of the Russian Ministry of Emergency Situations, dispatch services, authorities and local authorities in the elimination of emergencies in the Power Grid Complex of the Krasnodar Territory and the Republic of Adygea.

Since the beginning of the year, the Power Grids of Labinsk has invested RUB 40 mn in the construction of new power facilities for the grid connection of consumers in the Labinsk, Kurgan and Mostovskiy Districts of the Krasnodar Territory.

Specialists of Rosseti Kuban conducted an online tour of the 220 kV Port substation for participants of the School of Young Power Engineer All-Russian Engineering Session in Russian Children's Centre Orlyonok.

The General Director of Rosseti Pavel Livinsky presented the Certificate of readiness for the autumn-winter period of 2020/2021 to the Head of Rosseti Kuban Sergey Sergeev.

Since the beginning of the year, the specialists of the Power Grids of Krasnodar have provided grid connection to the Company's power grids of more than 4.2 thousand of new users in Krasnodar, as well as in five districts of Krasnodar Territory and the Republic of Adygea. The total amount of energy delivered by the Company amounted to more than 153 MW.

Since the beginning of the year, the power engineers of Power Grids of Slavyansk have implemented the grid connection of 1,845 applicants with a total capacity of 42 MW. Among the new users of the Company are facilities socially significant for the region (schools, nursery schools, medical institutions), industrial and agricultural enterprises, residential buildings located in the suburban zone and remote settlements of the Красноармеевск, Slavyansk and Temryuk Districts of Kuban.



## DECEMBER

The Power Grids of Krasnodar branch (equal in age with GOELRO plan) turned 99 on December 1.

Specialists of the Power Grids of Slavyansk branch connected the offices of general practitioners to the power grid infrastructure in the settlements of Krasny Oktyabr and Pravoberezhny of the Temryuk District of Krasnodar Territory.

The Company's Energy Institute for Advanced Training has launched a new educational program to train specialists for under voltage works with overhead, cable transmission lines and distribution devices up to 1 kV.

Rosseti Kuban PJSC and Rostelecom PJSC have entered into an agreement on a strategic partnership for the introduction of industrial Internet technologies, the implementation of pilot projects for infrastructure management, and the development of digital services to automate electricity transmission.

Since the beginning of the year, the specialists from the Power Grids of the South-West branch have connected 170 agricultural enterprises in the Abinsk, Anapa and Crimean regions of the Krasnodar Territory, as well as in the suburbs of Novorossiysk and Gelendzhik to the power grids. By the end of the year, the power engineers of the branch planned to ensure the grid connection of 200 agribusiness facilities.

Rosseti Kuban has opened the first digital 110 kV Angarskaya substation in Krasnodar. The official launch ceremony was attended by the Vice-Governor of the Territory Alexander Trembitsky and the Head of Rosseti Kuban Sergey Sergeyev. The new facility will share the load with other city substations. The power supply of more than 320,000 residents, as well as 240 socially significant facilities, including the regional clinical hospital No.1, will become more reliable.

The Company has built a new PTL in the suburbs of Novorossiysk. The line of more than 12 km is designed to provide a high-quality and reliable power supply to the residents of the village of Natukhayevskaya, where the annual growth of energy consumption is recorded due to rapid population increase and active residential development.

## 2021

### JANUARY

Rosseti Kuban has connected two new rural health facilities in the Yeysk District to its grids. The power engineers of the Power Grids of Leningradskiy District provided electricity to the general practitioner's office and a modular rural health post in the village of Morevka and the village of Priazovka in the Yeysk District of Krasnodar Territory.

In 2020, Rosseti Kuban sent more than RUB 73 mn to advanced training courses and professional retraining of its employees. More than 8.2 thousand employees of the Company have been trained in additional vocational education organizations, which is more than 90% of the total number of employees.

Specialists of the Power Grids of Sochi branch have completed work on the construction of 0.4 kV overhead lines. The new power facility was erected in the village of Kroyanskoye of Shepshinskoye settlement of the Tuapse District of Krasnodar Territory as part of the modernization of the power supply system. The PTL will supply power to the rural boiler house.

In 2020, Rosseti Kuban connected 22,000 consumers to the power grids. The total capacity delivered was 655 MW. New users include social infrastructure facilities, health facilities and temporary hospitals that have been repurposed for the treatment of patients with coronavirus infection. New residential complexes, agricultural enterprises and sports complexes are also provided with electricity.

In 2020, the specialists of Rosseti Kuban installed 107,000 smart power metering devices for consumers in the Krasnodar Territory and the Republic of Adygea. Smart meters with the ability to remotely transmit data are installed to the Company's users for free.

In 2020, specialists of Rosseti Kuban found 1,663 cases of electricity theft in the Krasnodar Territory and the Republic of Adygea worth RUB 1.7 bn. The number of stolen energy resources exceeded 273 mln kWh.

Prospects for the modernization of energy infrastructure in the territory of Adygea were discussed by the Head of the Republic of Adygea Murat Kumpilov and the General Director of Rosseti Kuban Sergey Sergeyev during the meeting. In the next five years, the Company plans to spend RUB 5.4 bn for the development of the Power Grid Complex of the Republic of Adygea.

## FEBRUARY

The General Director of Rosseti Kuban Sergey Sergeev held an in-field production meeting at the 110 kV Pochtovaya substation, where a large-scale reconstruction began. The power of the power center, which provides energy to the residents of the Hydrostroiteley residential area of the territory center, will be increased after modernization by one third and will amount to 80 MVA.



Rosseti Kuban will spend RUB 2.3 bn for modernization of large substations in Sochi. The key power centers of the resort city of Sochi – 110 kV Adler, Kudepsta and Pasechnaya substations will be modernized as part of the Company's investment program.

In 2020, Rosseti Kuban provided connection of 138 new agricultural facilities in the urban and rural settlements of the Republic of Adygea. The total capacity of the connected agricultural facilities was 8.1 MW.

Rosseti Kuban plans to address more than RUB 3 bn to repair and maintain the facilities of the Power Grid Complex Krasnodar Territory and the Republic of Adygea in 2021. The power engineers will repair almost 10 thousand km of overhead transmission lines, about 1.8 thousand transformer substations and replace 67 thousand insulators.

In 2020, 4,978 bird diverters were installed in the area of responsibility of Rosseti Kuban.

The extraordinary Company's General Meeting of Shareholders held on February 24 decided to increase the share capital by issuing 69,583,132 additional shares via public floatation and re-electing the personal composition of the Audit Commission.

## MARCH

In 2020, Rosseti Kuban provided the grid connection of 37 new primary health care facilities in rural settlements of Krasnodar Territory and the Republic of Adygea. The total capacity delivered by the Company to health facilities was 880 kW.

Rosseti Kuban will carry out a large-scale reconstruction of one of the major power centers of the Maikop District of the Republic of Adygea – 35 kV Kuzhorskaya substation and the outgoing 10 kV overhead transmission line. After modernization, the capacity of the power facility will quadruple to 20 MVA.

The specialists of Rosseti Kuban have begun a large-scale reconstruction of the power facilities in the village of Gostagaevskaya at the suburb of Anapa, where the energy infrastructure is actually the only source of light and heat for the residents of the settlement. In order to improve the reliability of energy supply to consumers of the village, the power engineers will build two new transmission lines of 10 kV with a length of 6.6 km in the shortest possible terms and install 130 supports.

Rosseti Kuban will increase reliability of power supply to more than 1 mn residents of Kuban and Adygea. The specialists of the Power Grids of Adygea branch have started repairing the 110 kV overhead transmission lines: Kabardinskaya – Navaginskaya, Belorechenskaya Tagovaya – Ochistnye Sooruzheniya and Central – Northern.

# BUSINESS MODEL

In its activities, Rosseti Kuban balances out interests and creates value for all stakeholders, contributes to the economic growth of the footprints, adheres to the concept of sustainable development, and ensures reliable and affordable energy supply to consumers.

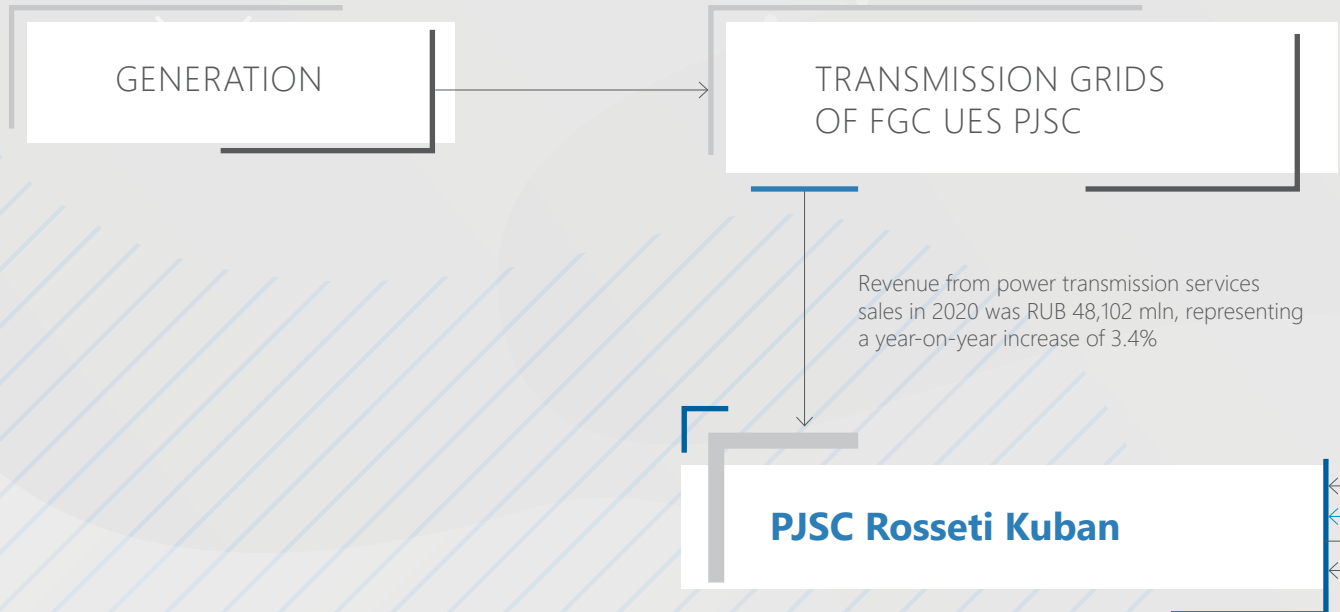
The Company also uses financial, industrial, intellectual, human, social-reputational, and natural capital (resources).



## Change in cost of capital for 2020

Capital as of January 1, 2020	How do we create value (value creation process)	Results of 2020
<b>FINANCIAL</b>		
The Company's market capitalization is RUB 20.88 bn. Profit for 2019 was RUB 2,504 mln. Net asset value was RUB 40,105 mln.	Revenue in 2020 was RUB 49,370 mln, down RUB 1,634 mln year-on-year. The EBITDA indicator was RUB 4,756 mln in 2020, down RUB 4,985 mln year-on-year. The decrease has been due to a one-time payment of the revenue for grid connection in 2019 from major applicants.	The market capitalization of the Company at year-end was RUB 22.69 bn. The loss was RUB 1,501 mln due to the influence of negative factors associated with the spread of the new coronavirus infection (COVID-19). Net asset value was RUB 37,989 mln. The decrease in net assets per year amounted to RUB 2,116 mln due to the decrease in equity due to the loss at year-end.
<b>PRODUCTION</b>		
The number of 35–220 kV substations was 732. The total substation capacity reached 10,500 MVA. The length of power transmission lines was 91,640 km. The number of transformer substations/ distribution stations (TSS/DSS) was 23,249. The cost of production assets repair in 2019 accounted to RUB 3.5 bn. The System Average Interruption Duration Index ( $I_{\text{saidr}}$ ) in 2019 was 1.0887 h.	Capital investments accounted to RUB 4,658 mln (VAT excluded). Costs for creation, acquisition, expansion, reconstruction of fixed assets, Front End Engineering Design (FEED), research and development works (R&D), and so on. The amount of electricity transmission services was 19,108.142 mln kWh, 1.2% more than in 2019. The number of grid connection in 2020 was 22,590 with a total capacity of 650 MW (revenue of RUB 731 mln).	The number of 35–220 kV SS was 743. The total substation capacity reached 11,500 MVA. The length of power transmission lines was 92,230 km. Number of TSS (DSS) reached 23,443. The cost of production assets repair accounted to RUB 3 bn. The System Average Interruption Duration Index ( $I_{\text{saidr}}$ ) was 0.887 h, down 18.5% year-on-year.
<b>INTELLECTUAL</b>		
The intangible asset value was RUB 134.7 mln	Implementation of the Innovative Development Program. Implementation of the Research and Development Program, the introduction of equipment and devices developed under the Research and Development Program. Introduction of the innovative technologies and solutions that correspond to the Engineering Register in the key innovative development areas.	The integrated "Innovation performance" KPIs was achieved: <ul style="list-style-type: none"> <li>the actual R&amp;D cost index (<math>KPI_{\text{R\&amp;D}}</math>) was 0.24% (RUB 39.7 mln) vs. the target of 0.15% (RUB 24 mln);</li> <li>actual index of innovative products procurement (goods, works, services) (<math>KPI_{\text{INNOVATIONS}}</math>) was 4.55% (RUB 212 mln) vs. the target of 4.5% (RUB 210 mln)</li> </ul>
<b>HUMAN</b>		
The headcount was 9,048 people. The average headcount was 8,644 people. The staffing level at the end of 2019 was 97%. 48.7% of employees have higher vocational education, 25.7% - secondary vocational education	8,258 people (92.2%) passed training. Training costs amounted to RUB 73.8 mln. In 2020, occupational health and safety costs rose to RUB 371.448 mn, a 53% increase year-on-year. Activities scheduled under the Program for 2020 were fully implemented. To promote employees' health and life-span, the Company purchased necessary protection and safety equipment for safe work in 2020.	The headcount was 9,274 people. The average headcount was 8,959 people. The staffing level at the end of the year was 96.9%. 49.5% of employees have higher vocational education, 25.8% have secondary vocational education. The annual purchase order for working wear and shoes was executed to the full extent. Remuneration was paid to Company's employees, including the provision of voluntary health insurance services
<b>SOCIAL AND REPUTATIONAL</b>		
A high degree of social responsibility. High level of business transparency: Company's website, mass media, Internet, congress, and exhibition events	Regular public awareness of the Company's activities: 31,115 materials about the Company's activities were published in the federal and regional media, as well as on social media resources in 2020.	Accumulation of reputational capital. Over 70% of the messages concerning the activities of Rosseti Kuban initiated by the Company PR Departments were positive, and 28% – neutral.
<b>ENVIRONMENTAL</b>		
Environmental costs in 2019 accounted to RUB 16.0 mln	The Company started the Environmental Policy in the power grid complex approved by the Resolution of Rosseti's Board of Directors (Minutes No. 422 dated July 20, 2020). The Environmental Policy of Rosseti Kuban was approved on December 4, 2020 (Minutes No. 702-od)	Environmental costs in 2020 accounted to RUB 13.1 mln

## Business Model of Rosseti Kuban



Revenue from power transmission services sales in 2020 was RUB 48,102 mln, representing a year-on-year increase of 3.4%

Useful boiler output of electricity in 2020 was 19,670 mln kWh, a 3.9% increase year-on-year

### GRID CONNECTION

Number of grid connections in 2020 was

**22,590**

of total capacity of

**650** MW

Number of 35-220 kV SS was

**743**

The total substation capacity reached

**11.5** thsd MVA

Length of power transmission lines was

**92.23** thsd km



## PUBLIC AUTHORITIES

Russian Ministry of Energy,  
The Federal Agency of State Property Management (Rosimushchestvo),  
FAS (Federal Antimonopoly Service) of Russia, REC,  
Rosstandard, Rosaccreditation, Rostekhnadzor,  
regional authorities

## SHAREHOLDERS AND INVESTORS

Government  
Majority shareholder  
Minority shareholders  
Other shareholders

## ELECTRICITY CONSUMERS

STATE

ELECTRICITY SALES COMPANIES  
(GUARANTEEING SUPPLIERS)

DIRECT CONSUMERS

TERRITORIAL GRID ORGANIZATIONS

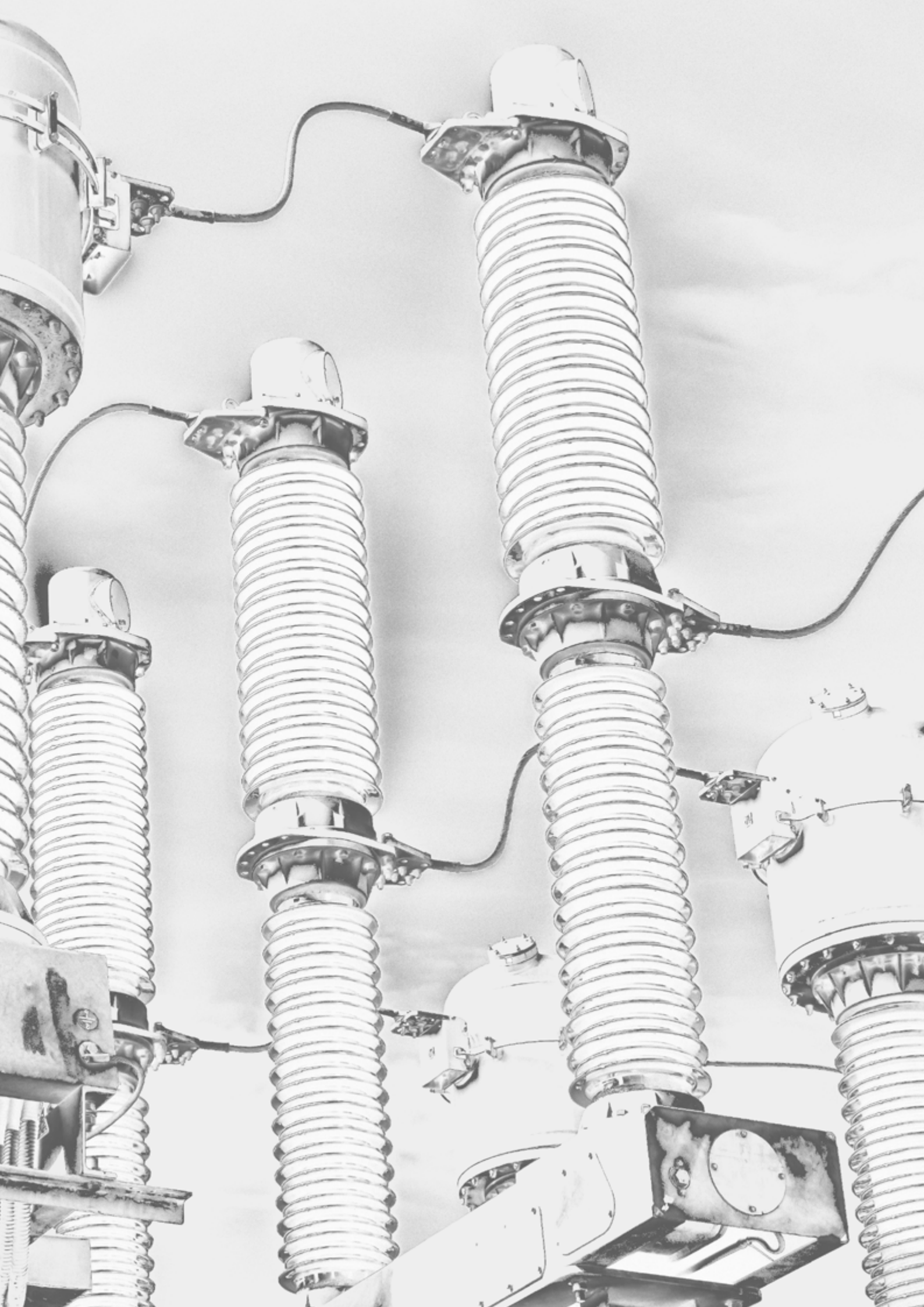
## OTHER TYPES OF ACTIVITIES

Revenue from additional services  
in 2020 reached

**RUB 536** mln,  
representing a year-on-year  
increase



# 02 STRATEGIC OBJECTIVES AND PRIORITIES OF THE COMPANY



# STRATEGIC REPORT

“

*"For the successful existence in the electric power industry, it is important to set the adequate and competent goals and determine the direction of the Company's development under the general strategy of ROSSETI Group, as well as to choose ways and methods to implement them. Promoting the further upgrade of efficiency of current activities to develop the sector and ensuring reliability, quality and accessibility of infrastructure in the new digital environment is among our main strategic priorities".*



Head of the Internal Control  
and Risk Management Department  
**Nadezhda Mayakovskaya**

## Mission and Values

MISSION OF ROSSETI KUBAN IS PROFIT MAKING BY LONG-TERM PROVISION OF RELIABLE, SAFE, AND ACCESSIBLE POWER SUPPLY TO CUSTOMERS ACROSS THE KRASNODAR REGION AND THE REPUBLIC OF ADYGEA BY ARRANGING THE MOST EFFICIENT MANAGEMENT OF THE DISTRIBUTION GRID, APPLYING CUTTING EDGE TECHNOLOGY AND INNOVATIONS, AND OBSERVING THE WORLD STANDARDS FOR RENDERING SERVICES AND THE BEST PRACTICE OF CORPORATE GOVERNANCE.

## Implementation of Elements of ROSSETI Group Strategy

THE COMPANY, BEING A PART OF RUSSIA' POWER GRID COMPLEX AND ROSSETI GROUP, STRIVES TO ACHIEVE THE GOALS SET AT THE STATE LEVEL FOR THE IMPLEMENTATION OF THE DEVELOPMENT STRATEGY OF PUBLIC JOINT-STOCK COMPANY ROSSETI, SUBSIDIARIES, AND AFFILIATES (ROSSETI GROUP) UNTIL 2030 (HEREAFTER REFERRED TO AS STRATEGY) APPROVED BY THE BOARD OF DIRECTORS OF ROSSETI (MINUTES NO.388 DATED DECEMBER 26, 2019).

PJSC Rosseti has defined the following strategic development priorities for ROSSETI Group:

RELIABLE, STABLE AND AFFORDABLE ELECTRICITY SUPPLY TO CONSUMERS;

FURTHER IMPROVEMENT IN THE EFFICIENCY OF THE CORE BUSINESS OF POWER TRANSMISSION;

PROMOTION OF LEGISLATIVE INITIATIVES FOR DEVELOPMENT;

MAINTENANCE OF THE BALANCE OF INTEREST FOR ALL PARTIES: STATE/ CONSUMERS/ SHAREHOLDERS/ INVESTORS;

DEVELOPMENT OF NEW BUSINESS AREAS (NON-TARIFF SERVICES AND CONSUMER SERVICES) THROUGH THE DIGITAL TRANSFORMATION TO ENSURE THE COMPANY'S RESILIENCE TO CHANGES IN THE SECTOR;

PROMOTION OF ENERGY AND ENVIRONMENTAL SAFETY

The major change in the operation of Rosseti's Group is the transition to a business model of modern innovation infrastructure. Promoting the further upgrade of efficiency of current activities to develop the sector and ensuring reliability, quality and accessibility of infrastructure in the new digital environment is among the main strategic priorities. The Company focuses on the balancing of interests of all parties, including the government, consumers, shareholders, investors, as well as on the development of new business areas.

Achieving the Group's strategic priorities is planned by:

- Technological and innovative development;
- Digital transformation;
- Business diversification;
- Information and technological security provision;
- Improvement of operational and investment performance;
- promotion of legislative initiatives to improve pricing in the industry.

**In implementing the Strategy, the Company is guided by the goals of the following hierarchy:**



**The Company's values are enshrined in the Code of Corporate Ethics and Employee Conduct**



1. Reliability. The Company seeks to ensure maximum reliable, uninterrupted power supply to cover the economic and social needs of Russia by taking every organizational and technical effort to guarantee reliable operation of grid infrastructure while also ensuring the security of its facilities.

2. Human resources. The Company's key resource is its personnel that has been preserving and boosting the Company's value for a long time. Achievement of the strategic goals and objectives set by the Government by the Company depends on professionalism, conscientiousness, and labor safety of its employees to a large extent.

Every employee of the Company is valuable regardless of gender, age, colour, nationality, and position. All the employees have equal opportunities for successful and effective work, professional development and career progress.

While composing the staff (including management),

the Company is driven by the principles of fairness and objectivity. The decisions on appointment or transfer are made based on business qualities of the employees only.

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

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

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- them to convey their knowledge and traditions to the new generations of workers, within labor dynasties as well.
3. Performance. The Company is aware of its responsibilities to shareholders, investors, and partners, that is why performance efficiency is a fundamental value. The Company strives for continuous profit growth enabled by the strategic initiatives of supervision and governance bodies, top management, and shareholders.
  4. Safety. The Company relies on a strictly regulated and balanced approach to security as it takes measures to prevent possible offences.
  5. Social Responsibility. Rosseti Kuban is a socially responsible company that focuses on environmental protection, occupational safety, and social Programs.

Herein set forth the principles of professional ethics and conduct binding upon all employees of the Company:

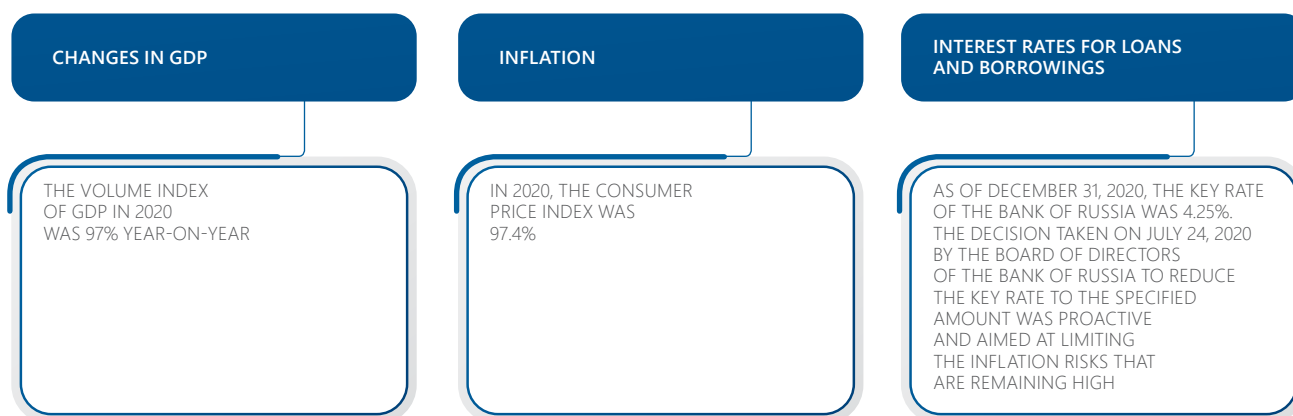
- Professionalism;
- Integrity and responsibility;
- Interaction and collaboration;
- Image and reputation;
- Confidentiality.

The Company will not sacrifice its values for the sake of profit and perceives the said values as an interlink between all areas of activity expecting the same attitude from its business partners.

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

## Macroeconomic Analysis

### Factors that determine the Russian economy as a whole and influence the electricity sector<sup>1</sup>



### Specific factors as the drivers of the sectoral development

Factors in the descending value	
<b>State tariff regulation</b>	
Description	Electricity transmission and grid connection services are state-regulated activities. Tariffs for the Company's services approved by regulators directly affect the amount of revenue received
Current health	The Government of the Russian Federation implements a Tariff Policy based on the "inflation minus" principle Setting tariffs below the economically sound level will lead to underfunding through tariff sources of the Company's current activities and Investment Program
Measures to minimise the impact (if possible)	Economic justification of the costs included in tariffs, including negotiations to factor in the economically justified expenses that are in excess of the costs currently incorporated into the tariffs and the revenue shortfalls incurred during the past periods due to reasons beyond the Company's control Consistent cost cutting and Investment Program optimising Implementation of measures to improve pricing in the industry in cooperation with ROSSETI
<b>Power consumption dynamics</b>	
Description	Changing energy consumption has direct relevance to the health of the industry

<sup>1</sup> <https://www.gks.ru>, [http://www.cbr.ru/hd\\_base/KeyRate/](http://www.cbr.ru/hd_base/KeyRate/)

### Factors in the descending value

Current health	Actual power consumption in the Unified Energy System of Russia in 2020 reached 1,033.7 bn kWh, down 2.4% year-on-year <sup>1</sup> . Actual power consumption in the Krasnodar region and the Republic of Adygea in 2020 amounted to 27,420.5 mln kWh, down 207.6 mln kWh or 0.8% year-on-year <sup>2</sup> .
Measures to minimise the impact (if possible)	A range of activities to develop new (non-tariff) types of business and increase non-tariff sources of income
<b>Price dynamics on the Wholesale Electricity and Capacity Market</b>	
Description	Changes in electricity prices in the wholesale electricity market (WEM) directly affect the amount of compensation for electricity losses in power grids and, accordingly, on all the Company's activities
Current health	The single-supply price of electricity on the WEM in 2020 showed a 3.4% increase year-on-year.
Measures to minimise the impact (if possible)	Measures to reduce power losses in the grids
<b>Current health of the industry</b>	
Description	The health of the industry directly affects all aspects of the Company's activities
Current health	Heavy wear of the main generating and grid equipment Reduction of the Investment programs in the industry Default in payment Tariff policy leading to both under-reporting of financial indicators (cost-plus pricing) and actual unprofitableness of some companies Reducing power consumption against a backdrop in declining industrial production due to the introduction of restrictive measures to prevent the spread of COVID-19
Measures to minimise the impact (if possible)	Implementing the concept of digital transformation Introducing the cost management system Introducing the up-to-date Company's management tools, automating key functions to improve management decision-making

According to the forecast of the social and economic development of the Russian Federation for 2021 and the target period of 2022 and 2023<sup>3</sup>, in 2021, the pace of economic recovery will be influenced by some competing factors:

- the negative impact of residual quarantine restrictions, as well as changes in consumer behaviour (deterrent);
- the implementation of the effect of the monetary easing (support factor);
- further normalization of budget expenditures after their build-up in 2020 to prevent the spread of new coronavirus infection and support the economy (deterrent).

Taking these factors into account, GDP growth in 2021 is projected to be 3.3%, in 2022–2023 – at least 3%. GDP growth will be based on the expansion of domestic demand, both consumer and investment.

At the same time, the increase of power consumption in Russia in 2021 to the level of 2019 and its possible exceedence by 0.5% are expected<sup>4</sup>.

### FORECAST OF ECONOMIC AND ELECTRICAL POWER INDUSTRY RECOVERY IN 2021

<sup>1</sup> Source: Report on the performance of the UES of Russia in 2020.

<sup>2</sup> Source: Report on the performance of the UES of Russia in 2020 (Operational Dispatch Office of the South - Krasnodar region and the Republic of Adygea).

<sup>3</sup> Source: <https://tass.ru/ekonomika/10475757>

<sup>4</sup> Source: <https://tass.ru/ekonomika/10475757>



The Company's strategic objectives developed taking into account ones of Rosseti Group and approved by the Company's Management Board (Minutes No.7/2017 dated April 12, 2017), include the following aspects:



## Achieving Goals in 2020

Despite the pandemic that swept the world in 2020, the Company's goals remained unchanged, changes have affected approaches to their implementation only. Great attention was paid to the protection of the life and health of the Company's employees.

In 2020, the Company implemented programs and plans aimed at achieving the strategic goals.

### Indicators of achieving strategic goals by the end of 2020

Goal	Results in the reported year
More reliable electricity supply in the Krasnodar Territory and the Republic of Adygea	Yearly average power outage duration per point of delivery ( $P_{saigr}$ ) – 0.8870 h. Yearly average power outage occurrence per point of delivery ( $P_{saifr}$ ) – 0.4592. For details, see Reliable and Efficient Operation of the Energy System
Better customer service quality and more accessible power grid infrastructure	Grid connection quality ( $Q_{gc}$ ) – 1.034 For details, see Grid Connection
Grid advancement and adoption of new technologies	Innovative technologies have been introduced to automate the procedure for checking automated design systems for digital substations and ensure information security of smart electricity metering systems. For details, see Digital transformation
Stronger investment appeal and capitalization	The market capitalization of the Company was RUB 20.88 bn at the beginning of 2020 and RUB 22.69 bn at the year-end <sup>1</sup> . Capitalization peaked at RUB 31 bn in 2020, while the lowest point was RUB 17 bn; the weighted average price of a single share rose by 7.4% over the reporting year while the MICEX Index rose by 8% and the Electric Utilities Index rose by 14%. For details, see Stock Market and Capitalization of the Company
Decent working conditions, improvement of professional competence and loyalty of the Company's personnel	The average salary of the Company's employees exceeded the region-specific average salary in the regions by: 43.2% – in the Krasnodar region and 69.6% – in the Republic of Adygea against a 30% target. Progress on Personnel Training Plan was 131.1% in 2020. For details, see Sustainable Development
Staying within the standard electricity loss rates in transmission	Actual electricity loss in transmission was 10.04%, a 0.47% improvement against the plan. For details, see Electricity Delivery

<sup>1</sup> According to the calculation of PJSC Moscow Exchange

The Company's priorities were approved by the Board of Directors (separate decisions and Minutes No. 281/2017 dated July 21, 2017). Every year, the Board of Directors submits a report on the approval of information on the change in the status of the Company's priorities. Report of the Board of Directors on the Company's Development in Priority Areas is given in the Corporate Governance Report.

#### Achievement of the quality goals in 2020

Ser. No.	Goal	Result
1	Implementation of the Company's Digital Transformation Program for 2020–2030	<p>The goal has been achieved.</p> <p>The Digital Transformation Program for 2020–2030 has been approved by the Board of Directors of Rosseti Kuban (Minutes No. 374/2020 dated January 24, 2020). The Program defines objectives, tasks, basic principles and approaches to the digital transformation, contains a list of activities. In the reporting year, the Company implemented the following measures under the Program:</p> <ol style="list-style-type: none"> <li>1. In the Project for Implementing the Smart Metering Development Program, measures under the approved Smart Metering Development Program as part of the Investment Program was implemented at 100% of the planned scope in 2020.</li> <li>2. In the Project for Introducing the 1C: Payroll and HR Management 8 System, the Company signed a contract dated September 21, 2020. The period of work is 11 months from the date of the contract signing. The cost of the Project on the results of the tendering procedures amounted to RUB 24.25 mln (VAT not payable). In 2020, the Company completed the first, second and third phases of the Project (according to the schedule of work under the contract).</li> <li>3. On the issue concerning adopting electronic workflow, the Company adjusted the work completion date under the Addenda dated September 30, 2020. In fact, the work on the project was completed on December 28, 2020. The system was commissioned by the Order of Rosseti Kuban No. 751-od dated December 28, 2020</li> </ol>
2	Ensuring the reliable operation of the power grid complex	The goal has been achieved.
2.1	Maintenance and Repair Programs (M&R) of the power grid complex	<p>The goal has been achieved.</p> <p>For the reporting year, the M&amp;R Program has been implemented in all areas. In 2020, Rosseti Kuban planned to implement activities for RUB 2,941.8 mln. In fact, Rosseti Kuban PJSC implemented the activities for RUB 3,010.2 mln or 102% of the plan.</p>
2.2	Implementation of priority projects of new construction, renovation, and reconstruction of the Company's power grid facilities aimed at improving the quality of customer service and increasing the accessibility of the power grid complex, ensuring the grid advancement and adoption of new technologies (including the construction and commissioning of the 110/10 kV Angarskaya Substation with the installation of 2x25 MVA power transformers with 110 kV overhead lines)	<p>The goal has been achieved.</p> <p>The main objective of the development of the Company's power grid consists in finding the best possible direction of equipment modernization and expansion of the grid geography to make up for a shortfall of generating capacities and satisfy a potential demand for generating capacity in the short and long term. According to the Scheme and the Program for prospective power industry development in the Krasnodar Region, Rosseti Kuban completed the construction of 35–110 kV power centers and the overhead power line.</p> <p>The priority facility was put into operation - the 110/10kV Angarskaya substation with 110 kV overhead lines (the commissioning certificate dated December 30, 2020, input capacity of 50 MVA)</p>
3	Improvement of operational performance	<p>The goal has been achieved.</p> <p>The program to improve operational efficiency and reduce costs of Rosseti Kuban was approved by the Board of Directors for 2020–2024 (Minutes No. 370/2019 dated December 30, 2019).</p> <p>The performance indicators of the Program cover the targets set by the Development Strategy for Russia's Power Grid Complex (approved by Order No. 511-r dated April 3, 2013, and Directive No. 2303p-P13 of the Government of the Russian Federation dated April 16, 2015. In 2020, year-on-year reduction of operating costs was 4% vs. a target of 2%</p>
4	Increase of non-regulated revenue from ancillary services provision	<p>The goal has been achieved.</p> <p>Revenue from additional services reached RUB 536 mln, representing a year-on-year increase of 90.3%.</p>
5	Electric loss (consumption) reduction	<p>The goal has been achieved.</p> <p>Plane for 2020–10.51%, in fact – 10.04%. The admissible rate of electricity losses was met due to implemented measures to reduce losses (organizational, technical, and for improving electricity accounting)</p>

Ser. No.	Goal	Result
6	Reducing the consumption of fuel and energy resources	The goal has been achieved. The actual reduction in consumption was: electricity – 30,288,726 kWh; thermal energy – 2,737,995 Gcal; water – 68.688 thousand cubic meters; natural gas – 100.379 thousand cubic meters; diesel – 3,191.312 litres; petrol – 4,223.045 litres.
7.	Improving the efficiency of the Company's services to consumers by informing applicants and promoting online services	The goal has been achieved. 1. Six seminars and meetings were held in an online format with the participation of 77 potential and current applicants, representatives of business, and executive authorities of the subjects of the Russian Federation. 2. At the end of January, the Company held a meeting in the format of an "energy dialogue" on the grid connection of residential structures in Sochi, during which they discussed issues related to the grid connection, the improvement of the accessibility of the Company's services and the development of customer services, including interactive ones, as well as the long-term development of the power infrastructure of the Sochi grids. 3. A personal account on the official website портал-тп.рф and in the mobile application ensured a more available electronic interaction with consumers during the grid connection. 4. The consumer service offices provided the automated environment for applicants who have no access to the Internet network. 5. The ROSSETI's official website offers support for "The Light Country" portal for consumer feedback, where a consumer may leave appeals on: – regular power cutoff; – voltage fluctuation / low voltage; – failures of electric equipment.
8	Development of the Company's information systems and data sharing	The goal has been partially achieved (four points of six)
8.1	Creation and implementation of the electronic workflow system (EWS) on the Russian platform	The goal has been achieved. EWS was put into operation (Order No. 751-od dated December 28, 2020)
8.2	Development of the Production Asset Management System (PAMS) and PAMS Mobile Solutions in Operations Management System	The goal has not been achieved, in progress. The project has been suspended in accordance with the regulatory and administrative documents and letters of Rosseti. The draft of the adjusted PAMS development plan for 2020–2022 includes measures to automate the operations management system, taking into account the integration with the electronic defect log, an operational information system, the "Automated management system for repairs of power-generating equipment" software system (Request Software System, Repairs Software System), and digital tools of personal protection with an implementation period from Q3 2021 to Q3 2022.
8.3	Replicating the functionality of the Mobile Solutions of the Production Asset Management System (PAMS) in the Company's branches	The goal has been achieved. The functionality is replicated. In order to replicate the functionality of the mobile solutions in all branches of the Company issued Order No.78 dated February 18, 2020. In February, personnel of the engineering units of the branches and the Executive Office of the Company passed full-time training in mobile solution functionality (Minutes No. 19/SUPA dated February 19, 2020). Personnel of the Company's branches passed a full-rime training in mobile solution functionality from March 10 to 17 in the Institution of Continuing Professional Education "Power Engineering Institute of Advanced Training of Rosseti Kuban" (Minutes No.20/SUPA dated March 18, 2020). In December, employees of the Company's branches were trained through distance learning in mobile solution functionality (Minutes No. 21/SUPA dated December 16, 2020). 207 mobile devices are used in the commercial operation currently
8.4	Development of a regional node of the Unified Geographic Information System	The goal for 2020 activities has been achieved. The Company started to develop the Unified Geographic Information System under Contract No. 407/30–837 dated June 4, 2020
8.5	Development of the electricity metering system as regards building the power balances at all grid levels, analysing non-balances and excessive losses of power, in particular	The goal for 2020 activities has been achieved. The automated electricity metering system is provided with the developed and introduced functionality to analyse non-balances and excessive losses of power in the distribution grid: – Report on Calculating the power balance by elements of 0.4–20 kV grid; – Report on Useful output by connection of metering points; – Summary Report on Analysis of power losses by 10(6)/0.4 kV metering point
8.6	Commissioning and development of Master Mobile application	The goal has not been achieved, in progress. Not put into commercial operation.

Ser. No.	Goal	Result
9	Making information resources more accessible to the Company's employees	The goal has been achieved. 1. The EWS software system, an electronic workflow system, has been put into commercial operation. 2. Further development of the corporate information resource "Knowledge Base": the resource is replenished with new local regulations on a regular basis.
10	Continuous training of staff (including quality, environment, health and labor safety, operation and maintenance of electrical equipment, as well as digital technologies) to maintain the level of professional competence of the Company's employees	The goal has been achieved. Staff passed continuous training (including quality, environment, health and labor safety, operation and maintenance of electrical equipment, as well as digital technologies) to maintain the level of professional competence of the Company's employees. By the end of 2020, 134% of the planned number of employees passed the training.
11	Improving the integrated security system aimed at protecting the interests of the Company, preventing internal and external threats, identifying the causes and conditions that hinder the implementation of the Company's Development Strategy and sustainable functioning	The goal has been achieved. In 2020, the Company developed the Integrated Safety Plan, which was fully implemented. Reports on 2-Security, 2-Information Security and 2-Regional Security are sent to the Rosseti Security Department; On February 4, the Company held a final meeting of the security units of Rosseti Kuban attended by representatives of the Rosseti Security Department

The following quality goals for 2021 (approved by the General Director's order) have been set:

1. Ensuring the reliable operation of the power grid complex, including:
  - Implementing Maintenance and Repair Programs (M&R) of the power grid complex;
  - Developing the accessible energy infrastructure for power supply of industrial and investment sites of the Republic of Adygea by reconstructing four 110 kV power centers and five 35 kV power centers.
2. Increase of non-regulated revenue from ancillary services provision.
3. Electric loss (consumption) reduction.
4. Implementation of Kubanenergo's Digital Transformation Program for 2019–2030
5. Improving the efficiency of the Company's service to consumers by informing applicants and promoting online services.
6. Introduction of the Innovative Management System based on the standard GOST P 56273.1–2014/CEN/TS 16555–1:2013 "Innovative Management. Part 1. Innovative Management System."
7. Development of the Company's information systems and data sharing:
  - Development of the Production Asset Management System (PAMS) and PAMS mobile applications
  - Provision of access to the functionality of the smart electricity (power) metering system in the consumer's account.
8. Continuous training of staff (including quality, environment, health and labor safety, operation and maintenance of electrical equipment, as well as digital technologies) to maintain the level of professional competence of the Company's employees

It is assumed to achieve these goals by implementing measures to meet the targets of the programs approved by the Company as part of the business plan.

**Target performances in quality**

No.	Performance	Unit	2021 target	2024 forecast
1	Average power outage duration (Psaidi) (duration of electricity supply interruption per a consumer)	h	1.08	0.97
2	Average power interruption frequency (Psaidi) (number of interruptions of power supply per a consumer)	events	0.46	0.43
3	Electricity losses	%	10.55	8.97
4	R&D costs indicator	%	0.15	0.19
5	Workforce productivity	%	Growth of at least 5% annually	
6	Reduction of unit operating expenses (costs)			
6.1	Reduction of unit operating expenses (costs) year-on-year	%	≥2	
6.2	Reduction of unit operating expenses (costs) vs. the level of 2018	%	≥4	≥10
7	Percentage of non-tariff revenue from other activities	%	2.71	5.14

**Risk Management System**

THE COMPANY HAS A RISK MANAGEMENT SYSTEM (RMS) ENSURING SUSTAINABLE CONTINUOUS OPERATION AND DEVELOPMENT OF THE COMPANY THROUGH TIMELY IDENTIFICATION, ASSESSMENT, AND MANAGEMENT OF RISKS THAT POSE A THREAT TO THE EFFECTIVE IMPLEMENTATION OF THE COMPANY'S BUSINESS AND REPUTATION, THE HEALTH OF ITS EMPLOYEES, THE ENVIRONMENT, OR PROPERTY INTERESTS OF SHAREHOLDERS AND INVESTORS.

**Goals of Rosseti Kuban Risk Management System**

ENSURING THE EFFICIENCY OF FINANCIAL AND BUSINESS ACTIVITIES AND ECONOMIC USE OF RESOURCES, AS WELL AS ENSURING THE SAFETY OF THE COMPANY'S ASSETS

PROVIDING FOR FULL AND RELIABLE ACCOUNTING (FINANCIAL), STATISTICAL, MANAGEMENT AND OTHER REPORTING;

COMPLIANCE WITH APPLICABLE LAWS AND LOCAL REGULATIONS.

**RMS Organization**

The tasks of the Company's Risk Management System are to ensure reasonable confidence in achieving the goals set for the Company under the Strategy of the Russian Federation for Development of the Electric Grid Complex, development software documents and the Company's Articles of Associations, and the growth of the Company's value while maintaining the balance of interests of all stakeholders.

The Board of Directors, the executive bodies of Rosseti Kuban, managers, and employees at all levels of the Company's management shall implement the Company's Risk Management, i.e. risk identification, evaluation, and ranking, as well as risk treatment to ensure a reasonable guarantee of the Company's goal achieving.

The Board of Directors has approved the Risk Management Policy (Minutes No.233/2016 dated March 18, 2016) to ensure the functioning of the RMS in the Company. The Policy is a Company's internal document, which determines its attitude to risks, establishes the general principles, objectives, and tasks of the RMS, approaches to RMS organization, the allocation of responsibility between RMS participants, and the nature of their cooperation, risk management milestones.

In addition, the Company follows the regulations on risk management approved by the Company's Order No.228 dated April 10, 2020, and Company's Order No. 162 dated April 27, 2020:

- Regulation on Company's risk management;
- "Tree" risk model;
- Model of Company's risk management system maturity;
- List of basic risk management activities.

The Company's Internal Control and Risk Management Department is responsible for the coordination and methodological support of the Company's risk management activities.

The RMS participants interact under the Law pursuant to the requirements of the Company's Policy and Internal documents, which regulate the interaction of structural units in the risk management.

Risk management is a continuous, constantly active process.

**Rosseti Kuban's risk management system relies on the following principles:**

1

RISK MANAGEMENT IS AN INTEGRAL PART OF ALL ORGANISATIONAL PROCESSES;

2

RISK MANAGEMENT IS A PART OF THE DECISION-MAKING PROCESS;

3

RISK MANAGEMENT IS A SYSTEMATIC, STRUCTURED AND WELL-TIMED PROCESS;

4

RISK MANAGEMENT IS BASED ON BEST AVAILABLE INFORMATION;

5

RISK MANAGEMENT IS A TRANSPARENT PROCESS AND ACCOMMODATES THE INTERESTS OF STAKEHOLDERS;

6

RISK MANAGEMENT IS A DYNAMIC, ITERATIVE (REPEATED) PROCESS SENSITIVE TO CHANGES;

7

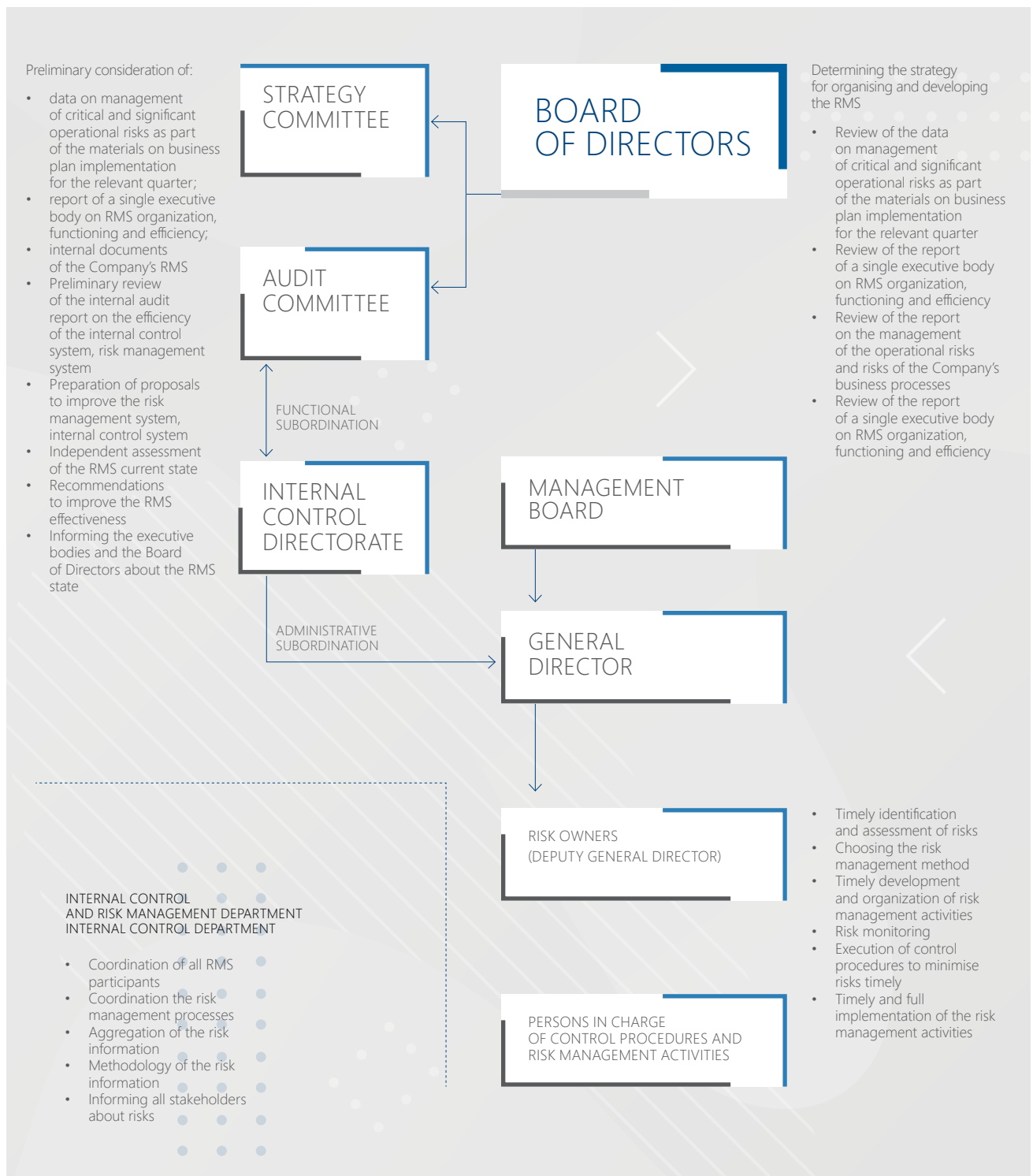
RISK MANAGEMENT CONTRIBUTES TO PERMANENT IMPROVEMENT OF ORGANISATION;

8

ALL RMS PARTICIPANTS ARE RESPONSIBLE FOR IDENTIFICATION, ASSESSMENT, ANALYSIS AND CONTINUOUS RISK MONITORING WITHIN THEIR ACTIVITIES, DEVELOPMENT AND IMPLEMENTATION OF THE NECESSARY RISK MANAGEMENT MEASURES, CONTINUOUS MONITORING OF THE EFFICIENCY OF RISK MANAGEMENT ACTIVITIES.

For more details on the functions of RMS participants, refer to Appendix No. 7 to the Annual Report.

**Main RMS participants and their interaction in Rosseti Kuban**



## Key Risks in the Company's Activities

The Company regularly identifies, evaluates, and monitors risks, implements measures to reduce the probability and potential consequences of the implementation of risks, and informs shareholders and other stakeholders.

According to the Company's Risk Management Regulation, the Management Board approved the Company's 2020 Risk Register of 19 operational risks, i.e. aggregated risks of business processes and risks that have a significant impact on the Company's activities, including key performance indicators of the Company's sole executive body, and respectively on achieving goals in the management of the grid complex and meeting the strategic objectives of Rosseti Group.

A risk significance level helps to determine a level of risk impact on the Company's activities. Risks are ranked by three levels of significance: moderate, significant, critical.

The Company's Risk Management Plan for 2020 includes measures to minimise risks with a significant or critical level of significance.

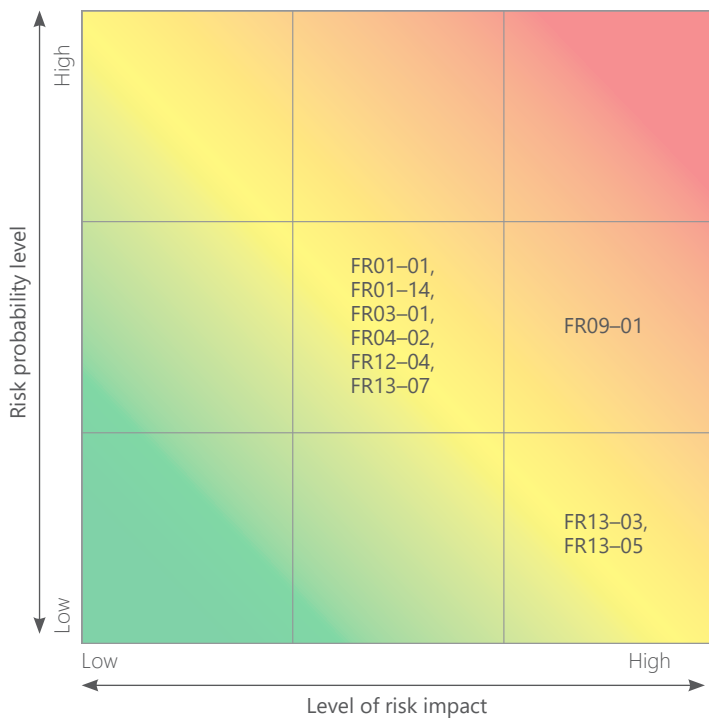
### Information about risk management of the Company with the significant and critical significance level in 2020

Description and designation	Impact on Key Performance Indicators	Risk significance level	Risk management activities
Reducing the scope of power transmission services to consumers connected to regional distribution grids (FR01-01)	Achieving Consolidated Operating Income Indicators (EBITDA)	Significant	<ol style="list-style-type: none"> <li>1. Monitoring and forecasting electrical consumption by voltage levels.</li> <li>2. Work with customers to agree on target scopes of services, including the required capacity, to be included in the relevant power supply services contracts and submitted to the State tariff regulation authorities.</li> <li>3. Scheduled inspections of accounting schemes to detect unaccounted electricity consumption.</li> <li>4. Introduction and distribution of the smart electricity metering systems, automated systems for collecting and processing data from electricity meters.</li> <li>5. Activities to resolve differences in determining the scope of obligations under electricity supply services contracts.</li> <li>6. Activities aimed at complying with the parameters of regulatory decisions by market participants.</li> <li>7. Pre-trial settlement by the responsible unit.</li> </ol>
Performance of judicial acts (settlement of disputes) on debt collection for electricity transmission services against the Company (FR01-14)	Achieving Consolidated Operating Income Indicators (EBITDA)	Significant	<ol style="list-style-type: none"> <li>1. Submission of documents for the claims work.</li> <li>2. Preparation of documents confirming the actual performance of the Company's obligations by the responsible unit</li> </ol>
Failure to meet obligations by the Contractors to pay for electricity transmission services within the terms of the agreement/contract and/or payment not in full (FR03-01)	Achieving the planned level of receivables for electricity transmission services	Significant	<ol style="list-style-type: none"> <li>1. Pre-trial claims work, legal receivable collection.</li> <li>2. Implementing the roadmap to reduce the accounts receivable for energy transmission services;</li> <li>3. Activities to resolve differences in determining the scope of obligations under electricity supply services contracts.</li> <li>4. Full and/or partial restriction of energy supply to debtor consumers on the applications of electricity retailers.</li> <li>5. Addressing issues of non-payment by Contractors at the meetings of the regional collegial bodies chaired by the executive body (administration) of the constituent of the RF.</li> </ol>
Increase in interest rates on loans and borrows (FR04-02)	Ensuring dividend flow	Significant	Negotiating with creditor banks, sending letters about considering the possibility of reducing interest rates on loans



Description and designation	Impact on Key Performance Indicators	Risk significance level	Risk management activities
Occupational injuries in the Company (FR09-01)	Zero increase in casualties	Critical	<ol style="list-style-type: none"> <li>1. Implementing the Comprehensive Program for mitigating injury risk aimed at the safe performance of works at electrical facilities.</li> <li>2. Control of the performance of regulatory and administrative documents, health, and labor safety programs.</li> <li>3. Timely and high-quality work with staff.</li> <li>4. Preliminary and periodic medical examinations of employees.</li> <li>5. Video recording of works at electrical facilities.</li> <li>6. Promoting public awareness about risks of electrical grid protection regulation breaking.</li> </ol>
Involvement of the Company/ Company's employees in corruption activities (FR12-04)	Compliance with legislation, including anti-corruption prevention and legislation and antitrust laws	Significant	<p>Implementation of the Anti-Corruption Plan in Rosseti Kuban for 2020, including:</p> <ol style="list-style-type: none"> <li>1. Conducting control measures to ensure that employees adhere to the principles of the Company's anti-corruption policy.</li> <li>2. Conducting official inspections and investigations of acts of infringing the Principles of the Company's Anti-Corruption Policy.</li> </ol>
Disruption and/or shutdown of information infrastructure and telecommunications systems of power grid complex (FR13-03)	Ensuring the comprehensive security of the Company's activities	Significant	<ol style="list-style-type: none"> <li>1. Introducing the information protection tools at information infrastructure facilities pursuant to statements of work.</li> <li>2. Monitoring the actions of the Company's employees via information security systems.</li> </ol>
Undue influence on the power grid facilities and their information and telecommunications systems (terror, sabotage, criminal and other nature), including using information technologies (FR13-05)	Ensuring the comprehensive security of the Company's activities	Significant	<ol style="list-style-type: none"> <li>1. Installation of technical security equipment, video surveillance systems, access control system, and security alarm system.</li> <li>2. Reconstruction of technical security equipment at the Fuel and Energy facilities under the Company's investment program.</li> <li>3. Ensuring the physical security of the most critical Fuel and Energy facilities of the Company.</li> </ol>
Deliberate illegal acts by both legal entities and individuals and Company's employees, causing economic damage and damage to business reputation (FR13-07)	Ensuring the comprehensive security of the Company's activities	Significant	<p>Implementing the action plan of the Department of Security of Rosseti Kuban for 2020, including:</p> <ol style="list-style-type: none"> <li>1. Strengthening the protection of the Company's facilities and property.</li> <li>2. Conducting controls and official inspections to identify signs of illegal actions on the part of legal and individuals, as well as employees of the Company.</li> <li>3. Sending applicant materials to law enforcement agencies, organising interaction with law enforcement agencies.</li> </ol>

**The Company's Key Risks Map for 2020**



Each business process has the own specific set of risks. Therefore, the list of risks is determined and analysed separately for each business process, after which they are included in the Company's Risk Register.

The operational risks of the Company include aggregated risks of business processes and risks that have a significant impact on the Company's activities, including key performance indicators of the Company's sole executive body, and respectively on achieving goals in the management of the grid complex and meeting the strategic objectives of Rosseti Group. In developing the scenario conditions for the Company's business plan, the Company's results from the beginning of this year and for previous periods are taken into account, as well as information about operational risks. The Company's business plan contains information about operational risks that have a final "significant" and "critical" rating.

One of the most critical consequences and the corresponding KPI of most impact are determined for each operational risk. Each operational risk is assessed separately from other risks affecting the same KPI.

**Impact of Risks on Achieving Strategic Goals**

In 2020, Rosseti Kuban introduced a new risk management methodology and expanded the conceptual framework.

**Meaning of basic concepts**

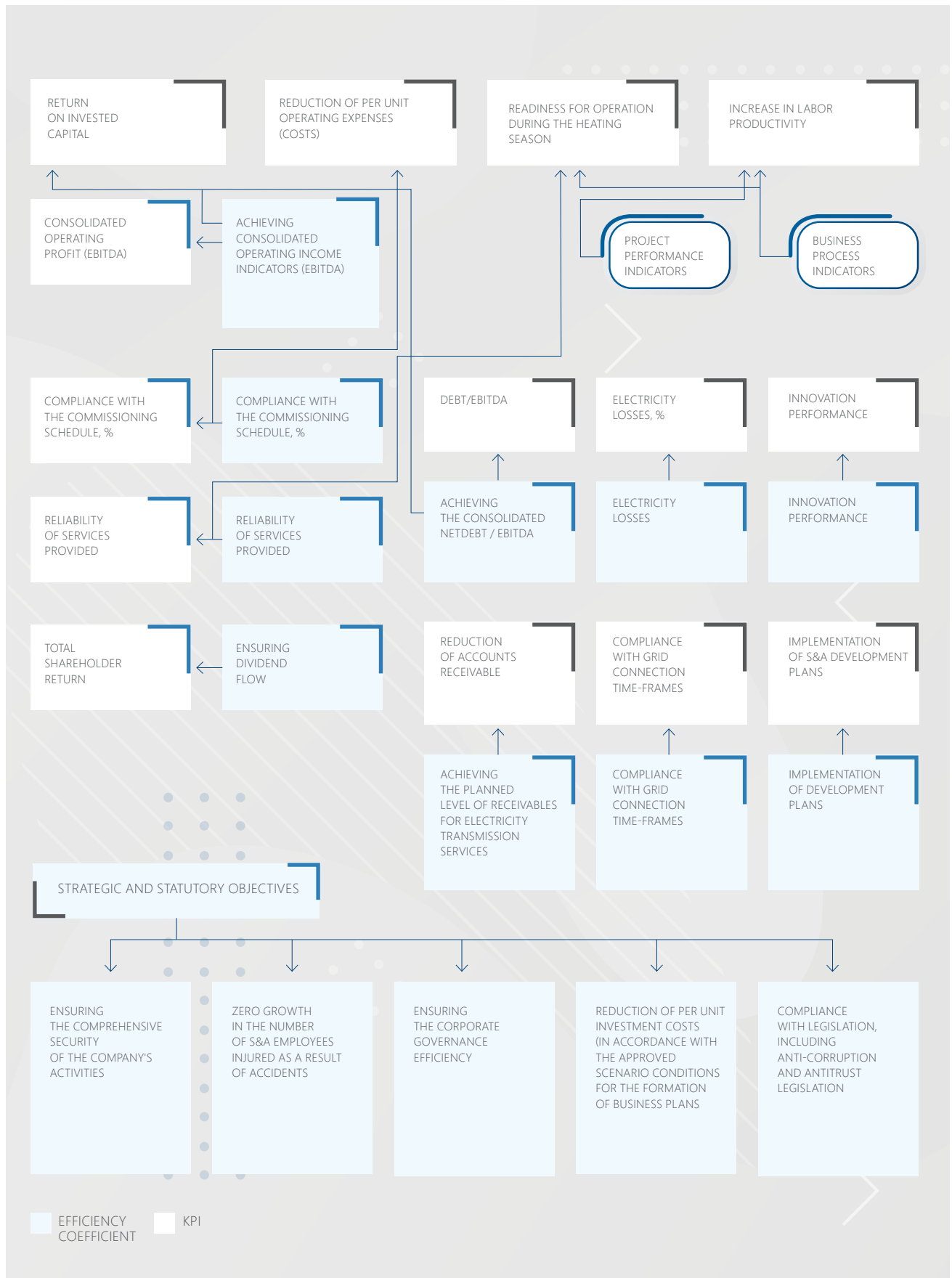
Key performance indicator (KPI)	The Company's performance indicators, which reflect the key operational and financial priorities, as well as possible strategic goals and objectives. A key performance indicator is used as a measure of the level of operational risk impact assessment
Operational risk	The impact of uncertainties on achieving the relevant key performance of the Company. Risks of certain business processes may be operational risk factors
Business process risk	Impact of uncertainty on achieving the performance targets of the business

KPIs:

- Achieving Consolidated Operating Income Indicators (EBITDA)
- Achieving the Consolidated Net Debt/ EBITDA
- Achieving the planned level of receivables for electricity transmission services
- Ensuring dividend flow
- Electricity losses, %
- Compliance with grid connection time-frames
- Compliance with the commissioning schedule, %
- Reliability of services provided
- Zero increase in casualties
- Innovation performance
- Reduction of per unit investment costs
- Compliance with legislation, including anti-corruption prevention and legislation and antitrust laws
- Ensuring the comprehensive security of the Company's activities

Risks of the Company's business processes include risks of the Company's primary, secondary business processes, Company's management and development business processes, These risks are taken into account in modelling business processes and arise in any Company's business processes, which influence the achievement of the goals of the relevant business process, and through the objectives of the business process - the achievement of company's operational objectives, the objectives of compliance with the company's applicable laws and regulations, timely and complete reporting on the all-kind activities of the Company (accounting (financial), tax, statistical, management, grid, etc.).

Efficiency coefficient and KPI relationship map



## Evaluating the RMS Effectiveness and Improvement

In order to guarantee that the RMS is efficient and complies with changing requirements and conditions, the Company's internal auditor assesses the RMS efficiency. The Internal Auditor's RMS Performance Report for 2019 was discussed by the Board of Directors (Minutes No. 399/2020 dated August 28, 2020), and the RMS was concluded to be "moderately" or "optimally" mature. By the end of 2020, the level of RMS maturity is assessed analogously.

The RMS Development and Improvement Plan was approved by the decision of the Company's Board of Directors (Minutes No. 373/2019 dated December 31, 2019) with a preview of the Strategy Committee (Minutes No. 105/2019 dated December 10, 2019). In 2020, pursuant to the Company's RMS Improvement Plan:

- the Register of Operational and Business Process Risks of the Company for 2020, the Risk Management Plan for 2020 was approved (Minutes of the Management Board meeting No.10/2020 dated April 30, 2020);
- the methodology documents on the Company's risks identification, analysis and assessment, risk responding, and documenting information concerning the assessment of the risk management maturity level in the Company, were approved;
- Representatives of the Company participated in the activities of the Commission on Risk Management and Internal Control Methodology in Rosseti Group, as well as the working group on updating the Commission's Risk Management Methodology;
- some employees of the Department of Internal Control and Risk Management joined the Association of Internal Auditors and participated in the Association's webinars.

## Activities to Improve the RMS for 2021

- Updating the Risk Management Policy based on the principles of the COSO concept "Enterprise Risk Management. Integrating with Strategy and Performance", and ISO 31000:2018 standard "Risk Management – Guidelines".
- Developing a methodology for determining risk appetite under the standards of Rosseti Group. Introducing the risk appetite rate for discussion by the Board of Directors.
- Conducting training for managers and employees regarding organization and functioning of the Internal Control System and the Risk Management System.

### Indicators in Internal Control and Risk Management System

Indicator	Unit of measurement	2018	2019	2020	Change 2020/2019, %
Number of risks of a critical level <sup>1</sup>				1	
Number of risks of a significant level				8	
Internal assessment of ICS performance	point	5.2	5.3	5.3 <sup>2</sup>	- <sup>3</sup>
Internal assessment of RMS performance	point	4.49	4.51	4.67 <sup>4</sup>	-
Number of counterparties, for which the bankruptcy procedure is initiated		19	23	23	0
The volume of the Company's claims included to the creditor claim list or submitted to the debtors, being under the bankruptcy procedure, regarding the current payments	RUB mln	759.38	768.91	760.61	-1.1
The total amount of cash flows received by the Company's budget from counterparties under the bankruptcy procedure	RUB mln	0	1.32	6.87	420.5
The amount of overdue debts of the counterparties under the bankruptcy procedure	RUB mln	759.38	768.91	760.61	-1.1
The amount of cash flows saved by the Company due to the purchase of its debt to debtors under the bankruptcy procedure	RUB mln	0	0	0	0
The total amount of transactions between the Company and the counterparties being under the bankruptcy proceedings and invalidated	RUB mln	0	0	0	0

<sup>1</sup> Due to the change of the Company's risk management methodology in 2020 and the updating of the Company's risk registry, indicators are given for the reporting period only.

<sup>2</sup> At the moment of Report writing, no assessment has been carried out. The information will be supplemented by the results of the assessment.

<sup>3</sup> At the moment of Report writing, no assessment has been carried out. The information will be supplemented by the results of the assessment.

<sup>4</sup> Preliminary assessment, materials are under negotiation.

## Key performance indicators



*Whether the Company's strategic goals are accomplished is determined through the Key Performance Indicators (KPI).*

*The key performance indicators set for the Company's General Director were based on:*

- *Cl. 15.1 of Article 15 of the Company's Charter;*
- *Resolution of the Company's Board of Directors dated October 7, 2020 (Minutes No. 404/2020 dated October 9, 2020).*

*Key performance targets are approved by the Company's Board of Directors by a decision of October 7, 2020 (Minutes No. 404/2020 dated October 9, 2020)".*



Head of the Human Resources Department  
**Ivan Treputin**

In accordance with the above mentioned resolutions of the Company's Board of Directors the following structure for Key Performance Indicators for 2020 were established:

KPI	Calculation
Total shareholder return	Comparison of the accrued dividends of the reporting year with the average value of the same indicator of previous three years and with the value in the business plan of the Company
Return on invested capital (ROIC)	The ratio of profit before taxes and interest to the sum of capital and long-term loans and borrowings
Consolidated operating profit (EBITDA)	Section 1. The year-on-year growth of the actual EBITDA exceeds the average annual rate of tariff growth. Section 2. If the condition above is not met, the achievement of the EBITDA indicator to the planned value calculated based on the approved business plan is estimated
Reduction of unit operating expenses (costs)	Year-on-year reduction of the ratio of unit operating costs to the volume of serviced equipment (c.u.) in the reporting year
Electricity losses	The ratio of electricity supply to the grid by deducting the electricity supplied from the grid and consumption for household needs to the supply to the grid by deducting the internal balance flows
Increase in labor productivity	By the order No. 576 of the Russian Federal Service for State Statistics dated September 23, 2014: the ratio of revenue from electricity transmission to the number of man-hours of work
Innovation performance	The integral indicator of the effectiveness of innovation activity estimates the degree of performance of three composite indicators: the indicator of R&D expenditures, the indicator of the purchase of innovative products, the indicator of the quality of R&D development (updating) / R&D performance.

KPI	Calculation
Reduction of accounts receivable	Reduction of the actual overdue receivables by the Company (excluding moratorium and restructured debts, as well as debts of counterparties deprived of the status of a subject of the wholesale electricity market and/or a supplier of last resort)
Compliance with grid connection time-frames	A complex indicator that estimates the quality level of the Company's grid connection and includes three components: the quality of consideration of applications for grid connection, the quality of execution of contracts on the implementation of grid connection of applicants, compliance with the anti-trust legislation of the Russian Federation
Debt/EBITDA	Section 1. It is estimated by the results of the debt-to-EBITDA ratio performance. In case of financial stability of the Company, the target value is $\leq 3.0$ ; otherwise - an improvement of at least 10% from the fact of the previous year, but not less than 3.0. Section 2. If the condition above is not met, the achievement of the planned Debt/EBITDA indicator calculated on the basis of the approved business plan is estimated
Compliance with the commissioning schedule	The ratio of the total actual fixed assets put in accounting records (in monetary terms, in relation to completed construction facilities and taken into fixed assets in the reporting segregated by quarter) to the planned volume in accordance with the approved Investment Program of the Company and its schedules
Ready to work during the heating season	Indicator that estimates the readiness of the Company to work during the heating season based on monthly monitoring of the Ministry of Energy of Russia
Implementation of the Company's Development Plan	Depreciation indicator, the amount of which is calculated depending on the number of unfulfilled activities of the Company's Development Plan approved by the ROSSETI Board of Directors in the reporting period
Reliability of services provided	Indicators of reliability of tariff regulation (SAIDI, SAIFI), as well as the number of major accidents in relation to average annual values for three years
No accidents at work	The number of injured employees of the Company in accidents (with mild, severe, or fatal outcomes) associated with the failure of officials to fulfill their duties, for the reporting year

#### Targets and achieved KPIs

KPI	Significance in the bonus system for 2020, %	Actual value for 2019 / Assessment of achievement for 2019	Target for 2020	Actual value for 2020 <sup>1</sup> / % year-on-year <sup>2</sup>	Assessment of achievement for 2020 / Reasons for the deviation	Target for 2021
Total shareholder return	10	Introduced in 2020	Not exceeding the arithmetic average amount of funds allocated for the payment of dividends by the decisions of the General Meetings of shareholders of the Company for three years preceding the reporting period, and the amount of funds provided for the payment of dividends in the reporting period under the Business Plan of the Company	–	The achievement of the indicator will be evaluated following the decision on the distribution of profits (loss) of the Company taken at the general meeting of shareholders at 2020 year-end.	Not exceeding the arithmetic average amount of funds allocated for the payment of dividends by the decisions of the General Meetings of shareholders of the Company for three years preceding the reporting period, and the amount of funds provided for the payment of dividends in the reporting period under the Business Plan of the Company
Return on invested capital (ROIC)	20	Introduced in 2020	$\geq 95.0\%$	116% / –	Achieved / –	$\geq 95.0\%$
Consolidated operating profit (EBITDA)	15	Introduced in 2020	Done	Done / –	Achieved / –	Done
Reduction of unit operating expenses (costs)	10	2.1% / Achieved	$\geq 2.0\%$	4.0% / 190%	Achieved / –	$\geq 2.0\%$

<sup>1</sup>. Contains the expected level of KPI achievement for 2020, given the deadlines and procedure of reporting, which is the source of information for the calculation of KPIs. The final actual values are approved by the Board of Directors of Rosseti Kuban.

<sup>2</sup>. Expected values for 2020 are compared with targets for 2020 and actual results for 2019 on the basis of metrics with comparable calculation methods.

KPI	Significance in the bonus system for 2020, %	Actual value for 2019 / Assessment of achievement for 2019	Target for 2020	Actual value for 2020 / % year-on-year	Assessment of achievement for 2020 / Reasons for the deviation	Target for 2021
Electricity losses	10	10.62% / Achieved	≤10.51%	10.04% / 106%	Achieved / –	≤10.50%
Increase in labor productivity	5	4.33% / Achieved	≥2.00%	4.36% / 101%	Achieved / –	≥5%
Innovation performance	20	121% / Achieved	≥90%	The KPI result will be summed up by the individual resolution of the Board of Directors of the Company / –	– / –	≥90%
Reduction of accounts receivable	10	Introduced in 2020	≤100%	74% / –	Achieved / –	≤100%
Compliance with grid connection time-frames	–10	1.0 points / Achieved	≤1.3 points	1.0 points / – <sup>1</sup>	Achieved / –	Not less than the previous-year actual value multiplied by 0.85, but no less than 1.1
Debt/EBITDA	–10	Introduced in 2020	Done	Achieved / –	Achieved / –	Done
Compliance with the commissioning schedule	–10	Introduced in 2020	≥90%	104% / – <sup>3</sup>	Achieved / –	≥90%
Ready to work during the heating season	–10	Introduced in 2020	≥0.95 point	0.99 point / –	Achieved / –	Simultaneously: 1) ≥0.95; 2) failure to reach the established value of the specialised indicator "Outstanding activities to enforce the readiness by electric power engineering entities"
Implementation of the Company's Development Plan	–70	Introduced in 2020	0 (All measured are implemented)	0 / –	Achieved / –	0 (All measured are implemented)
Reliability of services provided	–10	Simultaneously: 1) KPI ≤ 1.00; 2) $K_{\text{saidi}} = 0.98$ ; $K_{\text{saffi}} = 0.93$	Simultaneously: 1) $K \leq 1$ ; 2) No significant deterioration in the rates set by tariff regulators; 3) Zero growth in major incidents	1) for $I_{\text{saidi}} = 0.81$ ; for $I_{\text{saffi}} = 0.98$ 2) for $I_{\text{saidi}} = 0.8870$ ; for $I_{\text{saffi}} = 0.45922$ 3) 0 / – <sup>3</sup>	Achieved / –	Simultaneously: 1) no more than two victims with a severe or mild outcome; 2) no fatal accidents or ones with one or more severe injuries in a group accident
No accidents at work	–10	Introduced in 2020	Simultaneously: 1) No more than two injured persons 2) 0	Simultaneously: 1) 0 2) 1 / –	Not achieved / Fatal accident (Act N-1 No. 1 dated June 19, 2020)	Simultaneously: 1) no more than two victims with a severe or mild outcome; 2) no fatal accidents or ones with one or more severe injuries in a group accident

<sup>1</sup> The comparison is not made due to the update of the procedure for calculating KPIs in 2020.

To improve the efficiency of the Rosseti Kuban performance, as well as to update the methods for calculating KPIs under the decision of the Board of Directors of Rosseti Kuban of October 7, 2020 (Minutes No. 404/2020 dated October 9, 2020), the KPI system was revised in 2020, including:

1. the KPI system is based on the annual indicators, quarterly indicators are omitted;
2. new KPIs: "Total shareholder return", "Return on invested capital", "Ready to work during the heating season", "Implementation of the Company's Development Plan", have been introduced into the annual KPIs;
3. KPIs: "Reduction of per unit investment costs", "Consolidated net cash flow", "Increase in the process utilization of power grid equipment", were excluded;
4. KPIs: "Operating profit (EBITDA)", "Reduction of accounts receivable", "Debt/EBITDA", "No accidents at work", were transferred from quarterly to annual ones;
5. the calculation methods for the KPIs: "Reduction of unit operating expenses (costs)", "Electricity losses", "Increase in labor productivity", "Compliance with grid connection time-frames", "Compliance with the commissioning schedule", "Reliability of services provided" were upgraded.

The Key Performance Indicators system used in the Company is connected to the amount of variable remuneration of the management – specific ratio in the amount of paid bonuses is set for each index. Annual bonuses are paid on the condition of achieving relevant KPIs.

## Integrated Management System



*The pandemic, which has suddenly arisen everywhere, is nothing more than a new factor to be considered within the context of quality management standards.*

*A risk-based process approach is developed to help businesses survive in such situations. The Company uses management systems that meet the requirements of ISO 45001 and ISO 14001 standards, one of the requirements of which is the availability and implementation of an emergency response plan.*

*In 2020, a unique opportunity presented itself to see how efficient and effective these plans were.*

*Summing up the results of the year, it can be noted that the tasks were solved, including due to the presence of the described processes and procedures".*



Head of the Internal Control and Risk Management Department  
**Nadezhda Mayakovskaya**



Since 2008, the Company has applied a certified Integrated Quality Management System that includes:



- Quality Management System that is a part of the Company's overall management system with the own organizational structure, processes, procedures, and resources necessary for the general quality management;
- Environmental Management System that is a part of the Company's overall management system with the own organizational structure, mechanisms, procedures, and resources necessary for the management of the environmental aspects of activities through developing and achieving the environmental policy goals.
- Labor Safety and Health Protection Management System that is a part of the Company's overall management system, which allows to manage risks and improve the Company's performance in terms of labor safety and health protection indicators.
- Energy Management System that is a part of the Company's overall management system, which has a well-defined organizational structure and focuses on fulfilling the provisions stated in the energy policy through implementing the programs on energy saving and enhancing energy efficiency.

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

- stating the Company's mission and strategic goals;
- ensuring that the Quality Policies and Goals are in line with the Company's environment and Strategic Goals;
- assuming responsibility for the performance of the IMS;
- promoting a process-based approach and risk-oriented thinking;
- making available the resources the IMS needs;
- raising staff-wide awareness of the importance of effective management and IMS compliance in the Company;
- achievement of the planned results by the System;
- involving, guiding, and supporting the participation of, the employees in enabling the IMS;
- supporting governance system improvements;
- supporting other respective managers in their effort to show leadership in their areas of responsibility.

The Company uses the following hierarchy:



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

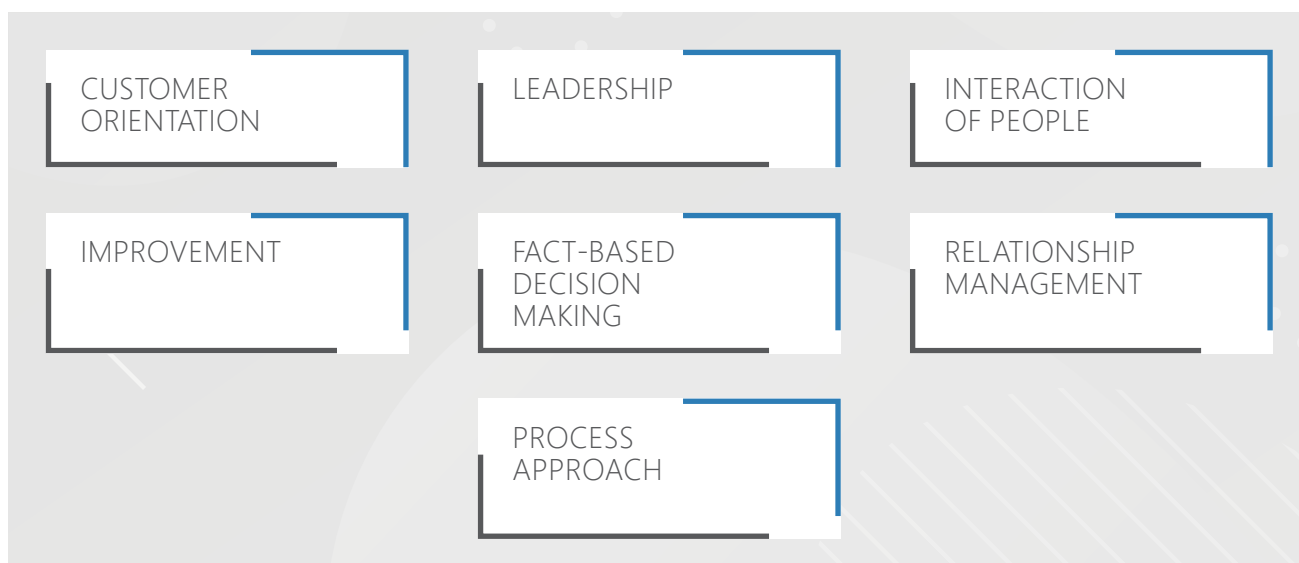
- process requirements are understood and met;
- processes perform well;
- processes are subject to continuous improvement.

Process owners and heads of units are responsible for process management in their structural units within the delegated powers. Responsibility and powers for the IMS processes are presented in the relevant internal regulatory documents.

The IMS policy is stated in four independent documents linked by common concepts, which are approved by the order of the General Director:

- the Quality Policy of Rosseti Kuban;
- the Environmental Policy of Rosseti Kuban;
- the Occupational Health and Safety Policy of Rosseti Kuban;
- the Energy Policy of Rosseti Kuban.

**The company and its employees apply the following principles of the Quality Management System (QMS):**



Company's IMS and certificates of compliance apply to transmission and distribution of electrical power through power grids of 220 kV and lower, and grid connection of consumers; design, construction, reconstruction, and overhaul of power facilities; other non-tariff services in the Krasnodar Territory and the Republic of Adygea.

The Company's stakeholders are:

- Guaranteeing suppliers and electricity sales companies having contracts for electricity transmission with Rosseti Kuban for the benefit of its consumers;
- customers requesting connection to the Company's grids;
- end users of electricity, whether directly or indirectly connected to the Company's grids;
- other electric power engineering entities (generating companies, SO UES, local and related grid organizations, etc.);
- the Company's personnel;
- the Company's shareholders;
- Rosseti as the Company's parent company;
- regional, municipal, and local authorities in the Company-served areas;
- Krasnodar Regional Public Organization "All-Russian Electric Trade Union";
- suppliers and providers

In 2020, Rosseti Kuban went through a transition phase from the compliance with the requirements of OHSAS 18001:2007 to the compliance of the occupational health and safety management system with the requirements of ISO 45001:2018.

Main participants of the management systems include:

- Company's Board of Directors;
- Executive bodies of the Company — (General Director, Management Board)
- Representative of the relevant Company's management
- structural unit that ensures operation of management systems;
- structural units of the Company and S&A participating in the operation of the management systems.

Key operating results of the Management Systems:

- Increased reliability and stability of electricity supply;
- Higher safety of power supplies;
- Labor safety and health protection during production activities, including reduction of the total number of accidents in keeping with Labor Safety and Environmental Protection legislative requirements;
- Enhanced energy efficiency;
- Environmental safety;
- Enhanced quality level of grid connection services.

For more details see Operating Activities Performance and Sustainable Development.

**Availability of Company's IMS Certificates**

Management System	Certificate validity	Certification authority
ISO 9001. Quality management systems	05.03.2021	SGS Vostok Limited CJSC
ISO 14001. Environmental management system	05.03.2021	SGS Vostok Limited CJSC
OHSAS 18001. Occupational health and safety management system	05.03.2021	SGS Vostok Limited CJSC
ISO 50001. Energy Management System	28.12.2021	"Russian Register" Certification Association

SGS Vostok Limited (a member of the SGS Group) carried out the supervision audit in April 2020 and confirmed that the Company's Management System was compliant with the requirements of the International Standards for the Quality Management System ISO9001:2015, the Occupational Health and Safety Management System OHSAS 18001:2007, and the Environmental Management System ISO 14001:2015 in the Krasnodar and Ust-Labinsk power grids and the Executive Office. The certifying body thus concluded that the Management System of Rosseti Kuban was fully functional, well-designed, and capable of achieving the goals outlined in the Company's Quality, Environmental, and OHS Policies.

The results of the recertification audit carried out by the Russian Register Certification Association in 2020 showed that the Company's Management System was compliant with the International Standard ISO 50001:2018 for the Energy Management System in Leningradskaya, Timishevsk, Tikhoretsk power grids, and the Executive Office. The certifying body thus concluded that the Management System of Rosseti Kuban was fully functional, well-designed, and capable of achieving the goals outlined in the Company's Energy Policy.

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

Rosseti Kuban's Environmental Management System is certified for compliance with the International Standard ISO 14001:2015 for the Environmental Management System. Requirements and directions for use. See the information on the operation of the system in Sustainable Development.

The COVID-19 pandemic affecting the world in 2020 left an indelible imprint on the Company's activities and the progress of the Company's IMS processes. Some aspects of the Company's activities went online, in particular, customer servicing, which previously took place in service centers. Such a transition was made without any particular difficulties due to the development of online services, such as "The Light Country" portal, the "Light-online" internet service, a user's account on the official website of Rosseti Kuban, and a call center.

External and internal IMS audits were also carried out remotely.

In general, the IMS performance in 2020 had positive results, which is confirmed by the conclusions of the certification bodies.

## Grid Development in Rosseti Kuban and the Region

THE MAIN OBJECTIVE OF THE LONG-TERM DEVELOPMENT OF THE COMPANY'S POWER GRID CONSISTS IN FINDING THE BEST POSSIBLE DIRECTION OF MODERNIZATION AND EXPANSION OF THE GRID TO MAKE UP FOR A SHORTFALL OF GENERATING CAPACITIES AND SATISFY A POTENTIAL DEMAND FOR GENERATING CAPACITY IN THE LONG TERM.

In 2020, acting under Decree of the Russian Federation Government No. 823 dated October 17, 2009, On Roadmaps for Prospective Electric Power Industry Development, Rosseti Kuban participated in drafting such roadmaps for Krasnodar Territory and the Republic of Adygea for five year.

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

- the interdepartmental Electric Power Industry Development Roadmap Panel of Krasnodar Territory established by Decree of the Governor No. 181-p dated February 11, 2011, On Establishing an Interdepartmental Panel to Draft the Electric Power Industry Development Roadmap for Krasnodar Territory;
- the Electric Power Industry Development Roadmap Panel of the Republic of Adygea (established by Order No. 26-p of the Ministry of Economic Development and Commerce of the Republic of Adygea dated February 1, 2011, On Establishing the Panel.

Roadmap for Prospective Electric Power Industry Development in the Krasnodar Territory for 2021–2025 as approved by Decree of the Governor of Krasnodar Territory No. 98-p dated April 30, 2020.

Roadmap for Electric Power Industry Development in the Republic of Adygea for 2020–2024 as approved by the Head of the Republic of Adygea's Decree No. 89-rg dated April 30, 2020.

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

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

In 2019, the Company entered into an agreement with Federal Research Center PJSC for the development of this Program. Currently, the Program has been developed for the second stage (for 2021–2025), it is being adjusted taking into account the remarks of Rosseti Kuban and Kuban RDO dispatching center (branch of SO UES, JSC).

On February 24, 2021, the materials of this Program were submitted to the executive authorities of Krasnodar Territory and the Republic of Adygea as source data for drafting and approval of the regional roadmaps in 2021.

## Technological Development and Innovation

### Technical Policy

THE COMPANY'S BOARD OF DIRECTORS APPROVED ROSSETI'S REGULATION ON THE UNIFIED TECHNICAL POLICY IN THE POWER GRID COMPLEX AS THE COMPANY'S INTERNAL DOCUMENT DATED DECEMBER 25, 2019 (MINUTES NO. 369/2019).

THIS UNIFIED TECHNICAL POLICY SETS FORTH A COMBINATION OF TARGETS, PRINCIPLES, AND EFFICIENT TECHNICAL, TECHNOLOGICAL, AND ORGANIZATIONAL REQUIREMENTS AND SOLUTIONS TO IMPROVE THE EFFICIENCY, RELIABILITY, SAFETY, AND COST-EFFECTIVENESS OF ELECTRICITY DELIVERY AND DISTRIBUTION SO AS TO PURSUE THE DEVELOPMENT STRATEGY OF THE POWER GRID COMPLEX OF THE RUSSIAN FEDERATION.

THE POLICY ALSO SEEKS TO ENABLE THE COMPANY TO OPERATE AND SOLVE ITS PROBLEMS UNDER THE DIGITAL TRANSFORMATION 2030 CONCEPT.

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



### The Company's milestone project that relied on advanced solutions

Branch of Rosseti Kuban	Project name	Key Technical Parameters
Power Grids of Krasnodar	Construction of 110/10 kV Angarskaya SS with 110 kV overhead lines	Two 110/10 kV power transformers of 25 MVA each are installed. SF6 switchgear of 110 kV is used. The facility uses advanced information technology and control systems and tools (relay protection and automation (RPA) solutions, emergency control automatics, data acquisition and transmission system, automatic information and metering system for commercial electricity metering), which ensure the processes of information exchange between the substation elements and the information exchange of the substations with external systems, as well as the control of the substation itself in digital form based on the protocols of IEC 61850 <sup>1</sup> standard. The main and backup digital data transmission channels from the substation were established on the domestic transport digital equipment NATEKS FOM-16E1, which in 2020 was put into trial use as part of a pilot implementation at the facilities of Rosseti Kuban and launched into commercial operation

Rosseti Kuban approved the list of grid standards. The list is updated annually, as well as when reviewing the existing or adopting new standards. The documents are publicly available on the server to the Company's employees,

Over the reporting year, the Company's units developed 17 standards that form a single system and set forth uniform equipment and process requirements.

### Company's Standards Developed in 2020

Regulated aspect	Standard
Energy management	Regulations on the Interaction of Business Units Within the Energy Management System
Energy management	Guidelines for Energy Analysis
Energy management	Regulations on the Representative of the Senior Management on the Energy Management System of Rosseti Kuban
Energy management	Regulations on the Representative of the Management on the Energy Management System of the Rosseti Kuban Branch
Energy management	Guidelines for the Integrated Management System
Electricity metering	Instructions for Organising and Conducting of Instrumental Incoming Control of Electricity Meters in Rosseti Kuban
Electricity metering	Regulations on the operation and Maintenance of Electricity Metering Systems in Rosseti Kuban
Buildings and structures	Regulations on Periodic Technical Inspection of Grid Equipment, Buildings and Structures of Rosseti Kuban
Substations and Core Equipment	Guidelines for the Operation of 6–35 kV Arc Suppression Coils of Rosseti Kuban
Operational and Process Control, Contingency Management	Procedure for Operational Data Transmission to Rosseti Kuban
Operational and Process Control, Contingency Management	Instructions for Quick-Response Switching in Rosseti Kuban's 0.4–220 kV Grids
HR management	Regulations on Holding the Day of the Operative Worker in Rosseti Kuban
Occupational safety	Guidelines for the Video Recording at the Power Grid Facilities of Rosseti Kuban Using Mobile and Stationary Video Recording Devices
Fire safety	Instructions for the Operation of Fire-Fighting Water Systems of the Executive Office and Production Facilities of Rosseti Kuban
Fire safety	Instructions for the Operation of Fire-Fighting Systems of the Executive Office and Production Facilities of Rosseti Kuban
Fire safety	Instructions for the Operation of Fire Extinguishers of the Executive Office and Production Facilities of Rosseti Kuban
Fire safety	Regulations on Production Control Over Compliance with Industrial Safety Requirements at Hazardous Production Facilities

<sup>1</sup> International Electrotechnical Commission Standard for communication networks and systems at substations, which specifies data streaming formats, form of information, rules of definition of power facility items, and a set of rules to arrange an event-related data transfer protocol.

## Innovative Development

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

- transition to smart 35–110 (220) kV substations;
- transition to smart grids with a distributed intellectual automation and control system;
- transition to integrated business processes and automation of control systems;
- utilization of new technology solutions and materials in power engineering;
- promoting an innovative development management system and building an innovative infrastructure.

## The Company's Main Innovative Projects Implemented in 2020

Project name	Project implementation
Creation on smart 110 kV Adler, Kudepsta and Pasechnaya substations	<p>Deadlines: 2020–2022</p> <p>In the reporting period, front-end engineering and design work was carried out, the decentralized architecture No. 3 for building digital substations was determined using sections IEC 61850–8-1 and IEC 61850–9-2 of IEC 61850 standard, the volume and type of equipment was defined. A feasibility study was made to compare the designed facility and the classic analogue adopted for comparison.</p> <p>The expected effect of implementation:</p> <ul style="list-style-type: none"> <li>– experience in design, installation and setup of IEC 61850 compliant equipment at 110 kV substations;</li> <li>– upskilling of customer services concerning digital substations;</li> <li>– reduction of costs for design, construction, installation and commissioning due to unification of microprocessor devices and reduction of cable connections for 110 kV substations;</li> <li>– improving the safety of the facility maintenance by operating personnel.</li> </ul>
Creation of a smart metering system in the branches of Rosseti Kuban	<p>Deadlines: 2020–2030</p> <p>In the reporting period, innovative smart metering devices were introduced in six branches of Rosseti Kuban: Adygea, Armavir, Krasnodar, Leningrad, Sochi and Tikhoretsk power grids. In these branches, except for the latter, as part of the creation of a distributed automation system in 6–10 kV distribution grids, the investment program for 2021–2022 included projects to establish digital RES.</p> <p>The project aims to create a smart metering system, integration into the established innovative systems: collecting and displaying information (SCADA), managing grid operating modes (DMS), managing grid operations (OMS).</p> <p>The expected effect of implementation:</p> <ul style="list-style-type: none"> <li>– reduction of operating costs by taking the readings and power supply parameters for electricity consumers remotely;</li> <li>– the possibility of remote limitation and resumption of power supply to electricity consumers.</li> </ul>
Development of the Production Asset Management System (PAMS)	<p>Deadlines: 2020–2022</p> <p>In the reporting period, the Development Plan for the Production Asset Management System of Rosseti Kuban was approved for 2020–2022 (Minutes of the meeting of the Board of Directors No. 402/2020 dated September 14, 2020). The Company's PAMS Development Plan for 2020–2022 includes 28 activities, including 15 activities related to PAMS development in terms of process automation, and 13 organizational activities. It is envisaged that PAMS will be integrated with the digital information systems of the Company.</p> <p>The expected effect of implementation:</p> <ul style="list-style-type: none"> <li>– ensuring the power supply reliability level established by the regulator;</li> <li>– improving the efficiency of operating costs associated with production processes.</li> </ul>

## Research and Development

Among other things, the Company's Innovative Development Program focuses on research and development (R&D), namely promotion of cutting-edge technology to create fundamentally novel methods, as well as applied research designed to improve the existing technology.

In 2020, stages of work on three R&D projects were accepted, and the development of two R&D projects was completed.

## R&amp;D products of 2020

R&D description	Results
<b>Transition to smart 35–110 (220) kV substations</b>	
Development of technical requirements for the computer-aided design system according to IEC 61850 <sup>1</sup> , algorithms and methods for checking the computer-aided design system for compliance with technical requirements	<p>Deadlines: 2019–2020</p> <p>The Company has produced:</p> <ul style="list-style-type: none"> <li>– the terms of reference for the creation of algorithms for checking the computer-aided design system for compliance with technical requirements, and checking the configuration files for compliance with the SCL scheme, corresponding version of IEC 61850 standard, and their syntax;</li> <li>– a working prototype of algorithms;</li> <li>– documentation for the set of algorithms: description of the method, which is implemented on the basis of algorithms, user manual, system administrator's guide, source codes of the set of algorithms in the selected programming languages;</li> <li>– software for checking the computer-aided design system for compliance with technical requirements, and checking the configuration files for compliance with the SCL scheme, corresponding version of IEC 61850 standard, and their syntax;</li> <li>– an explanatory note with a calculated estimate of the economic and other effects from the work, including the optimal business model for the distribution of the developed software</li> </ul>
<b>Transition to digital smart grids with a distributed intellectual automation and control system</b>	
Research and development of special requirements, architecture, and possible technical solutions to guarantee information security of the smart metering system	<p>Deadlines: 2019–2020</p> <p>The Company has produced:</p> <ul style="list-style-type: none"> <li>– the list of requirements for the security of information of the smart metering system;</li> <li>– information protection measures in the smart metering system;</li> <li>– the final version of the Information Security Requirements for Commercial Electricity Metering Infrastructures;</li> <li>– main design solutions to ensure information security for the smart metering system</li> <li>– model design solutions and base architecture for infrastructure protection of the smart metering system;</li> <li>– guidelines for the risk-oriented management of the organization's information infrastructure as part of the process of installing critical software updates to the smart metering system;</li> <li>– recommendations for the acceptance, commissioning and decommissioning of the information security system of the smart metering system;</li> <li>– rules and procedures for internal control in terms of security of the smart metering system infrastructure;</li> <li>– guidelines for the detection, prevention and elimination of the consequences of computer attacks and computer incident response for the smart metering system;</li> <li>– specialized software "Integration Security Event Module for the Intersystem Integration Service Based on the IEC 61968 Logical Model<sup>2</sup>"</li> </ul>
<b>Transition to integrated business processes and automation of control systems</b>	
Studying the increment rate of key forest-forming tree species depending on climatic zones and soil quality along the routings of operating overhead lines with the preparation of regional maps for regular clearing of overhead line right-of-ways and provision of recommendations on technique of works	<p>Deadlines: 2020–2022</p> <p>Technical results attained in 2020</p> <ul style="list-style-type: none"> <li>– R&amp;D Report "Conducting research aimed at the development of geoinformation databases on forest vegetation to determine the rate of overgrowth of overhead lines, make recommendations on the frequency and methods of their clearing within Rosseti Kuban's footprint"</li> </ul>

In 2020, two titles of protection were obtained: a certificate of state registration of a computer program and a patent for invention.

One licensing contract was made for the R&D products, and two of those were introduced into production activities of Rosseti Kuban.

<sup>1</sup> IEC 61850 is an International Electrotechnical Commission Standard for communication networks and systems at substations, which specifies data streaming formats, form of information, rules of definition of power facility items, and a set of rules to arrange an event-related data transfer protocol.

<sup>2</sup> IEC 61968 is an International Electrotechnical Commission Standard for communication networks and systems at substations. It is designed to support the inter-application integration of a utility enterprise that needs to collect data from different legacy or new applications, each with different interfaces and run-time environments. IEC 61968 defines interfaces for all the major elements of an interface architecture for Distribution Management Systems (DMS) and is intended to be implemented with middleware services that broker messages among applications.

## R&D Costs

### Costs by key R&D areas in 2020, RUB mln (excl. VAT)

Innovative development area	Target	Actual
Transition to smart 35–110 (220) kV substations	55.20	29.30
Transition to digital smart grids with a distributed intellectual automation and control system	153.79	180.15
Transition to integrated business processes and automation of control systems	0.00	0.00
Utilization of new technology solutions and materials in power engineering	2.97	2.32

## Digital Transformation

Pursuant to Decrees of President of the Russian Federation, Vladimir Putin, No. 203 dated May 9, 2017 "On the Strategy for the Development of the Information Society in the Russian Federation for 2017–2030" and No. 204 dated May 7, 2018 "On the National Goals and Strategic Objectives of the Development of the Russian Federation for the period until 2024." On January 21, 2021, the Board of Directors of the Company approved the Digital Transformation Program for 2020–2030 (Minutes No.374/2020 dated January 24, 2020).

The Program sets forth the goals, objectives, key principles, and approaches to the Company's digital transformation; it also enumerates the pilot projects and reports the structure of Company's digital transformation management.

The digital transformation looks to changing the logics of processes and transitioning the Company to risk-oriented management.

The objectives of digital transformation:

- Company's adaptability to new tasks and challenges;
- improving the reliability performance of electric power supply to consumers
- improving the Company's operational performance
- expanding the availability of the power grid infrastructure
- developing human resources and new competencies
- diversifying the Company's business through additional services.

### Digital transformation phases

Phase	Description	Deadlines
Zero	Pre-digital era: making and implementing a decision is up to human	Phase is over
Phase I	Adoption of effective and tested technologies to lay the hardware and information foundation for further advancement;	2019–2024
Phase II	partial digitalization of the process, pilot testing of promising technology	2023–2026
Phase III	Adoption of technologies proven worthy during pilot tests and completion of introduction of first-level technologies.	2026–2030
	Completion of introduction of technologies proven worthy during pilot tests, continued introduction of second-level technologies	

In the reporting year, the Company implemented projects for the first phase of digital transformation:

- creating a single network control center;
- implementing the Smart Metering Development Program;
- introducing the Piramida-Seti software;
- creating the Integrated Contingency Management Information and Analysis System;
- adopting electronic workflow;
- developing the Production Asset Management System (PAMS) in Operations Management System;
- adopting and refining the automated HR and payroll accounting system at Rosseti Kuban on the basis of 1C: Payroll and HR Management 8. CORP of the Company.

All digital transformation projects are implemented in line with the information security requirements.

**Funding for the activities of the Company's Digital Transformation Program in 2020 amounted to**

**RUB 386.2 mln**



## Consolidation of Power Grid Assets

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

For 2020, 53 TGOs had individual electricity delivery tariffs approved for them by RPC - PTD KT (Order No. 44/2019-e dated December 27, 2019). Rosseti Kuban signed grid assets lease agreements with two TGOs (Rostekelektroseti LLC and Alga LLC).

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

- The Company informed the administration of the Krasnodar Territory about its intention to consolidate the ownerless power grid property under Rosseti Kuban and the absence of obstacles on the part of the heads of municipal entities in obtaining the ownership of such facilities by Rosseti Kuban;
- The Company sent proposals to the Ministry of Fuel and Energy Complex and Housing and Communal Services of the Krasnodar Territory for the development of regulatory legal acts aimed at improving the criteria, by which the owners of power grid facilities can be attributed to TGO, and procedures for transfer of power grid facilities belonging to organizations that do not meet the established criteria to the management of TGO, whose grids are connected with such facilities;
- Rosseti Kuban took part in a meeting with the Ministry of Fuel and Energy Complex and Housing and Communal Services of the Krasnodar Territory on the consolidation of the region's electrical grid facilities, as well as ownerless grid assets. Based on the results of the meeting, proactive measures were taken to consolidate ownerless grid assets. In 2020, the joint inventorying effort identified 134 ownerless facilities within the serviced areas of the Company, 31 of which are now in the Company's books. Measures were initiated for these facilities to recognize the Company's ownership rights in court, excluding the time of prescription (five years). There are also ongoing initiatives for the remaining 103 facilities to register them in the Company's books.

In 2020, Rosseti Kuban consolidated 15,248.9 assets, a total of 1,200.4 km and 1,438.1 MVA, and made 76 transactions, including:

- 23 gratuitous transfers of grid facilities from non-profit organizations and individuals;
- 51 lease contracts, including 10 contracts with TGOs, 24 contracts with municipal entities, 17 contracts with other owners;
- one transaction for the gratuitous use of property constituting the property of the State Treasury of the Russian Federation.

Thus, the Company took over

# 31

ownerless power facilities for use.

The asset consolidation effort of 2020 brought RUB 788 mln in additional revenue, this is due to an increase in the required gross revenue from electricity transmission services. Besides, adding more facilities to the Company's books will eliminate the costs of electricity transit to customers connected to such facilities.

### Monitoring the volumes of consolidation of power grid assets

Indicator	2018			2019			2020		
	MVA	km	c.u.	MVA	km	c.u.	MVA	km	c.u.
Total for Rosseti Kuban	210.4	654.8	1,776.9	1,457.1	1,686.1	16,024.2	1,438.1	1,200.4	15,248.9
Grid facilities acquired	0	0	0	0	0	0	0	0	0
Grid facilities in operating lease	203.8	620.8	1,656.7	1,314.1	907.7	10,422.8	1,327.8	881.2	10,518.1
Other (permanent rights of ownership and use)	6.4	32	112.3	9.7	49.4	159.6	5.5	29.6	125.1
Other (temporary rights of ownership and use)	0.2	2	8	133.3	729.0	5,441.9	104.7	289.6	4,605.7



# 03 OPERATING ACTIVITIES PERFORMANCE



# POWER TRANSMISSION

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*Delivery and distribution of electricity to customers via 110 kV or lower-voltage grids is Rosseti Kuban's core business. The Company's share in the regional electricity transmission market was 77.5% of the regional revenue requirement (RR) in 2020. In 2020, the Company did achieve its KPI targets for electricity loss in transmission, which totalled 10.04% or 0.47 p.p. below the planned value. The loss reduction actions saved 186.5 mln kWh in 2020”.*



Deputy General Director for Service Sales  
**Oleg Nishchuk**

## Key indicators

### The Company's production results (mln kWh)

Indicator	2018	2019	2020	Change 2020/2019 (%)
Grid output	23,032.535	22,850.669	23,007.998	0.6
Electricity delivered from the grid to customers and related local grid operators within the area of balance and operational responsibility	20,442.390	20,424.279	20,697.235	1.3%
Loss of electricity in transmission:				
mn kWh	2,590.145	2,426.390	2,310.764	-4.8
%	11.25	10.62	10.04	-0.58
Power transmission services provided:				
mn kWh	18,766.494	18,874.183	19,108.142	1.2
RUB mn	45,583.484	46,515.696	48,101.880	3.4

Over the reporting year, the actual electricity losses of Rosseti Kuban totalled 2,311 mln kWh in its grids, or 10.04% of grid output. This was a 0.58 p.p. reduction in losses year-on-year. Actual electricity losses decreased by 116 mln kWh year-on-year.

In 2020, the Company delivered a total of 19,108 mn kWh, a 234 mn kWh or 1.2% increase year-on-year. The decrease

in the actual revenue for electricity transmission services by 5% relative to the planned parameters was due to a reduction in the volume of electricity transmission services by 3% resulting from the measures taken to counter the spread of the new coronavirus infection (COVID-19) in the territory of the Russian Federation.

## Measures to Reduce Power Losses

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

As of the end of 2020, the effect of implementing measures aimed at reducing power losses during transmission totalled 186.5 mln kWh (RUB 723.5 mln), including due to:

- administrative procedures - 30.9 mln kWh (RUB 44.8 mln);
- engineering - 7.0 mln kWh (RUB 25.8 mln);
- improvement of power metering - 148.6 mln kWh (RUB 653.0 mln).

This work will continue.

The loss reduction program initiatives were completed in the reporting year, the target program indicator, i.e. power loss factor was achieved.

## Power Metering State

As of December 31, 2020, the number of power supply points equipped with energy meters registered at Rosseti Kuban was as follows:

- 105,004 points of legal entities;
- 1,051,486 points of household consumers.

In the reporting year, in accordance with Federal Law No. 522-FZ dated December 27, 2018 "On Amending Certain Legislative Acts of the Russian Federation in Connection with the Development of Electric Energy (Power) Metering

Systems in the Russian Federation" and the Smart Metering Development Concept of PJSC Rosseti in the retail markets, the Company developed and implemented the Smart Metering Development Program for 2020–2030. The program was approved by the decision of the Board of Directors of the Company (Minutes No. 374/2020 dated January 21, 2020).

### Implementing the Smart Metering Development Program

Indicator	Target (2020)	Actual (2020)	Plan fulfillment (%)
The scope of modernization (creation of information and metering systems for measuring the volume of electricity (power) at the point of delivery), metering points	100,271	119,901	119.6
Including:			
• creation of metering systems to comply with the Federal Law No. 522-FZ dated December 27, 2018	27,082	27,082	100.0
• automation of metering points	61,532	61,676	100.2
Program costs (including the payment under the energy services contracts of prior periods), RUB mln	1,956.174	2,158.899	110.4

The excess of the target expenditures was caused by an increase in the actual effect of implementing energy service contracts relative to the planned indicators, which led to an increase in payments to investors under the contracts concluded, and also by overfulfillment of the plan for installation of electricity meters.

## Implementing Automated Meter Reading and Control System

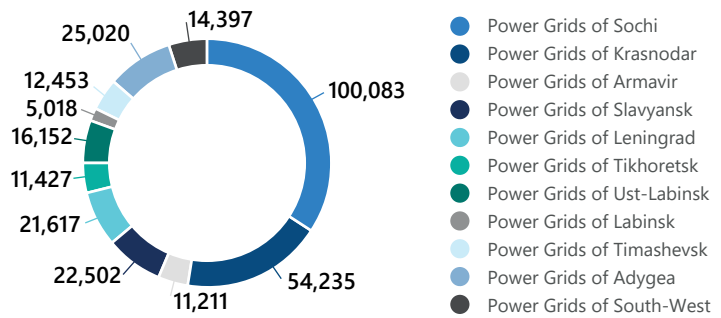
As part of implementing energy service contracts, out of 79,806 meters installed by energy service companies, 59,918 were automated in the reporting year (the target for 2020 was 59,776 meters). Also, 1,746 technical metering devices were installed and automated at the TSs under the Company's Investment Program for 2020.

As of the end of the reporting year, the number of the Company's automated electricity meters with remote data acquisition amounted to 294,915 devices (including those automated under the energy service contracts).

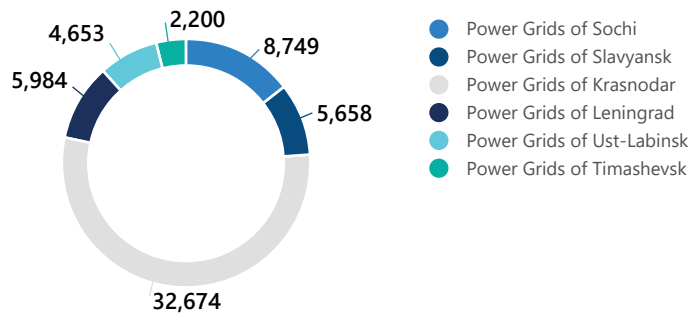
The introduction of metering devices with remote data acquisition has proven to be effective in reducing electricity losses: actual losses in 2020 decreased by 4.8% year-on-year, or 0.48 p.p.

In 2021, the Company will continue implementing meters with remote data acquisition under the energy service contracts, as well as the installation and automation of technical metering systems at the Company's TSs and substations under the Investment Program. It is planned to automate 25,218 metering points and by the end of 2021, to increase the number of automated meters with remote data acquisition to 320 thousand devices, which is 26.73% of the total number of meters in the Company.

**Total number of automated metering devices with remote data collection as of December 31, 2020, also under the energy service agreements across branches of Rosseti Kuban, pcs**



**Metering devices automated in 2020 under the energy service agreements across branches of Rosseti Kuban, pcs.**



# GRID CONNECTION TO THE ROSSETI KUBAN POWER SYSTEM



*In 2020, the number of grid connection agreements in force amounted to 15,759. Compared to 2019, this indicator has not changed significantly. The demand for grid connection remains at a persistently high level. On average, about 30 thousand applications have been annually received. In 2020, the capacity connected for consumers decreased by 18% (147 MW). This was caused primarily by the introduction of restrictive measures to prevent the spread of the new coronavirus infection and, as a result, by the conclusion of additional agreements with applicants to postpone the deadlines for the execution of contracts. A total of 3,111 agreements for 306 MW were concluded, including 2,896 agreements for the connection of facilities of 150 kW capacity maximum – for 66 MW. Compared to the previous year, the reporting period saw a significant decrease in the number of contracts not fulfilled on time (from 7,377 to 1,001 contracts). The main reason for violating deadlines is the applicant's unreadiness to complete the grid connection procedure. To prevent the occurrence of overdue contracts, the applicants are working on providing additional services by Rosseti Kuban for the implementation of measures assigned to the applicant to comply with technical specifications. By the end of 2020, the share of overdue contracts in the total number of contracts in force did not exceed 7%. With due account to the changes in the grid connection procedure from July 1, 2020, in line with Decree No. 262 of the Government of the Russian Federation dated March 10, 2020, a consistent decrease in the number of overdue contracts is anticipated. In 2020, the Company achieved a reduction in the average grid connection period to 63 days (7 days less than in 2019), which, in turn, is significantly lower than the regulatory deadlines established for grid operators by legislation. The average term to consider an application and submit an offer did not exceed 9 days".*



Interim Deputy General Director  
for Development and Grid Connection  
**Alexander Kalinichenko**

THE GOALS OF ROSSETI KUBAN GRID CONNECTION FOR THE NEAR FUTURE ARE HIGH-QUALITY SERVICE FOR APPLICANTS, ENSURING THE AVAILABILITY OF THE ELECTRIC POWER INFRASTRUCTURE IN TERMS OF GRID CONNECTION OF CONSUMERS, DEVELOPING THE POWER GRID COMPLEX, AND ELIMINATING POWER GRID RESTRICTIONS FOR GRID CONNECTION OF NEW CONSUMERS AND PROVIDING HIGH-QUALITY AND RELIABLE POWER SUPPLY TO EXISTING ELECTRICITY CONSUMERS.

Provision of electricity transmission services, operational process control, provision of services for grid connection of consumer terminals (power installations) of legal entities and individuals to Rosseti Kuban power grids:

- Federal Law On Electric Power Industry No. 35-FZ dated March 26, 2003;
- Rules for the Grid Connection of Consumer Terminals of Electricity Consumers, Generating Facilities and Grid Facilities Owned by Grid Operators and Other Persons to Power Grids approved by Decree No. 861 of the Government of the Russian Federation dated December 27, 2004;

- Decree of the Government of the Russian Federation On Pricing in the Field of Regulated Prices (Tariffs) in the Electric Power Industry No. 1178 dated December 29, 2011;
- Order of the FAS of Russia On Approval of the Guidelines for determining the Fees for Connection to Power Grids No. 1135/17 dated August 29, 2017.

A complete list of regulatory legal documents, detailed information on the implementation of the grid connection procedure in Rosseti Kuban is publicly available on the Company's website [www.rosseti-kuban.ru](http://www.rosseti-kuban.ru)



in the section "To Consumers/Grid Connection».





## Implementing Agreements for the Grid Connection of Consumers

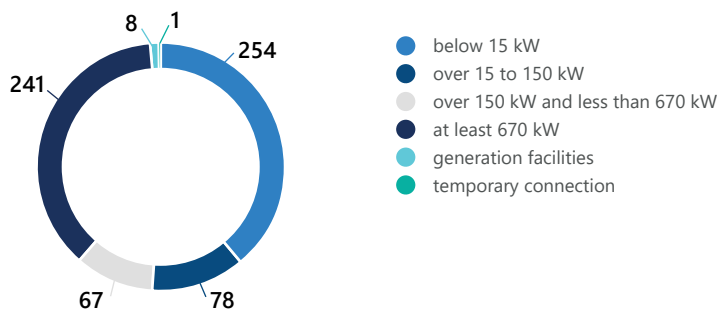
In the reporting year, the Company executed 22,590 agreements for the connection to Rosseti Kuban power grids.

The total connected capacity was 650 MW, up 11.2% compared to the planned value. The volume decreased by 18.44% (147 MW) year-on-year.

### Grid Connection Agreements Performed in 2020

Connection category	Number of agreements (pcs)	For total capacity (kW)
Up to 15 kW inclusive, total	20,870	254,456
Including individuals	17,465	215,512
Over 15 kW to 150 kW inclusive	1,298	78,318
Over 150 kW and less than 670 kW	241	67,272
At least 670 kW	127	241,005
Power generation facilities	2	7,896
<b>Total, excl. temporary grid connection</b>	<b>22,538</b>	<b>648,946</b>
Temporary connection	52	1,447
<b>Total, incl. temporary grid connection</b>	<b>22,590</b>	<b>650,393</b>

### The Structure of the Rosseti Kuban Agreements Implemented by the Capacity Connected (MW)



The largest and most significant power facilities of the below applicants were connected to the Company's power grids in 2020 (MW)

Applicant	Connected capacity
NESK Elektroseti JSC	87.0
OTEKO-Portservice LLC	12.4
Tamaneftegaz CJSC	10.0
Food Ingredients LLC	10.0
Logistic Center Adygea 1 LLC	8.9
Romex Development LLC	4.9
Gazprom Dobycha Krasnodar LLC	2.2

In 2020, significant capacities were allocated to meet the electricity demand of housing projects, the high rates of which were observed in recent years in the region. More than 1.4 thousand agreements for a total capacity of 139 MW were implemented.

Among the largest multi-unit apartment buildings connected to the Company's power grids in 2020 are: multi- and middle-story construction facilities in Krasnodar on Pokryshkina St. - Romex Development LLC (with a capacity of 4.9 MW) and on Voiskovaya St. - Krasnodar Stroy Center LLC (4.4 MW); residential complexes in the Prikubansky District of Krasnodar - Stroygarant LLC (3.6 MW), Invest Stroy LLC (3.5 MW), Pobeda-K Construction Company LLC (3.2 MW) and DARSTROY LLC (3 MW). Also, the residential complex "Symphony" (second

phase) on Rossiyskaya St. in Krasnodar, Development-Yug construction and investment corporation (2.1 MW), and a residential complex in microdistrict Kudepsta-3 in Sochi, Monolit LLC (2.8 MW) were connected.

The agricultural sector and the food industry, which require no less power capacity than other sectors, have always played a strategic role in the economic structure of the Southern Russia. In 2020, Rosseti Kuban implemented over 690 grid connection agreements for agricultural facilities for a total capacity of more than 30 MW. Of these, the largest agricultural facilities are: Agrofirma "Privolye" LLC (1.5 MW), Agrocomplex Company Named After N.I. Tkachev JSC (1 MW), Kuban Compound Feed Mill LLC (0.5 MW), Agro-Processing Complex "Dary Kubani" LLC (0.5 MW), Soyuz-Agro LLC (0.5 MW).

## Consumer Demand for Grid Connection in 2020

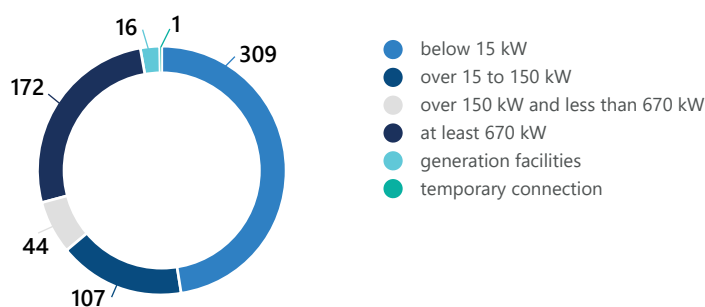
The Company concluded 26,379 agreements for connection to Rosseti Kuban power grids for a total capacity of 650 MW with a total value of RUB 2.87 bn, excl. VAT. Since 2018, the demand for grid connection has remained at a persistently

high level. On average, at least 30 thousand applications are annually received and about 26–29 thousand agreements are concluded.

### Grid Connection Agreements Concluded in 2020

Connection categories		For total capacity, kW
Up to 15 kW inclusive, total	24,450	309,282
Including individuals up to 15 kW inclusive	20,715	264,309
Over 15 kW to 150 kW inclusive	1,586	106,826
Over 150 kW and less than 670 kW	177	44,139
At least 670 kW	114	171,686
Power generation facilities	4	16,262
<b>Total, excl. temporary grid connection</b>	<b>26,331</b>	<b>648,195</b>
Temporary connection	48	1,346
<b>Total, incl. temporary grid connection</b>	<b>26,379</b>	<b>649,541</b>

### The Structure of the Rosseti Kuban's Agreements Concluded in 2020 by the Capacity Connected (MW)



## Revenue and Funds Raised

In the reporting year, the revenue for the grid connection services amounted to RUB 731 mln (excl. VAT), or 112% of the planned value. The overachievement of the target is the result of ongoing work carried out by Rosseti Kuban to interact with applicants to ensure that contractual obligations are fulfilled as soon as possible. The major focus is also placed on the provision of additional services to applicants in terms of fulfilling the technical conditions for their obligations, which in turn reduces the terms of contract execution.

The overfulfillment of the target on receipt of funds is associated with the receipt of advances from the applicants earlier than the planned date under the grid connection agreements.

Revenue from grid connection in 2020 (RUB 731 mln), down by RUB 3,475 mln year-on-year. The deviation is due to the execution of contracts with large consumers in 2019 – Taman Federal Highway Administration of the Federal Road Agency FSI and Rostransmodernization FSI, the total revenue of which amounted to RUB 3,546 mln.

At of year-end 2020, the Company received RUB 1,922 mln (incl. VAT) for grid connection services, which is 318% higher than the planned value and 19% (RUB 307 mn) more than the same indicator for 2019 (RUB 1,615 mn (incl. VAT)).

This is due to the receipt of large advances in 2020 under the concluded grid connection agreements: RUB 689.9 mln – from Caspian Pipeline Consortium - R CJSC, RUB 120 mln – from Studio Project Design LLC.

### Progress under the 2020 Plan for Revenue and Collection of Funds for Grid Connection Services by Branches

Power grids (Company's branches)	Funds, incl. VAT (RUB thsd)			Revenue, excl. VAT (RUB thsd)		
	Target	Actual	%	Target	Actual	%
<b>Total</b>	<b>604,332</b>	<b>1,921,771</b>	<b>318.00</b>	<b>655,015</b>	<b>731,309</b>	<b>111.65</b>
Sochi	99,859	443,169	443.79	201,284	212,945	105.79
Krasnodar	37,571	322,972	859.64	185,676	240,412	129.48
Southwest	388,838	936,102	240.74	62,288	62,349	100.10
Adygea	5,630	41,635	739.54	15,306	25,009	163.39
Armavir	5,855	22,416	382.86	7,707	9,832	127.58
Labinsk	978	4,187	428.10	8,194	11,312	138.06
Leningrad	4,135	20,460	494.80	25,451	31,716	124.62
Slavyansk	36,352	42,177	116.02	124,771	112,492	90.16
Timashevsk	11,885	60,957	512.87	12,709	13,586	106.90
Tikhoretsk	7,452	18,997	254.92	2,742	3,627	132.25
Ust-Labinsk	5,777	8,699	150.57	8,886	8,028	90.34

When split by branches, the revenue target was achieved almost uniformly, without significant fluctuations. The power Grids of Slavyansk and Ust-Labinsk fulfilled the revenue indicator by 90%.

The greatest excess of the actual indicators over the target ones for the receipt of funds was shown by the Power Grids of Krasnodar and Adygeya, which is due to the receipt of advances from the applicants earlier than the planned date under the grid connection agreements (including from Research Institute - Regional Clinical Hospital No. 1 named after Professor S. V. Ochapovsky", Regional Clinical Hospital No. 2, Kuban State University of Physical Culture, Sports

and Tourism, Renewable Energy Sources LLC). Also in 2020, a large advance payment (RUB 689.9 mn) was received under the agreement with Caspian Pipeline Consortium - R CJSC.

In 2021, the planned Company's revenue from grid connection services is at least RUB 2.3 bn (excl. VAT). Major grid connection objects in terms of revenue will be: Caspian Pipeline Consortium – R CJSC, (estimated revenue – RUB 1.15 bn, excl. VAT), Novoroslesexport JSC (RUB 250.59 mln), Research Institute - Regional Clinical Hospital No. 1 named after Professor S. V. Ochapovsky (RUB 238.09 mn), All-Russian Children's Center "Orlyonok" (RUB 189.37 mln).

## Grid Connection of Generating Facilities

Applicant	Generation Facility Connected	Required capacity for the grid connection of generating units for power supply to the grid, voltage rating	The grid connection agreement date, price (excl. VAT)	Status of the grid connection of the facility at the end of 2020
Rosneft	Tuapse Refinery	24 MW, 110 kV	01.04.2010 RUB 56.37 mln	The agreement is on the way. On December 21, 2016, Rosseti Kuban notified the Applicant of the completion of work provided for by technical specifications and the readiness to the actual connection of the Facility according to the applicable legislation. The grid connection deadline is May 30, 2022
ART-TECH LLC	Electric facilities of a land plot for the arrangement of a logistics center	6.2 MW, 10 kV	29.05.2020, RUB 4.14 mln	The agreement is on the way. The grid connection deadline is May 29, 2022
Renewable energy sources LLC	Electric facilities of a land plot for space activities, defense, security	4.5 MW, 10 kV	12.08.2020, RUB 7.13 mln	The agreement is on the way. The grid connection deadline is August 12, 2022
Verkhnebakansky Cement Plant OJSC	Verkhnebakansky Cement Plant OJSC's power plant	56.41 MW, 6 kV	03.09.2015 RUB 0.09 mln	The agreement is on the way. On February 18, 2019, Rosseti Kuban notified the Applicant of the readiness to the actual connection of the Facility according to the applicable legislation. The grid connection deadline is December 31, 2021
Novoroscement OJSC	GPU-based (gas piston unit) energy center with a capacity of 17,600 kW	17.60 MW 110 kV	04.03.2019 RUB 11.40 mln	The agreement is on the way. On March 4, 2019, Rosseti Kuban notified the Applicant of the readiness to the actual connection of the Facility according to the applicable legislation. The grid connection deadline is March 4, 2021. In accordance with the Applicant's request to extend the grid connection deadline, a corresponding supplementary agreement to the contract is being prepared

Applicant	Generation Facility Connected	Required capacity for the grid connection of generating units for power supply to the grid, voltage rating	The grid connection agreement date, price (excl. VAT)	Status of the grid connection of the facility at the end of 2020
LUKOIL-Ecoenergo LLC	Power generating devices of a small HPP	1.5 MW, 6 kV	01.12.2020, RUB 13.18 mln	The agreement is on the way. The grid connection deadline is December 1, 2022.
Energo-Volt LLC	GPU-based energy center with a capacity of 24.8 MW	3.89 MW, 6 kV	17.09.2018, RUB 16.9 mln	The agreement is on the way. The grid connection deadline is September 17, 2022.
KNAUF GIPS KUBAN LLC	GPU-based energy center with a capacity of 4 MW	4 MW, 10 kV	10.12.2018, RUB 2.48 mln	The agreement is on the way. The grid connection deadline is December 10, 2022.
EuroSibEnergo-Kuban LLC	Power generating devices of a land plot. The residential area for IV hazard class enterprises of various types (construction of mini-TPPs)	4.44 MW, 10 kV	22.05.2018, RUB 2.75 mln	The agreement is on the way. The grid connection deadline is May 22, 2022
Cheeses of Kuban LLC	GPU-based energy center with a capacity of 3,896 kW	3.89 MW, 6 kV	01.07.2019, RUB 2.52 mln	The grid connection deadline is July 1, 2021. The agreement execution date is October 15, 2020
Renewable energy sources LLC	Power generating devices of a land plot for the arrangement of a production enterprise	4 MW, 10 kV	25.02.2020, RUB 8.31 mln	The grid connection deadline is February 25, 2022. The agreement execution date is September 1, 2020

# RELIABLE AND EFFICIENT OPERATION OF THE ENERGY SYSTEM



*In 2020, Rosseti Kuban completed the main task of improving the reliability and quality of power supply for consumers of the Krasnodar Territory and the Republic of Adygea. There were no significant process violations during the year. The Maintenance and Repair Program implemented by the Company exceeded the target by more than 100% in 2020.*

*Reliability indicators were met.*

*The Certificate for operational readiness to the heating season 2020/2021 was provided.*

*In the previous year, Rosseti Kuban created the Production Program for 2021 aimed at further improvement of reliability and quality of power supply for consumers”.*



Deputy General Director for Technical Issues –  
Chief Engineer  
**Aleksey Mishanin**

## Ensuring High-Quality, Reliable, and Uninterrupted Power Supply to Consumers

In 2020, Rosseti Kuban generally achieved the main objective of production activity of maintaining the power equipment reliability at an adequate level.

In 2020, the number of accidents in Rosseti Kuban in power grids of 0.4 kV and above decreased by 7.6% year-on-year. In 2020, accidents classified according to Clause 4 of the Rules for Investigating the Causes of Accidents in the Electric Power Industry approved by Decree of the Government of Russia No.846 dated October 28, 2009 and investigated under the supervision of the Rostekhnadzor representatives were not recorded in Rosseti Kuban.

The decrease in the main accident rates in 2020 was achieved due to implementing technical measures to maintain the high reliability of the equipment. In 2020, the Maintenance and Repair Program for the main energy system process was fully implemented; in physical terms for the main nomenclature items, it was fulfilled by more than 100%. To ensure the absolute energy system reliability, additional work was done on PTL and SS, including that based on the examination and test results, to eliminate the identified defects due to the operative redistribution of expenditure limits of the Maintenance and Repair Fund.

In 2020, the main activities were aimed at:

- maintaining the rated parameters of production assets – power lines, substation equipment, and RPA devices;
- timely identifying and eliminating defects based on the power equipment diagnostics results;
- ensuring readiness for preventing and eliminating the process violations, specifically:
  - agreements concluded with contractors and related power grid companies, as well as with the Russian Ministry of Emergency Situations and the Federal Service for Hydrometeorology and Environmental Monitoring (Rosgidromet) have been prolonged,
  - readiness of 392 brigades, 1,791 employees, 715 units of equipment, including 22 mobile teams (126 employees) equipped with appropriate technical means (22 units of motor vehicles, 27 units of special equipment), tools, rigging, spare parts, communication means, special clothing, catering, and financial means has been ensured,
  - the Company's emergency reserve has been completed,
  - the readiness of 120 emergency power supply (EPS) sources with a total capacity of 13,110.5 kW for use has been checked, of which 109 mobile EPSs with a total capacity of 12,670.5 kW,
  - two training courses on drilling interactions in response to emergencies with the threat of power outages with the participation of representatives of the Ministry of Emergency Situations of Russia in the Krasnodar Territory and the Republic of Adygea, executive bodies of the Krasnodar Territory and the Republic of Adygea, and local self-government have been conducted.

Preparation for the heating season is being successfully implemented. The Company confirms its readiness for operation during the heating season every year by receiving the Readiness Certificate. Within the framework of preparation for the heating season 2020/2021, production programs are implemented, scheduled emergency training courses are conducted, events as per the requirements of Rostekhnadzor are held.

**In 2020, the number of accidents in Rosseti Kuban in power grids of 0.4 kV and above decreased year-on-year by**

# 7.6%

The results of the assessment of power facility readiness for the operation during the heating season 2020/2021 were approved by Order of the Ministry of Energy of Russia No.973 dated November 5, 2020. The readiness index of Rosseti Kuban is equal to 0.99.

To prevent fires and ignitions at the Company's facilities, Order No.169 On Preparations for the Fire Hazard and High-temperature Period of 2020 dated March 11, 2020 was issued. Actions included in the Order were carried out to the fullest extent, in particular:

- the maintenance of the fire protection installations was monitored at 350 facilities by a contractor;
- 1,495 primary fire extinguishing means (fire extinguishers) were purchased and 1,272 fire extinguishers were recharged;
- 145 fire doors were installed;
- operability of two internal fire water supply systems was restored;
- functionality of fire protection installations was restored at 11 facilities;
- based on the fire safety day results, 2,702 violations were detected, of which 2,626 ones were eliminated. The remaining violations will be eliminated as scheduled;
- 514 sets of escape hoods were acquired for the Company's employees.

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

The Company's preparation for the flood period was carried out by the Company's Central Flood Commission (approved by Decree No.47 On the Preparation and Tasks for the Successful Operation during the 2020 Flood Period dated January 31, 2020) as part of the activities of the established Power Grid Complex Headquarters and similar commissions of the Company's branches. 75 organizational and engineering measures were taken.

- Organisational measures:
  - 11 meetings of the Flood Commissions were held, at which issues on preventing and eliminating possible process violations and/or emergencies at the Company's power facilities during the spring-summer flood period were considered.
  - Monitoring of power facilities in the possible flooding areas was performed and their list was updated. According to the monitoring results, this list includes up to 389 facilities (0.5% of the total power facilities), including 112 supergrid ones (24 35–220 kV substations, 88 35–220 kV gantry sections) and 277 distribution grid facilities (211 10–0.4 kV gantry sections and 66 10–0.4 kV transformer substations).
  - The training is to be conducted (from April 14 to April 15, 2020) involving the management bodies and material and human resources of the territorial links of the Krasnodar Territory and the Republic of Adygea RUERS functional subsystems to drill the actions of the Company's management bodies and material and human resources in natural and technogenic emergencies caused by the impact of hazardous weather events during the flood period. Based on the restrictions imposed by the resolutions of the Heads of the Regions due to the spread of COVID-19 at the Krasnodar Territory and the Republic of Adygea, as well as on Order No.156 of Rosseti On Organization of Production Activities in High-alert and Emergency Regimes dated April 10, 2020, the training will be implemented after lifting the restrictions that are still present at the moment.
  - 54 emergency training courses were conducted in the Company's power grid branches to eliminate the possible consequences of flooding the power facilities.
  - The Heads of the Company's Executive Office and the Power Grids of Adygea branch took part in two meetings of the Commission for Emergency Situation and Fire Safety (CES and FS) of the Krasnodar Territory administration and two meetings of CES and FS of the Republic of Adygea administration on the operational readiness of power equipment in the Company's operational responsibility area during the 2020 flood period. The executive bodies and the CES and FS of the administrations of these constituent entities of the Russian Federation did not submit any claims or comments to the Company.
- Engineering and technical measures
  - Engineering protection of two power grid facilities in risk zones was ensured: bunding of the 35/10 kV Dondukovskaya substation area (Adygea power grids), drainage work at the 110/10 kV Yuzhnaya substation (Power Grids of Sochi).
  - The following measures were taken at overhead power transmission lines of 35 kV and above located at the flooding area: the pole 217 of 220 kV Krasnodar – Tverskaya overhead lines is reinforced, the poles 75–76 of 35 kV Khadzhokh – Dakhovskaya overhead lines are provided with the pile foundation, the pole 21 of 35 kV Apsheronsk – Zavodskaya overhead lines is provided with the pile foundation, the shore is reinforced.
  - The examination of 299 linear and 90 areal power grid facilities was performed.
- Check of readiness:
  - of the Company's material and human resources to eliminate the consequences of process violations due to the impact of a flood on power grid facilities (readiness of 392 brigades – 1,794 employees, 711 units of equipment; including 22 mobile teams – 127 employees, 49 units of equipment was provided);

- of watercrafts and water pumping equipment (readiness of two Merlin-440 boats with Yamaha engine, two inflatable boats, and 26 motor pumps was provided);
- of emergency power supply sources (readiness of 120 EPS sources with a total capacity of 13.11 MW, of which 109 mobile EPS sources with a total capacity of 12.67 MW was provided).

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

### Main causes of accidents in the Rosseti Kuban power grids in 2020

All activities according to the requirements of the Federal Service for Ecological, Technological, and Nuclear Supervision (Rostekhnadzor) with a deadline of 2020 have been fulfilled and decontrolled.

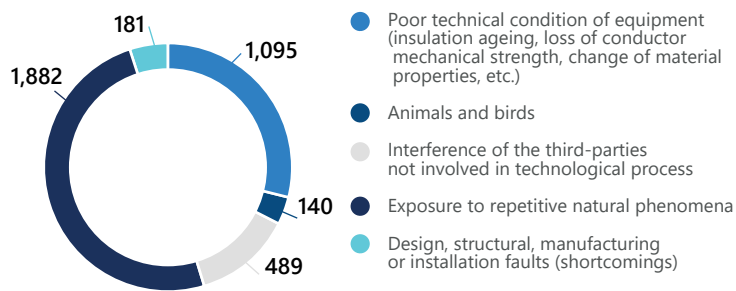
To ensure reliable operation of the Power Grid Complex in the conditions of de-energizing consumers, the Company's headquarter operates permanently, representatives of which regularly participate in ensuring the secured power supply in the Krasnodar Territory and the Republic of Adygea.

**During the flood period, 127 messages (including 103 daily hydrometeorological bulletins and 24 storm warnings) about adverse weather events with information on the flood hazard due to the increase of rivers have been received, which is less by**

**36%**  
year-on-year.



### Main causes of accidents in the Rosseti Kuban power grids in 2020



## Repair and Maintenance

In order to ensure sustainable power supply to the facilities of industry, agriculture and population of the Krasnodar Territory and the Republic of Adygea, the Company annually develops and implements the Maintenance and Repair Program (M&R) considering:

- the rated frequency of overhauls, midlife repairs, and routine maintenance of power equipment;
- technical condition of the facilities;
- results of preventive tests;
- the need to comply with the requirements of supervisory authorities;
- elimination of technological disturbances;
- feasible and efficient operation of power grids.

For the reporting year, the M&R Program has been successfully implemented in all areas. In fact, in 2020, Rosseti Kuban implemented the activities for RUB 3,010.2 mln or 102% vs target (RUB 2,941.8 mln). Deviation from the target values has occurred due to implementation of the additional works by own resources concerning clearing of 0.4–110 kV overhead lines right-of-ways, set of measures aimed at provision of reliability and safety of power supply for mass resort recreation in the Krasnodar Territory and the Republic of Adygea during the 2020 resort period by means of redistribution of cost limits from the reserve of the Chief Engineer (provided in the work contract) for implementation of the additional works on M&R in 2020.

### Key Repair Program performance indicators

Work description	Actual in 2018	Actual in 2019	Actual in 2020	Target in 2021
Clearing the overhead line right-of-ways, ha	1,620.19	2,177.7	2,464.0	1,455.8
Replacing ground wires, km	77.08	78.7	77.2	66.9
Replacing insulators, pcs	43,062	95,082	95,733	67,406
Repair of power transformers, pcs	21	34	16	10
Repair of circuit breakers, pcs	899	940	895	917
Repair of isolating switches, shorting plugs, disconnectors, pcs	1,698	1,749	1,923	1,850
Repair of TS, pcs	604	3,026	2,059	1,775
Repair of PTL, km	3,124.3	14,023.97	13,259.34	9,813.7

In addition, to improve reliability of the Power Grid Complex operation, the following works are carried out in 2020 in accordance with the Comprehensive Program for Improving the Reliability of Operation of Substation Equipment and PTL of Main Grid, 0.4–10 kV Distribution Grid:

- reactive power sources restored – 550 capacitors replaced;
- key and electromagnetic interlocks restored at 23 35–110 kV substations;
- 276 physically worn out bushings of 35–110 kV oil switches and power transformers replaced;
- thermovisional inspection of 467 overhead lines and power supply cable and overhead lines of 35 kV and above (planned figure – 305 pcs), 908 35–110 kV substations (planned figure – 297 pcs), 3,876 TS and 0.4–10 kV overhead lines (planned figure – 3,669 pcs) performed;

- 310 35–110 kV stationary valve-type lightning arresters operating more than 25 years replaced with overvoltage limiters of corresponding voltage class;
- 1,151 poles at 10 kV overhead lines and 5,362 poles at 0.4 kV overhead lines replaced;
- 1,497.94 km of wire of 0.4–10 kV overhead lines replaced;
- 12.5 km of 0.4–10 kV cable lines repaired;
- 519 transformers of I-II sizes repaired.

In 2021, the M&R limits of RUB 3,062.2 mn are set, which is 2% less than the actual expenditures in 2020 (RUB 3,010.2 mln). The activities planned for implementation under the M&R Program 2021 are sufficient to maintain technical conditions of equipment and PTLs at the “good” level and will allow providing the consumers of Rosseti Kuban and its branches with reliable power supply.

# PROVIDING ADDITIONAL SERVICES

Along with the main activities, Rosseti Kuban provides additional services such as:

- leasing of facilities and placing equipment;
- repair and maintenance;
- construction and installation works;
- consulting and administrative & engineering services;
- other services.

In 2020, the most popular services were arranging the power metering, implementing a limitation (restoration) of power consumption, as well as consulting services and services on examining and approving the project documentation.

In 2020, the Company performed

**34,817** applications

for additional services

In 2020, revenue from additional services provision reached

**RUB 536.4** mln,

which is 7% more than the planned figure.

## Structure of revenue from additional services provision (RUB mln)

Indicator	2018	2019	2020	Change 2020/2019, %
Additional (non-tariff) other activity services, total	215.1	281.8	536.4	90.3
Leasing and placing services	17.0	14.9	146.3	881.9
Services on maintenance and repair	30.9	40.8	96.2	135.8
Construction and installation works	27.9	35.1	212.9	506.6
consulting and administrative & engineering services	79.1	107.1	69.9	-34.7
Agency services	0	0	0	0
Communication and IT services	0	0	0	0
Other activity services	60.3	84.0	11.0	-86.9
Other services	0	0	0	0

Construction and installation works, project works, placing the telecommunication equipment, maintenance and repair services, diagnostics and testing are the most significant services concerning the revenue.

In 2020:

- the price list for additional (non-tariff) services, in accordance with which the Company provides the full scope of services required by consumers in terms of power supply, is updated; at the moment, the price list includes 329 services;

- specialized divisions for sales of non-tariff services and brigades for implementation of the services by own resources are formed in all branches of the Company;
- work procedure of the Additional Services corporate program complex was developed and introduced;
- forms of invoice contracts for providing the additional services, the price of which does not exceed RUB 100 thsd incl. VAT, are approved.

## Planned indicators for providing additional services (RUB mln)

Indicator	2021 target	2022 forecast	2023 forecast	2024 forecast	2025 forecast
Revenue	537.5	808.9	1,060.1	1,274.3	1,437.8
Expenditures	456.9	687.6	901.1	1,083.2	1,222.2
Gross profit	80.6	121.3	159.0	191.2	215.7

# INFORMATION TECHNOLOGIES AND TELECOMMUNICATIONS

In the reporting year, the Company carried out the following measures in the field of development of information technologies and telecommunications:

1. The electronic workflow system (EWS) was adopted on Russian Documino platform, which allowed to refuse using more expensive foreign analog systems. As part of the EWS project, EWS mobile application also developed by Russian designers was launched.
2. The corporate software complex functionality was expanded:
  - the software modules “Maintaining the price list for ancillary services”, “Import of payments of ancillary services from 1C:Enterprise” for the customer service center were developed and commissioned;
  - the module for importing the applications for grid connection from the consumer’s personal office, an automated network reporting system of Rosseti was developed;
  - the software for information support of information kiosks of the customer service centers was developed and commissioned;
  - the module for capital costs accounting was refined, new reporting forms for the grid connection functionalities were developed.
3. the development of the functionality of electricity transport control system was continued in terms of forming power balances at all grid levels, analysing non-balances and excessive electricity losses, in particular:
  - functionality for calculating the power balance by elements of 0.4–20 kV grid was developed;
  - the analytical unit for generating productive supply in terms of connecting metering points was improved;
  - functionality for analysis of power losses in terms of 10(6)/0.4 kV TS was developed.
4. The following sub-systems were commissioned regarding development of the corporate information system “1C:Enterprise. Manufacturing Enterprise Management”:
  - for accounts receivable analytical recording in terms of occurrence and calculation of interest for untimely payment of power transmission;
  - for approval of applications for adding the projects to the Investment Program of Rosseti Kuban.
5. In 2020, concerning the development of the main IT-infrastructure and services including those for organization of employees remote working under conditions of COVID-19 pandemic:
  - transmission capacity of the existing corporate data exchange network was increased up to 100 Mb/s at sections between the Executive Office and branches of Rosseti Kuban;
  - the hardware equipment was purchased and integrated into the existing IT-infrastructure to implement the project on developing the regional unit of the single geo-information system of Rosseti Kuban;
  - the service for remote access to the automated work places was launched for 1,623 users of the Executive Office and branches of Rosseti Kuban during the COVID-19 spreading period;
  - uninterrupted operation of the technical assistance to the Company’s employees was organized at the enterprise territory and at remote work places;
  - two additional studios for video conferences were organized with integration of the required equipment to the existing infrastructure.







# 04 INVESTMENT ACTIVITIES



INVESTMENTS ARE THE BASIS OF RELIABLE POWER SUPPLY AND THE MOST IMPORTANT COMPONENT OF THE COMPANY'S PERFORMANCE.

THE INVESTMENT PROGRAMS OF ROSSETI KUBAN ARE DEVELOPED ACCORDING TO SCHEMES AND PROGRAMS FOR THE PROSPECTIVE DEVELOPMENT OF THE ELECTRIC POWER INDUSTRY IN THE KRASNODAR TERRITORY AND THE REPUBLIC OF ADYGEA, TECHNICAL CONDITIONS OF POWER GRIDS, AND AVAILABLE SOURCES OF FINANCING GENERATED BASED ON THE TARIFF-AND-BALANCE SOLUTIONS.

APPROVAL AND CONTROL OVER THE IMPLEMENTATION OF THE COMPANY'S INVESTMENT PROGRAMS ARE PERFORMED BY THE MINISTRY OF ENERGY OF RUSSIA.



*B The Company commissioned 159 MVA of transformer capacities and 593 km of power transmission lines within the framework of the investment activities in 2020.*

*In the reporting year, works at 300 facilities were carried out, 220 facilities were constructed and commissioned including the priority project Construction of 110 kV Angarskaya Power Center of 50 MVA. The Angarskaya substation will be the key power center for consumers in the north-eastern part of Krasnodar. Also, the emergency automation channel systems at the 110 kV power centers of Krasnodar (Dinskaya, Severskaya, Yugo-Zapadnaya, Yugo-Vostochnaya, Starokorsunskaya) were reconstructed, the automated systems for technological and dispatch control of the power centers in the area of Power Grids of Tikhoretsk and Power Grids of Armavir operation were commissioned, the system of technical power metering in 6(10)/0.4 kV transformer substations at 0.4 kV was launched with remote data acquisition at the 35–110 kV power centers”.*



Deputy General Director  
for Investment Activities  
**Viktor Korzhanevskiy**

In the reporting year, the Rosseti Kuban's investment activity was performed as part of implementing the Investment Program for 2020 approved by Order of the Russian Ministry of Energy No. 23@ dated December 25, 2020. Due to COVID-19 spreading, the Company's Investment Program was amended as follows:

- seven investment projects were excluded;
- 43 investment projects were postponed.

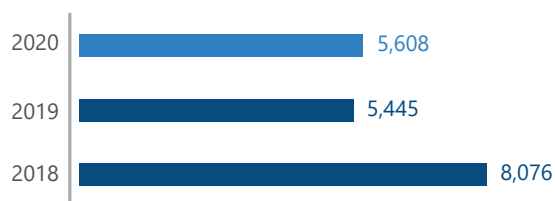
In 2020, the Company's Board of Directors considered:

- the quarterly reports on the implementation rate of the priority investment projects;
- the results of the on-site inspection of the implementation of the investment projects by the Ministry of Energy of Russia: construction of 110 kV overhead lines Labinsk-2 – Sovetskaya (the approximate length is 43 km), construction of 110 kV overhead lines Novo-Labinskaya – Korenovskaya (the approximate length is 55 km).

# KEY PARAMETERS OF THE INVESTMENT ACTIVITIES IN 2020

Capital investments	New fixed assets	Financing	New capacities	
RUB mln, excl. VAT	RUB mln, excl. VAT	RUB mln, incl. VAT	MVA	km
4,658	4,418	5,608	159	593

## Dynamics of financing the capital investments of Rosseti Kuban (RUB mln, incl. VAT)



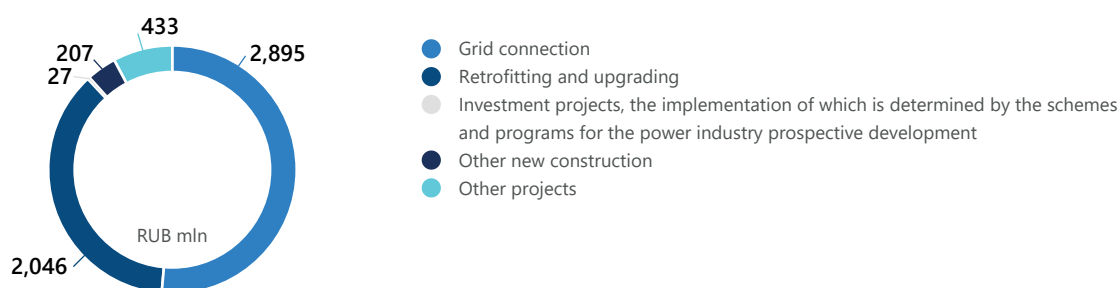
In 2020, financing capital investments for Rosseti Kuban in general increased by 3% year-on-year. The growth is driven by financing the main scope of the investment measures in terms of meeting the conditions of the grid connection contracts in 2020.



# PRIORITIES AND STRUCTURE OF CAPITAL INVESTMENT FINANCING

The main fields of implementing the Rosseti Kuban's Investment Program in 2020 are:

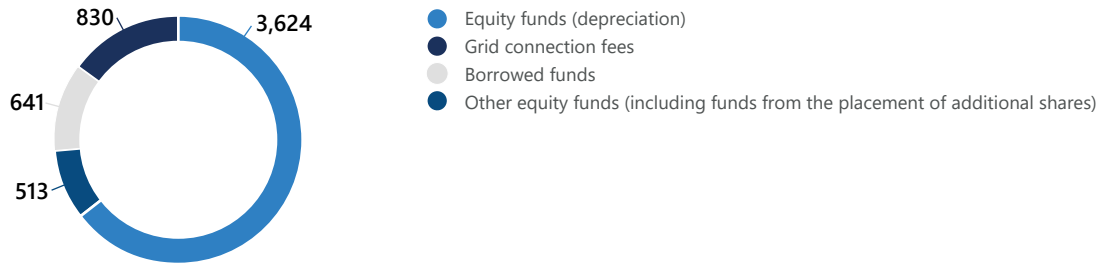
- financing capital investments for grid connection – RUB 2,895 mln, incl. VAT;
- retrofitting and reconstruction – RUB 2,046 mln, incl. VAT;
- other new construction – RUB 27 mln, incl. VAT;
- investment projects, the implementation of which is determined by schemes and programs for the prospective electric power industry development – RUB 207 mln;
- other investment projects – RUB 433 mln, incl. VAT.



## Structure of financing the capital investments of Rosseti Kuban (RUB mn)

Investment projects	2018	2019	2020
<b>Total</b>	<b>8,076</b>	<b>5,445</b>	<b>5,608</b>
Grid connection	4,516	2,256	2,895
Reconstruction, upgrading, and retrofitting	2,429	1,789	2,046
Investment projects delivered through the schemes and programs for the power industry prospective development	714	920	207
Other new construction of grid facilities	20	42	27
Purchase of land parcels for investment projects	0	0	0
Other investment projects	397	438	433

### Investment Program Financing Sources, RUB mln, incl. VAT



## Investment Program Results in the Reporting Year

The Results Achieved in 2020 due to the implementation of measures included in the Investment Program by Order of the Ministry of Energy of Russia No.177 dated March 14, 2017

Indicator	Result
Change in the Customer Average Interruption Duration Index	Target change $P_{\text{saidi}}$ – 0.0746022 h Actual change $P_{\text{saidi}}$ – 0.0746022 h
Change in the System Average Interruption Frequency Index	Target change $P_{\text{saifi}}$ – 0.00539 pcs Actual change $P_{\text{saifi}}$ – 0.00539 pcs
The total number of grid operator obligations for the grid connection fulfilled under the Investment Program	6,026 contracts including 6,020 contracts concluded with the privileged category of applicants
The maximum capacity of the connected power consumers, power generating facilities, and power grid facilities owned by other grid operators or persons	114.7 MW including 100.31 MW of the privileged category of applicants

# LONG-TERM INVESTMENT PROGRAM

The Company's long-term Investment Program was formed taking into account the current development of the Russian economy and the financial capabilities of Rosseti Kuban. The Investment Program financing sources consider the prevailing macroeconomic conditions for the grid operator activities and the tariff-and-balance solutions approved.

The Investment Program is developed with respect to the territory development plans, technical conditions of the power

grids, importance of the power facilities. The decisions made in development of the Investment Program comply with the goals and objectives of the Uniform Technical Policy in the distribution power grid complex and with the legislation.

The long-term Investment Program of Rosseti Kuban for 2020–2022 was approved by Order of the Ministry of Energy of Russia No. 23@ dated December 12, 2020.

## Parameters of the long-term Investment Program of Rosseti Kuban

Indicator	2021 target	Target in 2022
Financing objects, RUB mln., incl. VAT	4,828	3,463
Capital investments, RUB mln, excl. VAT	4,411	2,428
New fixed assets, RUB mln, excl. VAT	4,545	2,572
New capacities, km	440	288
New capacities, MVA	127	117

The bulk of investment planned under the long-term Investment Program of Rosseti Kuban will target reconstruction, updating and retrofitting of power grids.

# CAPITAL CONSTRUCTION QUALITY CONTROL

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

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

At 4 facilities with a voltage of 35 kV and above, at which construction and installation works were performed in 2020, independent expert and inspection entities were involved in the construction control.

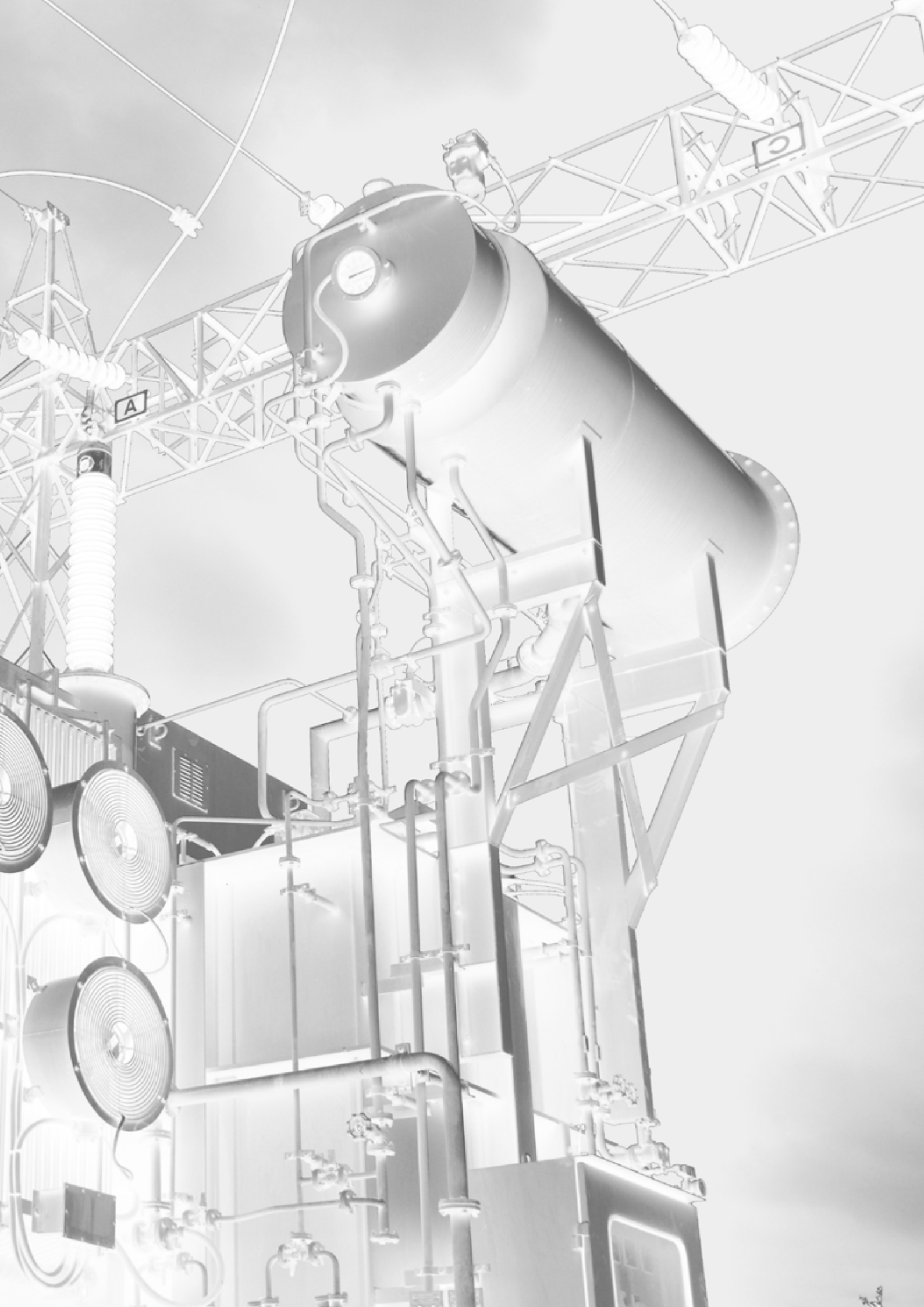
## KEY INVESTMENT PROJECTS COMPLETED BY CONSTRUCTION IN 2020

The most important facilities of the Rosseti Kuban's Investment Program included in the fixed assets in 2020 year

Facility	Construction Period		Capacity Commissioned		Investment amount (RUB mln, excl. VAT)
	start	end	km	MVA	
Construction of 110/10 kV Angarskaya SS with 110 kV overhead lines	December, 2017	December, 2020	0.12	50	525.8

# 05 FINANCIAL REPORT





# TARIFF POLICY AND TARIFFS FOR THE COMPANY SERVICES

## Tariff Policy

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

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

- Federal Law On the Electric Power Industry No.35-FZ dated March 26, 2003;
- Decree of the Government of the Russian Federation On Pricing in the Field of Regulated Prices (Tariffs) in the Electric Power Industry No.1178 dated December 29, 2011;
- orders of the Federal Tariff Service (FTS of Russia):
  - On approval of the Guidelines for the Calculation of Tariffs for Power Transmission Services Established Using the Required Gross Revenue Long-term Indexation Technique No.98-e dated February 17, 2012,
  - On Approval of the Guidelines for the Calculation of Regulated Tariffs and Prices for Electric (Thermal) Energy in the Retail (Consumer) Market No.20-e/2 dated August 6, 2004;
- Order of the FAS of Russia On Approval of the Guidelines for Determining the Fees for Grid Connection to Power Grids No.1135/17 dated August 29, 2017.

## Power Transmission Tariffs

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

Unified pot tariffs for power transmission services, which were not reviewed during the regulation period, were approved by the Order of RPC - PTD KT No.44/2019-e dated December 27, 2019.

Information on power transmission tariffs for 2020 is available on the official website of Rosseti Kuban in the section To Consumers / Power Transmission / Power Transmission Tariffs.

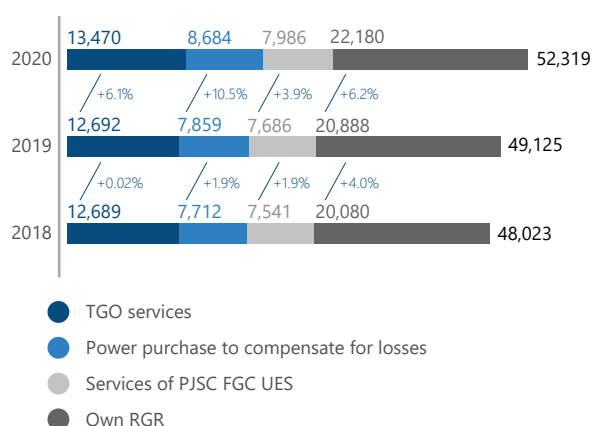


## Indicators on power transmission tariffs of the Company

Indicator	Unit	2018	2019	2020	Change 2020/2019, %
RGR for power transmission approved within the tariff and balance resolutions	RUB mln	48,023	49,125	52,319	6.5
Including:					
– own RGR	RUB mln	20,080	20,888	22,180	6.2
– Services of PJSC FGC UES	RUB mln	7,541	7,686	7,986	3.9
– Expenditures for purchasing power losses	RUB mln	7,712	7,859	8,684	10.5
– Expenditures for TGO services (according to the effective contractual scheme)	RUB mln	12,689	12,692	13,470	6.1
Pot useful output of electricity	mln kWh	19,028	18,937	19,670	3.9
Average tariff for power transmission services by branch	RUB/kWh	2.52384	2.59412	2.65990	2.5

The power transmission tariffs for 2020 are set with decrease in the second half of the year by HV voltage level equal to 10% and with 1.7% increase by other voltage levels relative to those set for the first half of the year.

### Changes in power transmission RGR structure of Rosseti Kuban (RUB mln)



taking into account the way of connection to the power grids of the grid organization and implementation of corresponding measures are approved by Order of RPC - PTD KT No.49/2020-e dated December 29, 2020.

Detailed information on the standardized tariff rates set and the rate of payment per unit of maximum power for grid connection to the Rosseti Kuban power grids is available on the Company's website in the section To Consumers / Grid Connection / Tariffs for Grid Connection.

Detailed information on the standardized tariff rates set and the rate of payment per unit of maximum power for grid connection to the Rosseti Kuban power grids is available on the Company's website in the section To Consumers / Grid Connection / Tariffs for Grid Connection.



## Payments for Grid Connection

The standardized tariff rates determining the payment for connection to the power grids of the territory grid organizations, rates determining the payment for connection to the power grids of the territory grid organizations per unit of maximum power, as well as calculation formulas for the payment for grid connection based on standardized

### Indicators of payment for connection to power grids of Rosseti Kuban

Indicator	Unit	2018	2019	2020	Change 2020/2019, %
The standardized tariff rates for compensation of expenditures for the grid connection of the power consumer terminals, grid facilities of the grid organizations or other parties by measures specified in Clause 16 of Guidelines (C1) and rates of payment per maximum power unit (C1)	RUB per one connection	9,606.33	10,272.30	10,860.59	5.7
	RUB/kW	618.90	647.66	667.39	3



# FINANCIAL (ACCOUNTING) STATEMENTS OF ROSSETI KUBAN



*The accounting (financial) statement of Rosseti Kuban for 2020 was prepared under the legislation of the Russian Federation. We received the Auditor's report that the accounting (financial) statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, as well as its financial performance and consolidated cash flows for 2020 according to the Russian Federation rules for accounting (financial) statements".*

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

The accounting (financial) statements of Rosseti Kuban were drawn up in accordance with the standards and procedures concerning accounting and reporting (hereinafter – RAS) in place in the Russian Federation:

- Federal Law No.402-FZ dated December 6, 2011 On Accounting;
- Order of the Finance Ministry of Russia No 66n dated July 2, 2010 On Accounting Forms of Organizations;
- Order of the Finance Ministry of Russia No.124n dated October 5, 2011 On Amendments Being Made to the Accounting Forms of Organizations as Approved by Order of the Ministry of Finance of the Russian Federation No. 66n dated July 2, 2010;
- Order of the Finance Ministry of Russia No.34n dated July 29, 1998 On the Ratification of Regulation for Accounting and Reporting in the Russian Federation;
- The chart of accounts for financial and business operations accounting approved by Order of the Finance Ministry of Russia No.94n dated October 31, 2000;
- Accounting Regulations "Accounting Policy of the Organization" (PBU 1/2008) approved by Order of the Ministry of Finance of Russia No.106n dated October 6, 2008.

The annual RAS accounting (financial) statements of Rosseti Kuban for 2020 include (see Annex 4):

- Balance Sheet;
- Profit and Loss Statement;
- Statement of Equity Change;
- Statement of Cash Flows;
- Representations;
- Auditor's Report.

## Basic framework of the Accounting Policy of Rosseti Kuban

The Company maintains accounting of fixed assets in compliance with Accounting Regulations "Accounting for Fixed Assets" (PBU 6/01) approved by Order of the Ministry of Finance of Russia No.26n dated March 30, 2001. Asset depreciation was charged using the linear method depending on the useful life. The depreciation was not charged for the fully depreciated (worn-out) assets.

The advance payments linked with the future acquisition of a capital asset, as well as raw materials and other materials to be used in the production of fixed assets are shown in line 1150 Fixed Assets.

Immovable properties that are actually in use, do not require any further capital investments and have the source documents ready, are included for accounting purposes as fixed assets and put in a separate sub-account for the Properties without Registered Ownership Rights. Depreciation for such objects is charged under the standard procedure since the first day of the month following the month of commissioning.

The accounting of revenue and other earnings is maintained by the Company in compliance with Accounting Regulations (PBU 9/99) "Income of the Organization" approved by Order of the Ministry of Finance of Russia No.32n dated May 6, 1999.

## Details of the Auditor

By order of the Company, Rosseti invited an open single stage tender at the B2B-energo electronic trading platform to sign a contract to conduct the obligatory annual audit of the Company's statements for 2018–2020. Ernst&Young LLC was selected (Tender Committee meeting Minutes No.13/595r dated April 16, 2018). Ernst&Young LLC is a member of the Sodruzhestvo Association, a self-regulatory organization of auditors (SAA SRO). Ernst&Young LLC is listed in the reference copy of the register of auditors and audit organizations under the main registration entry number 12006020327.

The Auditor was approved by the resolution of the Annual General Meeting of Shareholders of Rosseti Kuban (Minutes No.43 dated May 29, 2020).

Full name of organization: Ernst&Young Limited Liability Company.

Abbreviated name of organization: Ernst&Young LLC.

Location and postal address: 115035 Russia, Moscow, 77 Sadovnicheskaya Naberezhnaya, bldg 1.

Phone/fax: +7 (495) 755–97–00 / +7 (495) 755–97–01.

Email: rfp@ru.ey.com

The Company prepared estimated liabilities due to the possible compensation payments for unutilized vacations, unsettled claims from power suppliers to compensate losses and energy transmission services, interim measures and other payments to employees in accordance with AR 8/2010 Provisions, Contingent Liabilities and Contingent Assets approved by Order of the Ministry of Finance of Russia No.167n dated December 13, 2010.

The Company reserves doubtful accounts receivable that are outstanding or highly unlikely to be repaid on time and are not secured by relevant guarantees.

The Company holds a reserve to mitigate the impairment of financial investments in case of their significant depreciation.

## Corrections for the previous periods

Due to the introduction of a new version of AR 18/02 Corporate Profit Tax Accounting, the Company made adjustments to the Balance Sheet as of December 31, 2019 and December 31, 2018 and to the Profit and Loss Statement for 2019.

**The Company drafted consolidated financial statements in compliance with the requirements of Federal Law No.208-FZ On Consolidated Financial Statements dated July 27, 2010 (Annex 5).**

The auditor's remuneration for the audit of the annual financial statements for 2020 is approved by the resolution of the Board of Directors of Rosseti Kuban (Minutes No.395 dated July 23, 2020) and equals to RUB 5,374,163.95 kop. incl. VAT. No deferred or overdue payments for the auditor's services are present.

During 2020, Ernst&Young LLC did not provide any related measures for Rosseti Kuban.

# FINANCE AND ECONOMICS STATEMENTS



*In 2020, the region experienced a decline in business activity due to the introduction of restrictive measures to prevent the spread of new coronavirus infection (COVID-19), which also affected the economy of the largest power grid company of the Krasnodar Territory and the Republic of Adygea - Rosseti Kuban.*

*Thus, at the end of 2020, the Company had a loss of RUB 1,501 mln due to the decrease in power consumption in the region and, as a result, a drop in revenue concerning the main activity of Rosseti Kuban – power transmission. Nevertheless, the Company's main liabilities to the Company's staff, budget, counterparties, and lending banks have been fulfilled to the fullest extent.*

*The Company's management took comprehensive measures to control the growth of expenditures and debt portfolio, optimize interest expenditures, improve the efficiency of the procurement management system, reduce the in-grid electricity losses, reduce the power loss in the grids and increase power efficiency.*

*At the end of the reporting period, the target programs were implemented including those for year-on-year reduction of the operational costs in line with the Decree of the Russian Federation No.2303p-P13 dated April 16, 2015 for 2020. In 2020, the Company did not receive financial state assistance (subsidies)".*



Deputy General Director  
for Economics and Finance  
**Olga Ocheredko**

## Financial and Economic Results

The service revenue of the Company at the end of 2020 was RUB 49,369.6 mn, down RUB 1,634.1 mln (3.2%) year-on-year, including:

- revenue from power transmission was RUB 48,101.9 mln, up RUB 1,586.2 mln year-on-year (the increase is caused by the growth of the provided power transmission services by 234 mln kWh and the growth of weighted average tariff for power transmission services by 2%);
- revenue from grid connection services was RUB 731.3 mln, down RUB 3,474.9 mln year-on-year (the decrease is caused by the implementation of grid connection contracts with large consumers in 2019: Rostransmodernization FSI and Taman Federal Highway Administration of the Federal Road Agency FSI).

The net costs (including administrative expenses) at the end of 2020 was RUB 46,975.3 mln, up RUB 3,039.3 mln (6.9%) year-on-year. The growth is caused by increase of costs for electricity purchased for loss compensation, services of the distribution grid companies, expenses for the staff, depreciation of fixed assets and intangible assets.

The profit before tax amounted to "minus" RUB 1,384.3 mln representing year-on-year decrease of RUB 4,909.0 mln.

The net profit of the Company at the end of 2020 was RUB 1,501.3 mln, which is RUB 4,005 mln more than in 2019.

### Key factors influencing the financial results:

- the decrease in revenue from the services sales by RUB 1,634.1 mln (-3.2%);
- the year-on-year increase of the net cost with respect to management expenses by RUB 3,039.3 mln (6.9%);
- the balance aggravation for other earnings and expenses from the profit of RUB 235.7 mln as compared to 2019;
- + the year-on-year reduction of profit tax by RUB 904.1 mln

### The main financial and economic indicators of Rosseti Kuban<sup>1</sup> (RUB mln)

Indicator	2018	2019	2020
Proceeds from product (service) sales	<b>46,401</b>	<b>51,004</b>	<b>49,370</b>
Including:			
– power transmission	45,583	46,516	48,102
– grid connection	602	4,206	731
– sales of electricity	0	0	0
– other activities	215	282	536
<b>Net cost of products (services)</b>	<b>-41,461</b>	<b>-43,774</b>	<b>-46,800</b>
Gross profit	4,940	7,230	2,569
Management costs	-155	-162	-175
Selling and marketing expenses	0	0	0
Sales profit (loss)	4,784	7,068	2,394
Interest receivable	82	67	29
Interest payable	-1,911	-1,971	-1,593
Income from affiliation with other companies	9	0.6	0.7
Other earnings, total	2,575	2,270	1,563
Other expenses, total	-4,259	-3,909	-3,778
<b>Profit (loss) before tax</b>	<b>1,280</b>	<b>3,525</b>	<b>-1,384</b>
Profit tax and other payments	-1,129	-1021	-117
<b>Financial result</b>	<b>151</b>	<b>2,504</b>	<b>-1,501</b>
<b>EBITDA<sup>2</sup></b>	<b>7,158</b>	<b>9,741</b>	<b>4,756</b>
<b>Revenue per share, RUB</b>	<b>0.498</b>	<b>7.481</b>	<b>-4.486</b>

<sup>1</sup> Balance Sheet for 2018 (column "as at December 31, 2018") and Profit and Loss Statement for January – December 2018 (column "for 2018") are used to calculate the indicators for 2018;  
for 2019 – Balance Sheet for 2020 (column "as at December 31, 2019"), Profit and Loss Statement for January – December 2020 (column "for 2019");  
for 2020 – Balance Sheet for 2020 (column "as at December 31, 2020"), Profit and Loss Statement for January – December 2020 (column "for 2020");  
for 2018 – Profit and Loss Statement for January – December 2019 (column "for 2018");  
for 2019 – Profit and Loss Statement for January – December 2020 (column "for 2019");  
for 2020 – Profit and Loss Statement for January – December 2020 (column "for 2020").

<sup>2</sup> The EBITDA indicator was calculated according to the following formula: EBITDA = Profits before tax - Interest payable + Depreciation.

## Accounts Receivable, Operation with Debtors

### Analysis of changes in accounts receivable (RUB mln)

Indicator	As at 31.12.2018	As at 31.12.2019	As at 31.12.2020	Change 2020/2019, %
<b>Accounts receivable</b>	<b>7,057.41</b>	<b>7,433.11</b>	<b>8,547.20</b>	<b>15.0</b>
Including:				
– Trade receivables	6,206.67	6,611.23	7,578.32	14.6
– power transmission	6,091.36	6,348.85	7,386.47	16.3
– Bills receivable	–	–	–	–
– Advances paid	34.49	32.70	47.52	45.3
– Other accounts receivable	816.26	789.18	921.36	16.7

The main portion of accounts receivable (86.4%) of the Company was accumulated from the payments for the power transmission services rendered.

During the reporting period, the accounts receivable that were deemed impossible to collect amounted to RUB 0.4 mln.

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

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

### The results of the Company's activities aimed at the reduction of accounts receivable of the counterparties for the power transmission services

Indicator	2018	2019	2020
Positive judicial rulings / Amount claimed	127 cases / RUB 1,070.5 mln	174 cases / RUB 7,325.74 mln	149 cases / RUB 8,747.78 mln
Court order amounts	RUB 995.06 mln	RUB 473.58 mln	RUB 420.76 mln
Court order liability executed	RUB 780.47 mln or 78.43%	RUB 989.34 mln or 209%	RUB 292.58 mln or 70%
Reprimand rejected / Amount claimed	3 cases / RUB 22.95 mln	8 cases / RUB 38.8 mln	1 case / RUB 1.06 mln
Percentage of claimed ruled in favor of the Company, %	97.9	99.5	99.98

The coverage of overdue accounts receivable for the power transmission services with actions aimed at their reduction

is persistently high and as of December 31, 2020 is was 99.98%.

### Results of work with counterparties, for which the bankruptcy procedure is initiated (RUB mln)

Indicator	2018	2019	2020	Change 2020/2019
Number of counterparties, for which the bankruptcy procedure is initiated	19	23	23	0
The volume of the Company's claims included to the creditor claim list or submitted to the debtors regarding the current payments	759.38	768.91	760.61	-1.1%
The total amount of cash flows received by the Company's budget from counterparties under the bankruptcy procedure	0	1.32	6.87	5.2 times
The amount of overdue debts of the counterparties under the bankruptcy procedure	759.38	768.91	760.61	-1.1%
The amount of cash flows saved by the Company due to the purchase of its own debt to debtors under the bankruptcy procedure	0	0	0	0

## Accounts Payable

The change analysis for short-term accounts payable (RUB mln)

Indicator	As at 31.12.2018	As at 31.12.2019	As at 31.12.2020	Change 2020/2019, %
<b>Short-term accounts payable</b>	<b>12,833.09</b>	<b>8,757.71</b>	<b>10,763.54</b>	<b>22.9</b>
Including:				
Trade payables	5,238.56	5,136.19	5,936.86	15.6
Bills payable				
Taxes and charges	606.53	642.90	771.06	19.9
Advances received	5,164.80	1,876.50	2,640.75	40.7
Other accounts payable	1,823.20	1,102.12	1,414.87	28.4

The short-term accounts payable for 2020 increased by RUB 2,005.83 mln, including:

- the debt to the suppliers and contractors – by RUB 800.67 mln due to the increase of electricity transit services debts by RUB 148.0 mln, the debt for the power purchased to compensate the losses – by RUB 22.94 mln, the debt due to the investment activities – by RUB 556.57 mln;
- the advances received debt – by RUB 764.24 mln including advances for grid connection by RUB 656.13 mln (the major part of the advances received debt consists of the grid connection advances – RUB 2,483.07 mln);
- the personnel salary and wage debt – by RUB 43.4 mln;
- the taxes and fees debt – by RUB 128.16 mln;
- the amounts payable to other creditors – RUB 290.96 mln.

According to the results of the operations for 2020, the overdue accounts payable at Rosseti Kuban amounts to RUB 3,734.45 mln.

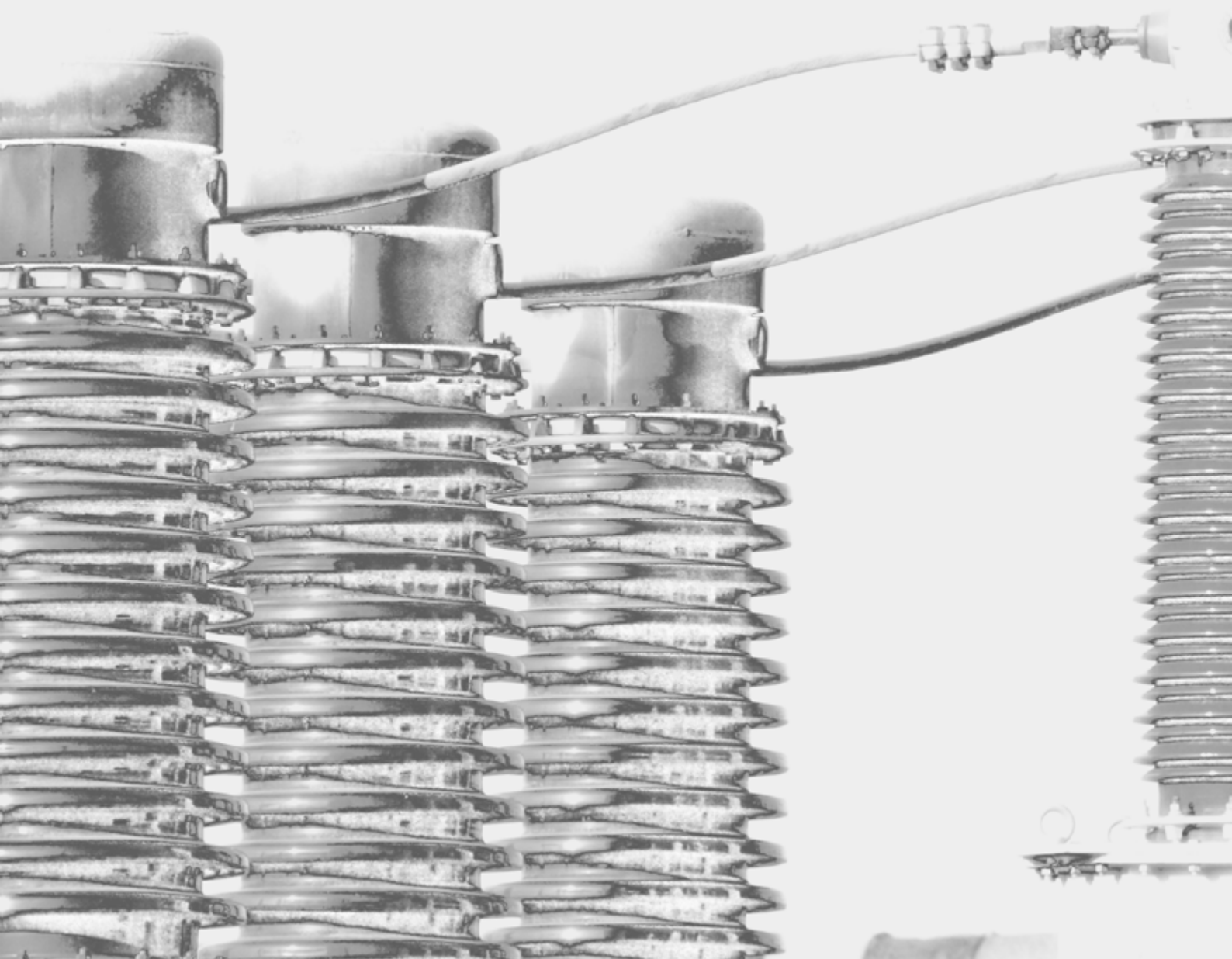
The long term accounts payable at the end of 2020 amounted to RUB 1,514.46 mln.

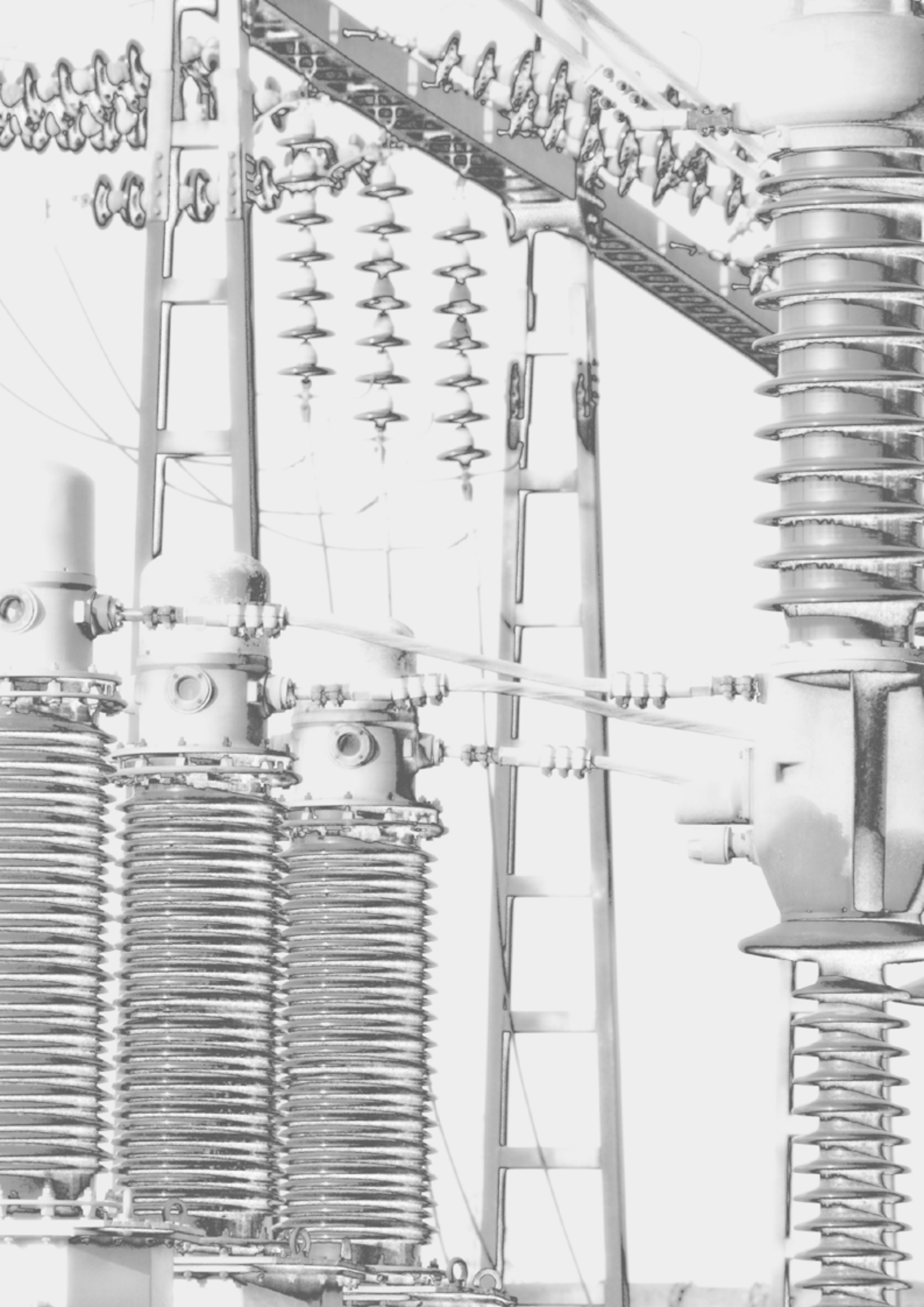
## Bonded Loans of the Company

The Program for Exchange Bonds series 002P of Kubanenergo PJSC was approved by the resolution of the Company's Board of Directors on September 20, 2016 (Minutes No. 251/2016); ID number 4-00063-A-002P-02E was assigned to it on October 24, 2016. The Program provides for the possibility of exchange bonds placement to the total par value of up to and including RUB 25 bn for up to 30 years. In the reporting year, the bonds under this program were not placed.

At the beginning of the reporting year, non-convertible interest-bearing certificated exchange bonds in bearer form eligible for collective safe custody of series 001P-01 placed in 2015 within the Program for Exchange Bonds with ID number 4-00063-A-001P-02E dated August 26, 2015 in the amount of RUB 3.6 bn were outstanding. In accordance with the resolution of the Board of Directors (Minutes No. 371/2019 dated December 30, 2019), the Company purchased all of these bonds ahead of the schedule on January 31, 2020.

# 06 CORPORATE GOVERNANCE REPORT









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

- sustainable business conducting by the Company;*
- no rights or legal interest infringements of the shareholders, and no corporate conflicts took place;*
- the management bodies took an active part in the Company's operations;*
  - the Annual General Meeting of Shareholders, the meeting of the Board of Directors and its committees, and the Management Board were conducted in a timely manner, and so was their decision-making;*
- the information was disclosed fully and in time according to the legislation of the Russian Federation and the information policy of the Company.*

*In order to localize COVID-19, in 2020, the Annual General Meeting of Shareholders was held in the form of absentee voting, and meetings of the Board of Directors and its committees were also usually held in absentia or via video conferencing.*

*In 2020, the Company's Articles of Associations were amended in terms of the Company's brand name and increase of the authorized capital. The revised Regulation on the Board of Directors was approved..*

*At the end of the 2019/2020 corporate year, the Company's Corporate Governance is recognized as relevant to developed practices by the internal audit".*



Acting Deputy General Director  
for Corporate Governance  
**Maxim Shirikov**

# ROSSETI KUBAN'S CORPORATE GOVERNANCE SCHEME



# CORPORATE GOVERNANCE PRINCIPLES AND PRACTICE

**The corporate governance is defined by the Company as combination of processes that ensure the management and control of its activities including the relationship between the shareholders, Board of Directors and executive bodies in favor of all participants of corporate relations including shareholders and management bodies, as well as potential investors, consumers of services, employees of Rosseti Kuban, counterparties, creditors, partners, state and local communities.**

**Rosseti Kuban considers the corporate governance as a mean of improving its performance, strengthening reputation and reducing costs of capital raising by the Company.**

The Company has consistently adhered to the following principles of corporate governance:

**01**

FAIRNESS

The Company is committed to protect the legitimate rights of the shareholders, to ensure equal treatment of all shareholders, to provide all shareholders with the opportunity to effectively protect their rights in case of violation.

**02**

ACCOUNTABILITY

The Company's Board of Directors is accountable to all shareholders in accordance with the legislation of the Russian Federation.

**03**

TRANSPARENCY

The Company ensures timely disclosure of all relevant facts relating to its activities including its financial situation, performance, ownership structure and management of the Company, as well as free access to such information for all stakeholders.

**04**

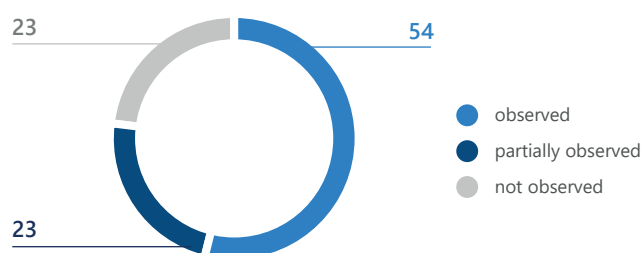
RESPONSIBILITY

The Company admits its responsibility to the shareholders of Rosseti Kuban and provides a reliable way to take rights for shares owned by them into account.

In order to improve and organize corporate governance, ensure greater transparency of management and confirmation of the continued readiness to comply with the standards of proper corporate governance, since 2006, the Company has Company's Corporate Governance Code based<sup>1</sup> on the legislation of the Russian Federation, which was in force at the moment of its approval, the Corporate Ethics Code recommended for application by the Decree No.421/r of Federal Commission of Securities Market of Russia dated April 4, 2002, Corporate Governance Principles of OECD recognized in the whole world. The Company adheres to the principles of its own Corporate Governance Code to the fullest extent.

Rosseti Kuban is also committed to the principles and recommendations of the Corporate Governance Code recommended for use by the Bank of Russia. The report on its meeting by the Company in 2020 is available in Annex 1. The Board of Directors certifies that all report data contain full and reliable information on the Company's compliance with the principles and recommendations of the Corporate Governance Code of the Bank of Russia.

#### Company's Compliance with principles and recommendations of the Corporate Governance Code of the Bank of Russia in 2020, %



In order to ensure an appropriate level of corporate governance and to improve it, the Company has also introduced the following regulations<sup>2</sup>:

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

In the reporting year, the Company's internal audit conducted an assessment of corporate governance at the end of the 2019/2020 corporate year concerning its compliance with the laws of the Russian Federation, principles and recommendations of the Corporate Governance Code of the Bank of Russia, Listing Regulations of the Moscow Exchange and the best corporate practices. The assessment was carried out in accordance with the Company's method, which corresponds to the standard method of assessing the corporate governance of Rosseti's S&A.

As a result of the assessment, the internal audit recognized the Company's corporate governance as relevant to the developed practice, it also noted that the potential for improvement of the assessment on a number of issues depends on the position of the main shareholder and other external factors that cannot be influenced by the Company.

#### The results of the assessment of the Company's corporate governance in the 2019/2020 corporate year by the internal audit

Component	Maximum points	2019/2020 corporate year		Reference: compliance with the established criteria in 2018/2019 corporate year (%)
		Points of the Company	Compliance with the established criteria (%)	
Shareholders' rights	71	66	93	89
Board of Directors	154	114.5	74	63
Executive management	40	34	85	85
Transparency and disclosure of information	130	106	82	82
Risk management, internal control, and internal audit	63	61	97	95
Corporate social responsibility, business ethics, and compliance	31	31	100	87
<b>Total score</b>	<b>489</b>	<b>412.5</b>	<b>84</b>	<b>79</b>

<sup>1</sup> The current version was approved by the resolution of the Board of Directors of Kubanenergo OJSC dated March 6, 2013 (Minutes No.154/2013 dated March 7, 2013).

<sup>2</sup> Regulations specified here and other internal documents of the Company regarding the corporate governance are published on the website of Rosseti Kuban in the section [About the Company / Constituent and in-house documents](#).

In the reporting year, the Company's Articles of Associations were amended as follows:

- increase in the authorized capital following the placement of additional shares in 2019;
- changes in the Company's brand name as part of the Company's joining to the single brand style standard of Rosseti and Rosseti Group of Companies.

The Company's General Meeting of Shareholders approved the revised Regulation on the Board of Directors of Rosseti Kuban by the resolution dated May 29, 2020 (Minutes No.43 dated May 29, 2020). In particular, the changes are related to:

- reduction of a period for documents and information submission to a member of the Board of Directors as per his request from five to two working days,
- reduction of a period for submission of a notification on the meeting holding to the members of the Board of Directors from 11 working days to five calendar days; it allows to convene and hold the meetings of the Board of Directors on appearing issues more rapidly.

In 2020, the Board of Directors approved a method for assessment of the operation of the Board of Directors and its committees, according to which the assessment is carried out:

- every year in the form of self-assessment;
- every three years (if necessary) by an independent external organization, which is engaged on a competitive basis.
- the assessment covers:
  - general performance of the Board of Directors;
  - performance of each committee of the Board of Directors;
  - performance of the Chair of the Board of Directors;
- work to support the activities of the Board of Directors and its committees.

In the reporting year, the performance of the Board of Directors' members within operation of this management body was equal to 95.2%:

- from January 1 to June 29, 2020–100%;
- from June 29 to the end of the year – 91.6%.

IN 2021, THE COMPANY WILL CONTINUE ITS WORK AIMED AT IMPROVING THE CORPORATE GOVERNANCE, BASED ON ANALYSIS OF THE BEST CORPORATE GOVERNANCE PRACTICES, AS WELL AS THE RESULTS OF THE CORPORATE GOVERNANCE ASSESSMENT BY THE INTERNAL AUDIT AND PLANNED ASSESSMENT (SELF-ASSESSMENT) OF THE OPERATION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES.

The Company plans to introduce amendments of the Articles of Associations and internal documents of Rosseti Kuban oriented to enhancing the corporate governance in accordance with the recommendations of the Corporate Governance Code of the Bank of Russia.



# GENERAL MEETING OF SHAREHOLDERS

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

The competence of the General Meeting of Shareholders is determined by the Federal Law on Joint-Stock Companies and the Articles of Associations of the Company.

In 2020, the Company held one annual General Meeting of Shareholders; to prevent the spread of the coronavirus infection, it was conducted in the form of in-absentee voting.

General Meeting of Shareholders date	General Meeting of Shareholders date and minutes No.	General Meeting of Shareholders quorum	Key resolutions made by the Meeting
29.05.2020	29.05.2020 № 43	99.67% of the total voting stock outstanding	<ol style="list-style-type: none"> <li>1. Approve the annual report and the annual accounting statements of the Company for 2019.</li> <li>2. Approve the following distribution of the Company's profit by the end of 2019: <ul style="list-style-type: none"> <li>– RUB 121,401 ths. – to increase the reserve fund;</li> <li>– RUB 1,669,696 ths. – to develop the Company;</li> <li>– RUB 636,914 ths. – to dividend payments;</li> <li>– RUB 0 ths. – to recover losses from previous years.</li> </ul> </li> <li>3. Pay the dividends on ordinary shares of the Company at the end of 2019 to the tune of RUB 1.90318 per one share in monetary form.</li> <li>4. Elect the members of the Board of Directors and the Audit Commission of the Company.</li> <li>5. Approve Ernst&amp;Young LLC as the auditor of the Company.</li> <li>6. Introduce amendments to the Company's Articles of Associations related to the name change.</li> <li>7. Approve the revised Regulation on the Board of Directors of the Company</li> </ol>

Resolutions of this General Meeting of Shareholders requiring implementation are carried out:

- the profit is distributed in accordance with the resolution of the Meeting, the dividends are paid to the shareholders in a timely manner;
- the contract on the audit of the accounting (financial) RAS and IFRS statements for 2020 with Ernst&Young LLC is signed and executed;

- on August 10, 2020, the state registration of changes to the Articles of Association of the Company related to change of its name was implemented.

The resolutions of the General Meeting of Shareholders of Rosseti Kuban are published on the corporate website in the section.



# BOARD OF DIRECTORS

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

## Main goals and objectives of the Board of Directors:

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

To achieve the goals and objectives set, the Board of Directors abides by the following principles:

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

In its operations, the Board of Directors abides by Federal Law On Joint-Stock Companies and other federal laws and regulations of the Russian Federation, the Company's Articles of Association, and the Regulation on the Board of Directors<sup>1</sup>.

According to the Articles of Association of Rosseti Kuban, the competence of the Board of Directors was expanded as compared to the provisions of Federal Law On Joint-Stock Companies.

## Membership of the Board of Directors<sup>2</sup>

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

Directors elected to the Board of Directors to the first time are provided with an opportunity to get an insight into the Company's strategy, corporate governance system, risk management and internal control system, distribution of duties between the executive bodies of the Company and other important information on production and financial and business activities of the Company.

During the reporting year, there were two compositions of the Board of Directors members in the Company balanced by competences, gender and age.

<sup>1</sup> The Regulation on the Board of Directors of Rosseti Kuban is published on the Company's website in the section [About the Company / Constituent and in-house documents](#).

<sup>2</sup> Personal data disclosure consent mentioned in the Corporate Governance section was received from all persons currently or previously in the executive and control bodies of the Company, except for V.V. Varseev.

# CURRENT BOARD OF DIRECTORS<sup>1</sup>

(elected at the Company's Annual General Meeting of Shareholders on May 29, 2020)

**ALEKSANDR ILYICH GAVRILOV,**

Chair of the Board of Directors, Non-Executive Director<sup>2</sup>

<b>Born in</b>	1973
<b>Education</b>	Higher. Graduated from Kuban State University majoring in Accounting and Audit, Kuban State Technological University majoring in Oil and Gas Field Development and Operation. Completed the following advanced training courses: Risk Management at Ernst&Young LLC; Organizing mobilization works in fuel and energy companies with mobilization assignments at FSAEI FVE IPK TEK; Safety Knowledge Training and Assessment for Managers and Specialists at Federal State Budget Institution "Learning and Training Centre" of Rostechnadzor; First Aid for Workplace Accidents at International Education Academy LLC; Training of Chairmen and Members of Committees on Prevention and Control of Emergencies and Fire Safety Arrangements in the Sphere of Civil Defense and Unified State Warning System and Emergency Recovery at Energy Institute for Advanced Training Further Professional Education Institution of Kubanenergo. Participated in training programs on the Strategy and Tactics in the Age of Digitalization in Power Industry at Innopolis University. Holds a doctoral degree in Economics
<b>Work experience for the last five years</b>	
2013–2019	General Director, Chair of the Management Board at Kubanenergo
2014–2019	Member of the Board of Directors of Kubanenergo
2019 — present day	Chair of the Board of Directors of Rosseti Kuban (the primary place of employment)
<b>Employment period in the Board of Directors of the Company</b>	From June 23, 2014 to the present day

**IGOR DMITRIYEVICH ALYUSHENKO,**

Non-Executive Director

<b>Born in</b>	1967
<b>Education</b>	Higher. Graduated from Novocherkassk Polytechnic Institute, degree in Electrical Engineering
<b>Work experience for the last five years</b>	
2009–2019	Deputy Head of Technical Audit Service of UES Operational Dispatch Office Center Branch
2019 — present day	Deputy Chief Engineer – Chief Dispatcher of Rosseti (the primary place of employment)
2019–2020	Member of the Board of Directors of IDGC of North-West PJSC
2020 — present day	Deputy Chief Engineer – Chief Dispatcher of FGC UES. Chair of the Board of Directors of Rosseti Siberia PJSC. Member of the Board of Directors of IDGC of Center and Volga Region PJSC, Rosseti Volga PJSC. Member of Strategy Committee of the Board of Directors of Rosseti Kuban
<b>Employment period in the Board of Directors of the Company</b>	From May 29, 2020 to the present day

<sup>1</sup> All of the positions held by the Board of Directors members (in chronological order) can be found in quarterly reports of the Company published online on the website of Rosseti Kuban in section [For Shareholders and Investors / Information disclosure / Quaterly reports of the Issuer](#).

<sup>2</sup> Workplace information of the Board of Directors members and the positions they hold are given in accordance with the data provided to the Company by them as of December 31, 2020.



**ALEKSANDR VIKTOROVICH VARVARIN,**

Non-Executive Director

<b>Born in</b>	1975
<b>Education</b>	Higher. Graduated from the Institute of International Law and Economics n.a. A. S. Griboyedov majoring in Legal Studies
<b>Work experience for the last five years</b>	
2005 – present day	Managing Director for the Corporate Relations and Legal Support Office of RSPP (the primary place of employment)
2006 – present day	General Director, Board member of the Corporate Relations Development and Economic Dispute Resolution Center Non-Commercial Partnership
2008 – present day	Chair of the Board of the Association “Interregional Self-Regulating Organisation of Professional Arbitration Managers”
2009–2016	Member of the Board of Directors of Russian Public Opinion Research Center OJSC. Chair of the Board of Directors of VNIPlneft OJSC
2011–2016	Chair of the Board of Directors of the Innovation Center for the Textile and Consumer Industry OJSC
2011–2017	Member of the Board of Directors of IDGC of Volga PJSC
2012 – present day	Audit Commission member for RR OJSC
2014–2018	Grid Connection Committee Chair of the Board of Directors of Kubanenergo
2014–2017	Member of Personnel and Remuneration Committee of the Board of Directors of Kubanenergo
2016–2016	Member of the Board of Directors of the All-Russian Research Institute for Oil Refining OJSC
2017–2018	Member of the Board of Directors of Mosenergostroy CIC OJSC, Oil Recovery JSC.
2018–2020	Member of the Board of Directors of IDGC of Centre PJSC. Member of Audit Committee and Grid Connection Committee of the Board of Directors of Kubanenergo
2018 – present day	Member of the Board of Directors of the Institute of Internal Auditors Association
2020 – present day	Member of the Board of Directors of Russian Public Opinion Research Center OJSC. Member of Personnel and Remuneration Committee and Grid Connection Committee of the Board of Directors of Rosseti Kuban
<b>Employment period in the Board of Directors of the Company</b>	From June 17, 2013 to the present day

**VASILII VALERYEVICH VARSEEV,**

Non-Executive Director

<b>Born in</b>	No information provided
<b>Education</b>	
<b>Work experience for the last five years</b>	
2020	Director of Security Department for Rosseti (the primary place of employment)
2020	Member of the Board of Directors of Rosseti North Caucasus PJSC
<b>Employment period in the Board of Directors of the Company</b>	From May 29, 2020 to the present day

**DENIS LVOVICH GURYANOV,**

Non-Executive Director

<b>Born in</b>	1977
<b>Education</b>	Higher. Graduated from the Peoples' Friendship University of Russia, Master of Law. Received occupational re-training in Lomonosov Moscow State University under the program for managers reserve basic level preparation
<b>Work experience for the last five years</b>	
2013–2020	Director of the Department for Corporate Governance at Rosseti (the primary place of employment)
2015–2017	Member of the Board of Directors of IDGC of Siberia PJSC
2015–2020	Member of the Board of Directors of IDGC of Center and Volga Region PJSC
2017–2020	Member of the Board of Directors of IDGC of North Caucasus PJSC
2020 — present day	Member of the Board of Directors of Rosseti South PJSC, TDC PJSC, Severkavkazenergo JSC, FOCL-OPL Administration JSC, Research and Development Centre of the Unified Energy System JSC, FTC PJSC
<b>Employment period in the Board of Directors of the Company</b>	From May 29, 2020 to the present day

**ANDREY VYACHESLAVOVICH LOGATKIN,**

Non-Executive Director

<b>Born in</b>	1979
<b>Education</b>	Higher. Graduated from Universita commerciale Luigi Bocconi (Milan, Italy) with a degree in Economics and Enterprise Management (by sector)
<b>Work experience for the last five years</b>	
2016–2018	General Director of Artpol Anapa Hills LLC
2018 — present day	Director – Head of the International Cooperation Department of Rosseti (the primary place of employment)
2019–2020	Member of the Board of Directors of IDGC of Centre PJSC
2019 — present day	Executive Director of the Russian National Committee of the World Energy Council (Fuel and Energy Complex Association). Member of the Board of Directors of G.M.Krzhozhanovsky Power Engineering Institute JSC
<b>Employment period in the Board of Directors of the Company</b>	From May 29, 2020 to the present day

**MIKHAIL VLADIMIROVICH MEDVEDEV,**

Independent Director

<b>Born in</b>	1969
<b>Education</b>	Higher. Graduated from Saint-Petersburg State University of Economics and Finance majoring in Banking and Finance
<b>Work experience for the last five years</b>	
2011–2019	Deputy General Director for Intratool Group LLC
2015–2018	Deputy General Director for Economics and Finance at Safonovo Industrial Park LLC
2017 — present day	Member of Strategy and Development Committee of the Board of Directors of Tumenenergo JSC. Member of Reliability Committee of the Board of Directors of Rosseti Kuban
2018 — present day	Adviser to General Director of Avangard JSC (the primary place of employment)
2019 — present day	Member of Strategy Committee of the Board of Directors of Rosseti Kuban
<b>Employment period in the Board of Directors of the Company</b>	From June 16, 2017 to the present day

**SERGEY VLADIMIROVICH SERGEYEV,**

Executive Director

<b>Born in</b>	1976
<b>Education</b>	Higher. Graduated from Novocherkassk State Technical University majoring in Industrial and Civil Engineering and the Academy of National Economy under the Government of the Russian Federation majoring in Economics, Management, Finance and Legal Framework for Joint-Stock Companies. Completed the following advanced training courses: at the Interbranch Regional Center for Further Training and Retraining of Irkutsk State Technical University; – at the Institute for Further Training of Fuel and Energy Company Managers and Specialists; – the Bases of Modern Electrical Engineering at Moscow Power Engineering Institute; – at VolgaPromAudit Expert Center LLC; – Labor Safety Training for Managers and Specialists at Energy Institute for Advanced Training Further Professional Education Institution of Kubanenergo
<b>Work experience for the last five years</b>	
2013–2019	Deputy General Director for Capital Construction of Rosseti
2016–2020	Member of the Board of Directors of FGC UES PJSC, Lenenergo PJSC
2019–2020	Member of the Board of Directors of MOESK PJSC
2019 — present day	General Director, Chair of the Management Board of Rosseti Kuban (the primary place of employment)
<b>Employment period in the Board of Directors of the Company</b>	From May 25, 2020 to the present day

**IVAN ANDREYEVICH TEREKHOV,**

Non-Executive Director

<b>Born in</b>	1980
<b>Education</b>	Higher. Graduated from A.I. Evdokimov Moscow State University of Medicine and Dentistry majoring in General Medicine, I.M. Sechenov Moscow Medical Academy majoring in Teacher in Higher Education, Peoples' Friendship University of Russia majoring in HR Management. Holds a candidate degree in Medicine
<b>Work experience for the last five years</b>	
2013 — present day	Head of Insurance Office in the Strategy Department of Rosseti (the primary place of employment)
2016 — present day	Member of the Board of Directors of Dagestan Energy Retail Company PJSC
2017–2018	Member of the Board of Directors of Severkavkazenergo PJSC
2020 — present day	Member of Audit Committee of the Board of Directors of Rosseti Kuban
<b>Employment period in the Board of Directors of the Company</b>	From May 25, 2020 to the present day

**IRINA ALEKSANDROVNA SHAGINA,**

Non-Executive Director

<b>Born in</b>	1979
<b>Education</b>	Higher. Graduated from the All-Russian State Distance-Learning Institute of Finance and Economics majoring in Accounting and Audit, and from Vladimir Law Institute of Federal Penitentiary Service of Russia majoring in Law
<b>Work experience for the last five years</b>	
2015 — present day	Head of Tariff Policy Department for Rosseti PJSC (the primary place of employment)
2016–2018	Member of the Board of Directors of IDGC of Volga PJSC
2017–2018	Member of Strategy and Development Committee of the Board of Directors of IDGC of Centre PJSC, IDGC of Center and Volga Region PJSC, IDGC of North Caucasus PJSC
2017–2019	Member of Audit Committee of the Board of Directors of Kubanenergo
2018 — present day	Board of Directors member TDC PJSC, IDGC of North-West PJSC
2018–2019	Member of Strategy and Development Committee of the Board of Directors of MOESK PJSC, IDGC of Urals PJSC
2019–2020	Member of Strategy Committee of the Board of Directors of IDGC of Centre PJSC, IDGC of Center and Volga Region PJSC, Rosseti Lenenergo PJSC
2019 — present day	Member of Strategy Committee of the Board of Directors of TDC PJSC. Member of Audit Committee of the Board of Directors of IDGC of North-West PJSC. Member of Strategy Committee of the Board of Directors of Rosseti Kuban
2020 — present day	Member of Personnel and Remuneration Committee of IDGC of North-West PJSC. Member of the Board of Directors, member of Audit Committee of the Board of Directors of IDGC of Urals PJSC. Member of the Board of Directors of Tomsk Trunk Grids OJSC. Member of Audit Committee of the Board of Directors of TDC PJSC. Member of Audit Committee of the Board of Directors of Rosseti Kuban
<b>Employment period in the Board of Directors of the Company</b>	From June 16, 2017 to the present day

**VIKTOR KORNEYEVICH YAVORSKIY,**

Independent Director

<b>Born in</b>	1955
<b>Education</b>	Higher. Graduated from Moscow Power Engineering Institute majoring in Automated Control Systems
<b>Work experience for the last five years</b>	
2002 – present day	General Director of Technology Center LLC
2006 – present day	President of Audit and Consulting Group OSBI KLASS LLC (the primary place of employment)
2013 – present day	Board Presidium member for All-Russian Non-Governmental Organization of Small and Medium Business OPORTA RUSSIA
2014 – present day	General Director for TORI-AUDIT LLC
2015–2019	Member of the Board of Directors of Tumenenergo JSC
2020 – present day	Audit Committee Chair of the Board of Directors of Rosseti Kuban
<b>Employment period in the Board of Directors of the Company</b>	From June 20, 2019 to the present day

## The composition of the Board of Directors elected at the Annual General Meeting of Shareholders on June 20th, 2019, and acting until the election of the new members of the Board of Directors on May 29, 2020.<sup>1</sup>

### ALEKSANDR ILYICH GAVRILOV,

Chair of the Board of Directors, Non-Executive Director

(Was re-elected to the Company's Board of Directors by the resolution of the Annual General Meeting of Shareholders of Kubanenergo on May 29, 2020. For more information, see section Current Board of Directors.)

### SERGEY VLADIMIROVICH KIRYUKHIN,

Non-Executive Director

<b>Born in</b>	1979
<b>Education</b>	Higher. Graduated from Tula State University majoring in Law and from Oryol Region Academy of Civil Service majoring in State and Municipal Management
<b>Work experience for the last five years</b>	
2014–2016	Deputy Head for the Headquarters of the Investigative Committee of the Russian Federation
2017–2017	Adviser to General Director at All-Russian Labour Federal State-Funded Research Institution of the Russian Ministry of Labor
2017–2018	Head of the Organizational and Analytical Office of Rostechnadzor
2018–2020	Chief Adviser for Rosseti (the primary place of employment)
2018–2020	Chair of the Board of Directors of Dagestanskaya Setevaya Kompaniya JSC. Chair of Audit Commissions of Tyumenenergo JSC, Yantarenergo JSC, CTZ JSC, FOCL-OPL Administration JSC
2018–2019	Chair of Audit Commissions of Tyvaenergosbyt JSC, Karachayevo-Cherkesskenergo JSC, Kalmenergosbyt JSC
2019–2020	Chair of the Board of Directors of IDGC of North Caucasus PJSC. Member of the Board of Directors of IDGC of Volga PJSC, Tyvaenergosbyt JSC, Kabbalkenergo JSC, Dagestanskaya Energosbytovaya Kompaniya PJSC, Sevkavkazenergo JSC, Karachayevo-Cherkesskenergo JSC, Kalmenergosbyt JSC. Chair of Audit Commissions of MOESK PJSC, IDGC of Centre PJSC, Lenenergo PJSC, IDGC of Center and Volga Region PJSC. Chair of Audit Committee, member of Personnel Committee of the Board of Directors of Kubanenergo. Member of Audit Committee, Chair of Personnel Committee of the Board of Directors of IDGC of Volga PJSC. Chair of Audit Committee, member of Personnel Committee of the Board of Directors of IDGC of North Caucasus PJSC
<b>Employment period in the Board of Directors of the Company</b>	From June 20, 2019 to May 29, 2020

### DMITRY VITALYEVICH LARIONOV,

Non-Executive Director

<b>Born in</b>	1981
<b>Education</b>	Higher. Graduated from the State University of Economics and Finance majoring in Financial Management
<b>Work experience for the last five years</b>	
2012 — present day	Deputy Director for the Department of Property Management – Head of the Land Property Relations and Disposition Office at Rosseti (the primary place of employment)
2019–2020	Member of the Board of Directors of Federal Research Center PJSC, DVEUK-ENES JSC
<b>Employment period in the Board of Directors of the Company</b>	From June 20, 2019 to May 29, 2020

### YELENA NIKOLAYEVNA OSIPOVA,

<sup>1</sup> In the statements of experience of the Board of Directors' members, only the latest positions in each of the work places are given.

## Non-Executive Director

<b>Born in</b>	1984
<b>Education</b>	Higher. Graduated from the Financial University under the Government of the Russian Federation, the Institute of Accounting and Audit majoring in Accounting, Analysis, and Audit
<b>Work experience for the last five years</b>	
2014 — present day	Head of Financial Analysis Office at the Finance Department of Rosseti (the primary place of employment)
2017–2018	Member of Audit Committee of the Board of Directors of Kubanenergo
2019–2020	Member of Audit Committee of the Board of Directors of Kubanenergo Member of Strategy Committee of the Boards of Directors at IDGC of South PJSC, IDGC of North Caucasus PJSC
<b>Employment period in the Board of Directors of the Company</b>	From June 16, 2017 to May 29, 2020

## VASILY VLADIMIROVICH ROZHKOVA,

## Non-Executive Director

<b>Born in</b>	1963
<b>Education</b>	Higher. Graduated from Tomsk Institute of Control Systems and Radioelectronics majoring in Radio Engineering and Irkutsk State Technical University majoring in Electric Power Plants
<b>Work experience for the last five years</b>	
2008–2016	Deputy Head of Business Asset Management Department of FGC UES
2016 — present day	Deputy Chief Engineer of Rosseti (the primary place of employment)
2019–2020	Member of the Board of Directors of Chechenenergo JSC
<b>Employment period in the Board of Directors of the Company</b>	From June 20, 2019 to May 29, 2020

## OLGA ANDREYEVNA SERGEYEVA,

## Non-Executive Director

<b>Born in</b>	1984
<b>Education</b>	Higher. Graduated from the Russian Academy of Economics n.a. G. V. Plekhanov majoring in Economics and Company Management (Construction)
<b>Work experience for the last five years</b>	
2010–2017	Deputy Head of Fuel and Energy Utility Department of Moscow
2017–2017	Deputy Head of Housing and Public Utility Department of Moscow
2018 — present day	Chief Adviser for Rosseti (the primary place of employment)
2018–2020	Member of the Board of Directors of IDGC of South PJSC, MOESK PJSC, IDGC of Northwest PJSC, Lenenergo PJSC, IDGC of North Caucasus PJSC
2018–2019	Chair of Personnel and Remuneration Committee of the Board of Directors of Kubanenergo
2019–2020	Member of the Board of Directors of FGC UES
<b>Employment period in the Board of Directors of the Company</b>	From June 25, 2018 to May 29, 2020

## KSENIYA VALERYEVNA KHOKHOLKOVA,

Non-Executive Director

<b>Born in</b>	1970
<b>Education</b>	Higher. Graduated from the State Academy of Management n.a. Sergo Ordzhonikidze majoring in Business Administrations for Fuel and Energy Companies
<b>Work experience for the last five years</b>	
2008 — present day	Chief Expert for the Securities and Disclosure Office at the Corporate Governance Department of Rosseti (the primary place of employment)
2014–2015	Member of the Board of Directors of Research Center of the Volga Region OJSC, Energoservice OJSC
2014–2016	Member of the Board of Directors of Lenenergospetsremont OJSC. Strategy, Development, Investment, and Reform Committee member for the Board of Directors of Kubanenergo
2014–2017	Member of the Board of Directors of the Energetik Healthcare Center OJSC
2014–2019	Member, Chair of Audit Committee of the Board of Directors of Kubanenergo
2015–2019	Member of the Board of Directors of G.M.Krzhizhanovsky Power Engineering Institute OJSC
2019–2020	Member of Strategy Committee of the Board of Directors of Kubanenergo. Member of the Board of Directors of Sotssfera JSC
<b>Employment period in the Board of Directors of the Company</b>	From June 23, 2014 to May 29, 2020

ALEKSANDR VIKTOROVICH VARVARIN,  
Non-Executive Director

MIKHAIL VLADIMIROVICH MEDVEDEV,  
Independent Director

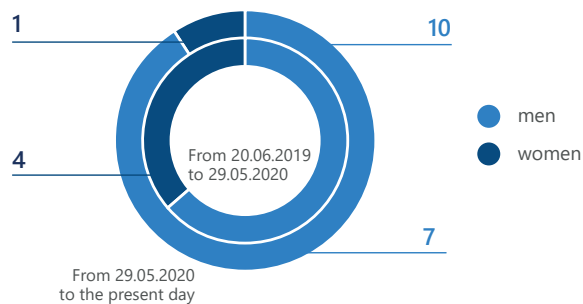
IRINA ALEKSANDROVNA SHAGINA,  
Non-Executive Director

VIKTOR KORNEYEVICH YAVORSKIY,  
Independent Director

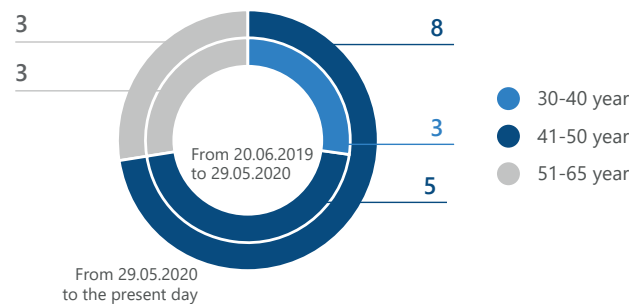
(A.V. Varvarin, M.V. Medvedev, I.A. Shagina and V.K. Yavorskiy are newly elected to the Board of Directors by the resolution of the Annual General Meeting of Shareholders of Kubanenergo on May 29, 2020. For more details, see the section Current Board of Directors.)

THE PROPORTION OF INDEPENDENT DIRECTORS IN BOTH COMPOSITIONS OF THE BOARD OF DIRECTORS IS 2/11..

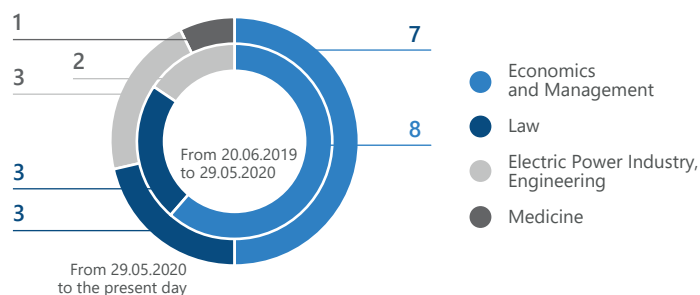
Board of Directors breakdown by gender (ppl.)



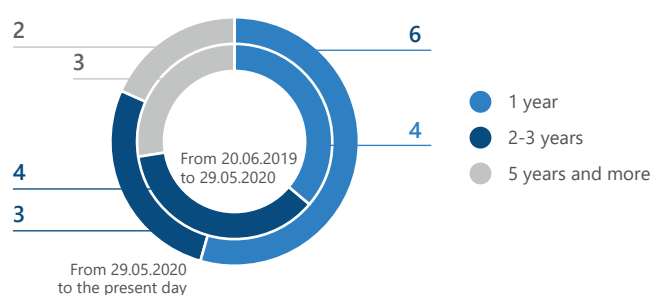
Board of Directors breakdown by age (ppl.)



### Board of Directors breakdown by education (ppl.)



### Board of Directors breakdown by length of service (ppl.)



All persons in the Board of Directors of the Company during 2020 are the citizens of the Russian Federation.

None of the members of the Board of Directors:

- owned the Company shares or closed transactions with them during the reporting year<sup>1</sup>;
- took training courses at the expense of the Company;
- had connections with persons who are members of the governing and (or) control bodies of the Company's financial and economic activities;
- was held administratively liable for financial improprieties, offense regarding tax and fees or security market, or had any criminal record for economic crimes or crimes against the state;
- held any positions in the management bodies of any commercial organizations when bankruptcy procedures were initiated or implemented in these companies as specified by the insolvency laws of the Russian Federation;
- had any conflicts of interest (including those related to participation in the management bodies of the Company's competitors) in the reporting year;
- received any loans (credits) from the Company.

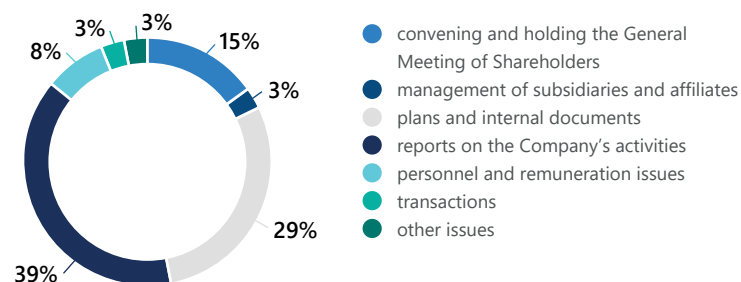
## Performance of the Board of Directors

### Board of Directors Activities

Indicator	2018	2019	2020
No. of Board of Directors meetings held	34	44	42
In-person and in absentia	2	7	2
Number of issues discussed	147	149	153
No. of resolutions taken	147	149	153
Number of tasks given to the Company's executive bodies	20	29	21
Average involvement of the members of the Board of Directors in its meetings, %	98.3	99.3	95.2

In 2020, a total of 42 meetings of the Board of Directors were conducted, two of those in person and absentia (including video conferences), and the rest in absentia (polling) to prevent the spread of the coronavirus infection.

### Structure of issues considered by the Board of Directors of the Company in 2020, by topics



The structure of the issues considered by the Board of Directors corresponds to its role in the management of the Company. Issues on the following topics are the most important in the structure of the considered issues:

- convening and holding the General Meeting of Shareholders;
- approving plans and internal documents;
- reviewing management reports on various aspects of the Company's activities.

<sup>1</sup> According to the data provided to the Company by the Board of Directors members.

### Key resolutions made by the Board of Directors of Rosseti Kuban in the reported year

THE FOLLOWING LONG-TERM COMPANY PLANS AND PROGRAMS WERE APPROVED

- Digital Transformation Program for 2020–2030
- Smart Metering Development Program for 2020–2030
- Energy Loss Reduction Program for the Company Grids
- List of priority anti-crisis measures in the current economic situation
- Plan for the Development of a Production Asset Management System and Resource Plan for its Implementation
- Business plan forecasted values
- Changes to the investment program

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

- Business Plan
- Roadmap for the actions to reduce the accounts receivable for energy transmission services
- Procurement plan
- Non-state Pension Program for the Company Employees
- Insurance Coverage Program
- Target values of the Company's General Director KPI and method of its calculation and assessment

THE FOLLOWING INTERNAL DOCUMENTS OF COMPANY WERE APPROVED

1. Revised Anti-Corruption Policy of Rosseti and its S&A (as an internal document of the Company)
2. Assessment method of Board of Directors and its committees performance
3. New revisions of the following:
  - Scenario conditions for formation of the Investment Program
  - Regulation on Brand Style Management
  - Regulation on Implementation of the Uniform Communication Policy
  - Regulation on Providing the Insurance Coverage
4. Changes to Regulation on Financial Incentives for the General Director, Regulation on Financial Incentives and Social Benefits for Senior Managers

THE FOLLOWING RESOLUTIONS WERE TAKEN

- On Company's accession to the changes of the Uniform Procurement Standard of Rosseti (Procurement Regulations), to implementation of the Environmental Policy of Rosseti

THE FOLLOWING IS REVIEWED

- On approval of the revised organizational structure of the executive arm
- General Director reports on various aspects of the Company financial and business activities and Board of Directors resolutions implementation
- Information on public discussion of the Investment Program draft
- Drafts of new revisions of the Articles of Association and revised Regulation on the Board of Directors (suggested for approval to the Annual General Meeting of the Company Shareholders)

At in-person and in-absentia meetings (including the video conferences) in the reporting year, the Board of Directors achieved the following:

- approved the Digital Transformation Program for 2020–2030 and Smart Metering Development Program for 2020–2030;
- reviewed the report on the results of the business plan implementation for the first half of 2020;
- approved the report on the results of the Investment Program implementation for the first half of 2020.



## Participation of the Board of Directors members of Rosseti Kuban in meetings of the Board of Directors and its committees in 2020

Full name	Membership of the Board of Directors (1st one – from 20.06.2019 to 29.05.2020; 2nd one – from 29.05.2020 to the present day)	Number of meetings attended by a member of the Board of Directors (from those possible for attending of the member)					
		Board of Directors	Reliability Committee	Audit Committee	Strategy Committee	Personnel and Remunerations Committee	Grid Connection Committee
<b>Sergey Vladimirovich Kiryukhin</b>		16 of 16	–	8 of 8	–	5 of 5	–
<b>Dmitriy Vitalyevich Larionov</b>		16 of 16	–	–	–	–	–
<b>Yelena Nilolayevna Osipova</b>	1st	16 of 16	–	8 of 8	–	–	–
<b>Vasily Vladimirovich Rozhkov</b>		16 of 16	–	–	–	–	–
<b>Olga Andreyevna Sergeyeva</b>		16 of 16	–	–	–	–	–
<b>Ksenia Valeryevna Khokholkova</b>		16 of 16	–	–	10 of 10	–	–
<b>Aleksandr Ilyich Gavrillov, Chair of the Board of Directors</b>		42 of 42	–	–	–	–	–
<b>Alexander Viktorovich Varvarin</b>		42 of 42	–	8 of 8	–	13 of 13	6 of 6
<b>Mikhail Vladimirovich Medvedev</b>	1st and 2nd	42 of 42	16 of 16	–	18 of 18	–	–
<b>Irina Aleksandrovna Shagina</b>		42 of 42	–	4 of 4	18 of 18	–	–
<b>Viktor Korneyevich Yavorskiy</b>		42 of 42	–	4 of 4	–	–	–
<b>Igor Dmitriyevich Alyushenko</b>		26 of 26	–	–	8 of 8	–	–
<b>Vasily Valeryevich Varseev</b>		5 of 26	–	–	–	–	–
<b>Denis Lvovich Guryanov</b>	2nd	25 of 26	–	–	–	–	–
<b>Andrey Vyacheslavovich Logatkin</b>		26 of 26	–	–	–	–	–
<b>Sergey Vladimirovich Sergeyev</b>		26 of 26	–	–	–	–	–
<b>Ivan Andreyevich Terekhov</b>		25 of 26	–	4 of 4	–	–	–

The action plan for the 2020/2021 corporate year was approved by the Board of Directors on November 17, 2020. It is focused on the following areas:

- strategic development of the Company;
- mid-term and routine planning of the Company operations;
- Board of Directors activity arrangements;
- implementation control for the resolutions of the Board of Directors and the General Meeting of Shareholders.

The plan includes:

- issues to be considered at the Board of Directors meetings;
- scheduled dates for issue consideration up to a month;
- form of meetings holding (with the right to define the final form of the meeting holding by the Chair of the Board of Directors, in accordance with the Clause 6.12 of the Regulation on the Board of Directors);
- the list of persons (Company's executive bodies) responsible for the preparation of issues to be considered at the meetings of the Board of Directors.

On November 17, 2020, the Board of Directors of Rosseti Kuban approved the assessment method for Board of Directors and its committees performance. This assessment was not carried out in the reporting year. The assessment/self-assessment of the Board of Directors and its committees is planned for 2021.

AT THE FIRST MEETING OF THE NEW COMPOSITION OF THE BOARD OF DIRECTORS ON JUNE 16, 2020 Y, THE CHAIR WAS ELECTED.



Minutes of the meetings of the Board of Directors of Rosseti Kuban are published on the Company's website in the section About the Company / Management / Board of Directors.



# BOARD OF DIRECTORS' REPORT ON THE COMPANY'S DEVELOPMENT IN PRIORITY AREAS

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

## Information on priorities implementation

Priority	Basis	Arguments for targets as of 2020	2020		Implementation status	Target in 2021
			Target	Actual		
Compliance with the service quality and reliability requirements of legal regulations	Resolution of the Company's Board of Directors on issue No.1 dated 18.11.2011 (Minutes No.121/2011)	Order of RPC - PTD KT No.62/2017-e dated 27.12.2017 On Tariffs for Organizations Providing Power Transmission Services	Approved values: •grid connection quality ( $Q_{gc}$ ) – 1; •yearly average power outage duration per point of delivery ( $P_{saidr}$ ) – 4.4467 h; •yearly average power outage occurrence per point of delivery ( $P_{saidr}$ ) – 1.0255.	Achieved values: •grid connection quality ( $Q_{gc}$ ) – 1.034; •yearly average power outage duration per point of delivery ( $P_{saidr}$ ) – 0.8870 h; •yearly average power outage occurrence per point of delivery ( $P_{saidr}$ ) – 0.4592.	Reliability indicators met	Approved values: •grid connection quality ( $Q_{gc}$ ) – 1; •yearly average power outage duration per point of delivery ( $P_{saidr}$ ) – 4.3800 h; •yearly average power outage occurrence per point of delivery ( $P_{saidr}$ ) – 1.0101.

Priority	Basis	Arguments for targets as of 2020	2020		Implementation status	Target in 2021
			Target	Actual		
Providing accessible energy infrastructure and good quality of grid connection to the Company's grids	Resolution of the Company's Board of Directors on issue No.1 dated 12.09.2014 (Minutes No.196/2014)	Resolution of the Company's Board of Directors (Minutes No.372/2019 dated 31.12.2019); Regulation on Grid Connection Process	Average grid connection duration (measured as the request-to-notice of completion timeframe) within 80 days for grid connection contracts made in 2020 and accounted for in the Doing Business Ranking of the World Bank	Average implementation duration of grid connection contracts of Doing Business category accounted for in the Ranking of the World Bank is 68 days	Plan accomplished	Achieving the quality of consideration of applications for grid connection of 1.3 maximum (in accordance with the Standard Methodology for Calculating and Evaluating KPIs of the sole executive bodies of Rosseti's S&A, which are engaged in power transmission and grid connection activities, taking into account the Methodology for Calculating and Evaluating KPIs of the General Director of Rosseti Kuban, approved by the Order of the Company No. 598-od dated 09.10.2020)
Planning the development of Company's Distribution Power Grid Complex	Resolution of the Company's Board of Directors on issue No.2 dated 05.09.2011 (Minutes No.116/2011); Rosseti's Order No. 4 dated 10.01.2019 On Improving the Planning of the Power Grid Development	Resolution of the Company's Board of Directors dated 31.12.2019 (Minutes No.372/2019) and Regulation on Grid Connection Process	Taking part in development of the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory for 2021–2025 and the Roadmap for Development of the Electric Power Industry in the Republic of Adygea for 2020–2024. Commission an engineering firm to draft the Comprehensive Program for the Development of Kubanenergo's Grids for 2020–2024 and up to 2026;Phase 2 in 2021–2025.	The Company participated in the development of the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory for 2021–2025 and the Roadmap for Development of the Electric Power Industry in the Republic of Adygea for 2020–2024. In the reporting year, FTC PJSC developed the Comprehensive Program for the Development of Kubanenergo's Grids for 2020–2024 and up to 2026;Phase 2 in 2021–2025 by the order of Rosseti Kuban. This Program is now the basis for yearly drafting of proposals on adding steps to the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory and the Republic of Adygea on a five-year timeframe	Plan accomplished	Taking part in development of the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory for 2022–2026 and the Roadmap for Development of the Electric Power Industry in the Republic of Adygea for 2021–2025. Commission an engineering firm to draft the Comprehensive Program for the Development of Rosseti Kuban's Grids for 2020–2024 and up to 2026;Phase 3 in 2022–2026.

Priority	Basis	Arguments for targets as of 2020	2020			Target in 2021
			Target	Actual	Implementation status	
Improving the counter-terrorism and anti-sabotage protection of the Company's grid facilities	Resolution of the Company's Board of Directors on issue No.5 dated 05.08.2010 (Minutes No.94/2010)	Comprehensive Security Policy of Kubanenergo as approved by resolution of the Board of Directors (Minutes No. 202/2015 dated 30.01.2015)	<p>For facility security purposes, the Company plans to:</p> <ul style="list-style-type: none"> <li>• For facility security purposes, the Company plans to:</li> <li>• pursue Rosseti's Order No. 18 dated 22.01.2020 On the Approval of Counter-Terrorism Procedures for Rosseti S&amp;As' Facilities as well as the Company's counter-terrorism regulations;</li> <li>• keep the security equipment of the Company's facilities up and running;</li> <li>• renew the security service contracts;</li> <li>• inspect officers of private security firms on duty at the Company's facilities off the schedule;</li> <li>• weekly brief the dispatchers and personnel of offsite teams on duty on how to act in case a terrorist attack is detected at the Company's facility;</li> <li>• train the staff of the Company's branches to respond to unauthorized personnel or foreign objects at the facilities;</li> </ul>	<p>Public and political events in Krasnodar Territory were cancelled in the reporting year in connection with the COVID-19 pandemic. The plans have been implemented to the fullest extent, except for keeping the Company's energy facilities secure during public and political events (the Russian Investment Forum 2020 in Sochi) etc.</p>	Plan accomplished	<p>For facility security purposes, the Company plans to:</p> <ul style="list-style-type: none"> <li>• For facility security purposes, the Company plans to:</li> <li>• pursue Rosseti's Order No. 18 dated 22.01.2020 On the Approval of Counter-Terrorism Procedures for Rosseti S&amp;As' Facilities as well as the Company's counter-terrorism regulations;</li> <li>• keep the security equipment of the Company's facilities up and running;</li> <li>• inspect officers of private security firms on duty at the Company's facilities off the schedule;</li> <li>• weekly brief the dispatchers and personnel of offsite teams on duty on how to act in case a terrorist attack is detected at the Company's facility;</li> <li>• train the staff of the Company's branches to respond to unauthorized personnel or foreign objects at the facilities;</li> </ul>

Priority	Basis	Arguments for targets as of 2020	2020			Target in 2021
			Target	Actual	Implementation status	
			<ul style="list-style-type: none"> <li>update plans of the Company's emergency-response cooperation with law enforcers in the Krasnodar Territory and the Republic of Adygea; develop and coordinate appropriate cooperation procedures;</li> <li>equip the territory of the Executive Office, production base, 110 kV SS Vyshesteblievskaya with engineering and technical protection means; ensure safety of the Company's power facilities during public and political events (Russian Investment Forum 2020 in Sochi) etc.</li> </ul>			<ul style="list-style-type: none"> <li>update plans of the Company's emergency-response cooperation with law enforcers in the Krasnodar Territory and the Republic of Adygea; develop and coordinate appropriate cooperation procedures;</li> <li>equip with the following security equipment: 110 kV SS Boyko-Ponura, 110 kV SS Gazoapparat, 110 kV SS Kommunar, 110 kV SS Lebedi, 110 kV SS Pereyaslovskaya;</li> <li>hold events aimed at security provision for Company's power facilities during the volleyball world championship in 2022 and other public and political events</li> </ul>
Improving the internal control and risk management systems, developing the internal audit function	Resolution of the Company's Board of Directors on issue No.2 dated 12.09.2014 (Minutes No.196/2014)	Strategy for the Development and Improvement of the Internal Control System of Rosseti and S&A approved by the resolution of the Board of Directors of Rosseti (Minutes No.143 dated 13.02.2014); the Company's Order No.6 dated 12.01.2016 On Adopting the Methodology for Performance Assessment of the Rosseti Group's Internal Control and Risk Management System; resolution of the Board of Directors' Audit Committee (Minutes No.36/2016 dated 17.03.2016)	Implementation: <ul style="list-style-type: none"> <li>the plan of events to maintain the efficiency and development of the Company's internal control system for 2019–2022 approved by the resolution of the Board of Directors dated December 25, 2019 (Minutes No.369/2019) for 2020;</li> <li>the plan of events to improve the Company's risk management system for 2020–2023 approved by the resolution of the Board of Directors dated 31.12.2019 (Minutes No.373/2019) for 2020.</li> </ul>	The following plan events have been implemented: <ul style="list-style-type: none"> <li>the plan to maintain the efficiency and development of the Company's internal control system,</li> <li>plan to improve the Company's risk management system</li> </ul>	Plan accomplished	Implementation of the comprehensive plan to maintain the efficiency and development of the internal control and risk management systems of Rosseti Group approved by the resolution of the Rosseti's Board of Directors (Minutes No.443 dated 29.12.2020)

Priority	Basis	Arguments for targets as of 2020	2020			Target in 2021
			Target	Actual	Implementation status	
Annual operating costs reduction by at least 2–3%	Decree of the Russian Government No.2303p-P13 dated 16.04.2015 On Annual Operating Costs Reduction by at Least 2–3%	Rosseti's Order No.300 dated 15.07.2020 On Approval of the Standard Methodology for Calculating and Evaluating KPIs of the Sole Executive Bodies of Rosseti's S&A, Which are Engaged in Power Transmission and Grid Connection Activities	Annual operating costs reduction by at least 2% year-on-year	Plan accomplished	Plan accomplished	Annual operating costs reduction by at least 2% in 2021 year-on-year



# COMMITTEES OF THE BOARD OF DIRECTORS

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

- Reliability Committee;
- Audit Committee;
- Strategy Committee;
- Personnel and Remuneration Committee;
- Grid Connection Committee.

The Committees are collective advisory bodies. Main tasks and functions of the Committees:

- the preliminary consideration of the issues within the competence of the Board of Directors or under investigation of the Board of Directors to control the activities of the Company's executive bodies;
- development of necessary recommendations for the Board of Directors and executive bodies of Rosseti Kuban;
- consideration of other issues by order of the Board of Directors.

The activities of each of the Committees are subject to respective Regulations<sup>1</sup>.

Members of the Committees and their chairmen are elected by the Board of Directors of the Company from the candidates among the Board of Directors at one of the first Board meetings in the new composition.

Members of Audit and Strategy Committee remain in office up to the next election of the respective Committee. Members of other Committees remain in office up to the first meeting of the newly elected Board of Directors.

Operation of the Committees is carried out in accordance with the action plans that are designed by them based on the action plan of the Board of Directors, resolutions of the Board of Directors and Committees, proposals of committee members, General Director.

Progress reports for the corporate year of 2019/2020 from the Committees were considered by the Board of Directors on November 17, 2020.

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

Remuneration is provided for participation of the Committee's members in their meetings. The total sum of remuneration paid to the members of the Board Committees amounted to RUB 1,162 ths in 2020. The Company has no remuneration payments overdue to the Committee members.



The meeting minutes of Rosseti Kuban Board Committees are published on the Company's website in the section About the Company / Management / Committees under the Board of Directors.

<sup>1</sup> The Regulations on the Board of Directors' Committees of Rosseti Kuban are published on the Company's website in the section [About the Company / Constituent and in-house documents](#).



## Reliability Committee

<b>Committee creation date</b>	15.09.2006
<b>Meeting minutes date and number for the Company's Board of Directors, at which the Committee Regulation was approved (in the current revision)</b>	No.281/2017 dated 21.07.2017
<b>The key objectives of the Committee</b>	<p>Developing and giving recommendations (conclusions) to the Board of Directors on the following aspects of its activities:</p> <ul style="list-style-type: none"> <li>• assessment of production programs, plans for retrofitting and upgrading, reconstruction, new construction and repair of power facilities, analysis of their development and execution from the point of view of satisfying the requirements for operational reliability and technical condition of electric grids;</li> <li>• evaluation of the completeness and adequacy of measures taken based on accident investigation results, as well as control over their implementation;</li> <li>• analysis of the quality of the investigation into the causes of technological violations (accidents);</li> <li>• assessment of the Company's emergency response work (preparedness, organization, and conduct of emergency response and recovery works at power supply facilities);</li> <li>• analysis and implementation control for the programs of prevention and personnel and third-party injury risk mitigation at the power units of Rosseti Kuban;</li> <li>• control and assessment of the Company's technical services performance in terms of ensuring operational reliability and safety of power grids;</li> <li>• analysis of the internal technical control system in the Company;</li> <li>• analysis of the occupational safety management system;</li> <li>• analysis of the Environmental Policy Implementation Program;</li> <li>• analysis of fire and industrial safety systems</li> </ul>
<b>The personnel composition of the Committee in office in the reported year</b>	<p>Board Committee acting from 16.08.2019 to 16.06.2020:  Vladimir Anatolyevich Ukolov,  (Committee Chair), Head for the Situation and Analytical Center of Rosseti  Eduard Valeryevich Bogomolov,  First Deputy Director for the Engineering Supervision Center of Rosseti  Mikhail Vladimirovich Medvedev,  Adviser to General Director of Avangard JSC, member of the Board of Directors of Kubanenergo  Olga Vyacheslavovna Ocheredko,  Deputy General Director for Economics and Finance, member of Management Board of Kubanenergo  Igor Nikolayevich Shishigin,  Deputy General Director for Technical Issues, Chief Engineer, member of Management Board of Kubanenergo</p> <p>The current composition of the Committee (elected on 07.07.2020):  Vladimir Anatolyevich Ukolov,  (Committee Chair), Head for the Situation and Analytical Center of Rosseti  Eduard Valeryevich Bogomolov,  First Deputy Director for the Engineering Supervision Center of Rosseti  Mikhail Vladimirovich Medvedev,  Deputy General Director for Intratool Group LLC, member of Rosseti Kuban Board of Directors  Olga Vyacheslavovna Ocheredko,  Deputy General Director for Economics and Finance, member of the Management Board of Rosseti Kuban  Igor Nikolayevich Shishigin,  to November 2020 – Deputy General Director for Technical Issues, Chief Engineer, member of the Management Board of Rosseti Kuban</p>

**Results of Committee work in the reported year**

In 2020, there were 16 meetings of the Committee (two in presence, including video conferences, and the rest in absentee voting) and 32 issues were considered.

In the reporting year, the Committee provided the Board of Directors with conclusions (recommendations) on the following crucial issues:

1. approval of the Company's internal documents:
  - Digital Transformation Programs for 2020–2030,
  - plan for the development of the production asset management system for 2020–2022,
  - revised Environmental Policy of the Rosseti Power Grid Complex as an internal document of the Company;
2. consideration of the following reports:
  - on the implementation of the Investment Program in terms of providing its comprehensive reliability,
  - on the results of the autumn and winter period of 2019/2020,
  - on the readiness of the Company to work in the autumn-winter period 2020/2021,
  - on the work carried out by the Reliability Committee in the 2019/2020 corporate year;
3. consideration of information on the provision of reliable power supply to the spa facilities.

In the reporting year, the Committee also considered the following:

1. target programs for production activities for 2020–2024;
2. Maintenance and Repair Program for 2020;
3. on the event program aimed at removing bottlenecks impacting the reliable power supply to the Company's customers for 2020;
4. the Company's management reports:
  - on the Company's results after the flood period,
  - on the preparedness to the operation in the autumn and winter, fire and flood periods,
  - on the implementation of the Maintenance and Repair Program for the Company's facilities,
  - on the implementation of the event program aimed at removing bottlenecks impacting the reliable power supply to the Company's customers,
  - on the implementation of comprehensive programs on injury risk mitigation for the Company personnel and third-parties;
5. the quality assessment of the accident cause investigations and the assessment of the adequacy and sufficiency of actions to neutralize them;
6. the data on service reliability values subject to tariff regulation.

The proportion of the issues considered preliminary by the Committee, on which it prepared recommendations for the Board of Directors, to the total number of issues considered by the Committee: in 2019–29.4%, in 2020–37.5%.

Average participation of the Committee members in its meetings: in 2019–98.8%, in 2020–93.8%

## Audit Committee

<b>Committee creation date</b>	16.10.2009
<b>Meeting minutes date and number for the Company Board of Directors, at which the Committee Regulation was approved (in the current revision)</b>	No.233/2016 dated 18.03.2016, with amendments – No.253/2016 dated 28.10.2016
<b>The key objectives of the Committee</b>	<ul style="list-style-type: none"> <li>• Review of the Company's accounting (financial) statements and control over their preparation;</li> <li>• control over the reliability and effectiveness of the internal control system, risk management system, and corporate governance practices;</li> <li>• control over external audits and selection of the auditor;</li> <li>• ensuring independence and objectivity of the internal audit function;</li> <li>• control over the efficiency of the system for countering unfair practices of the Company's employees or third parties</li> </ul>
<b>The personnel composition of the Committee in office in the reported year</b>	<p>Board Committee acting from 16.08.2019 to 07.07.2020:</p> <p>Sergey Vladimirovich Kiryukhin, (Committee Chair), Chief Advisor of Rosseti, to 29.05.2020 – member of the Board of Directors of Kubanenergo</p> <p>Aleksandr Viktorovich Varvarin, Managing director for the Corporate Relations and Legal Support Office of RSPP, member of Kubanenergo Board of Directors</p> <p>Yelena Nikolayevna Osipova, Head of Financial Analysis Office at the Finance Department of Rosseti, to 29.05.2020 – member of the Board of Directors of Kubanenergo</p> <hr/> <p>The current composition of the Committee (elected on 07.07.2020):</p> <p>Viktor Korneyevich Yavorskiy (Committee Chair), member of the Board Presidium of All-Russian Non-Governmental Organization of Small and Medium Business OPORA RUSSIA, member of Rosseti Kuban Board of Directors</p> <p>Irina Aleksandrovna Shagina, Head for Tariff Policy Department at Rosseti, member of Rosseti Kuban Board of Directors</p> <p>Ivan Andreyevich Terekhov, Head of Insurance Office of the Strategy Department, member of the Board of Directors of Rosseti Kuban</p>

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**Results of Committee work in the reported year**

In 2020, there were 12 meetings of the Committee (four in presence, including video conferences, and the rest in absentee voting) and 35 issues were considered.

In the reporting year, the Committee provided the Board of Directors with conclusions (recommendations) on the following crucial issues:

1. on approval of the following:
  - reports on implementation of the Action Plan and the performance of the internal audit,
  - plan of events to develop and improve the internal audit performance;
2. on consideration of the candidate of the Company's external auditor for auditing of the Company's statements for 2020 and on determination of the sum paid for these services;
3. on consideration of the following reports (information):
  - internal audit regarding the results of the assessment of measures to identify and dispose non-core assets,
  - anti-corruption monitoring results,
  - organization, functioning and improving of the Company's internal control system in 2019,
  - internal audit regarding the efficiency of the internal control and risk management systems of the Company,
  - internal audit regarding the corporate governance efficiency for 2019/2020 corporate year,
  - accounting (financial) statements of the Company prepared in accordance with RAS,
  - Audit Committee performance report for the 2019/2020 corporate year.

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

1. information of the external auditor regarding key problems in the Company's accounting (financial) statements;
2. consolidated financial statements prepared in accordance with IFRS;
3. efficiency of the external audit of the accounting (financial) statements of the Company for 2019,
4. reports (information) of the Company's management:
  - on implementation of the corrective measures to eliminate gaps identified by the Company's Audit Commission, Company's Internal Audit, Third-Party Control and Supervision Bodies on implementation of measures taken to address the information about potential cases of unfair practices of employees, and following the results of investigations made,
  - on following the laws on insider information control,
  - on non-standard operations and events of the Company, as well as regarding the formation of a reserve on doubtful debts and estimated liabilities.

The proportion of the issues considered preliminary by the Committee, on which it prepared recommendations for the Board of Directors, to the total number of issues considered by the Committee: in 2019–44.7%, in 2020–37.1%.

Average participation of the Committee members in its meetings: in 2019–97.9%, in 2020–100%

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## Strategy Committee

<b>Committee creation date</b>	05.02.2010
<b>Meeting minutes date and number for the Company Board of Directors, at which the Committee Regulation was approved (in the current revision)</b>	No.358/2019 dated 16.08.2019
<b>The key objectives of the Committee</b>	<p>Development and submission to the Board of Directors of recommendations (conclusions) concerning the following issues:</p> <ul style="list-style-type: none"> <li>• strategic development and activity priorities;</li> <li>• Company's innovation development;</li> <li>• organization of business-processes;</li> <li>• business planning;</li> <li>• dividend policy;</li> <li>• risk management;</li> <li>• efficiency assessment for the operations of the Company and its S&amp;A</li> </ul>
<b>The personnel composition of the Committee in office in the reported year</b>	<p>Board Committee acting from 16.08.2019 (with amendments dated 11.10.2019 and 15.11.2019) to 06.08.2020:</p> <p>Yuliya Gennadyevna Obrezkova (Committee Chair), Deputy Director for the Strategy Department of Rosseti</p> <p>Konstantin Sergeyeovich Guselnikov, General Director for Fininvestkonsalting LLC</p> <p>Mikhail Vladimirovich Medvedev, Adviser to General Director of Avangard JSC, member of the Board of Directors of Kubanenergo</p> <p>Sergey Ivanovich Miromanov, Head of the Consolidation and Transaction Efficiency Assessment Office at the Property Management Department of Rosseti</p> <p>Olga Vyacheslavovna Ocheredko, Deputy General Director for Economics and Finance at Kubanenergo, member of Kubanenergo Management Board</p> <p>Maksim Mikhailovich Pokalyuk, Head of the Innovation Project Implementation Office at the Department of Technological Development and Innovation of Rosseti</p> <p>Yekaterina Aleksandrovna Rudenko, Deputy Head of the Strategic Development and Capital Markets Office at the Strategy Department of Rosseti</p> <p>Irina Aleksandrovna Shagina, Director for Tariff Policy Department at Rosseti, member of the Board of Directors of Kubanenergo</p> <p>Kseniya Valeryevna Khokholkova, Chief Expert for the Securities and Disclosure Office at the Corporate Governance Department of Rosseti, to 29.05.2020 – member of the Board of Directors of Kubanenergo</p> <p>Eduard Mikhailovich Sheremetsev, Deputy Director for the Digital Transformation Department of Rosseti</p> <hr/> <p>The current composition of the Committee (elected on 06.08.2020):</p> <p>Dmitriy Mikhailovich Andropov (Committee Chair), Head for Finance Department at Rosseti</p> <p>Igor Dmitriyevich Alyushenko, Deputy Chief Engineer, Chief Dispatcher at Rosseti, member of Rosseti Kuban Board of Directors</p> <p>Astkhik Artashesovna Bashindzhagyan, Deputy Head for Corporate Governance Department at Rosseti</p> <p>Konstantin Sergeyeovich Guselnikov, General Director for Fininvestkonsalting LLC</p> <p>Mikhail Vladimirovich Medvedev, Adviser to General Director of Avangard JSC, member of Rosseti Kuban Board of Directors</p> <p>Dmitriy Dmitriyevich Mikheev, Head of the Department for Service Sales of Rosseti</p> <p>Olga Vyacheslavovna Ocheredko, Deputy General Director for Economics and Finance of Rosseti Kuban, member of the Management Board of Rosseti Kuban</p> <p>Maria Vladimirovna Polyanskaya, First Deputy Head of the Strategy Department of Rosseti</p> <p>Irina Aleksandrovna Shagina, Head for Tariff Policy Department at Rosseti, member of Rosseti Kuban Board of Directors</p>

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**Results of Committee work in the reported year**

In 2020, there were 19 meetings of the Committee (three in presence, including video conferences, and the rest in absentee voting) and 39 issues were considered.

Recommendations were made for the Board of Directors concerning the following critical issues:

1. approval of Digital Transformation and Smart Metering Programs for 2020–2030;
2. approval of the Company's business plan;
3. approval of the Methodology for Calculating and Evaluating KPIs of the General Director;
4. approval of target KPI values for the General Director;
5. amount of dividends on the Company's shares;
6. approval of amendments to the Investment Program,
7. approval of the list of priority anti-crisis measures,
8. approval of reports:
  - on KPI implementation by the General Director of the Company,
  - on implementation of the Innovative Development Program;
9. update of the Company's register of non-core assets;
10. consideration of the following reports:
  - on the works performed in the corporate year of 2019–2020 by the Strategy Committee,
  - on the implementation of the Company's business plan and Investment Program,
  - on the implementation rate of the priority investment projects, etc.

The proportion of the issues considered preliminary by the Committee, on which it prepared recommendations for the Board of Directors, to the total number of issues considered by the Committee: in 2019–81.6%, in 2020–94.9%.

Average participation of the Committee members in its meetings: in 2019–89.0%, in 2020–99.5%

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## Personnel and Remunerations Committee

<b>Committee creation date</b>	06.08.2010
<b>Meeting minutes date and number for the Company Board of Directors, at which the Committee Regulation was approved (in the current revision)</b>	No.194/2014 dated 01.08.2014
<b>The key objectives of the Committee</b>	<p>Development and submission to the Board of Directors of recommendations (conclusions) concerning the following issues:</p> <ul style="list-style-type: none"> <li>• picking selection and evaluation criteria for the Board of Directors and Company executive body candidates;</li> <li>• defining the principles and criteria for the remuneration size selection for the members of Company executive bodies;</li> <li>• defining the key provisions of the contracts with the members of the Board of Directors and executive bodies;</li> <li>• regular assessment of General Director's and Management Board members' work;</li> <li>• determining remunerations for the members of the Board of Directors</li> </ul>
<b>The personnel composition of the Committee in office in the reported year</b>	<p>Board Committee acting from 16.08.2019 to 16.06.2020:</p> <p>Larisa Anatolyevna Romanovskaya, (Committee Chair), Deputy General Director for Relations with Government Agencies of Rosseti</p> <p>Sergey Vladimirovich Kiryukhin, Chief Advisor of Rosseti, to 29.05.2020 – member of the Board of Directors of Kubanenergo</p> <p>Natalia Ilyinichna Erpsher, Head of the Personnel Recruitment and Development Office of the HR Management Department of Rosseti</p> <hr/> <p>The current composition of the Committee (elected on 07.07.2020):</p> <p>Natalia Klimentyevna Ozhegina (Committee Chair), Deputy General Director for Human Resources at Rosseti</p> <p>Yulia Viktorovna Kuznetsova, Head of HR Management Department of Rosseti</p> <p>Aleksandr Viktorovich Varvarin, Managing director for the Corporate Relations and Legal Support Office of RSPB, member of Rosseti Kuban Board of Directors</p>
<b>Results of Committee work in the reported year</b>	<p>In 2020, there were 18 meetings of the Personnel and Remuneration Committee (one in presence, including video conferences, and the rest in absentee voting) and 26 issues were considered. Recommendations were made for the Board of Directors concerning the following issues:</p> <ul style="list-style-type: none"> <li>• changes to the composition of the Company's Management Board;</li> <li>• amendments to the Regulation on Financial Incentives for the General Director and senior managers;</li> <li>• approval of the Methodology for Calculating and Evaluating KPIs of the General Director;</li> <li>• approval of target KPI values for General Director;</li> <li>• approval of the organizational structure of the executive arm;</li> <li>• approval of KPI implementation reports of General Director;</li> <li>• preliminary approval of candidates for the positions defined by the Board of Directors of the Company;</li> <li>• reviewing of the report of the Personnel and Remuneration Committee on works performed in 2019/2020 corporate year;</li> <li>• consideration of the progress report of the Corporate Secretary;</li> <li>• approval of the organizational structure of the executive arm.</li> </ul> <p>In addition, the Personnel and Remuneration Committee implemented the following:</p> <ul style="list-style-type: none"> <li>• approved the composition of the management and youth talent pools;</li> <li>• reviewed the performance of First Deputy General Director – Director of the Power Grids of Sochi branch, Deputy General Director for Service Sales, Deputy General Director for Economics and Finance, Chief Accountant – Head of the Department of Financial Records, Accounts, and Tax Returns and gave a recommendation to the General Director to conclude labor agreements with them for the new term.</li> </ul> <p>The proportion of the issues considered preliminary by the Committee, on which it prepared recommendations for the Board of Directors, to the total number of issues considered by the Committee: in 2019–80.0%, in 2020–76.9%.</p> <p>Average participation of the Committee members in its meetings: in 2019–100%, in 2020–88.5%</p>

## Grid Connection Committee

<b>Committee creation date</b>	11.10.2011
<b>Meeting minutes date and number for the Company Board of Directors, at which the Committee Regulation was approved (in the current revision)</b>	No.281/2017 dated 19.07.2017
<b>The key objectives of the Committee</b>	<p>Development of recommendations (conclusions) to the Board of Directors concerning the following issues:</p> <ul style="list-style-type: none"> <li>• improvement of the legal framework of the antitrust law and ensuring equal-opportunity access to the grid connection services;</li> <li>• improvement of the Company's internal standards for ensuring equal-opportunity access to the grid connection services;</li> <li>• development of principles and criteria for assessing the Company's performance efficiency regarding connecting customers to power grids;</li> <li>• assessment of the Company's performance efficiency regarding connecting customers to power grids;</li> <li>• assessment of the Company's performance efficiency in the improvement of power grid development plans in the regions of presence;</li> <li>• analysis of the current situation in the Company and the preparation of suggestions for the Board of Directors concerning customers' grid connection and the future development of the grid in general</li> </ul>
<b>The personnel composition of the Committee in office in the reported year</b>	<p>Board Committee acting from 21.06.2019 to 16.06.2020:</p> <p><b>Aleksandr Mikhailovich Pyatigor</b> (Committee Chair), Deputy General Director for Service Sales of Rosseti</p> <p><b>Aleksandr Viktorovich Varvarin</b>, Managing director for the Corporate Relations and Legal Support Office of RSPP All-Russian Non-Governmental Organization, member of the Board of Directors of Kubanenergo</p> <p><b>Vladimir Aleksandrovich Davydkin</b>, Head of the Grid Connection Office, Department for Service Sales of Rosseti</p> <p><b>Vyacheslav Yuryevich Kostetskiy</b>, Assistant to General Director of Kubanenergo</p> <p><b>Andrey Vladimirovich Lyashko</b>, Deputy Minister of Fuel, Energy, and Utilities of Krasnodar Territory</p> <hr/> <p>The current composition of the Committee (elected on 07.10.2020):</p> <p><b>Aleksey Valeryevich Molskiy</b>, (Committee Chair), Deputy General Director for Investment, Capital Construction and Service Sales of Rosseti PJSC</p> <p><b>Aleksandr Viktorovich Varvarin</b>, Managing director for the Corporate Relations and Legal Support Office of RSPP All-Russian Non-Governmental Organization, member of Rosseti Kuban Board of Directors</p> <p><b>Vladimir Aleksandrovich Davydkin</b>, Head of the Office of the Department for Grid Connection and Infrastructure Development of Rosseti</p> <p><b>Andrey Vladimirovich Lyashko</b>, First Deputy Minister of Fuel, Energy, and Utilities of Krasnodar Territory</p> <p><b>Vladimir Andreyevich Skladchikov</b>, to December, 2020 – Deputy General Director for Development and Grid Connection, member of the Management Board of Rosseti Kuban</p>



**Results of Committee work in the reported year**

In 2020, there were six meetings of the Committee (one in presence, including video conferences, and the rest in absentee voting) and 15 issues were considered, among them:

1. recommendations to the Board of Directors on the consideration of the Grid Connection Committee's report on the work done for the 2019/2020 corporate year;
2. analysis of the situation with grid connection at the end of 2019, based on which the Company's management received certain recommendations;
3. monitoring of the Company actions concerning customer grid connection to the Company lines;
4. the following management reports were considered:
  - on the Company involvement in the drafting of the Regional Electric Power Industry Development Roadmap,
  - on the implementation of grid connection contracts with breached deadlines,
  - on the implementation of KPIs for grid connection schedule compliance and improving the utilization rate of the grid equipment capacity.

The proportion of the issues considered preliminary by the Grid Connection Committee, on which it prepared recommendations for the Board of Directors, to the total number of considered issues: in 2019–16%, in 2020–20%.

Participation of the Committee members in its meetings: in 2019–97.2%, in 2020–94.7%

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# EXECUTIVE BODIES

**The current activities of Rosseti Kuban are managed by the sole executive body – General Director and the collective executive body – the Management Board.**

**The General Director and the Management Board report to the General Meeting of Shareholders and Board of Directors.**

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

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

## General Director

**Following the Articles of Association of Rosseti Kuban, the General Director governs the current operations of the Company according to the resolutions of the General Meeting of Shareholders, Board of Directors and Management Board.**

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

The General Director acts on the behalf of the Company without powers of attorney and taking into consideration the restrictions provided in the existing legislation of the Russian Federation, the Articles of Associations, and the resolutions of the Board of Directors of Rosseti Kuban.

Relations of the General Director with the Board of Directors:

- The Board of Directors approves the Methodology for Calculating and Evaluating KPIs of the General Director, their target values and reports on their performance;
- The General Director regularly submits reports on the Company's performance results, including reports on implementation of the duties and resolutions of the General Meeting of Shareholders and Board of Directors by the General Director to the Board of Directors.

Sergey Vladimirovich Sergeyev carried out functions of the sole executive body (General Director) of the Company in the reporting year<sup>1</sup>.

## Management Board

**The Management Board is responsible for the implementation of the Company's goals, strategy and policy and manages the day-to-day operations within its competence.**

The key objectives of the Management Board are as follows:

- ensuring respect for the rights and legitimate interests of the Company's shareholders;
- preparing suggestions concerning the Development Strategy of the Company;
- implementing the Financial and Economic Policy of the Company, developing decisions on the major issues related to its current economic operations and coordinating the operation of its departments;
- increasing the efficiency of the internal control and risk monitoring systems;
- ensuring a high level of income from the Company's assets and the maximum profit from the Company's operations.

reports on the implementation of the Company's approved strategy,

- The Management Board develops and submits prospective plans for the implementation of the Company's core activities, business plan, annual report, report on the implementation of the General Meeting of Shareholders and the Board of Directors resolutions by the Management Board to the Board of Directors.

The Company's Management Board acts in compliance with the Articles of Association and the Regulation on the Management Board<sup>2</sup>, as approved by the resolution of the General Meeting of the Shareholders.

Relations of the Board of Directors and Management Board of the Company:

- The Board of Directors elects the members of the Management Board, establishes the remuneration and compensation paid to them, monitors the compliance of the Management Board's activities with the Company's approved strategy, and hears the Management Board's

<sup>1</sup> For detailed information about S.V. Sergeyev, see the data about the Board of Directors and Management Board of the Company.

<sup>2</sup> The Regulation on the Management Board of Rosseti Kuban is published on the Company's website in the section [About the Company / Constituent and in-house documents](#).

## Management Board Composition

During the reporting year, the composition of the Company's Management Board underwent the following changes due to personnel movements:

- the powers of the following members of the Management Board were terminated: R.A. Belenko, V.A. Skladchikov, I.V. Shishigin, Z.I. Khazikova;
- The following Management Board members were elected: V.A. Korzhanevskiy, A.A. Mishanin, I.V. Skiba.

### The Management Board composition active at the end of the reporting year<sup>2</sup>

#### SERGEY VLADIMIROVICH SERGEYEV,

Chair of the Management Board

<b>Born in</b>	1976
<b>Education</b>	Higher. Graduated from Novocherkassk State Technical University majoring in Industrial and Civil Engineering and the Academy of National Economy under the Government of the Russian Federation majoring in Economics, Management, Finance and Legal Framework for Joint-Stock Companies. Completed the following advanced training courses: <ul style="list-style-type: none"> <li>• at the Interbranch Regional Center for Further Training and Retraining of Irkutsk State Technical University;</li> <li>• at the Institute for Further Training of Fuel and Energy Company Managers and Specialists;</li> <li>• the Bases of Modern Electrical Engineering at Moscow Power Engineering Institute;</li> <li>• at VolgaPromAudit Expert Center LLC;</li> <li>• Labor Safety Training for Managers and Specialists at Energy Institute for Advanced Training Further Professional Education Institution of Kubanenergo</li> </ul>
<b>Work experience for the last five years</b>	
2013–2019	Deputy General Director for Capital Construction of Rosseti
2016–2020	Member of the Board of Directors of FGC UES, Lenenergo PJSC
2019–2020	Member of the Board of Directors of MOESK PJSC
2019 — present day	General Director of Rosseti Kuban (the primary place of employment)
2020 — present day	Member of the Board of Directors of Rosseti Kuban
<b>The office entry date for Chair of the Company's Management Board</b>	July 18, 2019

#### EDGAR GARRIYEVICH ARMAGANYAN

<b>Born in</b>	1984
<b>Education</b>	Higher. Graduated from Kuban State University majoring in Electrification and Automation, and Moscow Institute of Entrepreneurship and Law majoring in Organizational Management. Received occupational training under the following programs: <ul style="list-style-type: none"> <li>• Management at MSTU n.a. N. E. Bauman at Kubanenergo Training Center;</li> <li>• Law: Civil Law Relations at Kuban State University.</li> </ul> Completed the following advanced training courses: <ul style="list-style-type: none"> <li>• Risk Management at Ernst&amp;Young LLC;</li> <li>• Leadership Development in Power Grid Industry at SKOLKOVO Moscow School of Management;</li> <li>• Safety Knowledge Training and Assessment for Managers and Specialists at Federal State Budget Institution "Learning and Training Centre" of Rostechнадзор;</li> <li>• First Aid for Workplace Accidents at International Education Academy LLC;</li> <li>• At the Institute for Further Training of Fuel and Energy Company Managers and Specialists on the following topics: Organizing and Managing Mobilization Training in Fuel And Energy Companies, Security of Official Secrets, Classified Document Management and Key Aspects of Data Security for Businesses, module 08.01.01 Securing Official Secrets for Government Certification of Managers</li> </ul>

<sup>1</sup> In the statements of experience of the Management Board members, only the latest positions in each of the work places are given. All of the positions held by the Management Board members (in chronological order) can be found in quarterly reports of the Company published online on the Company's website in the section [For Shareholders and Investors / Information disclosure / Quarterly reports of the Issuer.](#)

<b>Work experience for the last five years</b>	
2009 — present day	First Deputy General Director – Director of Power Grids of Sochi Branch of Rosseti Kuban
2015–2017	Member of Reliability Committee of the Board of Directors of Kubanenergo
2016 — present day	Chair of the Board of Directors for Energoservice Kuban JSC
<b>The office entry date for the Management Board</b>	August 28, 2014

## VIKTOR ANATOLYEVICH KORZHANEVSKIY

<b>Born in</b>	1977
<b>Education</b>	Higher. Graduated from Ust-Kamenogorsk Higher Polytechnic College majoring in Installation and Operation of Electrical Equipment at Enterprises and Civil Buildings, D. Serikbayev East Kazakhstan Technical University majoring in Instrument Engineering. Completed the following advanced training courses: <ul style="list-style-type: none"> <li>• Construction Supervision Services program at Center of Professional Education;</li> <li>• Building Safety and Quality of Structure of Power Grids and Communication Lines Including Highly Dangerous, Technically Complex and Unique Facilities, Building Safety and Implementation of Building Inspection including Highly Dangerous, Technically Complex and Unique Facilities at UES Moscow Training Center;</li> <li>• Training for Employees in Civil Defence and Emergency Protection, Training of Chairmen and Members of Committees on Prevention and Control of Emergencies and Fire Safety Arrangements in the Sphere of Civil Defense and Unified State Warning System and Emergency Recovery at Energy Institute for Advanced Training Further Professional Education Institution of Kubanenergo;</li> <li>• Fire Safety at Power Grid Enterprises at Academy of Specialists Professional Training and Re-training LLC</li> </ul>
<b>Work experience for the last five years</b>	
2015–2018	Deputy General Director for Capital Construction at CTZ JSC
2019 — present day	Deputy General Director for Investment Activities at Rosseti Kuban
2020 — present day	Member of the Board of Directors of Energoservice Kuban JSC
<b>The office entry date for the Management Board</b>	August 27, 2020

## ALEXEY ALEXANDROVICH MISHANIN

<b>Born in</b>	1975
<b>Education</b>	Higher. Graduated from Kstovo Oil College majoring in Installation and Operation of Electrical Equipment at Enterprises and Civil Buildings, Nizhny Novgorod State Technical University majoring in Electricity Supply of Industrial Enterprises and Cities. Completed the following advanced training courses: <ul style="list-style-type: none"> <li>• At Federal State Budget Institution “Learning and Training Centre” of Rostekhnadzor on the following topics: General Requirements of Industrial Safety. A.1. Framework for Industrial Safety, Requirements of Industrial Safety for Lifting Devices. B.9.31. Operation of Hazardous Facilities with Lifting Devices Intended for Lifting and Transfer of Cargo, Requirements of Industrial Safety for Lifting Devices. B.9.32. Operation of Hazardous Facilities with Lifting Devices Intended for Lifting and Transfer of People, Requirements for Operation of Power Plants and Grids. D.3.2. Operation of Power Grids;</li> <li>• Safety Knowledge Training and Assessment for Managers and Specialists, Fire Safety at Power Grid Enterprises at Academy of Specialists Professional Training and Re-training LLC</li> </ul>
<b>Work experience for the last five years</b>	
2007–2017	Head of the Operation Department for IDGC of Center and Volga Region PJSC
2017–2020	Deputy Chief Engineer for Operation at Rosseti Siberia PJSC
2020 — present day	Deputy General Director for Technical Issues – Chief Engineer at Rosseti Kuban
<b>The office entry date for the Management Board</b>	November 16, 2020

**OLEG FYODOROVICH NISHCHUK**

<b>Born in</b>	1978
<b>Education</b>	Higher. Graduated from Kuban State University majoring in World Economics. Received occupational training at MSTU n.a. N. E. Bauman at Kubanenergo Training Center majoring in Management. Completed advanced training course Management of saving energy and improving the energy efficiency of energy enterprises based on the international standard ISO:50001 at Energy Institute for Advanc
<b>Work experience for the last five years</b>	
2015–2018	Deputy Head for the Service Sales and Electricity Metering Department at Kubanenergo
2016 — present day	Member of the Board of Directors of Energoservice Kuban JSC
2018 — present day	Deputy General Director for Service Sales at Rosseti Kuban
<b>The office entry date for the Management Board</b>	December 18, 2018

**OLGA VYACHESLAVOVNA OCHEREDKO**

<b>Born in</b>	1972
<b>Education</b>	Higher. Graduated from Kuban State University majoring in Economic and Social Planning, MGIMO University, MBA in Management, and Regulations for Business Activity in International Power Industry. Received occupational training in Organizational Management at MSTU n.a. N. E. Bauman at Kubanenergo Training Center. Completed the following advanced training courses: <ul style="list-style-type: none"> <li>• Risk Management at Ernst&amp;Young LLC;</li> <li>• Developing Russian Electric and Heat Power Industries at EnergoResheniye Training Center;</li> <li>• Seminars at ITTs FAS of Russia on Tariff Regulation in 2016 and Regulator Goals for 2017, Tariff Regulation in 2017 and Regulator Goals for 2018–2025;</li> <li>• At the Bureau for Intellectual Support for Energy Sector Reforms LLC on the following topics: FAS of Russia. News in Tariff and Balance Setting in Heat and Electric Power Industries, FAS of Russia. News in Balance and Tariff Setting in the Electric Power Industry. The Theory and Practice of Antimonopoly Regulation in Electric Power Industry, FAS of Russia: Changes to the Regulation of Retail Energy Market Adopted and Planned;</li> <li>• At EnergoEvolutsiya LLC on the Functioning of Electric Grid and Power Supply Companies in 2018. Tariff Setting for 2018–2019 in a view of the changes made to the regulatory acts. Relevant issues and problems in cooperation and claims settlement;</li> <li>• First Aid for Workplace Accidents at International Education Academy LLC;</li> <li>• Tariff Regulation in 2018 and State Regulator Goals for 2019 at ITTs FAS of Russia;</li> <li>• Tariff Regulation under Digital Transformation and Tariff Regulation in 2019 and State Regulator Goals for 2020 at ITTs FAS of Russia;</li> <li>• Efficient Testing Arrangement for the Economic Depreciation of Fixed Assets at FBK LLC</li> </ul>
<b>Work experience for the last five years</b>	
2008 – present day	Deputy General Director for Economics and Finance at Rosseti Kuban
2014–2015	Chair of the Board of Directors of OK Plamya OJSC
2014 — present day	Board of Directors Chair for Energetik Health Resort JSC
2015 — present day	Member of the Strategy Committee, Reliability Committee of the Board of Directors of Rosseti Kuban
<b>The office entry date for the Management Board</b>	August 28, 2014

## MAKSIM MIKHAILOVICH SHCHEPAKIN

<b>Born in</b>	1980
<b>Education</b>	Higher. Graduated from Kuban State Technological University majoring in Advertising (core education) and Translator for Business Communications (supplementary education). Completed an advanced training course in Result-Oriented State and Municipal Management at the Russian Presidential Academy of Public Administration. Holds a candidate degree in Economics
<b>Work experience for the last five years</b>	
2015–2016	Director for Forum LLC
2017–2017	First Deputy Director for Asset Management CJSC
2017–2019	Deputy Director for Customer Service Interactions at Stroitelnye Tekhnologii LLC
2019 — present day	First Deputy General Director of Rosseti Kuban
<b>The office entry date for the Management Board</b>	December 30, 2019

## INNA VIKTOROVNA SKIBA

<b>Born in</b>	1975
<b>Education</b>	Higher. Graduated from Kuban State University majoring in Accounting and Audit, Krasnodar State University of Culture and Arts majoring in Dissemination of Books. Completed the following advanced training courses: <ul style="list-style-type: none"> <li>• Business letter and Business etiquette at Kuban State University;</li> <li>• Chief Accountant on International Financial Statements and IFRS Practical Aspects at Institute of Professional Accountants of Russia;</li> <li>• Risk Management at Ernst&amp;Young LLC;</li> <li>• Internal Control: Theoretical Framework and Practices at Energopersonal Education and Consultation Center;</li> <li>• International Standardization of Financial Statements at Energy Institute for Advanced Training Further Professional Education Institution of Kubanenergo;</li> <li>• News in Normative Regulation and Current Issues in Tax Practice at Institute of Professional Accountants of Moscow Region</li> </ul>
<b>Work experience for the last five years</b>	
2013 — present day	Chief Accountant – Head of the Department of Financial Records, Accounts, and Tax Returns at Rosseti Kuban
<b>The office entry date for the Management Board</b>	December 21, 2020

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

The average Management Board member age is 43 years.

Two women are involved in the Management Board.

None of the Management Board members, except for O. V. Ocheredko, held any positions in the management bodies of any commercial organizations when bankruptcy procedures were initiated or implemented in these companies as specified by the insolvency (bankruptcy) laws of the Russian Federation. O. V. Ocheredko was the Chair of the Board of Directors of OK Plamya OJSC at the moment when a bankruptcy case was initiated against this company in accordance with the definition of the Arbitration Court of the Krasnodar Territory on 03.03.2015 and when the company was declared insolvent, as well as at the moment of liquidation procedure initiation authorized by the Arbitration Court of the Krasnodar Territory on 02.09.2015.

None of the Company Management Board:

- owned the Company shares or closed transactions with them during the reporting year<sup>1</sup>;
- made any transactions with the Company in the reported year;
- received any loans (credits) from the Company;
- had connections with persons who are members of the governing and (or) control bodies of the Company's financial and economic activities;
- was held administratively liable for financial improprieties, offense regarding tax and fees or security market, or had any criminal record for economic crimes or crimes against the state;
- had any conflicts of interest.

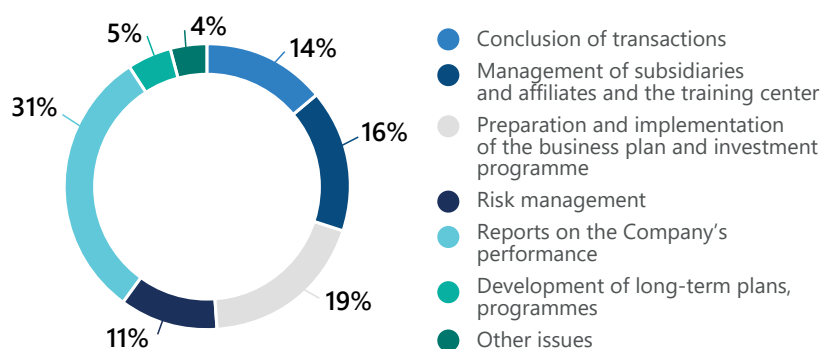
## Management Board Performance

### Management Board activities

Indicator	2018	2019	2020
No. of meetings held	17	26	33
In-person meetings (joint attendance, including video conferences)	1	5	6
Number of issues discussed	69	88	80

The Management Board meetings in the reported year were conducted according to its work plans and at the initiative of Chair of the Management Board. In order to keep social distance due to the spread of coronavirus infection, in-person meetings of the Management Board were held by means of video conferences. The Management Board members took an active part in its meetings.

### Structure of issues considered by the Management Board in 2020 (divided into topics)



<sup>1</sup> According to the data provided to the Company by the Management Board members.



# CORPORATE SECRETARY

## The Corporate Secretary is elected to provide for the proper compliance with the procedures for the preparation and holding of the General Meeting of Shareholders, as well as the organization of Rosseti Kuban Board of Directors activity<sup>1</sup>.

The Corporate Secretary is the official of Rosseti Kuban securing the Company compliance with the laws of the Russian Federation, the Articles of Association, and internal documents that guarantee the exercise of rights and legal interests of the Company's shareholders. The Corporate Secretary reports to the Board of Directors, which determines the provisions of the Corporate Secretary contract, the amount and the payment procedures for the remuneration, and the bonus principles.

and the Board of Directors, which is to be approved by the Board.

Starting from June 20, 2011, Olga Vladimirovna Russu has continuously been in the position of Company's Corporate Secretary.

The Corporate Secretary submits an Annual Report on their work to the Personnel and Remuneration Committee

[OLGA VLADIMIROVNA RUSSU](#)

<b>Born in</b>	1967
<b>Education</b>	Higher. Graduated from Krasnodar Polytechnic Institute majoring in Food Industry Economics and Organization, and the Ural Academy of Public Administration majoring in Law. Received occupational training in Organizational Management at MSTU n.a. N. E. Bauman at Kubanenergo Training Center. Completed the advanced training course on Corporate Secretary at the Russian School of Management
<b>Work experience for the last five years</b>	
2011 — present day	Deputy Head of Corporate Provision Office of Rosseti Kuban

The Corporate Secretary of Rosseti Kuban O. V. Russu:

- did not own the Company's shares or close transactions with them during the reporting year;
- has no connections with persons who are members of the governing and (or) control bodies of the Company's financial and economic activities;
- was not held administratively liable for financial improprieties, offense regarding tax and fees or security market, or had any criminal record for economic crimes or crimes against the state;
- did not hold positions in governing bodies of commercial organisations during the period, when bankruptcy proceedings and/or one of the bankruptcy procedures under the Russian insolvency (bankruptcy) laws were initiated against these organisations.

<sup>1</sup> The functions, appointment and displacement procedures, rights and duties of the Corporate Secretary are determined in the Regulation on the Corporate Secretary as approved by the Board of Directors (published on the website of Rosseti Kuban in the section [About the Company / Constituent and in-house documents](#)).

# AUDIT COMMISSION

The Audit Commission is a permanent internal control body regularly monitoring the Company's financial and business activities, its separate divisions, officials of the management bodies and subdivisions of the Executive Office for compliance through document audits and ex-post reviews of the following:

- legitimacy, economic feasibility and efficiency (appropriateness) of the business and finance transactions carried out by the Company during the reporting period;
- completeness and accuracy of the representation of business and financial transactions in the Company's documents.

The objectives of the Audit Commission include:

- control over the Company's financial and business operations;
- independent assessment of reliability of data in the Company's Annual Report, annual accounting statements, report on related-party transactions.

The Audit Commission acts in the interests of the Company's shareholders and reports to the General Meeting of Shareholders. It is independent of the Company's officials, executive bodies, and subdivision head in the executive arm in the implementation of its functions.

In its activities, the Audit Commission abides by the laws of the Russian Federation, the Articles of Association of the Company, and the Regulation on the Audit Commission<sup>1</sup>.

The Audit Commission consists of five members.

## Members of the Audit Commission

During the reporting year, there were two compositions of the Company's Audit Commission.

### **The Audit Commission composition elected at the Company's Annual General Meeting of Shareholders on May 29, 2020 and acting up to February 24, 2021.**

#### MARINA ALEKSEYEVNA LELEKOVA

(retired from responsibility of the member of the Audit Commission on July 17, 2020)

**Year of birth:** 1961.

**Education:** Higher. Graduated from Far Eastern Institute of Soviet Trade majoring in Economics.

**Data on work experience for the last five years:**

2013–2015 – Director of the Internal Audit and Control Department, Director for the Control Department of Rosseti.

2015–2020 – Director of the Control and Audit Department of Rosseti.

To July 2020 – Director of the Internal Control and Risk Management Department of Rosseti.

At the end of 2020 – Deputy General Director for Economics and Finance at Oboronenergo JSC.

#### SVETLANA ANATOLYEVNA KIM

**Year of birth:** 1981.

**Education:** Higher. Graduated from Moscow State University of Railway Engineering majoring in Commerce.

**Data on work experience for the last five years:**

2013–2015 – Head of the Audit and Internal Audit Office of the Internal Audit and Control Department of Rosseti OJSC.

2015–2020 – Head of the Audit Office of the Control and Audit Department of Rosseti.

2020 – Head of the Supervision Office of the Internal Control and Risk Management Department of Rosseti.

<sup>1</sup> The Regulation on the Audit Commission is published on the Company's website <https://rosseti-kuban.ru> in the section [About the Company / Constituent and in-house documents](#).

**YELENA ALEKSANDROVNA KABIZSKINA**

**Year of birth:** 1964.

**Education:** Higher. Graduated from Far Eastern State Technical Fisheries University majoring in Engineering and Economics.

**Data on work experience for the last five years:**

2014 – present day – Deputy Head of Audit Office of the Control and Audit Department, Chief Expert of Supervision Office of Internal Control and Risk Management Department, Chief Expert of Subsidiaries Control and Corporate Audit Office of the Internal Audit Department of Rosseti.

June 2020 – present day – Chief Expert of Subsidiaries Control and Corporate Audit Office of the Internal Audit Department of FGC UES.

**SERGEY VLADIMIROVICH MALYSHEV**

**Year of birth:** 1965.

**Education:** Higher. Graduated from Yaroslavl Higher Military Financial School majoring in Finance.

**Data on work experience for the last five years:**

2013–2015 – Chief Expert of the Audit Office at the Control Department of Rosseti OJSC.

2015 – August 2020 – Chief Expert of the Audit Office at the Control and Audit Department, Chief Expert of the Supervision Office of the Internal Control and Risk Management Department of Rosseti.

**LYUDMILA VLADIMIROVNA SKRYNNIKOVA**

**Year of birth:** 1979.

**Education:** Higher. Graduated from the Kyrgyz National University named after Jusup Balasagyn majoring in Economics.

**Data on work experience for the last five years:**

2014–2017 – Internal Auditor of Fashion Barbara LLC.

April – July 2017 – Internal Audit Chief Expert of Premium JSC.

2017–2019 – Head of the Internal Audit and Control Sector of CTZ JSC.

2019 – present day – Chief Expert of Supervision Office of Internal Control and Risk Management Department, Chief Expert of Subsidiaries Control and Corporate Audit Office of the Internal Audit Department of Rosseti.

June 2020 – present day – Chief Expert of Subsidiaries Control and Corporate Audit Office of the Internal Audit Department of FGC UES.

## The Audit Commission composition elected at the Company's Annual General Meeting of Shareholders on June 20, 2019 and acting up to May 29, 2020.

**MARINA ALEKSEYEVNA LELEKOVA,**  
Chair of Audit Commission

**SVETLANA ANATOLEVNA KIM**

**ELENA ALEKSANDROVNA KABIZSKINA**

**SERGEY VLADIMIROVICH MALYSHEV**

(M.A. Lelekova, S.A. Kim, Ye.A. Kabizkina and S.V. Malyshev were newly elected to the Audit Commission composition acting to February 24, 2021, at the Company's Annual General Meeting of Shareholders conducted in May 29, 2020. For detailed information about them see above.)

**YELENA STANISLAVOVNA YERANDINA**

Year of birth: 1972.

**Education:** Higher. Graduated from Moscow State University of Environmental Engineering majoring in Economics and Management in Agribusiness, State University of Management majoring in Finance and Credit.

**Data on work experience for the last five years:**

2013–2015 – Chief Expert of Internal Audit Service of Elektrosetservis ENES OJSC;

2016–2019 – Chief Expert of the Control and Expert Office of the Control and Audit Department at Rosseti.

There were no transactions between the Company and persons who performed the duties of members of the Audit Commission of the Company in 2020.

None of the persons employed in the Audit Commission in 2020 owned the Company's shares in the reporting year.

## Work Results for the Audit Commission

In 2020, the Company's Audit Commission carried out its control functions by assessing the reliability of the Company's Annual Report, report on related-party transactions concluded by the Company in the reporting year, annual accounting statements for 2019. The Audit Commission held three meetings and discussed the following key issues<sup>1</sup>:

- approval of Auditing Program for the financial and business activities of the Company in 2019, including approval of the auditing items, procedures, terms, and scope;
- consideration and approval of the conclusion made by the Audit Commission concerning the accuracy of the data in the Annual Report of Kubanenergo and its accounting (financial) statements for 2019;
- election of Chair and Secretary of Company's Audit Commission (for 2020–2021);
- approval of the Audit Commission work plan (for 2020–2021).

According to the work plan of the Audit Commission, the audit of the financial and business activities of the Company for 2020 is planned for March-June, 2021.

<sup>1</sup> Minutes of the Audit Commission meetings are published on the Company's website <https://rosseti-kuban.ru> in the section [About the Company / Control of Business Activity / Audit Commission](#).

# REMUNERATION AND REIMBURSEMENT FOR THE EXECUTIVE AND CONTROLLING BODIES

## Remuneration for the Board of Directors members and their Reimbursements

In the reporting year, remuneration and expenditure reimbursement for the Company's Board of Directors members were accrued and paid in accordance with the revised Regulation on Remuneration and Reimbursement Payment to the Board of Directors of the Company approved by the resolution of the Annual General Meeting of Shareholders of Kubanenergo on June 20, 2019 (Minutes No.42) (hereafter referred to as Regulation).

According to the Regulation, the remuneration to the members of the Board of Directors is paid quarterly in the period starting from the candidate election to the Board and finishing at the end of the Board's office.

The amount of remuneration for the involvement with the work of the Board of Directors for each of the Company Board members was calculated based on the overall number of the Board of Directors meetings in the reporting quarter and the number of meetings, in which every Board member took part.

The remuneration consists of base and additional parts:

the base part of the remuneration  $S(1)$  is calculated as per the formula:

$$S(1) = \frac{B_{\text{base}}}{4} \times 100/130 \times \left( \frac{n}{m} \right), \text{ where:}$$

$B_{\text{base}}$  – the amount of the base annual remuneration by reference to the Company's revenue under RAS calculated for the last completed reporting year before the election of the Company's Board of Directors is equal to:

Amount of the Company's revenue under RAS calculated for the last completed reporting year before the election of the Company's Board of Directors	$B_{\text{base}}$
over RUB 200 bn	RUB 3,000,000
over RUB 70 bn	RUB 2,700,000
over RUB 30 bn	RUB 2,200,000
over RUB 10 bn	RUB 1,600,000
over RUB 1 bn	RUB 1,000,000
over RUB 600 bn	RUB 800,000
under RUB 600 bn	RUB 600,000

$n$  – the number of meetings of the Board of Directors (irrespective of the form of their holding) attended by a Board member in the reporting quarter,

$m$  – the total number of meetings of the Board of Directors (irrespective of the form of their holding) in the reporting quarter; (мо от формы их проведения) в отчетном квартале;

- uplifts expressed in % relative to the remuneration base part are defined additionally:
  - 30% – for the Chair of the Company's Board of Directors;
  - 20% – for the Chair of the specialized Committee of the Board of Directors;
  - 10% – for the membership in the specialized Committee of the Company's Board of Directors.

Uplifts for performing the duties of a Committee Chair and/or member for the Board of Directors are not paid, if there are no Committee meetings held within the reporting quarter.

Remuneration is not paid to the members of the Board of Directors if they don't take part in more than 50% of the meetings held in the reporting quarter.

The remuneration is paid to the members of the Board of Directors within 30 calendar days after the end of the reporting quarter.

The Regulation on Remuneration and Reimbursement Payment to the Board of Directors:

- does not apply to the members of the Board of Directors that are simultaneously members of the executive bodies;

- provides that remunerations are not accrued and paid to the Chair or members of the Company's Board of Directors if the federal legislation restricts or prohibits them to receive any payments from commercial organizations;
- provides the right of the Board members to receive reimbursement of expenditures associated with attending the meetings of the Board of Directors, its Committee, General Meetings of Shareholders of the Company according to the rules for reimbursement of travel expenses valid at the time of the meeting and established for top managers of the Company

#### Remuneration accrued and paid to members of the Company's Board of Directors<sup>1</sup>, RUB mln

Indicator	2018 (corporate 2017/2018)	Corporate 2018/2019	2019	Corporate 2019/2020	2020
Base remuneration for participation in the work of the Board of Directors	6,844	7,558	12,568	17,421	20,692
Uplift of 30% to the Chair of the Board of Directors	207	69	213	511	635
Uplift of 20% to the Chair of the specialized Committee of the Board of Directors	277	277	373	321	395
Uplift of 10% for membership in the specialized Committee of the Board of Directors	277	346	611	1,215	1,604
<b>Total</b>	<b>7,605</b>	<b>8,250</b>	<b>13,765</b>	<b>19,468</b>	<b>23,326</b>

The main reason for increase in remuneration for the members of the Board of Directors for 2020 and corporate 2019/2020 – growth of the base annual remuneration (Rbase) in accordance with the previous revision of the Regulation in 2019.

The Company did not pay any other remunerations to the members of the Board of Directors.

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

The Company has no remuneration or reimbursement payments overdue to the Board of Directors members.

The Company did not provide any loans (credits) to the Board of Directors members.

<sup>1</sup> To ensure comparison of indicators in 2018–2020, the amounts of remuneration accrued and paid to the members of the Board of Directors for corporate years were released, as to June 20, 2019, there was a Regulation, under which remuneration to the members of the Board of Directors was paid once as per the results of work during the period from candidate election to the Board of Directors to formation of the new composition of the Board of Directors. The amount of the remuneration for participation in the work of the Company's Board of Directors was calculated in the same way as specified in the current Regulation, but the amount of the base annual remuneration (Rbase) set in relation to the Company's revenues had different values. In addition, the members of the Board of Directors also received extra payments from the net profits if the Company market capitalization increases during the work of the Board of Directors.

## Remuneration for the Members of the Executive Bodies and their Reimbursement Payment

### Remuneration for the members of the Management Board and their reimbursement payment

By a resolution of the Board of Directors of the Company (Minutes No.243/2016 dated June 24, 2016), the members of the Management Board are classified as first division top managers. Following the Regulation on Top Manager Incentives and Benefits Package of Kubanenergo OJSC, as approved by the Board of Directors (Minutes No.207/2015 dated April 17, 2015) with amendments made by the Board (Minutes No.381/2020 dated March 11, 2020 and No.414/2020 dated December 28, 2020), remuneration to the Management Board is paid according to the provisions of their employment contract via determining their monthly uplift for performing the duties of a member of the Company's Management Board.

The bonuses paid to the members of the Management Board depends on the results of the KPI set by the General Director in the reporting period – year. If the Management Board implements a number of conditions (strategic priorities) set by the General Director by the end of the year, they may receive additional bonuses at the discretion of the General Director. High values of KPIs defined as prioritized may be seen as a ground for the payment of a special Company result bonus for the reporting year to the Management Board at the discretion of the General Director.

Management Board also gets reimbursements for the accommodation expenses following the Regulation on the Reimbursements for Accommodation Rent (Sub-rent) Expenses, as approved by the Company order No. 257 dated April 28, 2020.

### Remuneration to General Director

The payment of remuneration to the General Director is subject to the Regulation on the Incentives for the General Director of the Company, as approved by the resolution of the Board of Directors (Minutes No.114/2011 dated July 22, 2011) with amendments made by the Board (Minutes No.150/2012 dated December 29, 2012, No204/2015 dated March 6, 2015, No.281/2017 dated July 21, 2017, No.306/2019 dated September 23, 2019, No.411/2020 dated November 26, 2020). The Regulation is an integral part of the employment contract with the General Director, and it determines the procedures for the basic salary calculation, approval and changes, General Director bonus types, and basic salary and bonus payment procedures.

The bonuses paid to the General Director depends on the results of the KPI set by the Board of Directors in the reporting periods – quarters and year. If the General Director implements a number of conditions (strategic priorities) set by the Board of Directors by the end of the year, the General Director may receive additional bonuses at the discretion of the Board of Directors. High values of KPIs defined by the Board of Directors as prioritized may be seen as a ground for the payment of a special Company result bonus for the reporting year to the General Director of the Company at the discretion of the Board of Directors.

The Board of Directors is entitled to reward the General Director for the completion of crucial tasks (works) if their implementation has specific requirements in terms of deadlines, quality, liability, and significance for the industry and the state.

Remuneration and reimbursement of expenses paid to the members of the Company's executive bodies (RUB ths.)

Indicator	2018	2019	2020
Remuneration for involvement with the Management Board work	1,401	1,459	1,918
Salary	31,404	31,266	29,359
Bonuses	32,281	23,936	24,765
Reimbursement of expenses	684	228	920
Other types of remuneration	1,977	2,112	3,352
<b>Total</b>	<b>67,747</b>	<b>59,001</b>	<b>60,314</b>

The Company has no remuneration or reimbursement payments overdue.

## Remuneration and Reimbursement for the Audit Commission Members

**According to the effective Regulation on the Remuneration and Reimbursement Paid to the Audit Commission of Kubanenergo<sup>1</sup>, as approved by the Annual General Meeting of Shareholders (Minutes No.40 dated May 28, 2018), the members of the Audit Commission receive remunerations depending on the results of the work during the corporate year and employees involvement with the work of this controlling body.**

The remuneration amount for the Audit Commission is calculated while taking into consideration the following:

- the size of the base part of the remuneration set according to the Company profits calculated using RAS for the fiscal year;

- the personal involvement modifier for the Audit Commission members reflecting their participation in meetings and inspections, as well as their fulfillment of additional duties as Chair or Secretary of Audit Commission.

The remuneration shall not be paid to the members of the Audit Commission who took part in less than half of the meetings held while they were in the Audit Commission.

Reimbursement of expenses related to the participation in the meetings of the Audit Commission is performed to the extent of the real expenditures according to the standard regulations.

### Remuneration accrued and paid to the members of the Audit Commission, RUB mln

2020. (for 2019/2020 corporate year)	2019 (for 2018/2019 corporate year)	2018 (for 2017/2018 corporate year)
648	790	797

The expenses of the Audit Commission members were not reimbursed in the reporting year.

The Company has no remuneration or reimbursement payments overdue to the Audit Commission members.

## TRANSACTIONS MADE BY ROSSETI KUBAN IN 2020

In 2020, Rosseti Kuban did not make any transactions recognized in Chapter X of Federal Law On Joint-Stock Companies with Significant Transactions. Significant transactions (groups of related transactions) with liabilities of 10 per cent and more of carrying amount of the Company's assets according to its accounting data for the completed reporting period prior to the transaction were not made by the Company in 2020.

In the reporting year, the Company made six related-party transactions (Chapter XI of Federal Law On Joint-Stock Companies). The report on the related-party transactions made by the Company in 2020 can be found in [Annex 2 of this report](#).

<sup>1</sup> Regulation on the Remuneration and Reimbursement Paid to the Audit Commission of Kubanenergo is published on the Company's website in the section About the Company / Constituent and in-house documents. The Regulation is not applied to the members of the Audit Commission, in respect of which the federal law prescribes a restriction or prohibition on receipt of any payments from commercial organizations.





# 07 INTERNAL CONTROL AND INTERNAL AUDIT



# INTERNAL CONTROL SYSTEM



*The pandemic has created a revolution in remote work, which is likely to remain part of the post-COVID world. 2020 has set in motion adaptation of processes with regard to remoteness and isolation at all organization levels. We had to rely on technologies to ensure working efficiency. This is especially important in terms of internal control work. Ensuring confidence in old processes at a distance, as well as evaluating new remote processes will be a priority for internal control development after COVID-19 pandemic. Effective use of technologies will be crucial”.*



Head of the Internal Control and Risk Management Department  
**Nadezhda Mayakovskaya**

The Internal Control System (ICS) of Rosseti Kuban is integrated into the Corporate-Wide Management System and is designed to provide reasonable assurance regarding the achievement of the objectives related to the following focus areas:

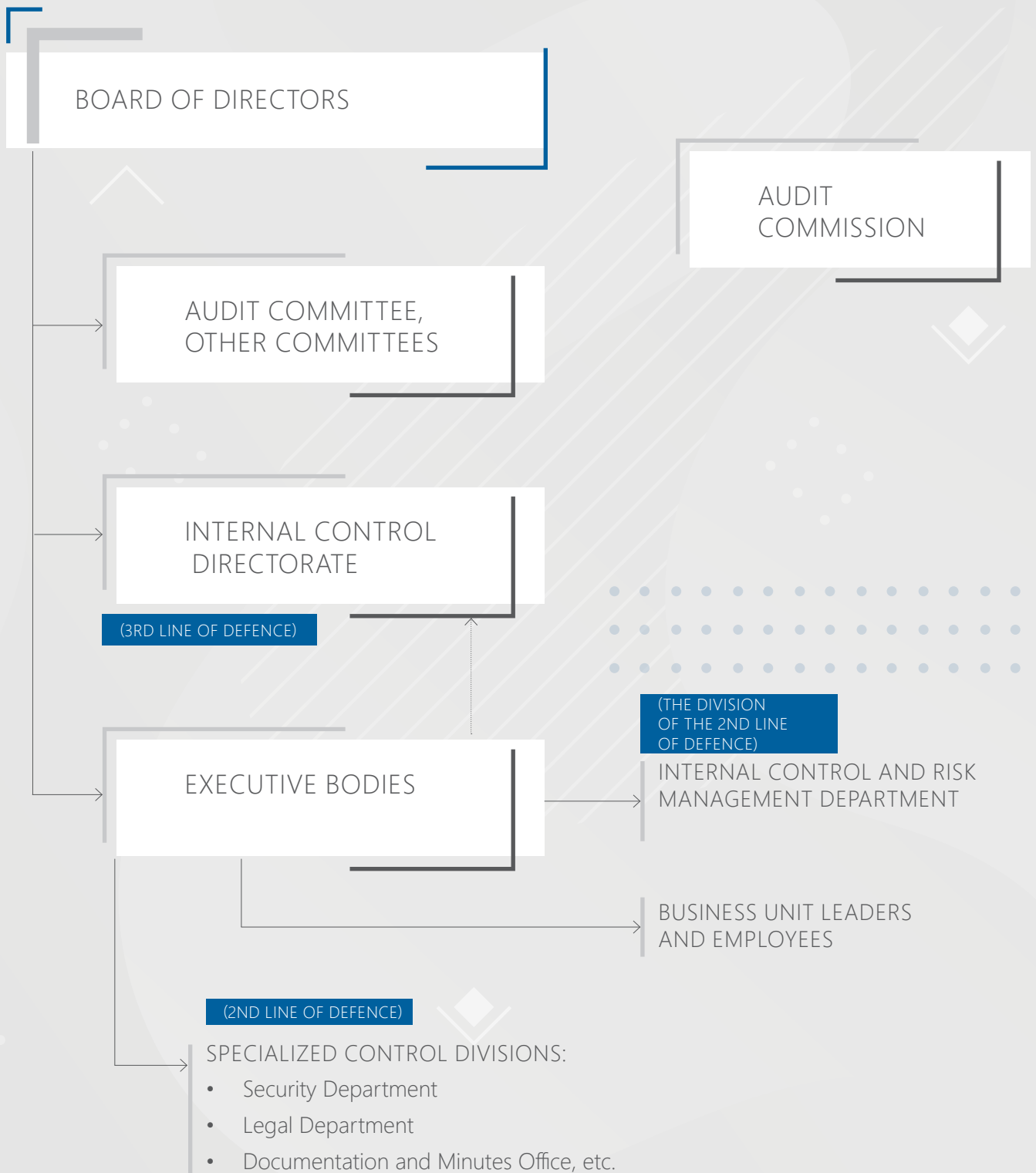
- operational efficiency and strong performances of the Company including achievement of financial and operating results, protection of the Company's assets;
- compliance with applicable laws of the Russian Federation and regulations applied to the Company in its business activities and financial accounting;
- reliability and timeliness of accounting (financial) statements and other types of statements.

ICS is a risk-based system; control procedures are developed taking into account the risks and are established in such a way as to provide reasonable assurance of effective and timely response to the emerging risk. ICS envelopes all of the aspects

of the Company operations, and the control procedures are implemented continually in all of the Company processes (areas of activity), at all of the management levels according to the Three Defence Lines model:

- the level of governing bodies (sole and collective executive bodies), the Company's units and divisions performing control procedures as part of their functions and professional duties – the first line of defence;
- the level of the Company's control divisions – the second line of defence;
- the level of Internal Audit Department – the third line of defence.

## Actors of the ICS: three lines of defence



The Internal Control and Risk Management Department was created in the Company and is currently in operation. According to the Internal Control Policy and the Regulation on the Department, it is tasked with the following functions:

- development and implementation of the basic and methodological documents related to building and improving the ICS;
- assistance to the management in creating the ICS for business processes, development of recommendations for the description and implementation of control procedures into processes (activities) and assignment of responsibility for officials;
- coordination of actions aimed at the ICS goal state supporting and monitoring;
- preparation of information on the ICS state for stakeholders;
- interaction with the state regulatory authorities on the internal control issues.

The functions of the ICS participants can be found in [the Annex 6](#) of the Annual Report, and they are described and formalized in the following documents:

- [Company's Articles of Association](#);
- [Regulation on the Audit Committee of the Board of Directors](#);
- [Company's Internal Control Policy and Procedure of Internal Control Policy Implementation](#);
  - the internal documents regulating the distribution of responsibilities between the Deputy General Directors and other managers reporting to the Company's General Director; regulations on divisions, job descriptions, and control procedure matrices;
  - Regulation on Specialized Internal Control Bodies.

The Board of Directors approved the Internal Control Policy of the Company (Minutes No.233/2016 dated March 18, 2016) to support the introduction and implementation of an efficient ICS complying with the generally accepted practices and standards of internal control activities, as well as the requirements of regulators, and aimed at the implementation of the Company goals. It defines the objectives, principles and components of the Company's ICS, main roles and responsibilities of actors in internal control, and ICS performance assessment procedure.

The Company has in place the Procedure to fulfil requirements of the Internal Control Policy, defining the aspects of applying the rules under the Internal Control Policy. Control procedures for processes and sub-processes of the main and supporting activities, as well as governance processes of the Company are recorded in control and risk matrices.

In the reporting year, the Company implemented the following key actions aimed at the improvement of the ICS: routine control was taken for highly-risky business processes in the scope of activities of the collective bodies (controlling the writing-off of the unaccounted consumption acts, accounts receivable settlements, power supply facility consolidation, introduction of automated data systems);

- technical specifications for introduction and refining of automated data systems of the Company in terms of automated control procedures were approved by the Internal Control and Risk Management Department;
- local regulations defining control procedures, including those intended for control efficiency were approved;
- the ICS and management system were integrated within the framework of development of the process regulations containing information

on description, indicators of progress, risks and control procedures of the process in a single document;

- new revisions of the procedure for implementation of requirements of the Internal Control Policy and Regulation on Specialized Internal Control Bodies were approved were approved;
- process owners conducted self-assessment of control procedure efficiency and ICS processes in the Company.

To guarantee that the ICS is efficient and in compliance with the intrinsically changing requirements and conditions, the internal auditor of the Company assesses the efficiency of the ICS to test its compliance with the target state and maturity level.

The maturity level of the ICS of Rosseti Kuban is equal to 5.3 from 6.0 as per the results of average assessment values of compliance of the current state with the target state criteria in 2020. This assessment value corresponds to the intermediate level between optimal and high levels and remains at the level of 2019.

The key ICS development measures scheduled for 2021:

- updating the regulatory base for internal control;
- integrating the existing anti-corruption compliance system into the common internal control system;
- conducting trainings for managers and employees regarding organization and functioning of the internal control system;
- introducing the control mechanism for financial stability, support of procedures of winding-up and bankruptcy of counterparties.

# INTERNAL AUDIT

**The goal of the internal audit is supporting the Board of Directors and the Company's executive bodies in the improvement of the Company management, financial and business operations, including via systemic and consistent analysis and assessment of risk management, internal control and corporate governance systems as instruments of reasonable assurance in the achievement of goals set for the Company.**

The Internal Audit Department is the unit responsible for the implementation of the internal audit function in the Company.

The Internal Audit Department is functionally accountable to the Board of Directors that:

- establishes principles and approaches of organization of the internal audit, as well as approves internal documents defining the Company's policy in terms of the internal audit;
- controls and organizes the Internal Audit Department activities, among other things, approves the Regulation on Internal Audit Department, action plan, report on action plan implementation, and internal audit budget, preliminarily approves the resolutions of the Company's sole executive body concerning the appointment or dismissal (at the employer's initiative) of the Internal Audit Head, disciplinary penalties, approves employment contract and remuneration provisions for the Internal Audit Head, considers the quality assessment results for internal audit.

The goals and objectives, organisational and functional principles, roles and responsibilities of the Internal Audit Department are set out in the Internal Audit Policy of the Company approved by the resolution of the Board of Directors (Minutes No.369/2019 dated December 25, 2019).

In 2020, the number of people performing the internal audit function was five.

The function of the Company's internal audit is regulated by the following key documents:

- Internal Audit Policy of the Company and the Code of Ethics for Internal Auditors approved by the resolution of the Board of Directors (Minutes No.369/2019 dated December 25, 2019);
- Regulation on the Internal Audit Department approved by the resolution of the Board of Directors (Minutes No.251/2016 dated September 23, 2016);
- Program on Assurance and Improvement of Internal Audit Quality approved by the resolution of the Company's Board of Directors (Minutes No.257/2016 dated December 5, 2016);

- corporate standards of internal audit and standards of practical application developed according to the International Professional Standards of Internal Audit.

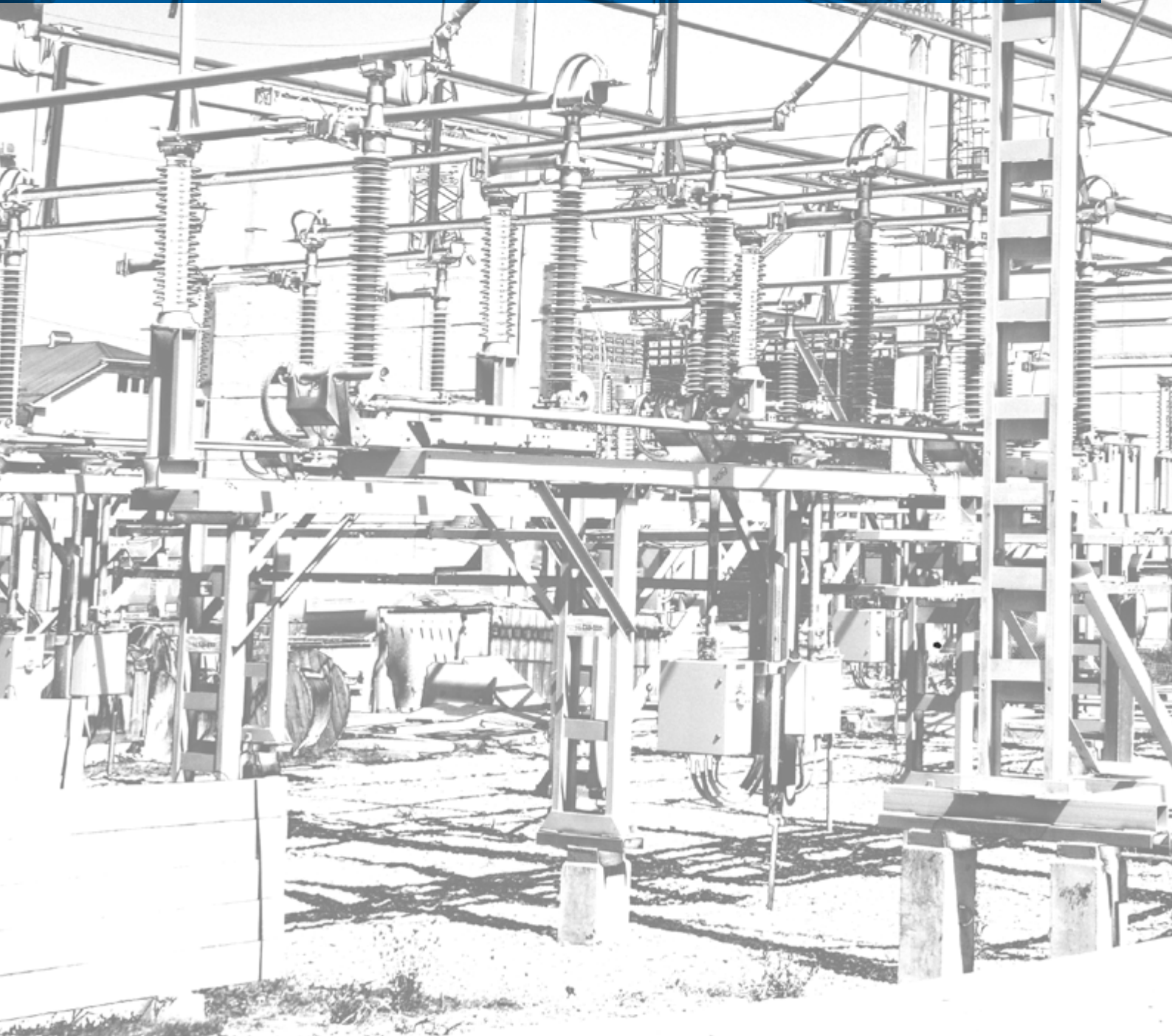
The feedback from the Audit Committee is submitted to the Head of Internal Audit during the interactions with the Audit Committee including the participation in its meetings, the analysis of its resolutions/recommendations concerning the issues in the competence of the internal audit, including by way of polling the members of Audit Committee.

The satisfaction rate of the Audit Committee of the Board of Directors with the performance of the Internal Audit Department (according to questionnaires from the members of Audit Committee) was classified as adequate at the end of 2020 (resolution of the Audit Committee of Rosseti Kuban Board of Directors dated March 16, 2021, Minutes No.110/2021). The satisfaction assessment is conducted following the Program on Assurance and Improvement of Internal Audit Quality in the Company.

In 2019, KPMG JSC conducted the external independent assessment of the Company's internal audit, as per the results of which the Company's internal audit activity is recognized as generally corresponding to International Professional Standards of Internal Audit, Code of Ethics developed by Institute of Internal Auditors, Company's Internal Audit Policy.

According to the recommendations given by the independent external expert, the Company developed an action plan for improvement of its internal audit activities for the period of 2020–2024 approved by the resolution of the Board of Directors (Minutes No.383/2020 dated April 2, 2020). The action plan for improvement of Company's internal audit is implemented to the fullest extent in terms of events in 2020.

# 08 SHARES AND DIVIDENDS







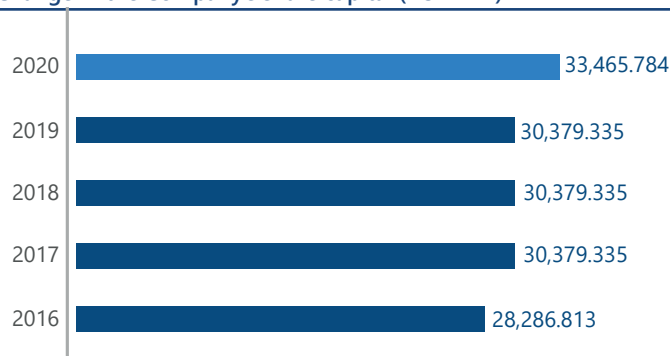
# SHARE CAPITAL AND ADDITIONAL AUTHORIZED SHARES

	At the beginning of 2020	At the end of 2020
<b>Type, category, kind, form of issuance of securities</b>	Ordinary registered uncertified shares	
<b>The nominal value of each share</b>	RUB 100	
<b>Share capital</b>	RUB 30,379,335,000	RUB 33,465,783,700
<b>Number of outstanding shares</b>	334,657,837.	334,657,837.
<b>State registration number of the issuance of securities and the date of state registration</b>	No. 1-02-00063-A dated July 8, 2003 (main issue); No. 1-02-00063-A dated July 18, 2019 (additional issue)	No. 1-02-00063-A dated July 8, 2003 (main issue)
<b>Presence/absence of a special right of the Russian Federation to participate in the Company's management ('golden share')</b>	There is no special right of the Russian Federation to participate in the management of the Company	
<b>Presence of additional shares authorized for issuance that the Company may place in addition to outstanding ones</b>	173,513,887 ordinary shares for the total par value of RUB 17,351.39 mln	142,649,400 ordinary shares for the total par value of RUB 14,264.94 mln
<b>Number of own shares on the Company's balance sheet</b>	0	0
<b>Number of shares of the Company owned by its controlled entities</b>	0	0

In the reporting year, amendments to the Company's Articles of Associations were subject to the state registration related to the increase in its share capital by RUB 3,086.45 mn, following the secondary equity offering held in 2019. The par value of the Company's additional authorized shares decreased by the same amount.

The Company did not issue any preferred shares.

## Change in the Company's share capital (RUB mln)



The Articles of Association of Rosseti Kuban states that each registered ordinary share of the Company grants the same scope of rights to its holder.

Shareholders are bound to abide the statutory requirements of the Russian Federation, the Articles of Associations of the Company and other by-laws, not to disclose confidential information and information that constitutes trade secrets, to bear the risk of losses related to the Company's activities within the value of their shares.

The rights of the shareholders are enshrined in the Company's Articles of Association.



# SHARE CAPITAL

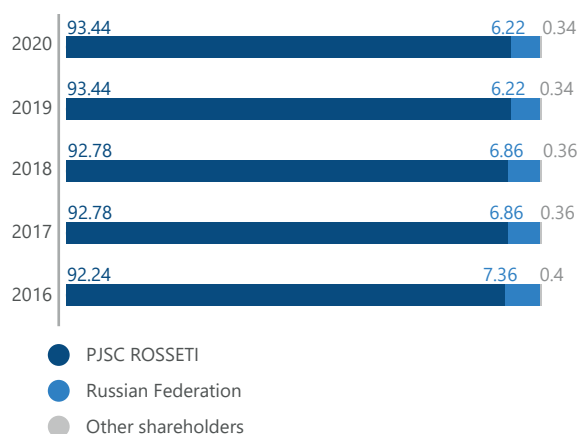
The Company has two major shareholders owning 99.66% of its share capital – the Russian Federation (6.22%, or 20,827,745 shares) and Rosseti (93.44%). Furthermore, the Russian Federation owns 88.04% of Rosseti's share capital (88.89% of Rosseti's ordinary shares). The Company does not have any other shareholders who own more than 5% of Rosseti Kuban's shares. The amount of control of each of the Company's

shareholders is commensurate with its participation in the share capital of Rosseti Kuban. The Company has no information about any shareholder agreement made.

There are no cross-holdings of the Company's shares.

## Shareholding pattern of Rosseti Kuban (%)

Changes in the share capital structure of the Company in the reported year were minor (less than 1%).

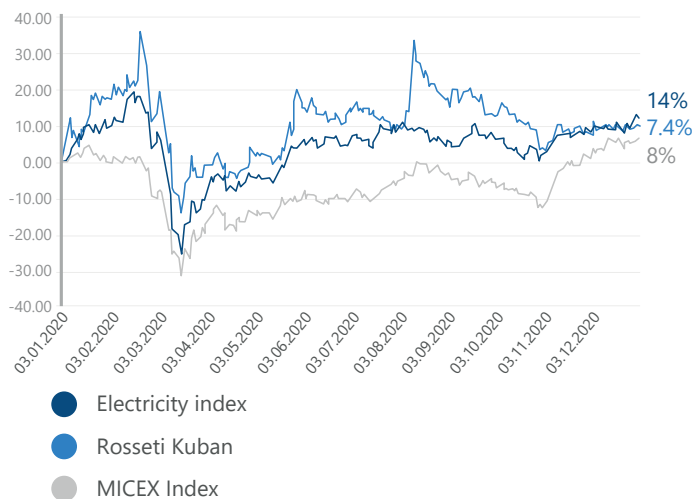


## Statistical information on persons entered into in the register of shareholders of Rosseti Kuban as of 31 December 2020

Registered persons	Number of persons	Number of shares	% of outstanding shares
Account of unidentified persons	1	3,324	0.0010
<b>Individuals</b>	<b>1,778</b>	<b>337,963</b>	<b>0.1010</b>
including non-residents	2	485	0.0001
<b>Legal entities, including nominee shareholders (total)</b>	<b>18</b>	<b>334,309,730</b>	<b>99.896</b>
incl. owners (nominee shareholders) of over 5% of shares	2	333,539,349	99.6658
including non-residents	1	325	0.0001
<b>Trustees</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shares in joint ownership</b>	<b>14</b>	<b>6,820</b>	<b>0.0020</b>
	<b>1,811</b>	<b>334,657,837</b>	<b>100</b>

# EQUITY MARKET AND THE COMPANY'S CAPITALIZATION (CAP)

Curve of Rosseti Kuban's share price (%)



In 2020, the shares of Rosseti Kuban were in circulation at the Moscow Exchange on tier 3, ticker – KUBE, ISIN-code – RU0009046767:

INFORMATION ON THE CURRENT STOCK QUOTATIONS AND TRANSACTION PRICES IS AVAILABLE IN RUSSIAN AND ENGLISH ON THE WEBSITES: [HTTP://MOEX.COM](http://MOEX.COM), [HTTPS://ROSSETI-KUBAN.RU/](https://ROSSETI-KUBAN.RU/)

The market cap of the Company at the beginning of 2020 was RUB 20.88 bn and at the end of the year – RUB 22.69 bn. According to RIA Rating agency, Rosseti Kuban was among the top 100 largest companies in Russia by capitalization at the end of 2020.

The 2020 cap high stood at RUB 31 bn, and the 2020 cap low – at RUB 17 bn; the weighted average price of a one share rose by 7.4% over the reporting year against the backdrop of the MICEX Index increased by 8% and the Electric Utilities Index – by 14%.

The 2020 cap high stood at

**RUB 31 bn,**

and the 2020 cap low – at

**RUB 17 bn**

## Movements of price per one share of Rosseti Kuban in 2020 (RUB)

Weighted average price (beginning of period)	Minimum price	Maximum price	Weighted average price (end of period)	Relative gain for the period in %
63.4	51	92.9	68.5	7.4

## Bid Prices and Traded Value

Indicator	2018	2019	2020	Change 2020/2019 (relative gain) (%)
Weighted average price at the end of the period, RUB	48.8	63.6	68.5	7.4
Market cap on the last day of trading, RUB bn	14.83	20.88	22.69	8.7
Trading volume (mn shares)	0.2	0.8	1.7	112.5
Trading volume (mn shares)	11.9	57.4	129.3	125.2

The low traffic in 2020 was due to the insignificant amount of shares in free circulation.

The trading volumes of for the Company' shares on the Moscow Exchange in 2020 amounted to

**RUB 129.3 mln**  
(1.7 million shares).



# DIVIDENDS

The Dividend Policy of Rosseti Kuban is a set of principles and methods used to determine the ratio between the capitalized portion of the Company's profits and the amounts paid as dividends, as well as the system of relations and principles for determining the procedures and the terms of dividend payouts, the allocation of Company responsibility for the dividend payment.

The Dividend Policy of the Company is based on the strict observance of the shareholders' rights as prescribed by the existing laws of the Russian Federation, the Articles of Association, and the bylaws of the Company. Its key goal is to enhance the investment appeal of the Company and its market cap.

The Dividend Policy of Rosseti Kuban is determined by the Dividend Policy Regulation approved by the Board of Directors' decision on January 31, 2018 (Minutes No. 297/2018 dated February 1, 2018). The Policy is available at the Company's official website in the section About the Company / Constituent and In-house Documents.

Main principles of the dividend policy of Rosseti Kuban:

- compliance with the Company practices for dividend accrual and payment, the laws of the Russian Federation and the standards of corporate governance (decree No. 1094-r of the Government of the Russian Federation dated May 29, 2017);

- optimal balance of interests of the Company and its shareholders;
- setting the dividend volume to at least 50% of the net profits determined according to the financial statements, including the consolidated reports prepared following the international financial reporting standards and calculated using the procedures set out by the Dividend Policy Regulations;
- supporting the quarterly dividend payments if the relevant criteria are met;
- supporting the maximum transparency (reliability) of the dividend calculation mechanism and dividend payout procedures;
- supporting the positive dynamics of dividend payment volumes provided that the net profits of the Company increase;
- making the information on the Company dividend policy available to the shareholders and other interested parties;
- maintaining the required level of financial and technical condition of the Company (implementation of the investment program), providing the development potential for the Company.

## Profit distribution<sup>1</sup> (RUB thsd)

Indicator	For 2016	For 2017	For 2018	For 2019
Undistributed profit (loss) of the reporting period	2,140,500	525,276	151,158	2,428,011
Including:				
• Reserve fund	107,025	26,264	7,560	121,401
• Profits to development	1,498,350	177,442	0	1,669,696
• Dividends	535,125	321,570	143,638	636,914
• Recovery of losses of prior periods	–	–	–	–

<sup>1</sup> Profit distribution decisions for 2016, 2017, 2018, 2019 were made by the annual General Meeting of Shareholders (Minute No. 39 dated June 20, 2017, No. 40 dated May 25, 2018, and No. 42 dated June 20, 2019, No. 43 dated May 29, 2020, respectively).

## History of dividend payouts made by the Company (RUB)

Dividend period, year	Number and date of the Minutes of the General Meeting of Shareholders, when the dividend payment decision was made	Record date of making a list of persons entitled to dividends for the dividend period	The volume of declared (accrued) dividends for the shares of this category (type) per one share in rubles	Cumulative declared (accrued) dividends for all shares of this category (type)	The total amount of dividends paid on all Company's shares of one category (type)	Due date of the declared dividends	Form of payment and other provisions for the declared dividends	Causes of non-distribution of declared dividends
2015	27.06.2016 №. 37	13.07.2016	4.047105	1,144,797,000	1,144,279,337.45	10 and 25 working days <sup>1</sup>	Monetary funds	The questionnaire contains no dividends allocation details to be provided by a registered person
2016	29.06.2017 №. 39	27.06.2017	1.762658567	535,125,135	534,876,410.47	10 and 25 working days <sup>2</sup>		
2017	25.05.2018 №. 40	05.06.2018	1.0585165	321,570,274	321,441,720.82	10 and 25 working days <sup>3</sup>		
2018	20.06.2019 №. 42	01.07.2019	0.472815	143,638,053	143,564,792.83	10 and 25 working days <sup>4</sup>		
2019	29.05.2020 №. 43	15.06.2020	1.90318	636,914,000	636,637,006.05	10 and 25 working days <sup>5</sup>		

Summarizing the results of the 2010–2014 financial years, the General Meeting of the Company's Shareholders decided not to pay dividends.

In 2020 (as of 2019 year-end), the federal budget paid dividends in the amount of RUB 39,639 thousand; there is no outstanding balance.

<sup>1.</sup> For nominee shareholders that are securities market professional trustees, the term of payment is 10 working days maximum, and for other registered shareholders – 25 working days from the record date.

<sup>2.</sup> Ditto.

<sup>3.</sup> Ditto.

<sup>4.</sup> Ditto.

<sup>5.</sup> Ditto.



# 09 SUSTAINABLE DEVELOPMENT





# HR POLICY



*The strategic goals of Rosseti Kuban, along with the improvement of the reliability of the power supply to the Krasnodar Territory and the Republic of Adygea, customer service quality increase and promotion of the accessibility of power grid infrastructure, encompass the provision of decent working conditions, upgrading of professional skills and loyalty of the Company's staff.*

*The above goals are achieved through a set of measures stipulated by the personnel and social policy of the Company. The pursuance of this policy allows the Company to hold the position of a corporate citizen, providing jobs, guaranteed benefits*

*package and stable wages that are significantly above the sector average level within the Company's footprint, for more than 9 thousand people. The sector average level of wages in 2020 stood at 43.2% for the Krasnodar Territory and at 69.6% for the Republic of Adygea."*



Head of the Human Resources  
Department  
**Ivan Treputin**

The below are the key goals of Personnel and Social Policy of the Company intended to meet the targets of the Russian Power Grid Industry Development Strategy:

- workforce requirements planning – ensuring the availability of reliable information on current and projected, quantitative and qualitative needs in workforce necessary and sufficient for meet the Company's objectives;
- recruiting necessary skills when needed;
- improving the performance and increasing labor efficiency in the Company.

The above goals are achieved by implementing packages of actions in various aspects of Company's activities and achieving the targets set:

- in the field of organizational design;
- in the field of staffing support and personnel development;
- in the field of personnel performance management (personnel motivation);
- in the field of social benefits and social protection;
- in the field of occupational safety and work culture.

# HEADCOUNT AND PERSONNEL BREAKDOWN

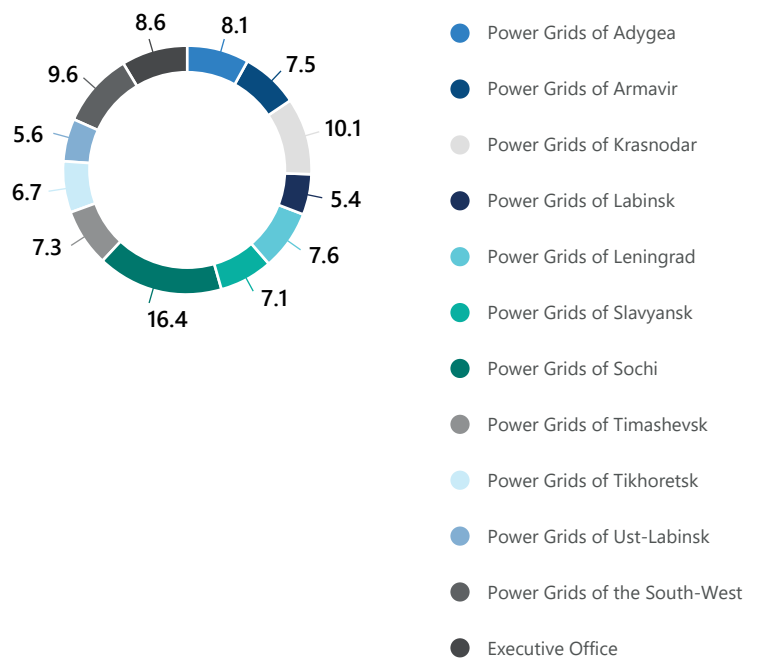
Average headcount of Rosseti Kuban in 2020 amounted to 8,959 people, up 3.6% year-on-year, on the one hand, due to administrative and managerial staff rightsizing, and on the other – due to the enrolment of production personnel in the power grid areas and the consolidation of property owned by JSC DVEUK/JSC DVEUK-ENES (as part of the consolidation of power grid assets).

Average headcount (people)



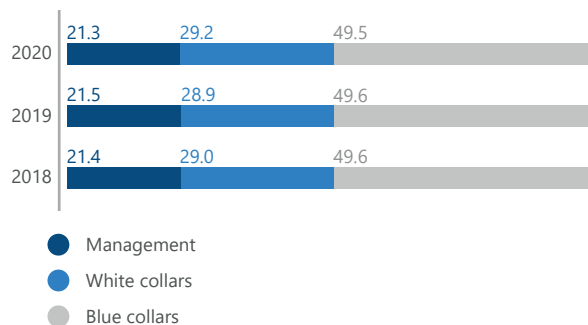
In general, the state of the Company's human resources is quite stable: in 2020, the level of staff sufficiency was 96.9%, production staff sufficiency – 96.9%, voluntary turnover – 6.6%, the average age of employees – 43 years.

Personnel distribution across the branches of Rosseti Kuban (%)



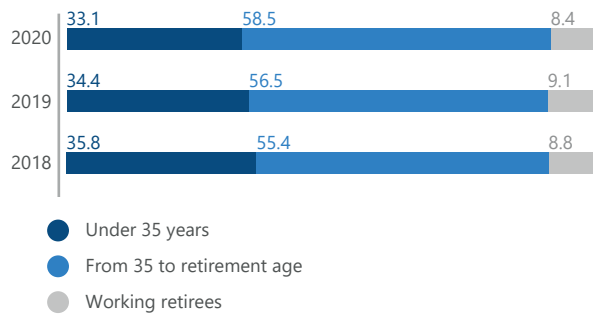
The employee breakdown by categories is representative of the companies of the power grid complex and has remained quite stable for the last three years: blue collars account for 49.5%, managers – for 21.3%, and white collars – for 29.2%.

Staff composition by categories, %



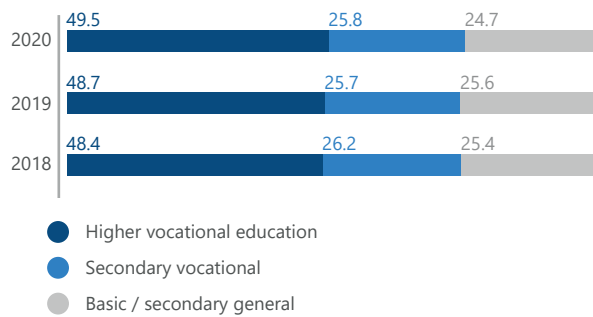
Over the past three years, there has been an increase in the proportion of employees aged 35 years to retirement age (+3.1 p.p.) amid a decreasing proportion of employees aged under 35 years (-2.7 p.p.) and the proportion of working pensioners (-0.4 p.p.).

**Staff composition by age, %**



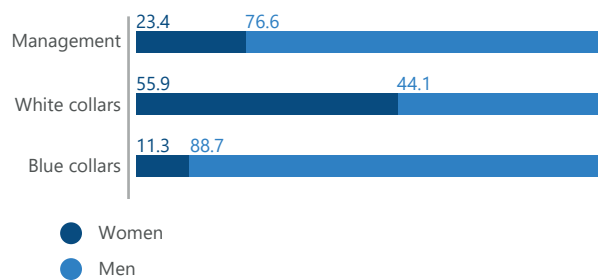
Employees of Rosseti Kuban are characterized by a fairly high level of qualification: 86.3% of employees have a professional education. This figure has risen by 1.4 p.p. over the last three years.

**Staff composition by education level, %**



The gender composition of the Company's employees is representative of the companies of the power grid complex : as of 31 December 2020, the share of men was 73%, women – 27%.

**Staff breakdown by gender in 2020, %**



# PERSONNEL TRAINING AND DEVELOPMENT

Personnel training is one of the key priorities of the Personnel and Social Policy of the Company, and it is governed by the Personnel Policies for the Power Sector of the Russian Federation approved by Order of the Ministry of Fuel and Energy of the Russian Federation No. 49 dated February 19, 2000, and by the Personnel Procedures at Rosseti Kuban approved by Order No. 1048 dated September 25, 2017, the Regulations on Personnel Training at Rosseti Kuban approved by Order No. 681-od dated November 26, 2020,

other regulations, as well as instructions and recommendations of supervisory bodies.

The Company's main provider of educational services is the in-house training center, the Energy Institute for Continuing Education (hereinafter – the Institute). In the reporting year, the share of the Institute's trainees of the total number of the Company's trainees stood at 85.3%.

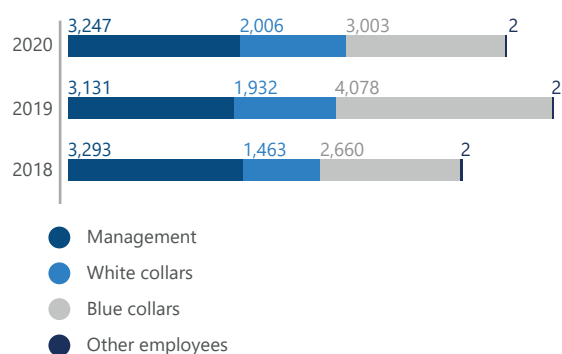
## Training of Rosseti Kuban's staff

Indicator	2018	2019	2020	Change 2020/2019
Number of off-the-job trainees	7,418	9,143	8,258	-885
Including blue collars	5,257	8,386	7,373	-1,013
The ratio of the number of off-the-job trainees to the average staff headcount, %	86.1	106	92.2	-13.8 p.p.
Number of employees who received training, retraining and advanced training at the Institute	7,418	8,633	7,044	-1,589
Including blue collars	4,437	8,003	6,545	-1,458
The number of on-line training programs available at the Institute	18	24	46	22
Average number of academic hours per employee	64	60	58	-2

The key indicator (30%) of the Company's Personnel and Social Policy is achieved thanks to the existing ratio of the off-the-job trainees in 2020 to the average headcount.

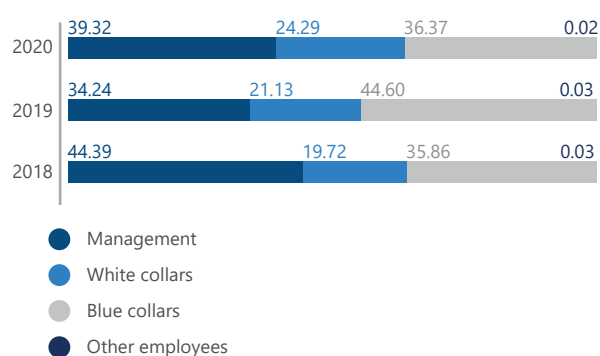
The number of trainees in the reporting year went down due to the schedule frequency of electrical personnel compulsory training, as well as to passing up individual educational programs planned to be conducted in the classroom format. Restrictions related to the prevention of the spread of a new coronavirus infection gave additional momentum to the development of distance staff training programs.

### Breakdown of off-the-job trainees by categories, ppl



A significant share of the personnel falling under managers and blue collars categories in the total number of the trained is explained by the availability and frequency of mandatory training for these categories as required by regulatory documents.

### Breakdown of off-the-job trainees by categories, %



### Personnel training costs (RUB thsd)

Indicator	2018	2019	2020	Change 2020/2019
<b>Costs for personnel training, total:</b>	<b>72,091</b>	<b>106,018</b>	<b>73,836</b>	<b>-32,182</b>
Including:				
- hosted by the Institute	49,999	77,667	53,563	-24,104
- hosted by third-party educational institutions	22,092	28,351	20,273	-8,078

Every year, the Institute trains more than 8 thousand students in more than 200 educational programs aligned with the requirements of professional standards and relevant regulatory documents.

The Institute provides services in the following areas:

- training in professional education programs (training, retraining, advanced training of employees), continuing professional education (professional retraining, advanced training of engineering staff);
- conducting topical workshops and skills workshops aimed at developing corporate and managerial competencies of personnel;
- preparation of teams for professional skill competitions.

The Institute enjoys the status of a sectoral educational and methodological center for training the fuel and energy sector employees in occupational safety and offers them the opportunities to join educational programs approved by the state technical supervision

bodies. The Institute staff includes professors properly certified in the local Rostekhnadzor offices in Rostekhnadzor-supervised specialties. The Institute is accredited and has a notification of the Ministry of Labor of the Russian Federation on entering into the register of educational services providers in the field of occupational safety. The programs employ modern innovative technologies using the latest teaching tools and methods. During the training period, students are provided with the necessary study materials, visual aids, handouts in the relevant areas of training.

The training ground located on the territory of the Institute is geared to the practical training of students in the learning process and provides means not only for individual operations, but also for routine maintenance on specific equipment with working up the time standards. It is also a venue for various professional skills competitions among the personnel of fuel and energy companies in the following competencies: "Operation of Cable Power Transmission Lines", "Smart Electricity Metering System", "Maintenance and Repair of Relay Protection and Controls".

As the maintenance and repair of the Company's facilities require live work practices, the Institute has started the live work training of teams from the fourth quarter of 2020. The teaching staff of the Institute received appropriate training at the private educational institution of further vocational education (PEI FVE) "Live Work Centre"; the training ground of the Institute was equipped with the necessary equipment for hands-on skill practice in this type of work. In 2020, two teams of Rosseti Kuban's branches (Power Grids of Sochi and Power Grids of Krasnodar) were trained under the program "Live work on below 1,000 V overhead, cable power lines and switchgears".

In the reporting year, 331 employees of the Company (3.6% of the average headcount) underwent the independent qualification assessment at Energia Center and 295 successfully passed the professional examination. To further contribute to the motivation of personnel who confirmed their qualifications, they were given a personal premium of 5% of the base pay rate (fixed official salary). The assessment of the needs of the Company at a time of hiring and during staff appointments, as well as the comprehensive assessment of managers, involved 215 people.

The key providers of educational services in 2020, other than the Institute, were:

- LLC Academy of Professional Training and Retraining;
- Federal State Budget Institution Learning and Training Centre of Rostechndzorz;
- FSAEI FVE IPK TEK;
- ANCO Moscow Training Centre of the Unified Energy System;
- PEI FVE International Institute of East-West Cooperation.

## Talent Pool

To meet the Company demand for qualified and efficient managers in a timely manner and create conditions for the best fulfilment of the staff potential of Rosseti Kuban, the company constantly updates and improves its manager and young specialist talent pool.

The management talent pool is created to implement the Company demand in management staff in a timely and efficient manner, including the following positions:

- top managers;
- mid-rank managers;
- managers and chief engineers for power distribution zones.

The main criteria to include employees in the management talent pool are:

- high professional qualification;
- strong production performance;
- managerial experience;
- personal and managerial potential necessary for professional development and career growth in the Company.

**Talent pools of the Company**

Indicator	Unit of measurement	2018	2019	2020
Management talent pool	ppl.	430	406	251
Percentage of senior positions covered by the talent pool	%	59.25	59.31	69.93
Percentage of pool member assigned to target positions in the reporting year	%	3.7	4.2	4.8
Percentage of management positions staffed by internal candidates, including from the talent pools	%	57.4	58.4	56.8
Youth talent pool	ppl.	148	147	187

The youth talent pool consists of young specialists aged under 35 years who have high development potential and are motivated for professional development and career progress in the Company.

The membership of the Company's youth talent pools is updated on an annual basis, and development plans for young professionals include participation in training programs, discipline-related trainings aimed at personal growth

and development of competencies, industry-wide and regional conferences, and youth forums in order to get acquainted with the best practices of power grid companies in a timely manner.

**Staff Remuneration System**

In order to maintain high standards of social and labor relations based on reciprocity and parity, one of the major challenges facing the Company is to ensure the continuity of the economic relations control principles related to social and labor relations, such as:

- reality, validity and unconditional fulfilment of the obligations assumed;
- consideration of labor market characteristics.

The staff remuneration scheme currently in place in the Company regulates the rate of wages depending on staff qualifications, complexity, quantity, quality and conditions of work performed and is outlined in the Regulation on Remuneration of the Company's Employees, which is an appendix to the collective agreement. This Regulation is aligned with the current legislation of the Russian Federation, the Sectoral Tariff Agreement in the Electric Power Industry of the Russian Federation for 2019–2021 and the Recommendations on a Unified Job Compensation Scheme at Base Pay Rates (fixed official salaries) for Electric Power Employees approved by the All-Russian Industrial

Association of Electric Power Employers and All-Russian Electric Trade Union.

The system of remuneration and material incentives for the Company's management is defined by the Regulations on Material Incentives and the Social Package of Senior Managers and the Regulations on Material Incentives and the Social Package of Leading Managers. The management incentive system stipulated by these Regulations is aimed at creating the necessary conditions for attracting high-level professional managers to the Company, which are capable of ensuring the reliability and quality of energy supply to consumers, improving the efficiency of property and financial management, as well as achieving high business performance and established strategic priorities.

## Increase in Labor Productivity

The Increase in Labor Productivity is one of the KPIs of the General Director of the Company, it was introduced under with Decree of the Government of the Russian Federation No. 7389p-P13 dated October 31, 2014 in pursuance of the action plan to increase the labor productivity, create and update high-performance jobs approved by Order of the Government of the Russian Federation No. 1250-R dated July 9, 2014.

The actual KPI value is calculated using the revenue from electricity transmission services, expenses for electricity transmission services reflected in the IFRS consolidated financial statements of the Company and its subsidiaries, number of man-hours worked by active roll full-timers and external part-timers of the Company and its subsidiaries engaged in electricity transmission activities since the beginning of the year.

The KPI target is set so to accommodate a potential year-on-year increase in comparable conditions of the Company's activities.

The KPI is considered to be achieved if its actual value is greater than or equal to the target value. Otherwise, the indicator is considered unachieved.

The target value of the KPI "Increase in Labor Productivity" for 2020 was set at  $\geq 2\%$  to the actual value of the previous period; at the end of the reporting year, the Company overachieved the set target by two times.

The below initiatives are constantly in progression to achieve the target value of the "Increase in labor productivity" indicator:

- initiatives to improve the organizational and functional structure (optimization of business processes, elimination of redundant management levels and duplicate functions in order to increase the level of manageability);
- rightsizing of the administrative and managerial staff;
- analysis of the working time utilization and work intensity (reducing unproductive losses of working hours, analyzing the engagement of employees to perform weekend work and overtime work).

### Changes in labor productivity in the Company (RUB mln / mln man-hour)

2018	2019	2020
1,670	1,741	1,817



# SOCIAL POLICY

**Key principles of the Social Policy of Rosseti Kuban include the creation of comfortable conditions for employees' work and rest, the improvement of social security and labor-social relations among the staff. Social activities of Rosseti Kuban are aimed at the development of the social partnership, improvement of employees' social security, and creation of development prospects for the Company as a whole.**

Rosseti Kuban gives priority to social assistance as it contributes to the motivation of employees and boost their dedication in production activities. The benefits and guarantees in place in the Company, as well as social programs and employee support programs, help attract and retain the most valuable employees, promote staff loyalty to the Company, and facilitate the achievement of its goals.

While demanding the maximum commitment and improved performance from its staff, the Company acknowledges that it is necessary to provide the employees with extra social benefits and guarantees exceeding those prescribed by law and funded from the Company profits.

The Social Policy of Rosseti Kuban is aligned with the Sectoral Tariff Agreement of the Electric Power Industry of the Russian Federation, the collective bargaining agreement, bylaws, rules, and other local regulatory documents.

## Social benefits for the Company's employees, their family members and retirees (RUB mln)

Social events	2018	2019	2020
Monetary support for employees and retirees	25.19	29.74	37.28
Partial or full reimbursement of employees' proven expenses	0.76	0.78	0.72

Within the social benefits package, the Company employees may receive monetary support in case of childbirth, marriage registration, death of close relatives, retirement, in case of emergency, to large families; in case of an employee's death – kindergarten allowances, etc.

The collective bargaining agreement of the Company covers the support of employees who need better housing conditions through financial aid in mortgage arrangement and partial payment of credit interest. In the reporting period, the Company paid a total of RUB 8.86 mln to 318 employees as financial aid.

**In the reporting year, Rosseti Kuban provided financial assistance to employees who experienced hardship due to the spread of a new coronavirus infection, totalling**

**RUB 2.3 mln**

Being a socially responsible Company, Rosseti Kuban takes care of the Company's veterans and retirees. Honouring the veterans and providing them with monetary support is an integral component of the Company's social performance. Rosseti Kuban renders monthly material aid to non-working pensioners. During the reporting period, more than 2.8 thousand veterans and pensioners received various benefits (financial assistance to the Victory Day and the Power Engineers' Day, monthly financial assistance and application-based financial assistance, etc.) for a total amount of RUB 11.08 mln. Also in 2020, in the context of the COVID-19 pandemic, the Company was actively engaged with the veteran community in order to sponsor treatment and health resumption after a coronavirus infection. Financial assistance covered 46 retirees.

An important factor in improving the workforce efficiency is the promotion of health and recreation of employees and their children. In the reporting year, 368 vouchers were purchased for health resort treatment and recreation of employees and their family members, and 31 employees were partially compensated for the cost of vouchers to a children's health camp.

The social security of employees and non-material incentives are promoted through the non-state pension provision schemes designed to ensure a decent level of well-being of employees at retirement age, to lay the groundwork for the effective addressing of HR issues related to recruitment, retainment and motivation.

Rosseti Kuban focuses on the development of maintenance healthy lifestyle of its employees and arranges health, fitness, and participation sports among the employees and provides them with access to the sports facilities. Highlights of the reporting year:

- employees of Rosseti Kuban took an active part in the fulfillment of the test standards of the All-Russian Physical Culture and Sports Complex Ready for Labor and Defence (GTO relay);
- The combined team of Rosseti Kuban took part in the championship of the Interregional Amateur Basketball League "Liga Strat KAUB 5x5" of the 2020/2021 season.

Given the restrictions on holding sports events due to the spread of COVID-19, the combined teams of Rosseti Kuban took part in online competitions supported by the Ministry of Energy of Russia and the Ministry of Sports of Russia in the reporting year:

- chess tournaments "Energy of the Great Victory" among Russian fuel and energy companies;
- competitions in running, walking and cycling housed by the specialized online sports platform Vmarafone among the fuel and energy companies of Russia;
- background walking competitions under the Walking Man physical activity enhancement program;
- X open chess tournament of power engineers in memory of M. Botvinnik.

During the reporting period, more than

**2.8** thsd

**veterans and pensioners received various benefits (financial assistance to the Victory Day and the Power Engineers' Day, monthly financial assistance and application-based financial assistance, etc.) for a total amount of**

**RUB 11.08** mln

ROSSETI KUBAN PROVIDES ITS EMPLOYEES WITH A HIGH QUALITY MODERN MEDICAL SERVICES BY SIGNING CONTRACTS FOR THEIR VOLUNTARY HEALTH INSURANCE AND ACCIDENT INSURANCE.

Rosseti Kuban attaches great importance to cultural-enlightenment events that help unite and rally its personnel, thus improving the corporate culture. The following events were held in 2020:

- the Rosseti Children Painting and Drawing competition;
- events dedicated to the celebration of the Defender of the Fatherland Day and International Women's Day (8 March);
- celebration of the 75th anniversary of the Victory in the Great Patriotic War of 1941–1945;
- celebration of anniversaries of branches of Rosseti Kuban;
- New Year online events for the children of Company employees.

Over 100 children took part in the Rosseti Children Painting and Drawing Competition, and 60 of them received valuable prizes and presents.

Traditionally, the Company pays great attention to the preparation and celebration of the Power Engineer Day, the professional holiday of the Company.

Rewarding the Company's employees with awards is one of the most important moral incentives and is designed to intensify their work activity.

On the occasion of the 55th anniversary of the establishment of the Company's branches –Power Grids of Armavir, Labinsk, Leningrad, Slavyansk, Timashev, Tikhoretsky, Ust-Labinsk , 67 employees of the branches were rewarded with awards from the Ministry of Fuel and Energy Complex and Housing and Communal Services of the Krasnodar Territory, the ERA of Russia Association, PJSC Rosseti and the Company for their devotion to the profession and the loyalty to the Company, generational continuity and assistance in educating young personnel; among them, 14 employees were awarded the commemorative medal "100 Years of GOELRO" and the badge "100 years of GOELRO" of PJSC Rosseti.

For a significant contribution to the development of the power grid complex, many years of conscientious work, and promotion of reliable power supply to power grid facilities during the summit and other events in the "Russia – Africa" format held in Sochi, 55 employees of the Company were awarded certificates of honour and commendations of PJSC Rosseti.

To celebrate the professional holiday, the Power Engineer Day, and to acknowledge their contribution to the development of the Power Grid Industry in Russia, 1,062 employees of the Company received rewards in 2020:

- from the Russian Ministry of Energy – 17 employees, including one person who got the title of the Honoured Power Engineer);
- from ERA of Russia Association – 27 employees, including one employee who got the badge of honour "For Exemplary Work in Power Industry, and one employee who got the honorary title of Honoured Power Industry Employee);
- from the Administration of the Krasnodar territory and the Ministry of Fuel and Energy Complex and Housing and Communal Services of the Krasnodar territory – 46 employees, including two employees awarded the honorary title "Honoured Worker of the Fuel and Energy Complex of the Kuban";
- from the Head of the Republic of Adygea and the State Council of KHASe of the Republic of Adygea – nine employees;
- from PJSC Rosseti – 25 employees, including eight employees awarded the commemorative medal "100 years of GOELRO" and the badge "100 years of GOELRO";
- from the Company and its branches – 938 employees.

In 2020

**202** employees received state, official (from the Ministry of Energy of Russia), industry-sponsored (from ERA of Russia Association), and regional rewards (from the government of the Krasnodar territory, the head of the Republic of Adygea and the State Council of KHASe of the Republic of Adygea).

**708** employees received corporate rewards for the significant contribution to the development of the power grid and promotion of the reliable and continuous operation, among them 205 received rewards from Rosseti PJSC, and 503 from Rosseti Kuban.

For a great personal contribution to ensuring the stability and continuity of production processes during the lockdown period related to the spread of the new coronavirus infection (COVID-19),

**31** employees were awarded by the Ministry of Energy of the Russian Federation and Rosseti.

For a significant contribution to the consolidation of the assets of PJSC FGC UES on the basis of the Sochi Power Grids branch

**16** people were awarded corporate awards of PJSC Rosseti and the Company.

# YOUTH POLICY

The Company's youth policy covers the activities within the three key areas:

- early career guidance of schoolchildren;
- practice-oriented training of personnel in educational organizations of secondary vocational and higher education;
- development of young specialists – employees of the Company.

To foster talented schoolchildren, the Company annually orchestrates the All-Russian Olympiad of Schoolchildren at Rosseti's Group of Companies. In 2020, it accommodated more than 70 students of the 9th and 10th grades. Seven schoolchildren who became winners and awardees of the Olympiad took part in the energy-related project session of Rosseti's Group of Companies housed by the Orlenok all-Russian children's center.

The career guidance work with schoolchildren is aimed at familiarizing and encouraging the younger generation to enter the profession; it involves a set of annual events, such as the Open Day and introductory excursions to the facilities of the Company's branches, as well thematic lessons

in schools conducted by the corporate staff. The total number of sponsored schoolchildren participating in career guidance projects of Rosseti Kuban amounted to more than 140 people in 2020, and this figure did not decrease compared to the same periods in 2018 and 2019.

The Company's partner universities include the Kuban State Agrarian University, the Kuban State Technological University, and the Platov South Russian State Polytechnic University. The Company signed 30 cooperation agreements with universities and colleges located within its footprint. The key areas of cooperation include targeted training, practice-oriented training, career guidance, management of student energy teams.

As of 31 December 2020, 26 students were enrolled in specialized universities under targeted training agreements with the Company. The focus areas of targeted training include Electric Power and Electrical Engineering, Information Systems and Technologies.

## Student employed at the Company's facilities

Indicator	2018	2019	2020
Students who completed the internship	824	813	701
Students who worked in student energy teams	73	94	68

Employment at the Company's facilities began with the apprenticeship for a job in the Institute. The branches of the Company organized the hands-on training, where students were given assignments related to assembling power transmission poles, laying power cables, installing equipment, taking meter readings, clearing right-of-ways. The working season ended with an independent assessment of qualifications at the Institute. Following the professional examination, 61 students confirmed their professional qualifications in the following areas of training: II Category Electrician for Substation Maintenance, Electrician for Repair and Installation of Cable Lines, II Category Electrician for Repair of Overhead Power Transmission Lines.

THE 2020 LABOR SEASON INVOLVED 68 PEOPLE AS PART OF FIVE STUDENT ENERGY TEAMS.

# OCCUPATIONAL SAFETY AND INDUSTRIAL SAFETY

## Occupational Safety

**The key principle of the occupational safety activities of Rosseti Kuban is the recognition of and supporting the priority of employees' lives and health as compared to the results of the Company industrial activities.**

The occupational safety initiatives of the Company is aligned with the statutory requirements of the Russian Federation, regional laws, industry sector codes and rules, executive documents. During 2020, the occupational safety system was subject to systematic improvement at all divisions of the Company with a view to prevent job-related injuries and promote better working conditions as required by the master documents on occupational safety.

Maintaining safe working conditions and labor safety at Rosseti Kuban and their compliance with the requirements set is the responsibility of the Company management. The Company fully complies with the requirements of the Russian laws regarding the employees occupational safety obligations of the employer.

With a focus on better occupational safety management and fewer occupational injuries, preserving the life, health and working capability of employees, their better compliance with the requirements of legislative and regulatory acts on occupational safety, supporting occupational safety and preventing occupational diseases, the Company declared the 2020 year to be the zero accident year, refer to Order No. 2 dated January 9, 2020 On the Occupational Safety Performance in 2019 and Tasks for 2020.

To establish a unified labor management system in the Company and to ensure safe and normal working conditions for employees at all stages of production, to monitor the compliance with occupational safety requirements at all levels of corporate management, the Company adopted STO 00104604-ISM 007-2018 Regulations on the Occupational Health and Safety Management System, which met the requirements of GOST 12.0.230-2007, interstate standards for occupational health and safety management systems, as well as the labor legislation of the Russian Federation. During the year, the Company did the follow-up revision of the management system and implemented the requirements of the international standard ISO 45001.

The main occupational safety goals of Rosseti Kuban are as follows:

- ensuring safe working conditions for employees;
- prevention and maximum reduction of occupational risks to the health of employees and employees contracted to work at the Company's power grid facilities.

The Company's management (the management of the Company's branches) annually analyses and evaluates the achievement of the occupational safety goals. Following the functional analysis of the occupational health and safety management system in 2020, the Company considers the effectiveness of the total corporate efforts invested to be satisfactory.

In conformity with the labor laws of the Russian Federation, in order to create and support a unified occupational health and safety management system in Rosseti's Group of Companies, as well as to improve and upgrade the efficiency of the industrial safety system, the Company adopted the corporate standards approved by the order of Rosseti as documented procedures for the occupational health and safety management system.

According to the analysis of the existing executive documents of Rosseti, regulating the occupational safety processes and activities within Rosseti Group, the Company approved and started implementing comprehensive programs to reduce injury risks for Kubanenergo's personnel and third parties at the power grid facilities of the Company between 2018 and 2022 in order to reduce the injury risks at the power grid facilities and implement the long-term development program of Rosseti. The goal and objective of comprehensive programs is to prevent industrial injuries and the death of third parties from electric shock. Programme actions scheduled for 2020 were performed to the full extent.

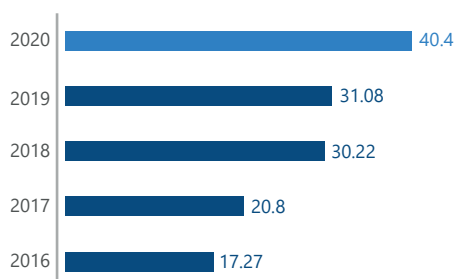
In the reporting year, the Company performed occupational safety actions developed following the requirements of order No. 181n of the Ministry of Healthcare and Social Development of Russia dated March 1, 2012 On Approval of Standard List of Annual Employer Events For Improvement of Working Conditions and Occupational Safety and Professional Risks Mitigation. The Company controls the employees' compliance with the workplace safety statutory requirements for arranging and performing works at power units. A behavior audit is conducted at the Company (safe work arrangement observations). The audit's results were translated into measures aimed towards the elimination and prevention of violations, including psychocorrective classes.

To coordinate the health care and occupational safety activities of the Company's branches, monthly selector meetings were held in the form of video conferences that involved first deputy directors – chief engineers and department heads of the Company branches. Occupational safety days are conducted on a monthly basis, which helps involve more Company's employees in the process of self-control and mutual control and increase the level of employee knowledge and experience in occupational safety and safety regulations.

Some training sessions were held at the Company branches to explain the functioning of the occupational safety system and to determine potential threats and risks for employees' health and safety in a timely manner in a form of business games involving the specialists for psychophysiological reliability of professional activities.

In 2020, the internal technical control system required comprehensive checks on compliance with the requirements of regulatory and technical documents, regulatory legal acts relating to the operation of electrical installations, the requirements for the safe operation of hazardous production facilities, and the Company's organizational and administrative documents aimed at preventing industrial accidents and injuries of third parties in the Company's branches – Power Grids of Adygea, Labinsk, Leningrad and Ust-Labinsk. In order to prevent and prevent the spread of COVID-19 coronavirus infection in the Company's divisions, comprehensive inspections were carried out remotely in accordance with standard inspection programs posted on the network resource of Rosseti Kuban.

#### Unit occupational safety costs of the Company per employee (RUB thsd)



Following the Labor Code of the Russian Federation, the actions aimed at improving the working conditions and occupational safety at the Company are funded to at least 0.2% of the manufacturing costs for products (works, services); in fact, these activities were financed in the amount of 0.79% of the said amount.

During 2020, there were three accidents involving the Company's employees.

Occupational diseases of the Company's personnel were not diagnosed in 2020.

To promote employees' health and wellbeing, the Company purchased necessary protection and safety equipment for the performance of works in 2020. The annual purchase order for special clothing and shoes was completed to the full extent.

#### Occupational safety costs in 2020 increased by 34.7% year-on-year and amounted to

**361.9** mln  
RUB

The unit cost of occupational cost per employee amounted to RUB 40.4 thousand, which was up 29.9% year-on-year.

#### The unit cost on safety Personal protective equipment per one employee amounted to

**21.46** thsd,  
RUB

which is above the previous year's value by 5.9%.

THE MAIN REASON FOR THE INCREASED COSTS IS THE PURCHASE OF ANTISEPTIC PRODUCTS, INDIVIDUAL MEDICAL MASKS AND DISPOSABLE GLOVES, AS WELL AS THE TESTING OF WORKERS FOR COVID-19 AT THE EXPENSE OF OCCUPATIONAL SAFETY FUNDS.

## Industrial safety

The operational supervision for industrial safety is aligned with the Company's order No. 405 dated July 13, 2020 On the Appointment of Persons Responsible for Operational Supervision for Industrial Safety Requirement Implementation at Hazardous Facilities and with the Regulation of Operational Supervision for Industrial Safety Requirement Implementation at Hazardous Facilities of the Company dated June 9, 2020 based on:

- Federal Law No. 116-FZ dated July 21, 1997 On Industrial Safety of Hazardous Production Facilities;
- Order No. 461 of the Federal Service for Environmental, Technological and Nuclear Supervision dated November 26, 2020 On Approval of Federal Standards and Rules for Industrial Safety of Hazardous Production Facilities, Safety Rules for Hazardous Production Facilities with Hoisting Equipment;
- Decree of the Government of the Russian Federation No. 2168 dated December 18, 2020 On the Organization and Implementation of Production Control over Compliance with Industrial Safety Requirements.

Rosseti Kuban has three hazardous production facilities registered at the Federal Service for Environmental, Technological and Nuclear Supervision (certificate No. A30-00777 dated October 13, 2020). In 2020, the hazardous production facilities were operated following the requirements set out in technical reference documents.

Only the employees who went through proper training, pre-examination training and knowledge check for industrial safety rules were permitted to perform works related to the operation of the hazardous production facilities of the Company and the technical equipment installed there. Training, pre-examination training, initial and recurring knowledge assessment for engineering staff are done at specialized organizations holding relevant permits.



# ENVIRONMENTAL PROTECTION

**The Environmental Policy of the Company's power grid complex sets out the goals to decrease the negative impact on the environment and support environmental safety at power grid facilities, upgrade equipment and employ innovative and eco-friendly technologies during reconstruction, retrofitting, and electric grid construction, as well as the rational use of natural resources**

In the reporting year, all of the schedule environmental policy actions were implemented, among them:

- meeting the requirements of the Stockholm Convention on Persistent Organic Pollutants: 631 units of equipment containing polychlorinated biphenyls (PCBs) were decommissioned and replaced with environmentally friendly ones. The environmental policy of the power grid complex has set the task of 100% decommissioning of equipment containing PCBs, with its subsequent transfer for destruction by 2025. The phased decommissioning of such equipment follows up on the decommissioning plan for PCB-containing equipment for 2018–2023 approved by the decision of the Board of Directors of PJSC Kubanenergo (Minutes No. 296/2018 dated January 23, 2018);
- respecting requirements of the Russian Environmental Laws by the Company:
  - industrial environmental monitoring at pollutant sources, sanitary protection zone boundaries, pollutant water discharge points to check the compliance with the set standards for acceptable environmental impact;
  - development and approval of sanitary protection zone projects by controlling bodies for 15 power facilities of the Power Grids of Adygea, Armavir, Krasnodar, Labinsk, Leningrad, Slavyansk, Sochi, Timashevsky, Tikhoretsky, Ust-Labinsk, the South West and the Company's executive office to designate special areas acting as buffers and providing the protection for the residents during the operation of the unit;
- taking technical actions to reduce the adverse impact on the environment:
  - replacement of 80 oil circuit breakers with the vacuum or SF6 circuit breakers to reduce the risk of oil spillage and soil, groundwater, and air contamination;
  - replacement of 180 oil-filled bushings with solid-insulation bushings;

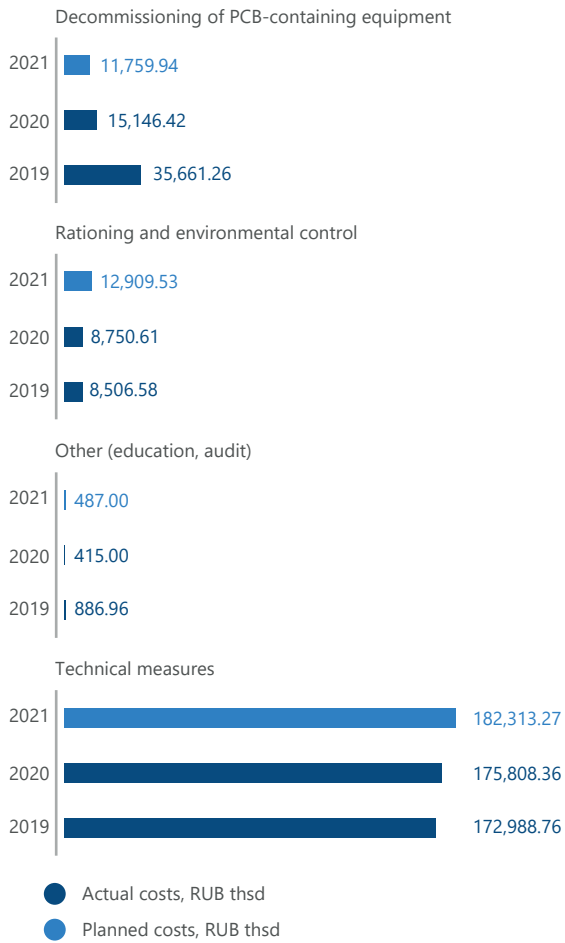
- repair (reconstruction) of emergency oil discharge systems and transformer oil receivers at 19 substations to prevent potential environmental contamination;
- construction/reconstruction of a 761.05-km long OPL using self-supporting insulated wires, including to the biodiversity preservation purposes;
- installation of a total of 4,978 bird guards to preserve the biodiversity and prevent animal kills in production processes;
- recycling/recovery of up to 20 tons of transformer oil (~10% of the oil purchased per year) to reduce the amount of natural resources consumed;
- continuous updating of voluntary environmental responsibility mechanisms.

The environmental management system of the Company was introduced, assessed and certified as compliant with the requirements of ISO 14001 international standards for the Systems of Environmental Management since March 2009, which allows the Company to efficiently control the environmental risks, prevent and mitigate the adverse environmental impact and improve its image.

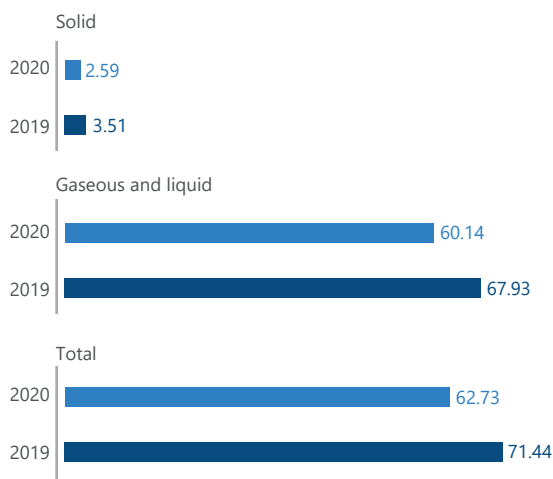
According to the results of the recertification audit of 2020 conducted by SGS Vostok Limited JSC, the Company successfully confirmed its compliance with the new revision of ISO 14001:2015 standard for the systems of environmental management.



**Changes of costs for the environmental policy (RUB thsd)**



**Gross pollutant emissions to the atmosphere (tons)**



Rosseti Kuban adversely affects the natural environment components by transferring the most efficient type of energy to consumers – electric energy.

Key sources of the Company’s environmental impact include:

- operation of vehicles, machines (cutting, drilling, woodworking, turning and sharpening), the performance of welding and painting works, chemical analysis of transformer oils, transformer oil storage. The gross atmospheric emissions in 2020 decreased by 6.4% on a year-on-year basis;
- accumulation of wastes generated from the Company’s operational and business activities and their further handling (handing-over to specialized companies for further processing, disposal, neutralization, and storage).

**Wastes generation (tons)**



Taking into consideration that the priority area of the current state policy for waste management is their disposal providing for the maximum use of all waste components, the Company in 2020 handed over 16% more of wastes to specialized disposal organizations than in 2019.

# ANTI-CORRUPTION POLICY

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

- identification and further elimination of causes of corruption (corruption prevention);

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

In the reporting year, Kubanenergo Order No. 80 dated February 5, 2020 approved the Anti-Corruption Plan for 2020.

## The focus areas of the Company's anti-corruption policy and measures for their implementation in 2020

Ficus areas	Measures
<b>Structuring the risk management process to prevent and combat corruption</b>	Based on the results of six months and 2019, the reports on the review of management Information on the implementation of the Anti-Corruption Policy, including the results of anti-corruption monitoring, were submitted to the Audit Committee for consideration. The reports were taken into consideration by the Committee without any comments and were taken into consideration by the Company's Board of Directors
<b>Identification and clearing of conflict of interests</b>	Employees' conflicts of interests were once against subject to annual declaration for 2019; the Company collected 1,908 declarations and identified 14 pre-conflict cases. By the end of 2020, all conflict of interest / pre-conflict cases were resolved. Kubanenergo's Corporate Ethics Compliance and Conflict of Interest Commission had two meetings. They checked the submitted statements of income, property, and property liabilities born by the top managers (78 statements) or their immediate family members (251 statements) in 2019. This audit did not identify any signs of affiliation, conflict of interest, or pre-conflict cases.
<b>Developing and Introducing Standards and Procedures Oriented to Ensuring Fair Work Practices</b>	In 2020, the Company made agreements with 105 newly employed people on their compliance with the Anti-Corruption Policy and the Code of Corporate Ethics and Employee Conduct. The Company developed and approved seven organizational and administrative documents on the anti-corruption compliance and implementation of anti-corruption policy, including the amended Anti-Corruption Policy of Rosseti and its subsidiaries and affiliates (approved by the Board of Directors, Minutes No. 401/2020 dated September 11, 2020, corporate Order No. 585-od dated October 1, 2020)
<b>Review and verification of reports of corruption and sundry abuses</b>	In 2020, the Company received 20 reports of possible corruption or other abuses, of which 18 were sent via the feedback form of the Anti-Corruption Policy section of Kubaenergo's website; one letter from Rosseti and one reported directly by a person in writing. The Company carefully checked every such report. None of the reported cases was confirmed.

<b>Control over the Company's compliance with the Russian law against unlawful use of insider information and market manipulation</b>	<p>This control followed up on the Insider Information Regulations of Kubanenergo (approved by the decision of the Company's Board of Directors on June 20, 2019 (Minutes No. 348/2019) and put into effect by corporate Order No. 671 dated July 16, 2019) in the following areas:</p> <ul style="list-style-type: none"> <li>• ongoing control of compliance with the Russian law;</li> <li>• methodological work;</li> <li>• coordination of efforts to develop the insider information control system.</li> </ul> <p>In 2020, there were no cases of breach of Federal Law No. 224-FZ dated July 27, 2010 On Countering the Misuse of Insider Information and Market Manipulation and the regulatory legal acts of the Russian Federation adopted thereunder.</p> <p>As of December 30, 2020 (date of the Moscow Exchange's last inquiry of the reporting year), the Company's Insider List included 20 legal persons and 364 natural persons.</p> <p>Monthly lists of the Company's insiders were sent via the Insider Lists system of the Moscow Exchange web service in electronic form.</p> <p>The Company publishes information for insiders at the corporate website (For shareholders and investors / Information for insiders)</p>
<b>Taking measures to prevent corruption when interacting with partners and counterparties</b>	<p>Information about signed contracts, additional agreements, and new subcontractors of business partners was added daily to the Company's automated system for collection and analysis of beneficiary data; in 2020, more than 62 thousand contracts and additional agreements were uploaded to it.</p> <p>Conflicts of interests were declared for candidates for vacant jobs at the Company.</p> <p>In 2020, 1,652 checks of individuals were carried out in hiring or transferring, and 57 negative conclusions were given.</p> <p>The procurement documentation was subject to the approval procedure. In 2020, the Company took part in a total of 679 procurement procedures; for 82 of them, the initial (maximum) price reduced for a total of RUB 18.15 mn; four procurement procedures was cancelled for the amount of RUB 8.56 mn.</p> <p>Anti-corruption reservation and the contractor's duty to submit beneficiary data were added to more than seven thousand contracts submitted for procurement.</p>
<b>Legal education and laying foundations of lawful behavior, advice, and training for employees</b>	<p>The Company continuously updates its legal framework and takes all the necessary measures and anti-corruption procedures to instill zero tolerance to corruption in its employees.</p> <p>In 2020, 9,274 employees of the Company were trained in the corruption prevention and enforcement.</p> <p>Representatives of the Company participated, along with representatives of the Security Department of Rosseti, in the meeting of the working group, in the meeting of the Central Commission of Rosseti on compliance with corporate ethics and conflict of interest resolution, in the meeting on the year-end results</p>

# INTERACTION WITH SERVICE CONSUMERS



*In evolving the customer service system, the Company's management pays special attention to creating awareness of consumers about the services provided by the Company, ensuring comfortable conditions for face-to-face service, and improving the availability of services through interactive service facilities. In January 2020, General Director of the Company, S. Sergeev, chaired a meeting held with the heads and owners of the largest construction enterprises, representatives of the executive authorities of Sochi in the energy dialogue format on the connection of housing construction facilities to the power grids of the Company. In addition to the 53 already functioning service offices, a new customer service point was opened in the service area of the Power Grids of Slavyansk branch in July 2020, which met the requirements of the unified service quality standards.*

*The 2020 year witnessed a complete transition to electronic interaction with consumers on the issues of grid connection of electrical installations with a total capacity of up to 150 kW. In 2020, the Company received 65,473 requests sent via interactive client services, which was 11 times greater than last year."*



Interim Deputy General Director for Development  
and Grid Connection  
**Alexander Kalinichenko**

The main function of the customer communication departments of Rosseti Kuban is supporting timely and unhindered problem solving for grid connection, power transmission, electricity metering arrangement, and extra services arrangement for individuals and legal entities within the Company's operational responsibility.

The high quality of the Company's services is facilitated through 13 customer service centers and 41 customer service offices within the power grid areas.

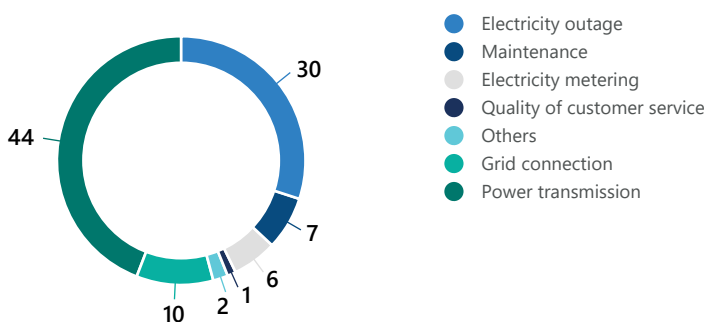
To provide remote services to customers, Rosseti Kuban runs a 24-hour call-center with the federal phone numbers 8 (800) 100-15-52 and 8 (800) 220-0-220. Call-center operators inform the residents of Krasnodar territory and the Republic of Adygea about any power supply issues and recovery work and planned repair schedules. Besides, the call-center operators take messages from the customers concerning

electricity theft and consult them about grid connection and other Company's services.

In 2020, over 660 thousand consumers applied to the call center (up 15 thousand year-on-year).

In the reporting year, the Company received 8,583 complaints from consumers, 3,611 of which were justified.

#### Structure of customer complaints received by the Company in 2020, %



Customer complaints were investigated and actions scheduled for the reporting year were taken to sort out their causes.

In 2020, the Company also provided interactive customer service on the corporate website [www.rosseti-kuban.ru](http://www.rosseti-kuban.ru) in the [Consumers / Customer Service System](#) as follows:

- service orders and appeals are accepted via [personal account of the client](#);
- customer appeals are accepted via [interactive feedback system \(internet office\)](#);
- Information is provided to customers in the [Questions and Answers section](#).

Since September 30, 2020, the functionality of the client's personal account has been transferred to the portal of power grid services of Rosseti's Group of Companies [www.портал-тп.рф](http://www.портал-тп.рф).

In 2020, the Company received 65,473 petitions via interactive client services, up 59,624 year-on-year, including 28,270 grid connection tickets, 15,198 of which were sent via the power grid service portal on the official website of Rosseti, up 14,446 year-on-year.

The key progress made by the Company in customer communications for 2020:

- opening of a customer service point in Rosseti Kuban in Taman in the Power Grids of Slavyansk branch;
- reclassification of the Adler customer affairs point of Power Grids of Sochi branch into the category of a consumer service center;
- conducting six seminar meetings with representatives from the business world and the executive authorities of the regions of Russia, acting and potential applicants for power grid access procedure, including those dedicated to the possibility of applying for grid connection online;
- energy dialog with business representatives of the Krasnodar Territory – consumers of the Kuban power

system under the chairmanship of the General Director of the Company with business representatives;

- supporting the work of automated workplaces with access to the Internet for customers in 13 customer service center areas;
- supporting the payment equipment installed at the customer service centers and customer affairs points;
- detection of 18,936 kW of unaccounted electricity to the amount of RUB 32.492 thousand after 157 inspections following customers' messages of electricity thefts received via the call center.

The following measures were introduced in the territory of the Krasnodar Territory and the Republic of Adygea to support the consumers engagement during the intensive spread of coronavirus infection COVID-19, as well as the high-alert mode:

- limiting the work hours of service offices;
- keeping consumers informed via the official website of the Company, social networks and mass media about the possibility of receiving services in electronic format via the portal портал-тп.рф without personal visits to service offices;
- offering more available electronic interaction with consumers on the grid connection issues via a personal account on the official website портал-тп.рф and the mobile application;
- introducing automated environment at the consumer service offices for applicants who have no access to the Internet. Specialists of the Company's offices provide advices on emerging issues in filing an application.

In addition, feedback is provided to consumers via the portal Light Country on the official website of Rosseti, where you can leave a request on the following issues:

- regular power outages;
- voltage fluctuation / low voltage;
- failures of electric equipment.

If you have any questions about the operation of the portal of power grid services, please call the multi-channel hotline numbers 8 (800) 100-15-52 and 8 (800) 220-0-220.

To support the customer-oriented approach and improve the quality of services, Rosseti Kuban scheduled as follows for 2021:

- development and expansion of the remote service channel – call center;
- upgrading of the customer service efficiency in order to increase the number of consumers who apply for additional services at the service offices.



# DISCLOSURES



*In 2020, when Russia and the world community faced a global challenge – the coronavirus pandemic; companies in all sectors of the economy were forced to adjust their business plans in the shortest possible time. This notwithstanding, Rosseti Kuban still stuck to the main principles of external communications, which were openness and social responsibility. The Company had still been shifting towards the public use of Rosseti Kuban brand, which was secured by the legal change of the name of Kubanenergo PJSC to Rosseti Kuban PJSC on August 10, 2020. The major production highlights of the Company for the reporting period included the commissioning of the first digital substation in Krasnodar– 110 kV Angarskaya substation under the “Digital Transformation 2030” concept of Rosseti’s Group of Companies, the successful completion of the 2019/2020 autumn-winter period, the run-up for the next heating season, the large-scale reconstruction of power facilities of the regional capital – Krasnodar, work amid quarantine and high-alert regime due to the spread of a new coronavirus infection. Our main news topics traditionally embrace investment to the development of the regional power grid system, the renovation campaign and the improvement of power supply quality, grid connection accessibility, customer-oriented policies, interactions with small and medium-sized businesses, as well as the prevention of electric injuries to third parties at the power grid facilities in the Krasnodar Territory and the Republic of Adygea, in particular to children and teenagers. A number of the Company’s social-oriented communication programs have been awarded at regional PR competitions.”*



Head of Public Relations Department  
**Vladimir Sadym**

## Information Disclosure Policy

The Information Policy of Rosseti Kuban is aimed at the complete satisfaction of shareholders, investment community, client, contractor, relevant market regulators, public authorities, employees and other interested parties seeking complete, relevant and accurate information about the Company and its activities, as well as the free and unhindered access to such information.

### Information transparency principle of the Company

Principles	Principle implementation
Regularity, consistency, efficiency	Fulfilling the disclosure requirements of the laws of the Russian Federation, relevant market regulators, and internal documents of the Company; information disclosure consistency; shortest terms of the disclosure; timely provision of information about the Company's position on rumors or unreliable data creating a wrong impression of the Company's situation and the value of its securities
Availability	To spread information about its activities, the Company uses the channels and methods that are accessible for the majority of the shareholders and effective in providing a complete, easy and non-selective access to the information disclosed
Completeness, accuracy, and comparability	The Company aims to: disclose full, objective, and accurate information to the shareholders without trying to avoid disclosing negative information about itself; disclose information in a way that is clear, non-controversial and commensurable; maintain the neutral character of the information disclosed (it shall be independent of the interests of any persons or groups)

When disclosing the information, the Company aims to maintain a rational balance between the interests of the shareholders and the interests of the Company itself related to keeping the sensitive business data confidential if they can significantly influence its competitive edge.

The Company keeps high standards of corporate social responsibility and supports on-going communication with target audiences to improve its business reputation and increase the fair value of the business.

Since 2006, the Company has been using the Regulations on the Information Policy<sup>1</sup> describing the goals, objectives, principles, means, methods, procedures, and terms of information disclosure and the list of data disclosed.

Apart from the data subject to obligatory disclosure, the Company publishes detailed information on its operations, securities, and shareholders, as well as its executive and control bodies, significant transactions, and subsidiaries and affiliates.

The Company makes disclosures both in Russian and English in all situations when it's acceptable according to the laws of the Russian Federation and does not contradict to the substance of the disclosure in a given case (interview, public representations when the simultaneous translation is not an option, etc). The Company aims to synchronize the disclosures in Russian and in English.

The disclosure of the information about the Company operations is mostly done through publishing the data on the corporate web-site, in the news feed of the authorized information agency (Interfax), in printed and electronic media, as well as via meetings, interviews, and briefings with the Company's shareholders and other stakeholders, etc.

The Information Policy is enforced by General Director of the Company.

The Board of Directors controls the implementation of the Information Policy Regulations by considering the annual reports of the General Director on compliance with the Information Policy.

The annual reports of the Company for 2015, 2016, 2018, 2019 were shortlisted by relevant annual report competitions held by Moscow Exchange and the RCB media group in the category of the Best Annual Report of a Company with under RUB 40 bn Capitalization.

<sup>1</sup> The Regulations on the Company's Information Policy are published on the website of Rosseti Kuban in the section About the Company / Constituent and In-house Documents.



## Communications with Public Authorities

The key goal of Rosseti Kuban in communications with public authorities and the public relations is to build integrated information channels with target audiences and pursue the uniform communication policy of Rosseti's Group of Companies.

In the reporting years, Rosseti Kuban kept a high profile in the region and offered for wide media support for the working meetings of the Company's management with the representatives of federal, regional, and municipal executive bodies, covering the events involving the Ministry of Energy of Russia, Rosseti, the authorities of the Krasnodar Territory and the Republic of Adygea:

- working visit of General Director of Rosseti, P. Livinsky, to Khleborob village in the Adler district of Sochi and a public meeting on a set of bilateral measures to improve the quality and reliability of electricity supply to the settlement (February 2020);
- online meeting of the Head of the Republic of Adygea, M. Kumpilov and General Director of Rosseti Kuban, S. Sergeev, on the reliability of energy supply to social and infrastructure facilities of the Republic amid the struggle against the spread of a new coronavirus infection (April 2020);
- online meeting of the head of the Administration (Governor) of the Krasnodar Territory, V. Kondratiev, General Director of Rosseti, P. Livinsky, and General Director of Rosseti Kuban, S. Sergeev, on ensuring reliable energy supply to social and infrastructure facilities of the Krasnodar Territory amid the struggle against the spread of coronavirus infection (April 2020);
- working meeting of the head of the administration (Governor) of the Krasnodar Territory, V. Kondratiev and General Director of Rosseti Kuban, S. Sergeev, on the reliability of local energy supply during the heat wave, the readiness of the power company for the period of peak loads and the prompt elimination of technical failures (July 2020);
- field workshop of the head of Sochi, A. Kopygorodsky, housed by the Sochi branch of Rosseti Kuban, on the readiness of Power Grids of Sochi for the summer holiday season (July 2020);
- participation of General Director of Rosseti Kuban, S. Sergeev, in a meeting chaired by the head of the Administration (Governor) of the Krasnodar Territory, V. Kondratiev, on energy supply to consumers of the Krasnodar Territory (July 2020);
- working visit of the Minister of Energy of Russia, A. Novak, the Head of the Administration (Governor) of the Krasnodar Territory, V. Kondratiev, the head of Rosseti, P. Livinsky, and General Director of Rosseti Kuban, S. Sergeev, on energy security issues of the Sochi power facility (October 2020);
- working meeting of Vice-Governor of the Krasnodar Territory, A. Trembitsky, and General Director of Rosseti Kuban, S. Sergeev, on the long-term development of the local electric power industry, preparation of the power grid complex for the upcoming 2020/2021 autumn-winter period (October 2020);
- working meeting of the head of Sochi, A. Kopygorodsky, and General Director of Rosseti Kuban, S. Sergeev, on the large-scale reconstruction of the largest food centers in the resort capital, disaggregation and new construction of distribution power facilities in the Greater Sochi areas (October 2020);
- grand launch of the first digital substation in Krasnodar witnessed by the leadership of the Ministry of Energy of Russia (online format), Rosseti (online format), Vice-Governor of the Krasnodar Territory, A. Trembitsky (December 2020);
- working meeting of the Head of the Republic of Adygea, M. Kumpilov, and General Director, Rosseti Kuban, S. Sergeev, on the modernization of energy infrastructure in the territory of the republic (February 2021).

## Social communications

In 2020, the Company continued implementing several target communication programs to promote the image of a socially responsible company.

In the reporting year, about 120 secondary educational institutions of the Krasnodar Territory and the Republic of Adygea were covered by measures under the comprehensive program to reduce the risks of injuries to personnel and third parties at the facilities of the power grid complex of Rosseti Kuban. Over 300 electric safety lectures and lessons were held, including in online format, involving about 7 thousand local students.

Preventive care against children's electrical injuries included creative competitions, thematic excursions and open days, mainly in an online format. A total of 40 events were held, including themed lessons, meetings, and tours for general education students. The Company website runs an information platform for the Prevention of Child Electric Injuries, containing various guidelines for teachers to arrange themed talks on electric injury prevention.

To mark the 100th anniversary of the GOELRO Plan, the Company pursued the "100 years of GOELRO" project during 2020 to present the history of the formation and development of electrification in the Kuban. More than 30 thematic posts with a total coverage of more than 60 thousand people were published on the official pages in the corporate social networks.

The celebration of the 75th anniversary of the Victory involved the creation of the "Virtual Immortal Regiment of Rosseti Kuban" project, which was posted on the official website of the Company and covered over 60 employees of the Company, who told about the heroic deeds of their fathers, grandfathers and great-grandfathers – participants of the Great Patriotic War. The project was broadcast through the corporate official pages in social networks under the "Energy of the Victory" heading.

In order to involve the children and youth audience of the Krasnodar Territory and the Republic of Adygea in the issues of electrical safety and career guidance, a "My Helmet" corporate contest was held on the official page of the Company on the Instagram, enlisting more than 120 local children and teenagers. Photos of young power engineers gathered more than 3.5 thousand likes and 6 thousand comments.

In August 2020, the Orlyonok All-Russian Children's Center hosted the energy project session of PJSC Rosseti. The educational project envisages that young men and women took part in an online tour of the 220 kV Port substation. During the tour, the young power engineers learned about the major innovations and equipment of the substation, discussed issues of electrical safety at power facilities.

Also in August, specialists of the branch of Rosseti Kuban – Power Grids of Sochi – with the participation of the puppet theater "Golden Key" conducted electrical safety classes in an online format for students of Sochi.

In September, Rosseti Kuban conducted an online tour around the 220 kV Port substation for participants of the School of Young Power Engineers in the Smena All-Russian Children's Center. The children learned about the substation structure, the work of the dispatcher, as well as about the safety rules at the power facility.

In March-April 2020, the Company joined the action #ОставайтесьДома (Stay at home) – we work for you. Dozens of posts and videos were posted on social networks, on the official pages of the Society and its branches, calling for compliance with measures to prevent the new coronavirus infection (COVID-19).

## Media Communications

To promote brand recognition, positive reputation, and image of Rosseti Kuban, and expand the audience of its media influence, the Company undertook close interactions with the leading regional and industrial media of the Krasnodar Territory and the Republic of Adygea in 2020.

Public media events held together with the Company management were aimed at the formation of its positive overall image, the improvement of its business reputation, and the increase of the publicity capital within the market value structure of the Company.

According to the SCAN-Interfax monitoring system in 2020, the total mentioning of Rosseti Kuban in the media (the number of publications using the Company's name) was 20,820 messages in print, electronic media, radio and television, and 10,295 messages in social networks.

During the reporting period, 773 news items were posted on the corporate website of the Company. Besides, some information was published on the official pages of the Company in social media and blogs.

The printed media of Krasnodar territory and the Republic of Adygea published over 250 messages concerning the Company's activities.

The bulk of reports about the Company's activities falls on the Internet media, and the share of central news agencies is quite high.

Over 70% of the messages concerning the activities of Rosseti Kuban initiated by the Company's PR Departments were positive, and 28% – neutral.

The most significant events of the Company represented in federal and regional media include the following:

- the press conference of General Director of Rosseti Kuban, S. Sergeyev, with journalists from the leading media of the Krasnodar Territory and the Republic of Adygea concerning the Company's performance for 2019, the development of the regional power grid system and grid digitalization;
- working trips of General Director of Rosseti Kuban, S. Sergeyev, to the regions within the Company's responsibility and meetings with the Company's branch teams;
- construction and commissioning of the first 110 kV digital substation in Krasnodar – Angarskaya substation;
- assistance to the related power grid company– NESK-electroseti to restore power supply to consumers in Krasnodar during the heat wave and increased loads on the distribution grid in July 2020;

- large-scale reconstruction of the power grid complex of Krasnodar (in 2020, Rosseti Kuban allocated RUB 1.3 bn for the upgrade of the power grid infrastructure);
- remediation of consequences of the weather disasters at the facilities of the power grid complex in the mountainous regions of Sochi from February 17 to 21, 2021;
- prevention of unauthorized electricity consumption and electrical equipment theft (over 180 press releases published on the official corporate website of the Company; about seven TV spots went on air, more than 20 messages were aired on Kuban TV channels and radio stations; about 1.5 ths. highlights for these problems can be found in online media, and five round tables of relevant topics were held);
- prevention of children's electrical injuries (more than 1.1 thousand references in the media);
- prevention of illegal replacement of electricity metering devices by third-party organizations in the area of responsibility of Rosseti Kuban (about 160 materials were published in the media and social media);
- prevention of illegal placement of fiber-optic communication lines (FOCL) on overhead power transmission poles within Rosseti Kuban's footprint;
- PR support for society-oriented Laborer projects (78 articles published on the corporate website, 25 articles in printed media, and 120 reprints in the Internet media).

In 2020, the Company continues with regular posting and further refines Rosseti Kuban's website. The Company undertook the technical upgrade of the website to comply with the standards for proper obligatory and voluntary disclosure of information in a timely manner to maintain the best level of transparency.

In the reporting period, the Company was working on preventing unauthorized electricity consumption and electrical equipment theft via publishing pieces on the official website of the company and regional media, broadcasting messages on TV channels and radio stations, as well as in social media and blogs.

The Press Service of Rosseti Kuban was recognized as the best one on a regional level by the results of the regional stage of the Sixth All-Russian Media Competition, the Press Services of FECs and the regional administrations of MediaTEK-2020. The PR team of the energy company also won the "Popularization of the Fuel and Energy Sector Occupations" nomination and took the second prize in the "Safe Energy" nomination.

## Congress and Exhibition Activities

Amid the lockdown conditions imposed due to the spread of the COVID-19 coronavirus infection in 2020, almost all congress and exhibition events were canceled or conducted in online mode.

In the period from September 28 to October 3, 2020, Sergey Sergeev, General Director of Rosseti Kuban, took part, as a member of the delegation of Rosseti's Group of Companies, in the VI-th business program of the International Forum

"Microelectronics 2020" in Yalta, discussing the promotion of the integration of Russian manufacturers in accelerated digital development projects.

The largest congress and exhibition events – the Russian Investment Forum, the St. Petersburg International Economic Forum, the "Power Grids" international forum and others were postponed to a later date.

## Transition to a Single Brand Architecture

In 2020, Rosseti Kuban continued its transition to a single brand architecture within Rosseti's Group of Companies.

The decision of the Board of Directors of Rosseti on April 29, 2019 stipulates a phased replacement of corporate branded elements as their depreciation period ends, remaining within the existing budgets and within the framework of approved business plans of the companies. In the reporting year, the Company used the new name – Rosseti Kuban in corporate and marketing communications, as well as on all

corporate identity media, containing the Rosseti trademark and a regional or functional reference.

One of the stages of the rebranding was the official change of the legal name of Kubanenergo PJSC to Rosseti Kuban PJSC on August 10, 2020.

# PROCUREMENT ACTIVITIES

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

The Standard approved as an internal document by the Company’s Board decision dated December 29, 2018 (Minutes No. 327/2018) and put into effect by Kubanenergo’s Order No. 47 dated January 18, 2019. Following the decision of the Board of Directors on June 26, 2020 (Minutes No. 391/2020), the Company signed on to the Standard approved by the decision of the Board of Directors of Rosseti (Minutes No. 417 dated May 28, 2020). The Standard was put into effect by the Company’s Order No. 424 dated July 22, 2020.

The Company’s collegial working body for the development and implementation of unified procurement policy, ensuring the proper level of competition in procurement, objectivity, impartiality, and transparency of procurement procedures, fair and equal treatment of all participants in procurement procedures, and choosing contractors based on the results of regulated procedures is the Central Tender Board.

Procurement principles:

- procurement transparency;
- equality, fairness, absence of discrimination and unreasonable competition restrictions against the procurement participants;

- appropriate and efficient expenditure of monetary assets for acquiring the goods, works, services, and compliance with measures to reduce the customer costs;
- lack of restriction to participate in procurement by establishing unmeasurable requirements for procurement participants;
- transparency and management of procurement activities;
- professionalism and competence of employees involved in procurement activities of customers;
- compliance with the laws governing the arrangement of procurement activities, as well as anti-corruption legislation, including the Anti-corruption Procurement Activity Standard (Appendix to the Standard).

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

From 2014 on, the Company and SMEs were engaged in a common Partnership Program under the implementation of the roadmap for cooperation with SMEs. In 2018, the Company joined the Program for Partnership between Rosseti’s Group of Companies and SMEs (Order No. 231 dated

## Procurement methods used by the Company

### Competitive procurements:

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

### Non-competitive procurements:

- Preliminary selection;
- Request for a quotation based on preliminary selection;
- Price comparison;
- Purchase from a single supplier (contractor);
- Procurement through bidding processes organised by sellers.

## Participation of small and medium-sized entrepreneurship (SME) in procurement conducted by Rosseti Kuban

March 6, 2018), which initiated a unified register of the partnership program participants (thereby, the SME becomes a partner for all subsidiaries and affiliates of Rosseti).

Also, in 2014, the Company put in place an advisory body to address the efficiency of procurement, including purchases from SMEs; this body, along with the Company's employees, includes representatives of JSC SME Corporation, the Fund for infrastructure and educational programs, regional offices of the Russian Union of Industrialists and Entrepreneurs, the OPORA RUSSIA All-Russian Non-Governmental Organization of SME, the Delovaya Rossiya All-Russian Public Organization, and the Chamber of Commerce. The Company also has an Action Plan to popularize the Company's program for partnership with SMEs.

In 2020, during the lockdown imposed in response to the spread of COVID-19, some procurement procedures were suspended, under the investment program capping efforts, in order to preserve the financial stability of the Company and prevent negative consequences in the current macroeconomic situation.

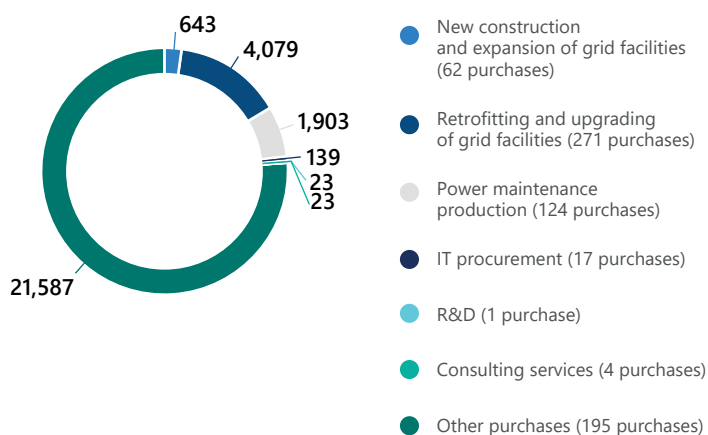
### The main results of the Company's procurement in 2020

In 2020, the Company summed up the results of 674 procurement procedures for a total amount of RUB 28,395.9 mn. E-commerce tools were used to make 561 purchases for the amount of RUB 27,848.8 mln, which is 100% of the total volume of purchases (excluding purchases from a single supplier).

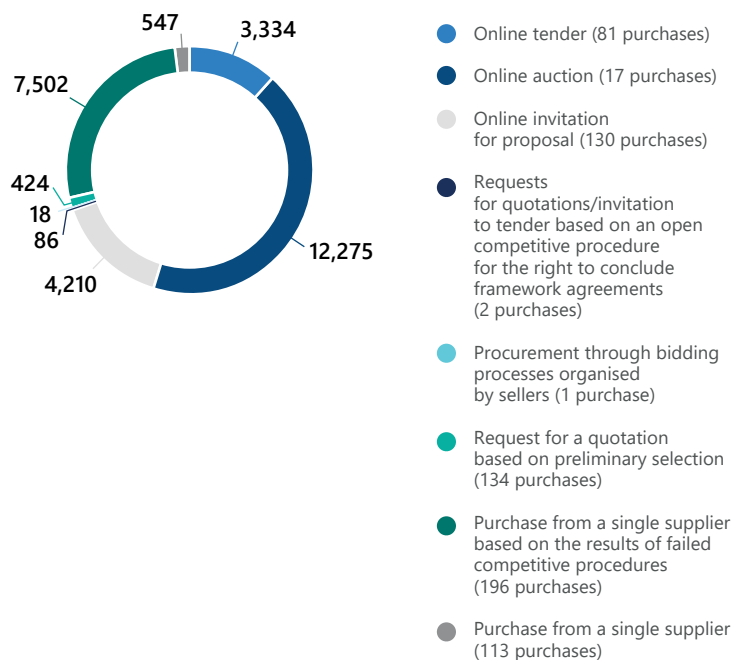
As a result of regulated procurements in the reported year, the Company enjoyed an economic effect of RUB 3,316.6 mln, which was 10.6% of the total planned annual cost for procurement of goods, work, and services.

The results of 14 purchases of innovative and high-tech products totalling RUB 1,318.6 mln were summed up as of the end of 2020.

The Company's Procurement Structure by Activities in 2020 (RUB mln)



Structure of purchases in 2020 by purchasing methods (RUB mln)



**Procurement results (%)**

Indicator	2018	2019	2020
Share of open procurement procedures in total procurement volume	98.2	98.6	98.1
Share of procedures carried out using e-commerce means (electronic trading platforms) in the total volume of purchases (excluding purchases from a single supplier)	100	100	100
The amount of savings achieved at the end of the bidding process	5	11.3	10.6
Share of purchases won by SMEs	70.2	88.9	91.7
Share of purchases among SMEs only	33.6	48.4	29.2

**Improving procurement activities**

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

- using techniques to reduce the marginal purchase price;
- increasing the share of tenders;
- introducing mandatory actions to reduce prices of procurement participants (re-bidding, pre-contractual negotiations);
- complying with the Company's Procurement Policy and the Program for Partnership between Rosseti Kuban and SMEs;
- functioning of the advisory body on ensuring the effectiveness of purchases conducted by Rosseti Kuban, including from SMEs.
- In delivery of the Corporate Import Phaseout Plan of Rosseti approved by Order No. 46 of Rosseti dated February 5, 2020, the actual share of purchases of imported equipment and materials in 2020 stood at 6.56% vs the planned target of 5%.

# ENERGY SAVING AND ENERGY EFFICIENCY IMPROVEMENT

## The Company's Regulatory Documents on Energy Saving and Energy Efficiency Improvement:

- Federal Law "On Energy Saving and Improving Energy Efficiency and Amending Certain Legislative Acts of the Russian Federation" No. 261-FZ dated November 23, 2009;
- Decree of the Government of the Russian Federation "On the Procedure for Establishing Requirements for Programs in the Field of Saving Energy and Improving the Energy Efficiency of Organizations Engaged in Regulated Activities" No. 340 dated May 15, 2010;
- Decree of the Government of the Russian Federation "On Investment Programs of Electric Power Industry Entities" No. 977 dated December 1, 2009;
- Order of REC-PTD KT "On Approval of Requirements for Programs in the field of Saving Energy and Improving the Energy Efficiency of Organizations Engaged in Regulated Activities in the Krasnodar Territory" No. 5/2011 dated March 31, 2011;
- Law of the Krasnodar Territory "On Energy Saving and Improving Energy Efficiency in the Krasnodar Territory" No. 1912-KZ dated March 3, 2010;
- Kubanenergo's Program for Saving Energy and Improving the Energy Efficiency for 2017–2022 approved by the Company's Board on November 30, 2017 (Minutes No. 290/2017) (hereinafter referred to as the Program).

To make sure that the Program is implemented as is right and proper, Rosseti Kuban appointed officials responsible for arranging and monitoring its fulfillment and established working groups.

The Program targets are:

- reduction of electric losses in transmission and distribution grids;
- consumption of energy resources for business needs;
- number of LED-based lighting devices.
- the numerical values of the Program targets were set for 2017–2022.

## The Company's Results in Energy Saving and Energy Efficiency Improvement in 2020

### Planned and Actual Target Values of the 2020 Program

No.	Indicator	Unit of measurement	Target	Actual
1	Electricity losses	mIn kWh	3,048.86	2,310.76
		RUB mln, excl. VAT	10,770.87	8,284.103
		% of total electricity delivery to the grid	12.77	10.04
2	Consumption for substation utilities	mIn kWh	18.64	17.28
		% of electric losses	0.61	0.75
3	Total consumption of energy resources for business needs of administrative and industrial buildings Including:	RUB mln, excl. VAT	140.65	120.74
		thsd toe	4.42	4.14
3.1	electric energy	mIn kWh	30.16	30.29
		thsd toe	3.62	3.63
		RUB mln, excl. VAT	127.59	114.05
		mIn kWh/sq.m	0.00014	0.00014



No.	Indicator	Unit of measurement	Target	Actual
3.2	heat energy (building heating systems)	Gcal	4,505.16	2,737.99
		thsd toe	0.64	0.39
		RUB mln, excl. VAT	11.29	5.65
		Gcal/cu.m	0.00655	0.00398
3.3	natural gas (including liquified)	thsd cu.m	139.74	100.38
		thsd toe	0.16	0.12
		RUB mln, excl. VAT	1.77	1.05
3.4	other types of fuel and energy resources (coal, fuel oil, diesel fuel, kerosene, etc.)	thsd cu.m	–	–
		thsd l	–	–
		thsd t	–	–
		thsd toe	–	–
		RUB mln, excl. VAT	–	–
4	Total consumption of natural resources for business needs of administrative and industrial buildings Including:	RUB mln, excl. VAT	5.49	2.51
		thsd cu.m	116.53	68.70
4.1	hot water supply	thsd cu.m	–	–
		RUB mln, excl. VAT	–	–
4.2	cold water supply	thsd cu.m	116.53	68.70
		RUB mln, excl. VAT	5.49	2.51
4.3	other types of natural resources	thsd cu.m	–	–
		thsd l	–	–
		thsd t	–	–
		RUB mln, excl. VAT	–	–
5	Total motor fuel consumption by motor vehicles and special-purpose vehicles Including:	thsd l	8,018.55	7,414.36
		thsd toe	9.37	8.72
		RUB mln, excl. VAT	332.96	284.92
5.1	gasoline	thsd l	5,096.82	4,223.05
		thsd toe	5.77	4.78
		RUB mln, excl. VAT	223.24	162.27
5.1.1	by motor vehicles	thsd l/100 km		
		thsd l	5,096.82	4,223.05
		thsd toe	5.77	4.78
		RUB mln, excl. VAT	223.24	162.27
5.1.2	by special vehicles	thsd l/100 km		0.020
		thsd l	–	–
		thsd toe	–	–
		RUB mln, excl. VAT	–	–
		thsd l/100 km	–	–
5.2	diesel fuel	thsd l / moto hours	–	–
		thsd l	2,921.73	3,191.31
		thsd toe	3.60	3.93
		RUB mln, excl. VAT	109.72	122.65
		thsd l/100 km		
5.2.1	by motor vehicles	thsd l	2,921.73	3,191.31
		thsd toe	3.60	3.93
		RUB mln, excl. VAT	109.72	122.65
		ths. l/100 km		0.053
5.2.2	by special vehicles	thsd l	–	–
		thsd toe	–	–
		RUB mln, excl. VAT	–	–
		thsd l/100 km	–	–
5.3	other types of fuel for motor vehicles and special equipment	thsd l / moto hours	–	–
		thsd toe	–	–
		RUB mln, excl. VAT	–	–
5.3.1	natural gas (including liquified)	thsd l	–	–
		thsd toe	–	–
		RUB mln, excl. VAT	–	–

No.	Indicator	Unit of measurement	Target	Actual
5.3.2	electric energy	mIn kWh	–	–
		thsd toe	–	–
		RUB mln, excl. VAT	–	–
6	Share of buildings and structures of regulated organizations, for which there is a report on the energy audit	%	100	100
7	The share of buildings and structures of regulated organizations equipped with water meters	%	100	100
8	The share of buildings and structures of regulated organizations equipped with natural gas meters	%	100	100
9	The share of buildings and structures of regulated organizations equipped with thermal energy meters	%	100	100
10	The share of buildings and structures of regulated organizations equipped with electric power meters	%	100	100
11	Share of buildings and structures of regulated organizations equipped with low-energy light bulbs	%	25	22
12	Use of energy-efficient LED-based lighting facilities Including:	%	75	78
12.1	with energy-saving lamps (without LED)	pcs.	6,213	5,598
12.2	with LEDs	pcs.	18,639	19,385

After the recertification audit conducted by the Russian Register Certification Association, on December 21, 2020, Rosseti Kuban collected certificates of compliance of the energy management system with the requirements of ISO 50001:2018 standard for energy saving activities for processes related to the transmission and distribution of electricity through 110 kV and below power grids, as well as to design, construction, reconstruction, and major repairs of energy facilities in the Krasnodar Territory and the Republic of Adygea.

In the reporting year, the energy management system was subject to the internal audit resulted in the identification of corrective measures and setting of deadlines for their implementation.

Improvements yielded by the energy management system:

- implementing energy service contracts;
- involving each employee of the organization in achieving goals in the field of energy efficiency and energy saving;
- continuous analysis of energy losses (feeder-based analysis);
- reducing the electric losses through organizational and technical measures, including energy service contracts: replacement/installation of standard metering devices at the battery limits with consumers, replacement/installation of data computing systems of electrical installations on 10(6)/0.4 kV transformer substations, raids to identify off-the-meter and non-contracted electricity consumption, analysis of the causes of unbalances, replacement of underloaded/overloaded transformers;
- meeting the Company's goals pertaining to energy efficiency and energy conservation in terms of electric losses.

#### Staff training in 2020

Training topic	Number of employees trained
Energy saving and energy efficiency improvement (within the framework of the program of professional retraining of engineering staff of energy enterprises in the course "School of Training of Specialists in the promotion and sale of services")	22
Conduct of energy audits to improve energy efficiency and energy saving	22
Management of saving energy and energy efficiency improvement at energy enterprises in compliance with the international standard ISO:50001	29



# 10 REFERENCE INFORMATION





# CONTACT DETAILS

Complete trade name	Public Joint Stock , PJSC Company Rosseti Kuban
Abbreviated name	of Rosseti Kuban
The company is not in the List of Strategic Enterprises and Joint-Stock Companies approved by Decree of the President of the Russian Federation No. 1,009 dated August 4, 2004	
Address	Krasnodar, Russian Federation
Postal address	350033, Krasnodar, Russian Federation, 2A Stavropolskaya st.
Information about state registration as a legal entity	Certificates of State Registration No. 127 dated February 10, 1993; Primary state registration number: 1022301427268
The subject of the Russian Federation a company is registered with	Krasnodar Territory
Banking details	INN/KPP 2309001660/997650001 S.A. 40702810330020101989 at office No. 8619 in Krasnodar C. A. 30101810100000000602 BIC 040349602
Telephone/fax	+7 (861) 268–59–13 / +7 (861) 268–24–93
Email	<a href="mailto:telet@kuben.elektra.ru">telet@kuben.elektra.ru</a>
Web-page address	<a href="https://www.rosseti-kuban.ru/">https://www.rosseti-kuban.ru/</a>

## Contacts for shareholders

Chief Specialist of the Corporate Support Department	Anna Ivanovna Yurchenko +7 (861) 212–26–72 <a href="mailto:yurchenkoai@kuben.elektra.ru">yurchenkoai@kuben.elektra.ru</a>
Chief Specialist of the Corporate Support Department	Irina Vladimirovna Podsvirova +7 (861) 212–22–76, fax: +7 (861) 212–27–08 <a href="mailto:podsvirovaiv@kuben.elektra.ru">podsvirovaiv@kuben.elektra.ru</a>

## Contacts for investors and financial analysts

Head of the Corporate Support Department	Yekaterina Yevgenyevna Didenko +7 (861) 212–23–09 <a href="mailto:didenkoe@kuben.elektra.ru">didenkoe@kuben.elektra.ru</a>
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## Contacts of Customer Service Centers

Head of Customer Relations Department	Evgeny Sergeevich Vorobyov +7 (861) 212–21–02 <a href="mailto:vorobievs@kuben.elektra.ru">vorobievs@kuben.elektra.ru</a>
Online Reception	Company web-site <a href="https://rosseti-kuban.ru/potrebitelyam/sistema-obsluzhivaniya-potrebiteljev/interaktivnaya-obratnaya-svyaz-internet-priemnaya/">https://rosseti-kuban.ru/potrebitelyam/sistema-obsluzhivaniya-potrebiteljev/interaktivnaya-obratnaya-svyaz-internet-priemnaya/</a>
Call center	8 (800) 100–15–52 and 8 (800) 220–0–220 (24/7)

## Contacts of Customer Service Centers

Rosseti Kuban's branch	Telephone	Email
Main consumer service center of the Executive Office of PJSC Rosseti Kuban	+7 (861) 212-22-22	client.service@kuben.elektra.ru
Power Grids of Adygea	+7 (8772) 53-52-02	client.service@ades.rosseti-kuban.ru
Power Grids of Armavir	+7 (86137) 6-98-03	uslugi@armset.ru
Power Grids of Labinsk	+7 (86169) 6-91-53	cok@labnet.kuban.ru
Power Grids of Leningrad	+7 (86145) 7-35-00	kazantsevali@lenseti.kuban.ru
Power Grids of Slavyansk	+7 (86146) 4-33-14	klient@slavseti.ru
Power Grids of Sochi	+7 (8622) 69-02-42 (Sochi) +7 (862) 227-03-27 (Sochi, Adler district)	tsoksochi@elsetisochoi.ru
Power Grids of Timashevsk	+7 (86130) 23-2-65	cok@timseti.kuban.ru
Power Grids of Tikhoretsk	+7 (86196) 7-04-17	goryainovane@tihset.ru
Power Grids of Ust-Labinsk	+7 (86135) 5-03-43	uslugi@useti.kuban.ru
Power Grids of the South-West	+7 (8617) 64-34-33 +7 (8617) 64-34-45 (Novorossiysk) +7 (86133) 2-09-50 (Anapa)	novolatoee@novuzs.ru

## Job vacancies

of Rosseti Kuban	Full name of the person responsible for staff recruitment	Contact phone number, e-mail
Executive Office	Marina Aleksandrovna Aksenova, Head of Personnel Training and Development Department	+ 7 (861) 212-26-16 hr@kuben.elektra.ru
Power Grids of Adygea	Lyubov Alekseevna Arabkina, Head of HR Department	+ 7 (8772) 53-54-30 ArabkinaLA@ades.rosseti-kuban.ru
Power Grids of Armavir	Natalia Dmitrievna Agapova, Head of HR Department	+7 (86137) 6-98-66 agapova_nd@armset.ru
Power Grids of Krasnodar	Maria Vladimirovna Marchenko, leading specialist of the HR Department	+ 7(861) 255-73-35 marchenkomv@krasnodarseti.ru
Power Grids of Slavyansk	Victoria Olegovna Shubina, II cat. specialist of the HR Department	+ 7 (86146) 4-15-37 ShubinaVO@slavseti.ru
Power Grids of Sochi	Vera Ivanovna Klevtsova, Deputy Head of HR Department	+7 (862) 269-02-18; personal@elsetisochoi.ru
Power Grids of the South-West	Oksana Anatolyevna Lomakina, I cat. specialist of the HR Department	+ 7 (8617) 678-437 lomakinaoa.novuzs.ru
Power Grids of Labinsk	Elena Vladimirovna Malova, II cat. specialist of the HR Department	+7 (861) 69-6-95-25 Malova@labnet.kuban.ru
Power Grids of Leningrad	Olga Nikolaevna Smetanina, I cat. specialist of the HR Department	+ 7 (86145) 7-59-45 SmetaninaON@lenseti.kuban.ru
Power Grids of Timashevsk	Iraida Viktorovna Bednaya, Head of HR Department	+7(861)302-32-23 BednayaIV@timseti.kuban.ru
Power Grids of Tikhoretsk	Marina Gennadiyevna Savelyeva, Head of HR Department	+ 7 (86196) 7-47-73 savelevamg@tihset.ru
Power Grids of Ust-Labinsk	Elena Viktorovna Dzysko, leading specialist of the HR Department	+ 7 (86135) 91-3-37 dziskoev@useti.kuban.ru

## Rosseti Kuban's press service

Phone: +7 (861) 212-24-68 Media request email: [sadymva@kuben.elektra.ru](mailto:sadymva@kuben.elektra.ru)

## Branches of Rosseti Kuban as of December 31, 2020

Designation	Address
Power Grids of Adygea	Russia, Republic of Adygea, Maikop, 358 Shovgenova st.
Power Grids of Armavir	Russia, Krasnodar territory, Armavir, 54 Vorovskogo st.
Power Grids of Krasnodar	Russia, Krasnodar territory, Krasnodar, 131 Pashkovskaya st..
Power Grids of Labinsk	Russia, Krasnodar territory, Labinsk, 334 Mira st.
Power Grids of Leningrad	Russia, Krasnodar territory, Leningradskaya 6, 302 Divizii st.
Power Grids of Slavyansk	Russia, Krasnodar territory, Slavyansk-on-Kuban, 49 Stroitel'naya st.
Power Grids of Sochi	Russia, Krasnodar territory, Sochi, 42 Konstitutsii SSSR st.
Power Grids of Timashevsk	Russia, Krasnodar territory, Timashevsk, 176 Lenina st.
Power Grids of Tikhoretsk	Russia, Krasnodar territory, Tikhoretsk, 62 Dzerzhinskogo st.
Power Grids of Ust-Labinsk	Russia, Krasnodar territory, Ust-Labinsk, 4 Krasnodarskaya st.
Power Grids of the South-West	Russia, Krasnodar territory, Novorossiysk, 1 Vostochnyi mol.

## Registrar's Details

Complete trade name	Joint Stock Company "Independent Registrar Company R.O.S.T."
Abbreviated name	JSC R.O.S.T. REGISTRAR
INN/OGRN	7726030449/1027739216757
Address	107076, Moscow 18 Stromynka st., building 5B
License to keep a register:	
– number	045-13976-000001
– date of issue	03.12.2002
– expiration date	Unlimited
– issuing authority	Russian Federal Securities Committee
Telephone/fax	+7 (495) 780-73-63 / +7 (495) 989-76-50
Email	<a href="mailto:info@rrost.ru">info@rrost.ru</a>
Web-page address	<a href="http://www.rrost.ru">www.rrost.ru</a>

NRK-ROST JSC keeps a register of the owners of the Company securities since December 16, 2010.

There are no transfer agents at NRK ROST JSC that can provide services to people registered as shareholders of "Rosseti Kuban" PJSC.

# TERMS AND ABBREVIATIONS

**ACS** – automated control system.

**Actual (reported) electricity losses** – a difference between the amount of electric power supplied to the power grid from other grids or power producers and the amount of electric power consumed by the power receivers connected to the grid and transferred to other grid operators;

**APCS** – automated process control system.

**Average headcount** – the overall number of employees for each calendar day of a period including holidays (banking holidays) and days-off divided by the number of calendar days in the period.

**c.u.** – conventional units for electric equipment.

**CAD** – a computer-aided design system.

**CES and FS** – Commission for Emergency Situation and Fire Safety.

**CL** – cable power line.

**Common pot tariffs for power transmission** – uniform tariffs for power transmission services in Krasnodar territory and the Republic of Adygea for all consumers of power transmission services irrespective of which power grid organization they are connected to, differentiated according to the voltage levels.

**Common-pot revenue requirement** – economically feasible amount of funds necessary for the organization to perform regulated activities within the reporting period of regulation, taking into account the costs of services of territorial grid companies, FGC UES PJSC, and the purchase of electricity to compensate losses.

**Company RR, Company revenue requirement** – the economically feasible amount of funds necessary for the organization to perform regulated activities within the reporting period of regulation without the costs of services of territorial grid companies, FGC UES PJSC, and the purchase of electricity to compensate losses.

**Corporate year** – period between the election of members of the Board of Directors and the Auditing Commission at the General Meeting of Company Shareholders and the next Annual General Meeting of Company Shareholders.

**DD** – distribution device of a substation or a power plant.

**DTS** – distribution transformer substation.

**EBITDA** (Earnings before Interest, Taxes, Depreciation, and Amortization) – profits before paying taxes depreciation costs and loan interest.

**EPS sources** – emergency power supply sources.

**Excessive (commercial) electricity losses** – the difference between actual and standard electricity losses, paid to the full extent by the operator of the grid where these excessive losses occurred;

**FEC** – Fuel & Energy Complex.

**Feeder** – a power line connecting bus bars of electric switchgear with distribution and consumer power grids powered from them.

**FOCL** – fiber-optic communication line.



**Grid connection** – technical connection of consumer terminals (power units) of legal and natural entities to the power grids of the company that provides electricity transmission services.

**Grid operator, distribution grid company** – an organization responsible for transmission and/or distribution of electricity in power grids.

**Grid output** – the amount of electric power, received in the distribution grid from the supply points of the uniform national power grid, generation points and other related systems, formed according to the voltage level on the balance responsibility border.

**GS** – grid section.

**Guaranteeing energy supplier** – a commercial organization obliged to enter in contracts for electricity sale and purchase with any electricity consumer or a person acting on behalf of such consumer willing to buy electricity in accordance with Federal Law No. 35-FZ on Electrical Power dated March 26, 2003 or voluntarily assumed liabilities.

**HV** – high voltage (110 kV or above).

**Load electricity losses** – losses depending on the load in transformers and lines occurring during power transmission.

**Loss of revenue** – a shortfall in the income of the regulated organization due to providing grid connection benefits to customers consuming less than 15 kW that occur because of the discrepancy between the actual expenses for grid connections made

and the payment received for them set in accordance with the current laws of the Russian Federation.

**Losses of electric power:**

**LV** – low voltage.

**M&R** – maintenance and repair.

**MV1, MVI** – medium voltage I (35 kV).

**MV2, MVII** – medium voltage II (1–20 kV).

**OPL** – overhead power line

**PAMS** – production asset management system.

**PBU** – accounting regulations

**PDGA** – energy transmitting areas of power distribution grid in branches of the Company, comprising several grid sections and supervisory, mechanical aid, and transport groups and controlling them (via the Head of PDGA).

**PGA** – power grid areas in the branches of the Company.

**Power center** – substation bars with a voltage of 110, 35, 6/10 kV.

**PTL** – power transmission line.

**R&D** – research and development.

**RAS** – Russian accounting standards.

**Related grid operator** – the grid operator than is a legal owner of the power grid facilities connected directly to the power grids of other operators (it cooperates with).

**RES** – renewable energy sources

**Revenue requirement for the region, RR for the region** – economically feasible amount of funds necessary for grid organizations functioning in Krasnodar territory and the Republic of Adygea to perform regulated activities related to power transmission during the reporting period of regulation.

**RMUPL-01** – reflectometric monitoring unit for 35–220 kV power transmission lines.

**ROE (Return On Equity)** – cost-effectiveness of equities; represents performance efficiency; a ratio of net profits for the period divided by equities of an organization.

**ROTA (Return on total assets)** – cost-effectiveness of total assets; represents performance efficiency; a ratio of net profits (of before-tax profits) for the period divided by the total value of company assets for the period.

**RPA setting** – relay actuation (release) parameter or time set.

**RPA** – relay protection and automation.

**RPC-PTD KT** – Regional Power Commission – the price and tariff department of the Krasnodar Territory – an executive body of the Krasnodar Territory in state tariff regulation

**S&A** – subsidiaries and affiliates of the Company or Rosseti PJSC.

**SCB** – static capacitor battery

**SS** – substation.

**SSIW** – self-supporting insulated wire.

**Standard electricity losses** – calculated loss values set by authorized federal executive bodies for the aggregated power transmission lines and other facilities owned by the grid operator and differentiated according to the voltage levels; the cost of normal losses of electricity is included in the amount of the payment for the transmission of electricity (tariff);

**Technical electricity metering** – metering electricity consumption within power plants, substations, and companies to calculate and analyze the power losses in grids and account for the consumption of electric power for the company's own operational and production needs.

**Technical losses** – losses of electric power in power grid lines and equipment due to the physical processes occurring when transmitting power in accordance with the specifications and operating modes of grids and equipment taking into consideration the power consumption of substations.

**Technical violations (accident)** – an unauthorized disconnection of normal power grid operations.

**TGO** – local grid operator – a commercial organization that owns power grid facilities by right of property or other grounds set of in federal laws and provides power transmission services using those, performs proper grid connection of power recipients (power units) of legal and natural entities to power grids, apart from signing power transmission contracts using the power grid facilities outside the uniform national (Russian) power grid.

**TS** – transformer substation.

**Undersupply** – undersupply of electric power to consumers due to technological breakage in the power grid.

**UNPG** – Unified National (all-Russian) Power Grid.

**Useful output of electricity** – the amount of electric power transmitted (supplied) via distribution grids at power supply points of consumers and (or) downstream grid operators which was formed according to the voltage level on the balance responsibility borders. It corresponds with the physical process of power transmission via electric grids.

**Volume of services rendered** – the amount of electric power transmitted via the power grid facilities owned by the grid company on any grounds compliant with the laws of the Russian Federation.

# UNITS OF MEASUREMENT

**bn** – billion

**d** – day

**Gcal** – gigacalorie

**h** – hour

**km** – kilometer

**kop.** – kopeck

**kV** – kilovolt

**kVA** – kilovolt-ampere

**kW** – kilowatt

**kWh** – kilowatt-hour

**m** – meter

**min** – minute

**mln** – million

**MVA** – megavolt-ampere

**MW** – megawatt

**p.p.** – percentage point

**pcs.** – pieces

**ppl.** – people

**RUB** – Russian ruble

**s** – second

**t** – ton

**thsd** – thousand

**toe** – ton of oil equivalent

**VA** – volt-ampere

**W** – watt

# APPENDIX 1

ON COMPLIANCE WITH THE PRINCIPLES  
AND RECOMMENDATIONS OF THE CORPORATE  
GOVERNANCE CODE

# ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE, recommended by the Bank of Russia in Letter No.06-52/2463 dated April 10, 2014 for application by joint-stock companies having stock-exchange securities

This report on compliance with the principles and recommendations of the Corporate Governance Code recommended by the Bank of Russia in Letter No. 06-52/2463 dated April 10, 2014 for application by joint-stock companies having stock-exchange securities (hereinafter — the Code) was reviewed by the Board of Directors of Rosseti Kuban Public Joint Stock Company (hereinafter — Rosseti Kuban, the Company) at the meeting on April 28, 2021 (Minutes No. 429/2021 dated April 29, 2021) as a part of the Company's Annual Report for 2020.

The Board of Directors of Rosseti Kuban certifies that all report data contain full and reliable information on the Company's compliance with the principles and recommendations of the Code for 2020.

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
1.1	The Company shall 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 actions, and the opportunity to express their opinion on the issues under consideration.	<ol style="list-style-type: none"> <li>The internal document of the Company approved by the General Meeting of Shareholders and regulating the procedures for holding the General Meeting is publicly available.</li> <li>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. Actions in question were taken by the Company before every General Meeting held in the reporting period.</li> </ol>	<p>✓ <b>Observed</b></p> <p>Partially observed</p> <p>Not observed</p>	






No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
1.1.2	The procedure for notifying of a General Meeting and providing materials for the meeting enables the shareholders to prepare for it properly.	<ol style="list-style-type: none"> <li>The notification of the General Meeting of Shareholders is posted (published) on the website at least 30 days before the date of the General Meeting.</li> <li>The notification of the meeting specifies the venue for the meeting and contains the list of documents required for admission to the premises.</li> <li>Shareholders were given access to the information on persons who had proposed agenda items and nominated candidates to the Board of Directors and the Company's Audit Commission.</li> </ol>	<p>Observed</p> <p>✓ <b>Partially observed</b></p> <p>Not observed</p>	<p>Criterion 2 is not observed: the announcement on meeting holding does not contain specification of the documents required for access to the room due to the fact that the Annual General Meeting of Shareholders was conducted in absentee voting in 2020 as per the resolution of the Company's Board of Directors dated April 24, 2020 (Minutes No.385/2020 dated April 27, 2020) taking into account Article 2 of the Federal Law No.50-FZ On Purchase of Ordinary Shares of the Sberbank of Russia Public Joint-Stock Company by the Government of the Russian Federation from the Central Bank of the Russian Federation and on Invalidating the Certain Positions of the Legislative Acts of the Russian Federation dated March 18, 2020.</p> <p>Non-compliance is time-limited. The Company plans to achieve compliance with the criterion when deciding to hold the General Meeting of Shareholders in the form of in-person meeting(joint presence) starting from 2021.</p>
1.1.3	During the preparation and conduct of the General Meeting, the shareholders had an opportunity to receive information on the meeting and materials hereto easily and in a timely manner, to ask questions to the executive bodies and members of the Board of Directors of the Company, and communicate with each other.	<ol style="list-style-type: none"> <li>During the reporting period, shareholders were given an opportunity to ask members of the Company's executive bodies and members of the Company's Board of Directors questions in the run-up to the Annual General Meeting of Shareholders and during the meeting itself.</li> <li>The position of the Board of Directors (including the special opinions added to the Minutes) on each item of the agenda of the General Meetings held during the reporting period was specified in the materials for the General Meeting of Shareholders</li> <li>The Company provided authorized shareholders with access to the list of persons eligible for participation in the General Meeting of Shareholders, starting from the date when this list was received by the Company; this applies to all such meetings in the reporting period.</li> </ol>	<p>✓ <b>Observed</b></p> <p>Partially observed</p> <p>Not observed</p>	
1.1.4	A shareholder's right to demand that the General Meeting of Shareholders be convened, nominate candidates to the governing bodies and propose agenda items for the General Meeting was exercised without unnecessary difficulties.	<ol style="list-style-type: none"> <li>In the reporting period, the shareholders were given an opportunity to propose agenda items for the Annual General Meeting of Shareholders for at least 60 days after the end of the respective calendar year.</li> <li>In the reporting period, the Company did not reject proposals regarding agenda items or candidates nominated to the Company's bodies because of misprints and other minor drawbacks in a shareholder's proposal.</li> </ol>	<p>✓ <b>Observed</b></p> <p>Partially observed</p> <p>Not observed</p>	

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
1.1.5	Each shareholder had an opportunity to freely exercise the right to vote in the simplest and most convenient way for the shareholder.	1. An internal document (internal policy) of the Company contains provisions whereby each participant of the General Meeting of Shareholders may request a copy of the ballot filled in by him/her and certified by the Company's Ballot Committee before the end of the respective meeting.	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	
1.1.6	The procedure for holding the General Meeting established in the Company provides all persons present at the meeting with equal opportunities for expressing their opinions and asking questions.	<p>1. When conducting the General Meeting of Shareholders in the form of a meeting (joint presence of shareholders), a sufficient amount of time was provided to make reports on agenda items and to discuss these agenda items.</p> <p>2. Candidates nominated to the Company's governing and supervisory bodies were available for answering shareholders' questions at the meeting during which they were put to the vote.</p> <p>3. When making decisions on the preparation and holding of the General Meetings of Shareholders, the Board of Directors addressed the issue of the use of telecommunications to provide shareholders with remote access enabling them to participate in General Meetings of Shareholders in the reporting period.</p>	<p>Observed</p> <p>Partially observed</p> <p>✓ Not observed</p>	<p>In the reporting period, the Company did not conduct the General Meetings of Shareholders in the form of a meeting (joint presence).</p> <p>The Annual General Meeting of Shareholders was conducted in absentee voting in 2020 as per the resolution of the Company's Board of Directors dated April 24, 2020 (Minutes No.385/2020 dated April 27, 2020) taking into account Article 2 of the Federal Law No.50-FZ On the Acquisition by the Government of the Russian Federation of the Ordinary Shares of Sberbank of Russia from the Central Bank of the Russian Federation and Invalidation of Certain Provisions of Legislative Acts of the Russian Federation dated March 18, 2020.</p> <p>Non-compliance is time-limited. The Company plans to achieve compliance with the criterion when deciding to hold the General Meeting of Shareholders in the form of in-person meeting (joint presence) starting from 2021.</p>
1.2	<b>The shareholders are given equal and equitable opportunities to receive a share of the Company's profits by receiving dividends.</b>			
1.2.1	The Company has developed and implemented a transparent and clear mechanism for determining the amount of dividends and their payment.	<p>1. The Company has developed and disclosed the Dividend Policy approved by the Board of Directors.</p> <p>2. If the Company's results recorded in its financial statements are used for determining the amount of dividends in accordance with the Company's Dividend Policy, consolidated results recorded in the financial statements are considered in its relevant provisions.</p>	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	
1.2.2	The Company does not make a decision on dividend payment if such a decision is economically unfeasible and may create a misleading impression as to the Company's operations, despite its formal compliance with the legislation.	1. The Company's Dividend Policy clearly stipulates financial/ economic circumstances, under which the Company should not pay dividends.	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	
1.2.3	The Company does not allow a deterioration in terms of dividend rights of existing shareholders.	1. In order to prevent shareholders from using other means of gaining profit (income) from the Company, except for dividends and liquidation value, the Company's internal documents provide control mechanisms, which ensure timely identification and approval of transactions with affiliates (associates) of major shareholders (persons entitled to exercise votes attached to voting shares) in such cases when the law does not officially recognize these transactions as related-party transactions.	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	



No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
1.2.4	The Company aims to ensure that shareholders do not have any other ways to receive profit (income) from the Company, except for dividends and liquidation value.	1. In order to prevent shareholders from using other means of gaining profit (income) from the Company, except for dividends and liquidation value, the Company's internal documents provide control mechanisms, which ensure timely identification and approval of transactions with affiliates (associates) of major shareholders (persons entitled to exercise votes attached to voting shares) in such cases when the law does not officially recognize these transactions as related-party transactions.	Observed <b>✓ Partially observed</b> Not observed	<p>The Company's internal documents approved by the General Meeting of Shareholders or Board of Directors of the Company do not provide control mechanisms, which ensure timely identification and approval of transactions with affiliates of major shareholders in such cases when the law does not officially recognize these transactions as related-party transactions.</p> <p>However, to comply with this element of the Company's Code, the Company has developed and applies the following mechanisms, which, in the opinion of the Company, are effective and sufficient to prevent gaining of unreasonable profit from the Company by anyone, including affiliates (associates) of major shareholders:</p> <ul style="list-style-type: none"> <li>• applicable local regulations: Regulation on Organization of Contractual Works and Procedure for Identification, Conclusion of Large Transactions and Related-party Transactions — the process of qualification and follow-up control of transactions in terms of interest in their execution are defined in accordance with signs specified by the current legislation;</li> <li>• the list of the Company's affiliates that meets all the requirements of the current legislation and includes the most complete and up-to-date information on related parties is compiled;</li> <li>• the current procedure for the procurement of goods (works, services) in the Company established by the unified procurement standard of the controller approved as an internal document of the Company by the resolution of the Board of Directors of the Company is also an effective mechanism aimed at observing principle 1.2.4 of the Code;</li> <li>• according to Clause 3.9 of the Regulation on the Board of Directors of the Company, the Board members are obliged to notify the Company on existence of circumstances by virtue of which they may be recognized as interested in the transactions made by the Company.</li> </ul> <p>At the moment, the Company does not plan to make additional changes to the internal documents regarding the introduction of additional control measures and procedures for approving the transactions specified in this clause.</p>

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
1.3	The corporate governance system and practices should ensure equitable treatment of all shareholders owning shares of one class (type), including minority (small) shareholders and foreign shareholders, and equal treatment of them by the Company.			
1.3.1	The Company has created conditions necessary for ensuring that its governing bodies and controllers treat each shareholder fairly, including preventing abuse on the part of large shareholders with respect to minority shareholders.	1. In the reporting period, management of potential conflicts of interest of major shareholders was efficient, and the Board of Directors paid due attention to conflicts between the shareholders, if any.	<p>✓ <b>Observed</b></p> <p>Partially observed</p> <p>Not observed</p>	
1.3.2	The Company does not take any actions, which cause or may cause artificial redistribution of corporate control.	1. There were no quasi-treasury shares in the Company or they did not participate in voting in the reporting period.	<p>✓ <b>Observed</b></p> <p>Partially observed</p> <p>Not observed</p>	
1.4	Shareholders are provided with reliable and effective methods of registering ownership of shares and an opportunity to freely and quickly dispose of their shares.			
1.4.1	Shareholders are provided with reliable and effective methods of registering ownership of shares and an opportunity to freely and quickly dispose of their shares.	1. The quality and reliability of activities carried out by the Company's Registrar and related to keeping a register of security holders meet the needs of the Company and its shareholders.	<p>✓ <b>Observed</b></p> <p>Partially observed</p> <p>Not observed</p>	
2.1	The Board of Directors is responsible for the strategic management of the Company; it formulates the basic principles and approaches to the development of the risk management and internal control system, supervises the work of the Company's executive bodies and performs other core functions.			
2.1.1	The Board of Directors is responsible for making decisions related to the appointment and dismissal of executive bodies, including due to improper performance of their functions. The Board of Directors also ensures that the Company's executive bodies act in accordance with the approved Development Strategy and the Company's key areas of business.	<p>1. The Board of Directors has the power to appoint and dismiss members of executive bodies, as well as to determine the terms and conditions of their contracts; these powers are stipulated in the Articles of Associations.</p> <p>2. The Board of Directors has considered the report(s) of the sole executive body and members of the collective executive body on the implementation of the Company's strategy.</p>	<p>Observed</p> <p>✓ <b>Partially observed</b></p> <p>Not observed</p>	<p>Criterion 2 is partially observed.</p> <p>The Company's strategy has not been approved as a unified document, thus, the report of the sole executive body and members of the collective executive body on strategy implementation was not reviewed by the Board of Directors in the reporting year.</p> <p>However, the Company strives to comply with the recommendations of the Code. According to Sub-clause 1 of Clause 15.1 of Article 15 of the Company's Articles of Associations, the Board of Directors competences include determination of business priorities and strategy of the Company. According to Sub-clause 19 of Clause 15.1 of Article 15 of the Company's Articles of Association, the Board of Directors quarterly reviews the reports on implementation of the Company's business plan containing signs of the Company's Development Strategy. In addition, according to Sub-clause 34 of Clause 15.1 of Article 15 of the Company's Articles of Associations, the General Director regularly reports to the Board of Directors on the critical issues of the Company's activities, including implementation of the resolutions of the Board of Directors.</p> <p>Non-compliance is not time-limited. The Company plans to achieve compliance with the element of the Code in the future if the Development Strategy is approved by the Board of Directors.</p>

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
2.1.2	The Board of Directors decides on the main long-term strategic targets for the Company's operations, evaluates and approves key performance indicators and the Company's main business goals, evaluates and approves the strategy and business plans for the Company's core business areas.	1. In the reporting period, the Board of Directors addressed issues related to the implementation and review of the strategy, approval of the financial and economic plan (budget) of the Company, as well as consideration of criteria and indicators (including interim indicators) related to the implementation of the Company's strategy and business plans.	Observed  <b>Partially observed</b> Not observed	In 2020, the Company's Board of Directors addressed issues related to approval of the financial and economic plan (business plan) of the Company, as well as consideration of criteria and indicators (including interim indicators) of the Company's business plan.  Due to absence of the approved Company's strategy, issues related to the implementation and review of the strategy, as well as consideration of the criteria and indicators (including interim indicators) related to the implementation of the Company's strategy were not considered by the Company's Board of Directors in 2019.  Non-compliance is not time-limited. The Company plans to achieve compliance with the element of the Code if the Development Strategy is approved by the Board of Directors.
2.1.3	The Board of Directors determines the principles and approaches to the development of the risk management and internal control system in the Company.	1. The Board of Directors has determined the principles and approaches to the development of the risk management and internal control system in the Company.  2. The Board of Directors assessed the risk management and internal control system of the Company in the reporting period.	 <b>Observed</b> Partially observed Not observed	
2.1.4	The Board of Directors determines the Company's policy on the payment of remunerations and (or) compensations (reimbursement) to the members of the Board of Directors, executive bodies or other key executives of the Company.	1. The Company has developed and implemented the policy (policies) on remunerations and (or) compensations (reimbursement) to the members of the Board of Directors, executive bodies and other key executives of the Company; the policy (policies) has (have) been approved by the Board of Directors.  2. In the reporting period, the meetings of the Board of Directors addressed issues related to the said policy (policies).	 <b>Observed</b> Partially observed Not observed	
2.1.5	The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts between the Company's bodies, its shareholders and employees.	1. The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts.  2. The Company has created a system for identifying transactions involving a conflict of interest and a system of measures for resolving such conflicts	 <b>Observed</b> Partially observed Not observed	
2.1.6	The Board of Directors plays a key role in ensuring the transparency of the Company, timeliness and completeness of information disclosure by the Company, and easy access of shareholders to the Company's documents.	1. The Board of Directors has approved the Regulation on Information Policy.  2. The Company has appointed persons responsible for the implementation of the Information Policy.	 <b>Observed</b> Partially observed Not observed	

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
2.1.7	The Board of Directors oversees the Company's corporate governance practice and plays a key role in the Company's significant corporate events.	1. In the reporting period, the Board of Directors considered the issue of the corporate governance practice in the Company.	Observed Partially observed ✓ Not observed	In the reporting year, the issue on the corporate governance practice (on assessment of corporate governance efficiency in 2019/2020 corporate year) was not considered by the Board of Directors for reasons beyond control of the Company.  However, the assessment of the corporate governance efficiency in 2019/2020 corporate year was conducted; its results were preliminarily considered by the Audit Committee of the Company's Board of Directors.  Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code starting from 2021.
2.2	<b>The Board of Directors is accountable to the Company's shareholders.</b>			
2.2.1	Information on the performance of the Board of Directors is disclosed and provided to shareholders.	1. The Annual Report of the Company for the reporting period includes information on attendance of meetings of the Board of Directors and Committees by individual Directors.  2. The Annual Report includes information on the main results of performance assessment of the Board of Directors carried out in the reporting period.	Observed ✓ Partially observed Not observed	Criterion 2 is not observed, as the assessment of performance of the Board of Directors was not conducted in the reporting year due to absence of approved Methodology for Assessing the Performance of the Board of Directors and its Committees (hereinafter – Methodology).  In November 2020, the Company's Board of Directors approved the Methodology according to which the assessment of the performance of the Board of Directors and its Committees will be conducted as per the results of the completed corporate year starting from 2021.  Non-compliance is time-limited. The Company plans to achieve compliance with the criterion starting from 2021.
2.2.2	The Chair of the Board of Directors is available for communication with the Company's shareholders.	1. The Company has a transparent procedure enabling shareholders to send their questions and opinions on them to the Chair of the Board of Directors.	✓ Observed Partially observed Not observed	
2.3	<b>The Board of Directors is an effective and professional governing body of the Company able to make objective independent judgments and make decisions in the interests of the Company and its shareholders.</b>			
2.3.1	Only persons having an impeccable business and personal reputation and the knowledge, skills and experience required for making decisions within the competence of the Board of Directors and for efficient performance of its functions are elected to the Board of Directors.	1. The Company's procedure for performance assessment of the Board of Directors also includes evaluation of the professional qualifications of members of the Board of Directors.  2. In the reporting period, the Board of Directors (or the Nomination Committee) assessed candidates for the Board of Directors from the point of view of experience, knowledge, business reputation, lack of conflict of interest, etc.	Observed Partially observed ✓ Not observed	During the reporting year, the Board of Directors and its Personnel and Remuneration Committee did not assess the candidates for the Board of Directors.  However, data on the education and work experience of the candidates for the Board of Directors is included in the set of materials for review during general meetings of shareholders and is published on the Company's official website.  In addition, a questionnaire survey is conducted for the elected members of the Board of Directors to obtain detailed information on the Board members, their education, work experience, Company's shares ownership, positions held in other organizations, etc.  Based on the analysis of the personal data, the current and previous composition of the Company's Board of Directors includes persons with high professional qualifications and work experience in various industries.  Non-compliance is not time-limited. The Company intends to achieve compliance with the criterion in the future.

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
2.3.2	Members of the Board of Directors are elected under a transparent procedure enabling shareholders to obtain information about the candidates which is sufficient to form an opinion about their personal and professional qualities.	1. In all cases when the agenda of a General Meeting Of Shareholders held in the reporting period included election to the Board of Directors, the Company provided its shareholders with biographical details of all candidates for the Board of Directors, results of their assessment carried out by the Board of Directors (or its Nomination Committee), as well as information on whether the candidate met the criteria of independence in accordance with Recommendations 102–107 of the Code and the written consent of the candidates for election to the Board of Directors.	Observed  <b>Partially observed</b> Not observed	In the reporting period, during the Annual General Meeting of Shareholders, the agenda of which contained an issue of electing a member of the Board of Directors, the Company provided all the required information on the candidates for the Board of Directors, except for the assessment results of these candidates.  However, based on the analysis of the composition of the Company's Board of Directors, a shareholder conducts a thorough assessment of the candidates when nominating them to the Board of Directors, as evidenced by the fact that the current and previous compositions of the Company's Board of Directors consist of persons with high professional qualifications and work experience in various industries.  Non-compliance is not time-limited. The Company intends to achieve compliance with the criterion in the future.
2.3.3	The composition of the Board of Directors is balanced, including in terms of its members' qualifications, experience, knowledge and business skills, and enjoys the confidence of shareholders.	1. As part of performance assessment of the Board of Directors in the reporting period, the Board of Directors analyzed its own needs for professional qualifications, experience and business skills.	Observed Partially observed  <b>Not observed</b>	In the reporting year, the performance assessment of the Board of Directors was not conducted due to absence of the Methodology.  In November 2020, the Board of Directors approved the Methodology providing for the analysis of own needs for professional qualifications, experience and business skills of the members of the Board of Directors.  Non-compliance is time-limited. The Company plans to achieve compliance with the criterion starting from 2021.
2.3.4	The number of members of the Company's Board of Directors makes it possible to organize its work most effectively, including the opportunity to form Board Committees, as well as gives the Company's substantial minority shareholders an opportunity to elect a candidate for whom they vote to the Board of Directors.	1. As part of assessment of the Board of Directors carried out in the reporting period, the Board of Directors considered whether the number of its members met the needs of the Company and promoted the interests of its shareholders.	Observed Partially observed  <b>Not observed</b>	In the reporting year, the performance assessment of the Board of Directors was not conducted due to absence of the Methodology.  In November 2020, the Board of Directors approved the Methodology for Assessing the Performance of the Board of Directors and its Committees providing for the analysis whether the number of its members meets the needs of the Company and promotes the interests of its shareholders.  Non-compliance is time-limited. The Company plans to achieve compliance with the criterion starting from 2021.

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
2.4	An adequate number of Independent Directors sit on the Board of Directors.			
2.4.1	A person shall be qualified as an "Independent Director" if he or she has sufficient professional skills, experience and independence to form his/her own opinion, is able to make objective and fair judgments independently of the executive bodies of the Company, individual groups of shareholders or other stakeholders. At the same time, it should be noted that under normal circumstances a candidate (an elected member of the Board of Directors) associated with the Company, its major shareholder, major counterparty, competitor or the government cannot be considered independent.	1. In 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 the Board of Directors.	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	
2.4.2	The Company assesses whether candidates for the Board of Directors meet the independence criteria, and a regular analysis is carried out to determine whether independent members of the Board of Directors meet the independence criteria. When carrying out the assessment, content should prevail over form.	<p>1. In the reporting period, the Board of Directors (or the Nomination Committee) formed an opinion on the independence of each candidate nominated to the Board of Directors and provided the shareholders with the relevant statement.</p> <p>2. In the reporting period, the Board of Directors (or the Nomination Committee) considered the independence of the current members of the Board of Directors who are specified in the Annual Report as Independent Directors of the Company at least once.</p> <p>3. The Company has developed procedures stipulating the actions to be taken by a member of the Board of Directors if he or she ceases to be independent, including the obligation to inform the Board of Directors of it in a timely manner.</p>	<p>Observed</p> <p>✓ Partially observed</p> <p>Not observed</p>	<p>Criteria 1 and 2 are not observed.</p> <p>In the reporting period, the Board of Directors and Personnel and Remuneration Committee did not carry out the assessment of each candidate and member of the Board of Directors. In the reporting year, the Company determined the independence status of the Board of Directors members by criteria specified by the Code. The Company quarterly asked the members of the Board of Directors to submit information required and sufficient for disclosure of data about them and detailing of their status.</p> <p>The Methodology approved by the Board of Directors established an approximate list of self-assessment criteria, including the criterion concerning the independence of Directors,</p> <p>Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code in the future.</p>
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 membership of the Board of Directors.	<p>Observed</p> <p>Partially observed</p> <p>✓ Not observed</p>	<p>In the reporting period, the Board of Directors includes two Independent Directors, which is less than one third of Independent Directors.</p> <p>The Company has no opportunity to affect the compliance with this element of the Code.</p> <p>At the same time, the proportion of Independent Members in the Board of Directors currently meets the requirements for corporate governance of the issuer established by the Listing Rules of the Moscow Exchange.</p> <p>Non-compliance is not time-limited.</p> <p>The Company plans to achieve compliance with the element of the Code in the future.</p>

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
2.4.4	Independent Directors play a key role in preventing internal conflicts in the Company and in significant corporate actions taken by the Company.	1. Independent Directors (who have no conflict of interest) make a preliminary assessment of significant corporate actions involving potential conflict of interest and submit the results of this assessment to the Board of Directors.	Observed <b>✓ Partially observed</b> Not observed	<p>The assessment of significant corporate actions involving potential conflict of interest was not submitted to the Board of Directors by the Independent Directors in the reporting year. However, the Regulation on the Board of Directors established the obligation for its members to refrain from actions that will or may lead to a conflict between their and Company's interests, as well as to immediately report the existence of a potential conflict of interests to the Board of Directors of the Company and in any case put interests of the Company above their own interests. The Company considers these measures sufficient for preventing internal conflicts.</p> <p>In the reporting year, the members of the Board of Directors did not have any conflicts of interest.</p> <p>The Company has no opportunity to affect the compliance with this element of the Code.</p> <p>Non-compliance is not time-limited.</p> <p>The Company plans to achieve compliance with the element of the Code in the future.</p>
2.5	<b>The Chair of the Board of Directors ensures that the functions assigned to the Board of Directors are performed as efficiently as possible.</b>			
2.5.1	The Board of Directors is chaired by an Independent Director, or a Senior Independent Director is selected from among elected Independent Directors to coordinate the activities of the Independent Directors and communicate with the Chair of the Board of Directors.	1. The Chair of the Board of Directors is an Independent Director or a Senior Independent Director has been selected from among Independent Directors 2. The role, rights and duties of the Chair of the Board of Directors (and, if applicable, of the Senior Independent Director) are properly specified in the Company's internal documents.	Observed <b>✓ Partially observed</b> Not observed	<p>Criterion 1 is not observed.</p> <p>The Chair of the Board of Directors is not an Independent Director.</p> <p>The Company's Board of Directors has not selected the Senior Independent Director due to absence of initiative of the Board of Directors members concerning election of the Senior Independent Director.</p> <p>The Company has no opportunity to affect the criterion observance. Non-compliance is not time-limited.</p>
2.5.2	The Chair of the Board of Directors creates a constructive atmosphere at the meetings, facilitates open discussion of agenda items and supervises the implementation of resolutions adopted by the Board of Directors.	1. The performance of the Chair of the Board of Directors was assessed as part of the procedure for assessing the performance of the Board of Directors in the reporting period.	Observed Partially observed <b>✓ Not observed</b>	<p>In the reporting year, the performance of the Board of Directors was not assessed due to absence of approved regulating documents.</p> <p>The Methodology for Assessing the Performance of the Board of Directors and its Committees approved in November 2020 provides for the performance assessment of the Chair of the Board of Directors.</p> <p>Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code starting from 2021.</p>
2.5.3	The Chair of the Board of Directors takes necessary measures to ensure timely provision of the members of the Board of Directors with information required to adopt resolutions on agenda items.	1. The duty of the Chair of the Board of Directors to take measures to ensure timely provision of the members of the Board of Directors with materials on agenda items of the meeting of the Board of Directors is stipulated in the Company's internal documents.	<b>✓ Observed</b> Partially observed Not observed	

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
2.6	Members of the Board of Directors of sufficient information, exercising due diligence and care.	act reasonably and in good faith in the interests of the Company and its shareholders on the basis		
2.6.1	Members of the Board of Directors adopt resolutions taking into account all available information, with no conflict of interest, ensuring equal treatment of the Company's shareholders, and within the limits of standard business risk.	<ol style="list-style-type: none"> <li>1. The Company's internal documents stipulate that a member of the Board of Directors shall inform the Board of Directors if there is a conflict of interest in relation to any issue on the agenda of the meeting of the Board of Directors or a Board Committee prior to discussion of that issue.</li> <li>2. The Company's internal documents stipulate that a member of the Board of Directors shall refrain from voting on any issue in relation to which he or she has a conflict of interest.</li> <li>3. The Company has established a procedure which allows the Board of Directors to obtain professional advice on issues within its competence at the expense of the Company.</li> </ol>	<p>Observed</p> <p>✓ <b>Partially observed</b></p> <p>Not observed</p>	<p>Criterion 3 is observed partially in terms of the members of the Board of Directors which are also members of the Board Committees.</p> <p>The norm that allows to a member of the Board of Directors and its Committee to get professional advice on issues concerning his/her competence at Company's expense is contained in the Regulations on the Committees. However, the Regulation on the Board of Directors includes an obligation for the Company's executive bodies to submit documents and information required for making decisions on its competence by the Board of Directors to the Board.</p> <p>The Company has no opportunity to affect the criterion observance. Non-compliance is not time-limited.</p>
2.6.2	The rights and responsibilities of the members of the Board of Directors are clearly worded and set out in the Company's internal documents.	<ol style="list-style-type: none"> <li>1. The Company has adopted and published an internal document, which clearly determines the rights and responsibilities of the members of the Board of Directors.</li> </ol>	<p>✓ <b>Observed</b></p> <p>Partially observed</p> <p>Not observed</p>	



No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
2.6.3	Members of the Board of Directors have sufficient time to perform their duties.	<ol style="list-style-type: none"> <li>Individual attendance of meetings of the Board and the Committees, as well as the time devoted to preparation for participation in the meetings, were taken into account when performing the assessment of the Board of Directors in the reporting period.</li> <li>In accordance with the Company's internal documents, members of the Board of Directors shall inform the Board of Directors of their intention to join the governing bodies of any other organizations (apart from organizations controlled by or affiliated with the Company), and of the fact of such an appointment.</li> </ol>	<p>Observed</p> <p>Partially observed</p> <p>✓ <b>Not observed</b></p>	<p>Criterion 1. In the reporting year, the performance of the Board of Directors was not assessed due to absence of the approved Methodology.</p> <p>In November 2020, the Board of Directors approved the Methodology, under which the performance of the Board of Directors is assessed, including individual attendance of meetings of the Board of Directors and its Committees and the time devoted to preparation for participation.</p> <p>High level of attendance of members of the Board of Directors in the reporting year confirms that the members of the Board of Directors have enough time to execute their duties.</p> <p>Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code starting from 2021.</p> <p>Criterion 2. The internal documents do not stipulate that members of the Board of Directors shall inform the Board of Directors of their intention to join the governing bodies of any other organizations (apart from organizations controlled by or affiliated with the Company), and of the fact of such an appointment.</p> <p>But in actual practice the Company:</p> <ul style="list-style-type: none"> <li>quarterly requests the data on held positions from the members of the governing bodies,</li> <li>monitors open sources of information on joining the members of the Company's Board of Directors to the governing or control bodies of other organizations on a regular basis.</li> </ul> <p>The Company has no opportunity to affect the criterion observance. Non-compliance is not time-limited.</p>
2.6.4	All members of the Board of Directors have equal access to the Company's documents and information. Newly elected members of the Board of Directors are provided with sufficient information on the Company and the work of the Board of Directors in the shortest time possible.	<ol style="list-style-type: none"> <li>In accordance with 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 affiliated organizations, and the Company's executive bodies shall provide the said information and documents.</li> <li>The Company has a formalized induction program for newly elected members of the Board of Directors.</li> </ol>	<p>✓ <b>Observed</b></p> <p>Partially observed</p> <p>Not observed</p>	

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
2.7	Meetings of the Board of Directors, preparation for them and participation of the members of the Board of Directors in the meetings enable efficient work of the Board of Directors.			
2.7.1	Meetings of the Board of Directors are held when necessary, given the scale of the Company's operations and challenges facing the Company at any given time.	1. The Board of Directors held at least six meetings in the reporting year.	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	
2.7.2	The Company's internal documents set out a procedure for preparing and holding meetings of the Board of Directors ensuring that the members of the Board of Directors are able to prepare for them properly.	1. The Company has approved an internal document, which determines the procedure for preparing and holding meetings of the Board of Directors and stipulates, among other things, that notification of the meeting shall be generally given at least five days before the date of the meeting.	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	
2.7.3	The form of the meeting of the Board of Directors is determined taking into account the importance of agenda items. The most important issues are addressed at face-to-face meetings.	1. The Articles of Associations or an internal document of the Company stipulates that the most important issues (according to the list given in Recommendation 168 of the Code) shall be addressed at face-to-face meetings of the Board.	<p>Observed</p> <p>Partially observed</p> <p>✓ Not observed</p>	<p>The list of issues that shall be considered by the Board of Directors at face-to-face meetings is set out in the Regulation on the Board of Directors and does not completely correspond to the list given in the Recommendation 168 of the Code.</p> <p>At the same time, according to this Regulation, the form of a meeting of the Board of Directors is determined by the Chair of the Company's Board of Directors taking into account the importance of agenda items.</p> <p>The Company has no opportunity to affect the criterion observance. Non-compliance is not time-limited.</p>
2.7.4	Resolutions concerning the most important issues of the Company's business are adopted at the meeting of the Board of Directors by a qualified majority or by a majority of votes cast by all elected members of the Board of Directors.	1. The Company's Articles of Associations stipulates that resolutions concerning the most important issues specified in Recommendation 170 of the Code shall be adopted at the meeting of the Board of Directors by a qualified majority comprising at least three quarters of votes, or by a majority of votes cast by all elected members of the Board of Directors.	<p>Observed</p> <p>Partially observed</p> <p>✓ Not observed</p>	<p>The Company's Articles of Associations do not stipulate that resolutions concerning the most important issues specified in Recommendation 170 of the Code shall be adopted at the meeting of the Board of Directors by a qualified majority comprising at least three quarters of votes, or by a majority of votes cast by all elected members of the Board of Directors.</p> <p>The Company has no opportunity to affect the criterion observance. Non-compliance is not time-limited.</p>

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
2.8	The Board of Directors establishes	Committees for preliminary consideration of the most important	issues related to the Company's business.	
2.8.1	An Audit Committee consisting of Independent Directors has been established for preliminary consideration of any issues related to the monitoring of the Company's financial and business operations.	<ol style="list-style-type: none"> <li>The Board of Directors has formed the Audit Committee consisting of Independent Directors only.</li> <li>The Company's internal documents set out the duties of the Audit Committee, including, among other things, those specified in Recommendation 172 of the Code.</li> <li>At least one member of the Audit Committee who is an Independent Director has experience in and knowledge of preparation, analysis, evaluation and audit of financial statements.</li> <li>Meetings of the Audit Committee were held at least once a quarter in the reporting period.</li> </ol>	<p>Observed</p> <p>✓ <b>Partially observed</b></p> <p>Not observed</p>	<p>Criterion 1 is not observed. The Audit Committee has one Independent Director who is the Chair of the Committee. In the reporting year, number of independent members of the Board of Directors is less than number of members of the Audit Committee.</p> <p>The Company has no opportunity to affect the criterion observance. Non-compliance is not time-limited.</p>
2.8.2	A Remuneration Committee consisting of Independent Directors and chaired by an Independent Director who is not the Chair of the Board of Directors has been established for preliminary consideration of any issues related to the establishment of an efficient and transparent remuneration practice.	<ol style="list-style-type: none"> <li>The Board of Directors has formed the Remuneration Committee consisting of Independent Directors only.</li> <li>The Chair of the Remuneration Committee is an Independent Director who is not the Chair of the Board of Directors.</li> <li>The Company's internal documents set out the duties of the Remuneration Committee, including those specified in Recommendation 180 of the Code.</li> </ol>	<p>Observed</p> <p>✓ <b>Partially observed</b></p> <p>Not observed</p>	<p>Criterion 1 is partially observed.</p> <p>The Company has established the Personnel and Remuneration Committee. Independent Directors are not involved in its membership.</p> <p>Criterion 2 is not observed.</p> <p>The Committee is chaired by a person who is not the Chair of the Board of Directors.</p> <p>Criterion 3 is partially observed.</p> <p>The duties of the Committee are determined in the Regulation on the Personnel and Remuneration Committee, but due to the fact that this revision of the document has been approved in 2014, it does not contain all the norms specified in the Recommendation 180 of the Code. The duties of the specified body do not meet the recommendations of the Code in terms of statements on incentives of the Corporate Secretary and on report on feasibility.</p> <p>The Company has no opportunity to affect the specified criteria observance.</p> <p>Non-compliance is not time-limited.</p>
2.8.3	A Nomination (Appointment, Personnel) Committee consisting mostly of Independent Directors has been established for preliminary consideration of any issues related to workforce planning (succession planning), professional composition and performance of the Board of Directors.	<ol style="list-style-type: none"> <li>The Board of Directors has established the Nomination Committee (or another Committee performs its duties specified in Recommendation 186 of the Code) consisting mostly of Independent Directors.</li> <li>The Company's internal documents set out the duties of the Nomination Committee (or another Committee with shared functions), including those specified in Recommendation 186 of the Code.</li> </ol>	<p>Observed</p> <p>Partially observed</p> <p>✓ <b>Not observed</b></p>	<p>Criterion 1 The Company has established the Personnel and Remuneration Committee. Independent Directors are not involved in its membership.</p> <p>Criterion 2. From the duties specified in Recommendations of the Code only those concerning election and termination of powers of the members of the Management Board, as well as approving of candidates for certain positions of the Executive Office are imposed upon the Committee.</p> <p>The Company has no opportunity to affect the specified criteria observance.</p> <p>Non-compliance is not time-limited.</p>

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
2.8.4	Given the scale of business and the risk level, the Company's Board of Directors has made sure that the membership of its Committees meets all objectives of the Company's operations. Additional Committees have been either formed or considered unnecessary (the Strategy Committee, the Corporate Governance Committee, the Ethics Committee, the Risk Management Committee, the Budget Committee, the Health, Safety and Environment Committee, etc.).	1. In the reporting period, the Company's Board of Directors considered whether the membership of its Committees was consistent with the duties of the Board of Directors and the objectives of the Company's operations. Additional Committees have been either formed or considered unnecessary.	Observed Partially observed ✓ Not observed	<p>The Company has in place five Committees of the Board of Directors: The Audit Committee, the Strategy Committee, Personnel and Remuneration Committee, Reliability Committee, Grid Connection Committee.</p> <p>Key objectives of the activities, competences and powers of the Committees, as well as procedure of their formation and operation are determined by the Regulations approved by the Board of Directors.</p> <p>The Board of Directors is guided by skills and qualifications of the candidates when electing the membership of the Committees.</p> <p>In the reporting period, the Board of Directors did not consider whether the membership of its Committees was consistent with the duties of the Board of Directors and the objectives of the Company's operations due to absence of practice regarding considering this issue.</p> <p>Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code in the future.</p>
2.8.5	The membership of Committees is determined so that it would enable a comprehensive discussion of issues for preliminary consideration, taking into account different opinions.	<p>1. Committees of the Board of Directors are chaired by Independent Directors.</p> <p>2. The Company's internal documents (policies) contain provisions whereby persons who are not members of the Audit Committee, the Nomination Committee or the Remuneration Committee may only attend meetings of the Committees by invitation of the Chair of the relevant Committee.</p>	Observed ✓ Partially observed Not observed	<p>Criterion 1 is observed only relative to the Audit Committee.</p> <p>Criterion 2 is partially observed.</p> <p>It is observed relative to the Audit Committee.</p> <p>According to Clause 10.4.25 of the Regulation on the Audit Committee of the Company's Board of Directors, the third parties can be invited by the Chair of the Committee to attend the meeting.</p> <p>The criterion is not observed relative to the Personnel and Remuneration Committee.</p> <p>According to Clause 10.2.1 of the Regulation on the Personnel and Remuneration Committee, in-person meetings of the Committee can be attended by members of the Committee, as well as invited persons.</p> <p>Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code in the future.</p>
2.8.6	Chairs of the Committees regularly inform the Board of Directors and its Chair on the performance of their Committees.	1. In the reporting period, the Chairs of the Committees regularly reported to the Board of Directors on the performance of their Committees.	✓ Observed Partially observed Not observed	
2.9	<b>The Board of Directors arranges a performance assessment of the Board of Directors, its Committees and members.</b>			
2.9.1	Performance assessment of the Board of Directors is aimed at evaluating the performance of the Board of Directors, its Committees and members, determining whether their work meets the Company's development needs, intensifying the work of the Board of Directors and identifying opportunities for the improvement of its performance.	<p>1. Self-assessment or an external assessment of performance of the Board of Directors carried out in the reporting period included the assessment of performance of its Committees, individual members and the Board of Directors as a whole.</p> <p>2. Results of self-assessment or an external assessment of the Board of Directors carried out in the reporting period were considered at a face-to-face meeting of the Board of Directors.</p>	Observed Partially observed ✓ Not observed	<p>In the reporting year, the performance of the Board of Directors was not assessed due to absence of the approved Methodology for Assessing the Performance of the Board of Directors and its Committees.</p> <p>In November 2020, the Board of Directors approved the specified Methodology.</p> <p>Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code starting from 2021.</p>

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
2.9.2	Assessment of performance of the Board of Directors, its Committees and members is carried out on a regular basis at least once a year. An external organization (consultant) is engaged to perform an independent assessment of performance of the Board of Directors at least once every three years.	1. An external organization (consultant) was engaged to perform an independent assessment of performance of the Board of Directors at least once during the last three reporting periods.	Observed Partially observed ✓ Not observed	An external organization (consultant) was not engaged to perform an independent assessment of performance of the Board of Directors during the last three reporting periods due to absence of the Methodology.  In November 2020, the Company's Board of Directors approved the specified Methodology.  Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code in 2021.
3.1	<b>The Company's Corporate Secretary facilitates efficient ongoing communication with shareholders, coordinates the Company's efforts aimed at protecting the shareholders' rights and interests and supports efficient work of the Board of Directors.</b>			
3.1.1	The Corporate Secretary has knowledge, expertise and qualification sufficient for performing his or her duties; he or she shall also have an excellent reputation and enjoy shareholders' confidence.	1. The Company has adopted and disclosed an internal document: the Regulation on the Corporate Secretary.  2. Biographical details of the Corporate Secretary are provided on the Company's website and in the Annual Report; they are as detailed as those of the members of the Board of Directors and the Company's executive officers.	✓ Observed Partially observed Not observed	
3.1.2	The Corporate Secretary is sufficiently independent from the Company's executive bodies and has the necessary powers and resources to carry out his or her tasks.	1. The Board of Directors approves the appointment and dismissal of the Corporate Secretary and his or her additional remuneration.	✓ Observed Partially observed Not observed	
4.1	<b>The amount of remuneration paid by the Company is sufficient for attracting, motivating and retaining employees who have the competence and qualification required by the Company. Remuneration is paid to members of the Board of Directors, executive bodies and other key executives of the Company in accordance with the Remuneration Policy adopted by the Company.</b>			
4.1.1	Remuneration paid by the Company to members of the Board of Directors, executive bodies and other key executives is sufficient to motivate them to work efficiently, enabling the Company to attract and retain competent and qualified specialists. At the same time, the Company avoids paying remuneration that is larger than necessary and seeks to prevent an unreasonably large gap between the amounts of remuneration paid to the said persons and the Company's employees.	1. The Company has adopted an internal document (documents): a policy (policies) on remuneration of the members of the Board of Directors, executive bodies and other key executives, which clearly defines approaches to remuneration of the said persons.	✓ Observed Partially observed Not observed	
4.1.2	The Company's Remuneration Policy has been developed by the Remuneration Committee and approved by the Board of Directors. The Board of Directors supported by the Remuneration Committee monitors the adoption and implementation of the Remuneration Policy in the Company and, if necessary, revises it and makes adjustments to it.	1. In the reporting period, the Remuneration Committee considered the Remuneration Policy (policies) and its (their) implementation and, where necessary, provided the Board of Directors with the relevant recommendations.	✓ Observed Partially observed Not observed	

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
4.1.3	The Company's Remuneration Policy includes transparent mechanisms for determining the amount of remuneration for the members of the Board of Directors, executive bodies and other key executives of the Company; in addition, it regulates all types of payments, benefits and privileges provided to the said persons.	1. The Remuneration Policy (policies) of the Company includes (include) transparent mechanisms for determining the amount of remuneration for the members of the Board of Directors, executive bodies and other key executives of the Company; in addition, it (they) regulates (regulate) all types of payments, benefits and privileges provided to the said persons.	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	
4.1.4	The Company formulates the policy on reimbursement of expenses (compensation), which defines the expenses to be reimbursed and the service level, which may be provided to members of the Board of Directors, executive bodies and other key executives of the Company. This policy may form part of the Company's Remuneration Policy.	1. The Remuneration Policy (policies) or other internal documents of the Company establish the procedures for reimbursement of expenses incurred by members of the Board of Directors, executive bodies and other key executives of the Company.	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	
4.2	<b>The system of remuneration for the members of the Board of Directors ensures that the Directors' financial interests are aligned with the long-term financial interests of shareholders.</b>			
4.2.1	<p>The Company pays fixed annual remuneration to the members of the Board of Directors. The Company does not pay remuneration for participating in individual meetings of the Board of Directors or Committees under the Board of Directors.</p> <p>The Company does not offer short-term or additional financial incentives to the members of the Board of Directors.</p>	1. Fixed annual remuneration was the only form of financial remuneration paid to the members of the Board of Directors for their work in the reporting period.	<p>Observed</p> <p>Partially observed</p> <p>✓ Not observed</p>	<p>In accordance with the current Regulation on Remuneration and Reimbursement Payment to the Board of Directors of the Company:</p> <ul style="list-style-type: none"> <li>– the remuneration to the members of the Board of Directors is paid quarterly in the period starting from the candidate election to the Board and finishing at the end of the Board's office;</li> <li>– members of the Board of Directors have a right for reimbursement of expenses related to participating in meetings of the Board of Directors, its Committees, General Meetings of Shareholders of the Company.</li> </ul> <p>An opportunity to approve the Regulation on Remuneration of the Board of Directors in edition meeting the recommendations of the Code depends of position of the Company's shareholders.</p> <p>The Company has no opportunity to affect the specified criterion observance.</p> <p>Non-compliance is not time-limited.</p>
4.2.2	Long-term ownership of the Company's shares is the most important factor ensuring that financial interests of members of the Board of Directors are aligned with long-term interests of shareholders. At the same time, the Company does not make the right to sell shares dependent on compliance with certain performance targets, and the members of the Board of Directors do not participate in stock options plans.	1. If an internal document (documents), namely the Company's policy (policies) on remuneration, stipulate(s) that members of the Board of Directors are to be provided with shares, clear rules regarding the ownership of shares by the members of Board of Directors, which are aimed at encouraging long-term ownership of such shares, should be introduced and disclosed.	<p>Observed</p> <p>Partially observed</p> <p>✓ Not observed</p>	<p>The Company has no an internal document (documents), namely the Company's policy (policies) on remuneration, stipulating that members of the Board of Directors are to be provided with shares.</p> <p>An opportunity to approve the Regulation on Remuneration of the Board of Directors in edition meeting the recommendations of the Code depends of position of the Company's shareholders.</p> <p>The Company has no opportunity to affect the specified criterion observance.</p> <p>Non-compliance is not time-limited.</p>

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
4.2.3	The Company's internal documents do not provide for any additional payments or compensations in case of early dismissal of the members of the Board of Directors due to a change of control over the Company or other circumstances.	1. The Company's internal documents do not provide for any additional payments or compensations in case of early dismissal of the members of the Board of Directors due to a change of control over the Company or other circumstances.	<p>✓ <b>Observed</b></p> <p>Partially observed</p> <p>Not observed</p>	
4.3	<b>The system of remuneration for members of executive bodies and other key executives of the Company ensures that the remuneration is linked to the Company's performance and reflects their personal contribution to this performance.</b>			
4.3.1	Remuneration paid to members of executive bodies and other key executives of the Company is determined in such a way as to ensure a reasonable and justified ratio of fixed components of remuneration to its variable components, which depend on the Company's performance and an employee's personal (individual) contribution to this performance.	<p>1. In the reporting period, annual performance indicators approved by the Board of Directors were used to determine variable components of remuneration for members of executive bodies and other key executives of the Company.</p> <p>2. During the last assessment of the system of remuneration for the members of executive bodies and other key executives of the Company, the Board of Directors (the Remuneration Committee) made sure that the Company used an effective combination of fixed and variable components of remuneration.</p> <p>3. The Company has a procedure ensuring that bonuses wrongfully received by the members of executive bodies and other key executives of the Company are returned to the Company.</p>	<p>Observed</p> <p>✓ <b>Partially observed</b></p> <p>Not observed</p>	<p>Criterion 1.</p> <p>The criterion is observed in relation to the sole executive body (General Director).</p> <p>It is partially observed in relation to members of the collective executive body (the Company's Management Board) and other key executives.</p> <p>The variable component of their remuneration is determined by the Regulation on Material Incentives and the Social Package of Senior Managers of the Company approved by the Board of Directors.</p> <p>Criterion 2.</p> <p>In the reporting year the Board of Directors took the following measures after preliminary consideration of these measure by the Personnel and Remuneration Committee to create an efficient ratio of fixed and variable components of remuneration to members of the executive bodies and other key executives of the Company:</p> <ul style="list-style-type: none"> <li>• approved the revised Methodology for Calculating and Evaluating KPIs of the General Director;</li> <li>• made amendments to the Regulation on Material Incentives and the Social Package of Senior Managers of the Company (members of the Management Board are included to this category).</li> </ul> <p>Criterion 3.</p> <p>Statements of the Company's internal documents regulating payment of remuneration to members of the executive bodies and other key executives of the Company prevent a possibility of wrongful receiving of bonuses by the said persons.</p> <p>Return of bonuses wrongfully received by the members of the executive bodies (members of the Management Board and General Director) and other key executives of the Company to the Company (if such fact has been confirmed) is implemented in accordance with applicable legislation of the Russian Federation, under which this procedure can be provided only due to calculation error or with consent of the employee.</p>

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
4.3.2	The Company has implemented a long-term incentive plan for members of executive bodies and other key executives involving the use of the Company's shares (options or other derivatives for which the Company's shares are underlying assets).	<ol style="list-style-type: none"> <li>The Company has implemented a long-term incentive plan for members of executive bodies and other key executives involving the use of the Company's shares (financial instruments based on the Company's shares).</li> <li>The long-term incentive plan for members of executive bodies and other key executives of the Company stipulates that the right to sell shares and other financial instruments used in this plan may be exercised no earlier than three years after their provision. At the same time, the right to sell them is related to achievement of certain performance targets of the Company.</li> </ol>	<p>Observed</p> <p>Partially observed</p> <p>✓ Not observed</p>	<p>The long-term incentive plan for members of executive bodies and other key executives involving the use of the Company's shares (financial instruments based on the Company's shares) is not introduced in the Company due to absence of the positive decision of shareholders.</p> <p>The Company has no opportunity to affect the specified criterion observance.</p> <p>Non-compliance is not time-limited.</p>
4.3.3	The amount of compensation (the golden parachute) paid by the Company in the event of early dismissal of members of executive bodies or key executives on the Company's initiative and in the absence of wrongdoings on their part does not exceed twice the size of the fixed component of annual remuneration.	<ol style="list-style-type: none"> <li>The amount of compensation (the golden parachute) paid by the Company in the event of early dismissal of members of executive bodies or key executives on the Company's initiative and in the absence of wrongdoings on their part did not exceed twice the size of the fixed component of annual remuneration in the reporting period.</li> </ol>	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	
5.1	The Company has created an effective risk management and internal control system aimed at providing reasonable assurance that the Company will achieve its goals.			
5.1.1	The Board of Directors has established the principles of and approaches to organizing a risk management and internal control system in the Company.	<ol style="list-style-type: none"> <li>Functions of the Company's various governing bodies and divisions within the risk management and internal control system are clearly defined in internal documents/ the relevant policy of the Company approved by the Board of Directors.</li> </ol>	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	
5.1.2	The Company's executive bodies ensure the creation and support of an efficient risk management and internal control system in the Company.	<ol style="list-style-type: none"> <li>The Company's executive bodies have ensured the distribution of functions and powers in the sphere of risk management and internal control among heads of units and divisions accountable to them.</li> </ol>	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	
5.1.3	The risk management and internal control system of the Company gives a fair, objective and clear picture of the current situation in the Company and its prospects and ensures integrity and transparency of the Company's statements. It also ensures that risks taken by the Company are reasonable and acceptable.	<ol style="list-style-type: none"> <li>The Company has approved an Anticorruption Policy.</li> <li>The Company has developed a convenient method for informing the Board of Directors or its Audit Committee about violations of the law, internal procedures or the Corporate Code of Ethics.</li> </ol>	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	







No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
5.1.4	The Company's Board of Directors takes necessary measures to make sure that the Company's risk management and internal control system is in line with the principles of and approaches to its organization formulated by the Board of Directors and that it functions efficiently.	1. In the reporting period, the Board of Directors or the Audit Committee of the Board of Directors assessed the performance of the Company's risk management and internal control system. The key results of this assessment are included in the Company's Annual Report.	<p>✓ <b>Observed</b></p> <p>Partially observed</p> <p>Not observed</p>	
5.2	<b>The Company organizes internal audit in order to make an independent and systematic assessment of the reliability and performance of the risk management and internal control system and the corporate governance practice.</b>			
5.2.1	To conduct internal audit, the Company has created a separate unit or has engaged an independent third-party organization. Functional and administrative accountability of the internal audit unit is delineated. The internal audit unit is functionally accountable to the Board of Directors.	1. To conduct internal audit, the Company has created a separate unit responsible for internal audit, which is functionally accountable to the Board of Directors or the Audit Committee, or an independent third-party organization has been engaged following the same accountability principles.	<p>✓ <b>Observed</b></p> <p>Partially observed</p> <p>Not observed</p>	
5.2.2	The internal audit unit assesses the performance of the internal control system, the risk management system and the corporate governance system. The Company uses generally accepted performance standards in the sphere of internal audit.	<p>1. In the reporting period, as part of internal audit, the performance of the internal control and risk management system was assessed.</p> <p>2. The Company uses generally accepted approaches to internal control and risk management.</p>	<p>✓ <b>Observed</b></p> <p>Partially observed</p> <p>Not observed</p>	

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
6.1	The Company and its operations are transparent to shareholders, investors and other stakeholders.		✓ Observed	
6.1.1	The Company has developed and implemented an Information Policy ensuring effective communication between the Company, its shareholders, investors and other stakeholders.	<ol style="list-style-type: none"> <li data-bbox="563 378 842 506">1. The Board of Directors has approved the Company's Information Policy developed taking into account the recommendations of the Code.</li> <li data-bbox="563 521 842 674">2. The Board of Directors (or one of its Committees) considered issues related to the Company's compliance with its Information Policy at least once in the reporting period.</li> </ol>	<p>Partially observed</p> <p>Not observed</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.	<ol style="list-style-type: none"> <li data-bbox="563 680 847 831">1. The Company discloses information on its corporate governance system and general corporate governance principles used by it, including disclosure on the Company's website.</li> <li data-bbox="563 846 847 1055">2. The Company discloses information on the membership of executive bodies and the Board of Directors, independence of its members and their membership in the Committees of the Board of Directors (as defined in the Code).</li> <li data-bbox="563 1070 847 1216">3. If there is an entity controlling the Company, the Company publishes a memorandum of this entity (controller) detailing its plans concerning corporate governance in the Company.</li> </ol>	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
6.2	The Company discloses comprehensive, up-to-date and accurate information on the Company in a timely manner to ensure that its shareholders and investors are able to make informed decisions.			
6.2.1	The Company discloses information in accordance with the principles of regularity, consistency and promptness, as well as availability, accuracy, comprehensiveness and comparability of disclosed data.	<ol style="list-style-type: none"> <li>The Company's Information Policy stipulates approaches to and criteria for identifying information, which may have a significant impact on the value of the Company and its securities, as well as procedures ensuring timely disclosure of such information.</li> <li>If the Company's securities are traded on foreign organized markets, the disclosure of material information in the Russian Federation and on such markets is simultaneous and equivalent during the reporting year.</li> <li>If foreign shareholders own a considerable number of shares in the Company, information was disclosed not only in Russian, but also in one of the prevailing foreign languages during the reporting year.</li> </ol>	<p>Observed</p> <p>Partially observed</p> <p>✓ Not observed</p>	<p>Criterion 1 is not observed.</p> <p>The Company's Information Policy does not stipulate approaches to and criteria for identifying information, which may have a significant impact on the value of the Company and its securities, as well as procedures ensuring timely disclosure of such information.</p> <p>The Company has no opportunity to affect the specified criterion observance.</p> <p>Non-compliance is not time-limited.</p> <p>Criteria 2 and 3 are not applicable for the Company.</p>
6.2.2	The Company avoids using a formal approach to information disclosure and discloses material information on its operations even if the law does not require disclosing such information.	<ol style="list-style-type: none"> <li>In the reporting period, the Company disclosed IFRS financial statements for the six months and for the full year. The Company's Annual Report for the reporting period includes IFRS annual financial statements and an auditor's report.</li> <li>The Company discloses comprehensive information on its capital structure in accordance with Recommendation 290 of the Code in the Annual Report and on its website.</li> </ol>	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	
6.2.3	Being one of the most important means of communication with shareholders and other stakeholders, the Annual Report contains information enabling an assessment of the Company's performance during the year.	<ol style="list-style-type: none"> <li>The Company's Annual Report contains information on the key aspects of its operations and its financial results</li> <li>The Company's Annual Report contains information on environmental and social aspects of its operations.</li> </ol>	<p>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
6.3	The Company provides equal and easy access to information and documents at the shareholders' request.			
6.3.1	The Company provides equal and easy access to information and documents at the shareholders' request.	1. The Company's Information Policy stipulates that shareholders shall be granted easy access to information, including information on legal entities controlled by the Company, at the shareholders' request.	Observed <b>✓ Partially observed</b> Not observed	The Company's Information Policy stipulates that shareholders shall be granted easy access to information, but it does not defines a procedure for provision of information on legal entities controlled by the Company, at the shareholders' request.  The Company has no opportunity to affect the specified criterion observance.  Non-compliance is not time-limited.
6.3.2	When the Company provides information to shareholders, a reasonable balance is maintained between the interests of individual shareholders and those of the Company, as the Company is interested in maintaining confidentiality of important commercial information, which may have a material effect on its competitiveness.	1. In the reporting period, the Company did not reject shareholders' requests for information, or, if it did, it gave reasons for the refusal to provide information.  2. In the cases stipulated by the Company's Information Policy, shareholders are informed that the information is confidential and undertake to keep it confidential.	<b>✓ Observed</b> Partially observed Not observed	

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
7.1	Actions that have or may have a substantial impact on the Company's share capital structure and financial position and, accordingly, on the shareholders' position (significant corporate actions) are taken on equitable terms safeguarding the rights and interests of the shareholders and other stakeholders.			
7.1.1	Significant corporate actions include reorganization of the Company, purchase of 30 or more percent of the Company's voting shares (acquisition), making major transactions, an increase or reduction of the authorized capital of the Company, listing and delisting of the Company's shares, as well as other actions that may result in a significant change of shareholders' rights or infringement of their interests. The Company's Articles of Associations provides a list (criteria) of transactions or other actions constituting significant corporate actions, and such actions fall within the competence of the Company's Board of Directors.	<ol style="list-style-type: none"> <li>1. The Company's Articles of Associations provides a list of transactions or other actions constituting significant corporate actions and establishes criteria for their definition. Making decisions about significant corporate actions is within the competence of the Board of Directors. In cases when the legislation specifically states that the exercise of corporate actions falls within the competence of the General Meeting of Shareholders, the Board of Directors provides the shareholders with the relevant recommendations.</li> <li>2. The Company's Articles of Associations classifies reorganization of the Company, purchase of 30 or more percent of the Company's voting shares (acquisition), making major transactions, an increase or reduction of the share capital of the Company, listing and delisting of the Company's shares as significant corporate actions.</li> </ol>	<p>Observed</p> <p>✓ <b>Partially observed</b></p> <p>Not observed</p>	<p>The Company's Articles of Associations does not provide a list of transactions or other actions constituting significant corporate actions and establishes criteria for their definition. Introduction of respective changes to the Articles of Association depends on position of shareholders. In this case, the following issues within the competences of the General Meeting of Shareholders are considered by the Company's Articles of Associations only at the proposal of the Board of Directors:</p> <ul style="list-style-type: none"> <li>• reorganization of the Company,</li> <li>• increase in the Company's share capital by increasing the nominal value of the shares or by placing additional shares;</li> <li>• making decisions on approval of consummating or on further approval of transactions in cases mentioned in Article 83 of the Federal Law on Joint Stock Companies;</li> <li>• making decisions on approval of consummating or on further approval of major transactions in cases mentioned in Article 79 of the Federal Law on Joint Stock Companies.</li> </ul> <p>The following issues are under the competence of the Company's Board of Directors:</p> <ul style="list-style-type: none"> <li>• statement on listing of the Company's shares and (or) equity securities convertible to the Company's shares,</li> <li>• preliminary approval of decisions on consummating certain transactions by the Company: <ul style="list-style-type: none"> <li>– ones, the subject of which is capital assets of the Company exceeding 10% of the carrying amount,</li> <li>– ones related with disposal or a possibility of disposal of property that composes the fixed assets, intangible assets, objects of unfinished construction intended for generation, transmission, dispatching, distribution of the electrical and thermal power, as well as other types of property specified by certain resolutions of the Board of Directors,</li> <li>– ones related with transfer (reception) of real estate and power grid facilities to temporary ownership (use) exceeding five years,</li> <li>– ones related with gratuitous transfer of the Company's property or property rights (claims) regarding itself or the third party; transactions related with relief of property liabilities regarding itself or the third party; transactions related with gratuitous services implemented by the Company for the third parties,</li> <li>– ones that can cause liabilities expressed in foreign currency, transactions with derivatives instruments.</li> </ul> </li> </ul> <p>Criterion 2 is not observed.</p> <p>Corresponding changes in the Company's Articles of Associations can be introduced under condition of the positive decision made by shareholders.</p> <p>Non-compliance is not time-limited. The Company plans to achieve compliance with the element of the Code in the future.</p>

No.	Corporate Governance Principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing the corporate governance principle
7.1.2	The Board of Directors plays a key role in making decisions or recommendations with regard to significant corporate actions; the Board of Directors relies on the opinion of Independent Directors of the Company.	1. The Company has established a procedure whereby Independent Directors express their opinions on significant corporate actions before their approval.	Observed  <b>Partially observed</b> Not observed	This procedure is not set out in the internal documents of the Company.  Non-compliance is not time-limited. The Company plans to achieve compliance with the element of the Code in the future.
7.1.3	When making significant corporate actions affecting the rights and legitimate interests of shareholders, equal conditions are provided for all shareholders of the Company, and in case of insufficiency of statutory mechanisms aimed at the protection of shareholders, additional measures are taken to protect the rights and legitimate interests of shareholders of the Company. At the same time, the Company is guided not only by compliance with the formal requirements of the law but also by the corporate governance principles set out in the Code.	1. Given the nature of the Company's operations, the minimum criteria established by the Company's Articles of Associations for classifying the Company's transactions as significant corporate actions are lower than those established by law.  2. During the reporting period, all significant corporate actions were approved prior to their implementation.	 <b>Observed</b> Partially observed Not observed	
7.2	<b>The Company ensures that significant corporate actions are taken in a manner that enables the shareholders to receive full information on such actions, provides them with an opportunity to influence such actions and guarantees that their rights are observed and properly protected when such actions are taken.</b>			
7.2.1	Information on significant corporate actions is disclosed, and an explanation of the reasons, conditions and consequences of such actions is provided.	1. During the reporting period, the Company promptly and thoroughly disclosed information on its significant corporate actions, including the rationale and timing of such actions.	 <b>Observed</b> Partially observed Not observed	
7.2.2	The rules and procedures for the implementation of significant corporate actions are set forth in the Company's internal documents.	1. The Company's internal documents establish the procedure for engaging an independent appraiser to carry out a valuation of the property sold or acquired in a major transaction or a related-party transaction.  2. The Company's internal documents establish the procedure for engaging an independent appraiser to carry out a valuation of the Company's shares for the purposes of purchase or buyback.  3. The Company's internal documents contain an expanded list of reasons why members of the Company's Board of Directors and other persons stipulated by applicable laws can be recognized as related parties for the purpose of transactions of the Company.	Observed  <b>Partially observed</b> Not observed	Criteria 1 and 2 are partially observed.  The Company's Articles of Associations stipulates engaging an independent appraiser (appraisers) to carry out a valuation of shares, property and other assets of the Company in cases specified in the Federal Law on Joint Stock Companies, as well as certain resolutions of the Company's Board of Directors.  Criterion 3 is not observed.  The Company will consider a possibility of corresponding changes development in case of necessity.  Non-compliance is not time-limited. The Company plans to achieve compliance with the element of the Code in the future.

# APPENDIX 2

## ON RELATED-PARTY TRANSACTIONS MADE BY ROSSETI KUBAN IN 2020

# REPORT ON THE TRANSACTIONS MADE BY ROSSETI KUBAN IN 2020 AND RECOGNIZED AS RELATED- PARTY TRANSACTIONS UNDER THE RUSSIAN LAW

## Report on the Transactions Made by Rosseti Kuban in 2020 and Recognized as Related-Party Transactions Under the Russian Law

No.	Transaction	Transaction Date	Essential transaction conditions (parties, subject, price*, validity)	Related party	Related-party transaction notification (letter details)	Authority that made the decision on the authorization of the transaction or its succeeding approval (if available - Minutes details)
1	Energy Service Contract	04.03.2020	<p>Parties of the Contract:</p> <p>Kubanenergo PJSC — Customer,</p> <p>Energoservice Kuban JSC — Energy Service Company.</p> <p>Subject of the Contract:</p> <p>The energy service company renders services aimed at energy saving and increasing the energy efficiency of the use of energy resources (including reducing the technological consumption (losses) of electricity in power grids) by identifying and reducing losses in the Customer's power grids, and the Customer pays for the services of the energy service company by saving the cost of paying for the consumption of energy resources (including the cost of compensating for electricity losses) through these initiatives.</p> <p>Contract price:</p> <p>The contract price has been determined in accordance with the protocol for agreeing on the contract price and amounts to RUB 54,396,054.00, including VAT at the rate of 20%.</p> <p>Contract validity:</p> <p>The contract comes into force from the moment it is signed by both parties and is valid within the contract term.</p> <p>The contract term is 4 years since the commencement of services under the contract</p>	<ol style="list-style-type: none"> <li>The Company's controller is Rosseti, which is also the controller of Energoservice Kuban JSC, a party of the transaction;</li> <li>Edgar. G. Armaganyan, member of the Management Board of the Company, also member of the Board of Directors of Energoservice Kuban JSC, a Party of the transaction;</li> <li>Oleg F. Nishchuk, member of the Management Board of the Company, also member of the Board of Directors of Energoservice Kuban JSC, a Party of the transaction</li> </ol>	No. KE/1200/25 dated February 4, 2020	No requests for holding a meeting of the Board of Directors of the Company to resolve the issue of obtaining consent for making the related-party transaction by entities listed in Clause 1 of Article 83 of the Federal Law No. 208-FZ "On Joint-Stock Companies" dated December 26, 1995 have been received



No.	Transaction	Transaction Date	Essential transaction conditions (parties, subject, price*, validity)	Related party	Related-party transaction notification (letter details)	Authority that made the decision on the authorization of the transaction or its succeeding approval (if available - Minutes details)
2	Supply Contract	14.05.2020	<p>Parties of the Contract:</p> <p>Kubanenergo PJSC — Buyer,</p> <p>VOLS-VL Management JSC — Supplier.</p> <p>Subject of the Contract:</p> <p>The Supplier, under the Contract terms, undertakes to supply electricity metering devices within the time period stipulated by the Contract (in the context of the Federal Law No. 522-FZ dated December 27, 2018) in the Power Grids of Adygea, Armavir, Krasnodar, Labinsk, Sochi, Ust-Labinsk and South-West of Kubanenergo in 2020 (hereinafter - the Goods), and the Buyer undertakes to accept and pay for the Goods.</p> <p>Contract price:</p> <p>The ceiling price of the Contract is RUB 155,510,308.12 including VAT at the rate of 20%.</p> <p>Contract validity:</p> <p>The Contract is valid since the signing and until full implementation of the obligations by the Parties</p>	The Company's controller is Rosseti, which is also the controller of VOLS-VL Management JSC, a party of the transaction	No. KE/1200/128 dated April 24, 2020	No requests for holding a meeting of the Board of Directors of the Company to resolve the issue of obtaining consent for making the related-party transaction by entities listed in Clause 1 of Article 83 of the Federal Law No. 208-FZ "On Joint-Stock Companies" dated December 26, 1995 have been received

No.	Transaction	Transaction Date	Essential transaction conditions (parties, subject, price*, validity)	Related party	Related-party transaction notification (letter details)	Authority that made the decision on the authorization of the transaction or its succeeding approval (if available - Minutes details)
3	Loan Agreement	22.05.2020	<p>Parties of the Agreement:</p> <p>Lender — Rosseti PJSC;</p> <p>Borrower — Kubanenergo PJSC.</p> <p>Subject of the Agreement:</p> <p>The Lender provides the Borrower with a loan in an amount not exceeding</p> <p>RUB 1,500,000,000.00 (hereinafter - the Loan Amount), and the Borrower undertakes to return the received Loan Amount to the Lender and pay interest to the Lender for the use of funds, in conformity with the procedure and terms stipulated in the Agreement.</p> <p>Provision of funds:</p> <p>The Lender transfers the Loan Amount to the Borrower, current account on the basis of the Application signed by the Borrower. The date of fund transfer is the date of loan charging-off from the current account of the Lender.</p> <p>Application - an application for the use of a loan sent by the Borrower to the Lender to receive the Loan Amount in accordance with the terms of the Loan Agreement. The application is drawn up by the Borrower in the form specified in the Loan Agreement.</p> <p>Lending purpose:</p> <ol style="list-style-type: none"> <li>1. Refinancing of debt to credit institutions.</li> <li>2. Financing of operating activities.</li> <li>3. Repayment of accounts payable (including overdue).</li> </ol> <p>Loan Amount: RUB 1,500,000,000.00 maximum.</p> <p>Interest rate:</p> <p>Starting from the date following the date of granting the Loan Amount and until the date of the final repayment of the loan, inclusive, the Borrower undertakes to pay the Lender interest on the loan accrued on the actual debt outstanding on the principal debt per each calendar day at the rate specified in the Application, but not exceeding 7.5% per annum.</p>	<ol style="list-style-type: none"> <li>1. The Company's Controller is Rosseti, which is also a party to the transaction;</li> <li>2. Olga A. Sergeeva, member of Board of Directors of Kubanenergo also member of the Management Board of Rosseti, which is the party to the transaction</li> </ol>	No. KE/1200/141 dated May 6, 2020	Board of Directors, Minutes No. 387/2020 dated May 15, 2020

No.	Transaction	Transaction Date	Essential transaction conditions (parties, subject, price*, validity)	Related party	Related-party transaction notification (letter details)	Authority that made the decision on the authorization of the transaction or its succeeding approval (if available - Minutes details)
			<p>Interest is calculated by the following formula:</p> $Ni = R * D * IP(i) / (365 * 100\%),$ <p>where</p> <p>Ni — the amount of interest accrued for the i-th interest period;</p> <p>D — the actual debt outstanding on the principal debt;</p> <p>R — interest rate in percent per annum;</p> <p>IP(i) — number of days of the i-th interest period.</p> <p>i — the sequential number of the interest period (i = 1, 2, 3...n), where n is the number of interest periods under the Agreement.</p> <p>Ni is calculated with an accuracy of two decimal places (the second decimal place is rounded according to the rules of mathematical rounding: if the third decimal place is greater or equal to 5, the second decimal place is increased by one, if the third decimal place is less than 5, the second decimal place does not change).</p> <p>Interest payment:</p> <p>Interest payments are made in accordance with the schedule for calculating and paying interest under the Agreement presented in the Appendix herein.</p> <p>If the date of interest payment falls on a non-working holiday or day off, regardless of whether it is a public holiday or a day off for settlement transactions, the interest payment is made on the last business day preceding the date of interest repayment.</p> <p>Maturity of the Loan Amount:</p> <p>The Borrower undertakes to repay the actually received Loan Amount on April 22, 2025.</p> <p>Agreement price:</p> <p>The Loan Agreement price consists of the loan amount provided to the Borrower by the Lender in an amount not exceeding RUB 1,500,000,000.00 and the amount of interest accrued at the interest rate.</p> <p>Other essential terms of the Agreement / the procedure for their determination:</p> <p>The Lender has the right to refuse to provide the Loan Amount in case of disagreement with the conditions set forth in the Application.</p>			

No.	Transaction	Transaction Date	Essential transaction conditions (parties, subject, price*, validity)	Related party	Related-party transaction notification (letter details)	Authority that made the decision on the authorization of the transaction or its succeeding approval (if available - Minutes details)
			<p>The Borrower undertakes the obligation to repay the loan debt and pay interest and penalties accrued on the date of repayment within 10 (ten) business days from the date of receipt of the Lender's claim for early repayment of the loan in accordance with the Agreement.</p> <p>Agreement validity:</p> <p>The Agreement is valid since the signing and until full implementation of the obligations under the Agreement by the Parties</p>			
4	Loan Agreement	30.06.2020	<p>Parties of the Agreement:</p> <p>Lender — Rosseti PJSC;</p> <p>Borrower — Kubanenergo PJSC.</p> <p>Subject of the Agreement:</p> <p>The Lender provides the Borrower with a loan not exceeding the debt limit, and the Borrower undertakes to return the received funds to the Lender and pay interest to the Lender for the use of funds, in conformity with the Loan Agreement.</p> <p>The aggregate debt limit is the maximum lump sum of the Borrower's debt under the Loan Agreement.</p> <p>Tranche is funds provided by the Lender to the Borrower under the terms set forth in the Application.</p> <p>Application - an application for the use of a loan sent by the Borrower to the Lender to receive the Tranche in accordance with the terms of the Loan Agreement. The application is drawn up by the Borrower in the form specified in the Loan Agreement.</p> <p>Lending purpose:</p> <p>Replenishment of current capital, financing of investment activities, refinancing of the debt portfolio of the Borrower, as well as other purposes as agreed with the Lender.</p> <p>Aggregate debt limit:</p> <p>RUB 5,400,000,000.00</p> <p>Loan type: loan at interest.</p>	The Company's Controller is Rosseti, which is also a party to the transaction	No. KE/1200/202 dated June 23, 2020	Board of Directors, Minutes No. 391/2020 dated June 26, 2020

No.	Transaction	Transaction Date	Essential transaction conditions (parties, subject, price*, validity)	Related party	Related-party transaction notification (letter details)	Authority that made the decision on the authorization of the transaction or its succeeding approval (if available - Minutes details)
			<p>Interest rate:</p> <p>Interest is accrued on the provided Tranches amount since the moment of receiving the fund by the Borrower from the Lender and until the implementation of the obligations under the Loan Agreement by the Borrower. The interest rate is set when the Tranche is granted under the Application of the Borrower agreed with the Lender, in the amount determined taking into account the simultaneous observance of the following conditions:</p> <ol style="list-style-type: none"> <li>The interest rate shall not exceed the Key rate of the Bank of Russia, i.e. + 2% per annum.</li> <li>The interest rate shall not be less than the interest rate available to the Lender for placing funds for a comparable period in deposit accounts in credit organizations.</li> </ol> <p>The procedure for paying interest is determined in the Borrower's Application.</p> <p>Term of the loans:</p> <p>The final maturity date under the Loan Agreement and for each of the Tranches is no later than 5 years from the date of the Loan Agreement conclusion.</p> <p>The term of each Tranche under the Loan Agreement is determined at the time of granting the Tranche under the Borrower's Application agreed with the Lender, but it shall not exceed 3 years from the date of granting the Tranche and the term of the Loan Agreement.</p> <p>Agreement price:</p> <p>The Loan Agreement price consists of the loan amount provided to the Borrower by the Lender in an amount not exceeding RUB 5,400,000,000.00 within the aggregate debt limit and the amount of interest accrued at the interest rate.</p> <p>Other essential terms of the Agreement / the procedure for their determination:</p> <p>Provision of funds:</p> <p>Funds are provided by one or several Tranches, without limitation.</p> <p>The total amount of debt by the Tranches (excluding the debt on accrued interest) under the Loan Agreement shall not exceed the aggregate debt limit.</p>			

No.	Transaction	Transaction Date	Essential transaction conditions (parties, subject, price*, validity)	Related party	Related-party transaction notification (letter details)	Authority that made the decision on the authorization of the transaction or its succeeding approval (if available - Minutes details)
			<p>Additional conditions:</p> <p>The Lender has a right to unilaterally change the interest rate for the use of borrowed funds for all and/or individual existing and/or newly granted Tranches, including due to the change in market conditions and/or the funding conditions of the Lender and/or the change in the creditworthiness of the Borrower.</p> <p>The Lender has the right to refuse to grant the Tranche.</p> <p>The Lender has the right to demand from the Borrower an early full or partial return of the Tranches and payment of accrued interest and penalties if the Borrower violates the terms of the Loan Agreement or the Tranche.</p> <p>The Borrower undertakes the obligation to repay the Tranche debt within the term set forth in the claim and pay interest and penalties accrued on the date of repayment upon receipt of the Lender's claim for early repayment of the Tranche.</p> <p>The Borrower has the right, upon agreement with the Lender, to early repay the debt on all or some of the existing Tranches and interest for the use of borrowed funds in compliance with the terms of early repayment of the debt defined in the Agreement. For returning the loan, interest is paid first, and then the amount of the Tranche, unless otherwise agreed by the Parties.</p> <p>Agreement validity:</p> <p>The Loan Agreement is valid since the signing and until full implementation of the obligations under the Agreement by the Parties</p>			

No.	Transaction	Transaction Date	Essential transaction conditions (parties, subject, price*, validity)	Related party	Related-party transaction notification (letter details)	Authority that made the decision on the authorization of the transaction or its succeeding approval (if available - Minutes details)
5	Contractor Agreement	27.07.2020	<p>Parties of the Agreement: Kubanenergo PJSC – Customer, Energoservice Kuban JSC – Contractor.</p> <p>Subject of the Agreement: At the request of the Customer and in accordance with the approved project documentation transferred by the Customer to the Contractor for the performance of work under the Agreement, the summary list of work performance cost and schedule, the Contractor undertakes to carry out construction, installation, and commissioning works at the Power Grids of the South-West and submit the result to the Customer, and the Customer undertakes to accept the result of the work and pay for it in accordance with the procedure laid down in the Agreement.</p> <p>Agreement price: The agreement price is RUB 98,431,226.94, including VAT at the rate of 20%.</p> <p>Work performance deadline: Starting date – upon Agreement signing. Completion date – until 01.08.2020.</p> <p>Agreement validity: The Agreement is valid since the signing by the Parties and until full implementation of the obligations by the Parties</p>	<ol style="list-style-type: none"> <li>1. The Company's controller is Rosseti, which is also the controller of Energoservice Kuban JSC, a party of the transaction;</li> <li>2. Edgar. G. Armaganyan, member of the Management Board of the Company, also member of the Board of Directors of Energoservice Kuban JSC, a Party of the transaction;</li> <li>3. Oleg F. Nishchuk, member of the Management Board of the Company, also member of the Board of Directors of Energoservice Kuban JSC, a Party of the transaction;</li> <li>4. Vladimir A. Skladchikov, member of the Management Board of the Company, also member of the Board of Directors of Energoservice Kuban JSC, a Party of the transaction;</li> <li>5. Igor V. Shishigin, member of the Management Board of the Company, also member of the Board of Directors of Energoservice Kuban JSC, a Party of the transaction</li> </ol>	No. KE/1200/229 dated July 10, 2020	No requests for holding a meeting of the Board of Directors of the Company to resolve the issue of obtaining consent for making the related-party transaction by entities listed in Clause 1 of Article 83 of the Federal Law No. 208-FZ "On Joint-Stock Companies" dated December 26, 1995 have been received

No.	Transaction	Transaction Date	Essential transaction conditions (parties, subject, price*, validity)	Related party	Related-party transaction notification (letter details)	Authority that made the decision on the authorization of the transaction or its succeeding approval (if available - Minutes details)
6	Communication Service Contract	27.08.2020	<p>Parties of the Contract:</p> <p>Kubanenergo PJSC — Client,</p> <p>VOLS-VL Management JSC — Provider.</p> <p>Subject of the Contract:</p> <p>The Provider undertakes to provide the Client with communication services, and the Client undertakes to accept and pay for the services under the Contract terms. The list of services, as well as additional rights and obligations of the Parties are determined by additional agreements and order forms for services hereto. The particular Service Contract between the Parties is considered to be concluded upon signing an order form to the additional agreement.</p> <p>Contract price:</p> <p>The marginal cost of the Contract, including all and any additional agreements and order forms hereto, shall not exceed RUB 107,101,248.20, including all taxes and charges payable in accordance with the legislation of the Russian Federation.</p> <p>Contract validity:</p> <p>The Contract comes into force upon its signing by both Parties. The Contract covers the relations between the Parties since May 18, 2020, and is valid for 3 years.</p> <p>The service provision term will be stated in additional agreements and/or order forms for services under the Contract. The service provision term specified in the additional agreement (the corresponding order form for services) is automatically prolonged for each subsequent year within the term of the Contract until the Client or the Provider notifies the other Party of the termination of the next one-year term 30 calendar days before the expected date of termination of the services</p>	<ol style="list-style-type: none"> <li>The Company's controller is Rosseti, which is also the controller of VOLS-VL Management JSC, a party of the transaction;</li> <li>Denis L. Guryanov, member of the Board of Directors of Kubanenergo, also member of the Board of Directors of VOLS-VL Management JSC, a party of the transaction</li> </ol>	No. KE/1200/241 dated July 20, 2020	No requests for holding a meeting of the Board of Directors of the Company to resolve the issue of obtaining consent for making the related-party transaction by entities listed in Clause 1 of Article 83 of the Federal Law No. 208-FZ "On Joint-Stock Companies" dated December 26, 1995 have been received



# APPENDIX 3

INFORMATION ON NON-CORE ASSETS  
OF ROSSETI KUBAN.

PARTICIPATION OF ROSSETI KUBAN IN COMMERCIAL  
AND NON-COMMERCIAL ORGANIZATIONS

# INFORMATION ON NON-CORE ASSETS OF ROSSETI KUBAN. PARTICIPATION OF ROSSETI KUBAN IN COMMERCIAL AND NON-COMMERCIAL ORGANIZATIONS

## Non-Core Asset Register of the Company

Pursuant to the Decree No.596 of the President of Russia dated May 7, 2012, Directives No.4863p-P13 of the Government of Russia dated July 7, 2016 and Order No.894-r of the Russian Government dated May 10, 2017, the Board of Directors of Kubanenergo approved the Program for the Disposal of Non-core Assets of the Company on December 23, 2016 (Minutes No.259/2016); it was approved in a new version on December 22, 2018 (Minutes No.300/2018) (hereinafter — the Program).

The Program specifies basic approaches, principles and procedures of non-core asset identification and sale,

sets up criteria for attributing assets to non-core ones, the procedure of the Non-Core Asset Register keeping, approaches to non-core asset evaluation, main provisions on non-core asset disposition, as well as the procedure of reporting on processing of the Non-Core Asset Register.

By resolution of the Company's Board of Directors dated February 17, 2021

(Minutes No.419/2021), the Non-core Asset Register aligned with the Program was updated and approved.

In 2020, the non-core assets were not sold due to failed auctions in the absence of tender applications.

## Participation of Rosseti Kuban in Commercial Organizations

As at December 31, 2020, Rosseti Kuban had blocks of shares of four joint stock companies, including two subsidiaries.

Name and address of companies	Region of activity	Activity	Stockholding of the Company in the share capital of the joint stock company, %
<b>Subsidiaries of Rosseti Kuban</b>			
Joint Stock Company Energetik Health Resort (Energetik Health Resort JSC), 4 Pionerskaya St., Divnomorskoye settlement, Krasnodar Territory, 353490	Krasnodar Territory	Organization of recreation and health improvement for children and adults, primarily employees of Company and their families; organization and holding of seminars and conferences	100
Joint Stock Company Energoservice Kuban (Energoservice Kuban JSC) 47 Novorossiyskaya St., 350080	Krasnodar, Krasnodar Territory	Design, installation and commissioning of metering units for electricity, gas and technological equipment, hot and cold water supply	100

Name and address of companies	Region of activity	Activity	Stockholding of the Company in the share capital of the joint stock company, %
<b>Other commercial organizations, shares of which are owned by the Company</b>			
Closed Joint Stock Company Regional Engineering and Technological Energy Company — SOYUZ (RITEK-SOYUZ CJSC) Legal address: 2 Stavropolskaya St., Central Administrative District, Krasnodar, 350033 Postal address: 50 Demus St., Krasnodar, 350080	Krasnodar Territory	Organization, implementation and support of research and development, engineering, construction and installation and commissioning works; monitoring and controlling	1
Closed Joint Stock Company North Caucasus Scientific and Production Joint Stock Corporation Turbogaz (Turbogaz CJSC) Legal address: Gelendzhik, Krasnodar Territory, 353470 Postal address: 66 Ordzhonikidze St., Krasnodar, Krasnodar Territory, 350000	Krasnodar Territory	Development of energy saving technologies; manufacturing, operation, maintenance and repair of power plants; production and sale of electricity	4

Blocks of shares of the above joint stock companies are included in the Non-Core Asset Register.

With regard to blocks of shares, the method of disposal is "retaining participation". The method of disposal is established prior to making a separate systemic decision regarding these assets.

The size of the stake in the voting shares of Turbogaz CJSC and RITEK-SOYUZ CJSC owned by the Company does not allow it to independently make decisions on the functioning of these commercial organizations, including determining the composition of their management and control bodies.

Interaction of Rosseti Kuban with subsidiaries is carried out in line with the legislation of the Russian Federation, Articles of Associations and internal documents of the Company and its subsidiaries, including the Procedure for Interaction of the Company with Business Entities, Shares (Interests) of which are owned by the Company, approved by the resolution of the Board of Directors of the Company (Minutes No.69/2009 dated March 27, 2009).

Main Goals of Company's Interaction with Subsidiaries:

- ensuring stable financial development and profitability of subsidiaries;
- ensuring 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;

- developing and implementing a coordinated and effective Investment Policy of subsidiaries.

Management and control of the activities of subsidiaries is carried out by the Company through the following corporate governance mechanisms:

- in accordance with the Articles of Association of Rosseti Kuban, the functions of General Meetings of Shareholders of 100% subsidiaries are performed by the Management Board of the Company;
- general management of the subsidiaries' activities is carried out by their Boards of Directors, most of their members are representatives of Rosseti Kuban;
- on the main issues of the agenda of General Meetings of Shareholders and meetings of the Boards of Directors of subsidiaries, the position of Rosseti Kuban is determined by the Board of Directors of the Company;
- the financial and economic activities of subsidiaries are regularly controlled by their Audit Commissions consisting of representatives of Rosseti Kuban.

Detailed information on S&A of Rosseti Kuban is published on the Company's website in the section About the Company / Subsidiary Companies.



## Data on Activities of Energetik Health Resort JSC in the Reporting Year

### Financial and Economic Performance Indicators of Energetik Health Resort JSC

No.	Name	2020	2019	2018
1	Revenue, RUB '000	41,013	58,784	64,289
2	Gross profit, RUB'000	-7,924	1,355	730
3	Net profit (retained profit / uncovered loss), RUB'000	-6,771	316	-784
4	Return on equity (ROE) <sup>1</sup> , %	-21.70	0.92	-2.26
5	Return on total assets (ROTA) for profit before tax <sup>1</sup> , %	-24.1	1.3	0.3
6	Net profitability ratio, %	-16.5	0.5	-1.2
7	Product (sales) profitability, %	-19.3	2.3	1.1
8	Amount of uncovered loss as of the reporting date, RUB'000	7,368	581	897
9	Ratio of uncovered loss as of the reporting date and balance sheet currency, %	21.5	1.6	2.5

Significant transactions (groups of related transactions) with liabilities of 10 per cent and more of carrying amount of the assets of Energetik Health Resort JSC according to its accounting data for the completed reporting period prior to the transaction made by Energetik Health Resort JSC in 2020

No.	Transaction	Transaction counterparty	Transaction price, incl. VAT, RUB
1	Independent assessment of professional qualification of the Company's employees	of Rosseti Kuban	10,105,200.00

<sup>1</sup> The indicators "Return on equity (ROE)", "Return on total assets (ROTA) for profit before tax" are calculated in accordance with the following methodology:  
 Return on equity (ROE) = Net profit / Avg. equity value x 100%;  
 Return on total assets (ROTA) for profit before tax = Profit before tax / Avg. total assets value x 100%.

## Data on Activities of Energoservice Kuban JSC in the Reporting Year

### Financial and Economic Performance Indicators of Energoservice Kuban JSC

No.	Name	2020	2019	2018
1	Revenue, RUB '000	993,507	100,737	39,895
2	Gross profit, RUB'000	155,021	17,527	12,924
3	Net profit (retained profit / uncovered loss), RUB'000	79,578	1,335	1,269
4	Return on equity (ROE) <sup>1</sup> , %	145.4	9.0	6.9
5	Return on total assets (ROTA) for profit before tax <sup>1</sup> , %	44.9	4.5	3.1
6	Net profitability ratio, %	8.0	1.3	3.2
7	Product (sales) profitability, %	10.3	2.6	9.6
8	Amount of uncovered loss as of the reporting date, RUB'000	–	–	–
9	Ratio of uncovered loss as of the reporting date and balance sheet currency, %	–	–	–

**Significant transactions (groups of related transactions) with liabilities of 10 per cent and more of carrying amount of the assets of Energoservice Kuban JSC according to its accounting data for the completed reporting period prior to the transaction made by Energoservice Kuban JSC in 2020**

No.	Transaction counterparty	Transaction price, incl. VAT, RUB/.	Transaction
Q1			
1	Kubanenergo	5,218,040.00	Clearing of 10 kV overhead line right-of-ways of Power Grids of Tikhoretsk and Leningrad branches of the Company
2		12,678,574.79	Clearing of 35 kV and above overhead line right-of-ways of Power Grids of Krasnodar, Slavyansk, Timashevsk, Ust-Labinsk and of the South-West branches of the Company
3		5,169,077.12	Medium and current repair of equipment of 35 kV and above SS of Power Grids of Slavyansk and of the South-West branches
4		10,855,460.00	Clearing of 35 kV and above overhead line right-of-ways of Power Grids of Armavir and Labinsk branches of the Company
5		9,355,308.00	Medium and current repair of equipment of 35 kV and above SS of Power Grids of Tikhoretsk and Leningrad branches
6		38,932,614.85	Overhaul of distribution grid facilities of Power Grids of Krasnodar branch
7		10,140,528.00	Medium and current repair of equipment of 35 kV and above SS of Power Grids of Krasnodar and Ust-Labinsk branches
8		23,700,511.75	Overhaul of distribution grid facilities of Leningrad Power Grids branch
9		18,160,896.37	Overhaul of distribution grid facilities of Power Grids of Slavyansk branch
10		38,629,564.48	Overhaul of distribution grid facilities of Power Grids of Tikhoretsk branch
11		31,762,440.35	Overhaul of distribution grid facilities of Power Grids of Timashevsk branch
12		22,230,060.00	Repair of buildings and structures of Power Grids of Krasnodar and Ust-Labinsk branches
13		9,957,620.00	Clearing of 0.4-10 kV overhead line right-of-ways
14		20,758,802.84	Overhaul of distribution grid facilities of Power Grids of Ust-Labinsk branch
15		28,500,979.38	Overhaul of distribution grid facilities of Leningrad Power Grids branch

<sup>1</sup> The indicators "Return on equity (ROE)", "Return on total assets (ROTA) for profit before tax" are calculated in accordance with the following methodology:  
 Return on equity (ROE) = Net profit / Avg. equity value x 100%;  
 Return on total assets (ROTA) for profit before tax = Profit before tax / Avg. total assets value x 100%.

No.	Transaction counterparty	Transaction price, incl. VAT, RUB/.	Transaction
16	Prisma LLC	9,038,400.00	Implementation of design and survey, construction and installation works for FOCL facilities
17	Kubanenergo	16,031,806.49	Implementation of cadastral surveys for determination of boundaries of 0.4 kV overhead lines buffer zones of the Company in the Dinsky District of the Krasnodar Territory
18		54,396,054.00	Energy Service Contract
19		12,566,642.70	Implementation of cadastral surveys for determination of boundaries of 0.4 kV overhead lines buffer zones of the Company in the Seversky District of the Krasnodar Territory
20		15,038,018.45	Implementation of cadastral surveys for determination of boundaries of 0.4 kV overhead lines buffer zones of the Company in the Takhtamukaisky and Teuchezhsky Districts of the Republic of Adygea
21		8,024,930.09	implementation of cadastral surveys for determination of boundaries of 0.4 kV overhead lines buffer zones of the Company in Krasnodar and Goryachy Klyuch
22	Krasnodar Design Institute Giprokommunenergo LLC	5,125,000.00	Development of design and operational documentation and execution of land and legal documentation regarding facilities for connection to Power Grids of Krasnodar branch
23	PIK RESONANS LLC	6,150,000.00	A set of works on the development of design and operational documentation and execution of land and legal documentation regarding facilities for connection to the grids for the subsidised category of consumers
24	KASKADENERGO LLC	5,125,000.00	A set of works on the development of design and operational documentation and execution of land and legal documentation regarding facilities for connection to Power Grids of Slavyansk branch for the subsidised category of applicants
25		5,125,000.00	A set of works on the development of design and operational documentation and execution of land and legal documentation regarding facilities for connection to Power Grids of Adygea branch for the subsidised category of applicants
26	Antur LLC	5,953,627.00	Delivery of equipment for organization of automate work places
27	Krasur LLC	7,125,754.99	Medium and current repair of equipment of 35 kV and above SS of Power Grids of Krasnodar and Ust-Labinsk branches
28		7,003,837.09	Medium and current repair of equipment of 35 kV and above SS of Power Grids of Tikhoretsk and Leningrad branch
29	Kuban Energo Engineering LLC	15,000,000.00	A set of works on the development of design and operational documentation and execution of land and legal documentation regarding facilities for grid connection to the Company's branches for the subsidised category of consumers
30	TES LLC	25,220,471.93	Overhaul of 0.4-10 kV distribution grid facilities of Power Grids of Timashevsk branch
31		30,516,944.81	Overhaul of 0.4-10 kV distribution grid facilities of Power Grids of Tikhoretsk branch
32		16,353,681.00	Overhaul of 0.4-10 kV distribution grid facilities of Power Grids of Ust-Labinsk branch
33	Vialeks LLC	14,337,016.08	Overhaul of 0.4-10 kV overhead lines of Power Grids of Slavyansk branch
34	ProyektServis LLC	8,333,333.33	A set of works on the development of design and operational documentation and execution of land and legal documentation regarding facilities for connection to Power Grids of the South-West branch for the subsidised category of applicants

No.	Transaction counterparty	Transaction price, incl. VAT, RUB/.	Transaction
35	Leningradskoye Agropromenergo JSC	18,822,946.43	Overhaul of distribution grid facilities of 0.4-10 kV overhead lines of Leningrad Power Grids branch
36		22,328,991.00	Overhaul of 6–10/0.4 kV TS of Leningrad Power Grids branch
37	Mega Group LLC	7,055,804.88	Clearing of 35 kV and above overhead line right-of-ways of Power Grids of Armavir and Labinsk branches
38		6,668,624.01	Clearing of 0.4-10 kV overhead line right-of-ways of Power Grids of Armavir, Krasnodar, and of the South-West branches
39	StroiMontazh-11 LLC	10,000,000.00	Implementation of construction and installation works on construction and reconstruction of 0.4–10 kV facilities of the Krasnodar Territory and the Republic of Adygea
40	Private entrepreneur P.A. Antonov	7,246,032.00	Clearing of 35 kV and above overhead line right-of-ways of Power Grids of Krasnodar, Slavyansk, Timashevsk, Ust-Labinsk and of the South-West branches of the Company
41	StroiMontazh-11 LLC	18,733,400.00	Repair of buildings and structures of Power Grids of Krasnodar and Ust-Labinsk branches
42		30,647,000.00	Overhaul of 0.4-10 kV distribution grid facilities of Power Grids of Krasnodar branch
43	Universal-electromontazh LLC	7,300,000.00	Implementation of construction and installation works for the construction and reconstruction of 0.4–10 kV facilities of Power Grids of Slavyansk branch
44	Tekhnologii stroitelstva JSC	10,000,000.00	Implementation of construction and installation works for the construction and reconstruction of 0.4–10 kV facilities of Power Grids of the South-West branch
<b>Q2</b>			
1	Kubanenergo	42,369,064.37	Implementation of design and survey works for the construction of 110 kV Yuzhnaya Ozereyevka SS
2		34,181,128.88	Implementation of design and survey works for the construction of 110 kV PTL for connection of 110 kV Yuzhnaya Ozereyevka SS
3		32,662,805.74	Implementation of construction and installation and commissioning works for creation of technical metering system of 6(10)/0.4 kV TS and 35–110 kV SS of Power Grids of Adygea branch (1-st stage)
4		32,058,056.27	Implementation of construction and installation and commissioning works for creation of technical metering system of 6(10)/0.4 kV TS and 35–110 kV SS of Power Grids of Adygea branch (3-rd stage)
5		31,237,493.23	Implementation of construction and installation and commissioning works for creation of technical metering system of 6(10)/0.4 kV TS and 35–110 kV SS of Power Grids of Adygea branch (2-nd stage)
6		15,534,964.92	Implementation of design and survey works for the reconstruction of 110/6 kV Yeysk-2 SS
7		14,865,775.26	Implementation of construction and installation works on power facilities of Power Grids of the South-West branch
8	Tekhnologii stroitelstva JSC	76,953,120.00	Construction and installation works on creation of the technical metering system
9	Mega Group LLC	34,679,971.00	Construction and installation works for the installation of power metering devices

No.	Transaction counterparty	Transaction price, incl. VAT, RUB/.	Transaction
<b>Q3</b>			
1	Caspian Pipeline Consortium JSC	141,205,161.67	Implementation of design and survey, construction and installation, and commissioning works
2	Caspian Pipeline Consortium JSC	35,554,720.00	Implementation of design and survey, construction and installation, and commissioning works
3	Rosseti Kuban	98,431,226.94	Implementation of construction and installation and commissioning works on power facilities of Power Grids of the South-West branch
4		34,664,380.21	Implementation of design and survey works on power facilities of Power Grids of Slavyansk branch
5	Tekhnologii stroitelstva JSC	77,987,880.00	Implementation of construction and installation and commissioning works
<b>Q4</b>			
1	Rosseti Kuban	49,920,000.00	Implementation of turn-key design and survey, construction and installation works on power facilities of Power Grids of Slavyansk branch
2		49,920,000.00	Implementation of turn-key design and survey, construction and installation works on facilities of Leningrad Power Grids branch
3		42,818,547.87	Overhaul of distribution grid facilities of Power Grids of Adygea, Krasnodar, Timashevsk branches
4		40,913,518.74	Overhaul of 0.4–10 kV distribution grid facilities of Power Grids of Labinsk and Ust-Labinsk branches



## Participation of Rosseti Kuban in Non-commercial Organizations

No.	Name of non-commercial organization	Organization details	Purpose of participation	Financial parameters
1	Full name of the Institution: Energy Institute for Advanced Training Further Professional Education Institution of Public Joint Stock Company of Energy and Electrification of Kuban	<p>Established on September 10, 2004 by resolution of the Board of Directors of Kubanenergo (Minutes No.3 dated July 30, 2004).</p> <p>Other types of activities:</p> <ul style="list-style-type: none"> <li>meeting the needs of the specialists of Rosseti Kuban in obtaining knowledge about the latest achievements in the electric power industry, advanced domestic and western experience in the electric power industry;</li> <li>organizing and conducting advanced training and professional retraining of specialists of Rosseti Kuban;</li> <li>organizing and conducting scientific research, scientific and technical and experimental works, consulting activities;</li> <li>scientific expertise of programs, projects, recommendations, other materials and work specialized materials</li> </ul>	Providing Rosseti Kuban with qualified personnel through professional training, professional retraining and professional development of the Company's employees, improving their business qualities, preparing them for new job functions	–
2	Union Interregional Construction Alliance Self-Regulatory Organisation	The main goals of the Union are to prevent harm to the life or health of individuals, property of individuals or legal entities, state or municipal property, environment, life or health of animals and plants, cultural heritage objects (historical and cultural monuments) of the peoples of the Russian Federation due to shortcomings in work, which have an impact on the safety of capital construction objects and are carried out by the members of the Union; improving the quality of construction, reconstruction, overhaul of construction projects; protection of the rights and legitimate interests of the members of the Union.	Compliance with the current legislation and elimination of the risks of bringing to administrative responsibility under Part 1 of Article 9.5.1 of the Code of the Russian Federation on Administrative Offenses	<p>Entry fee: RUB 10,000</p> <p>Monthly membership fee: RUB 5,000</p> <p>Additional annual target membership fee for the needs of the National Association of Builders: RUB 5,000</p> <p>Compensation fee to the harm compensation fund: RUB 100,000</p> <p>Form of fee payment – cash</p>

3	All-Russian Branch Association of Employers of the Electric Power Industry "Energy Employment Organization Association of Russia" (ERA of Russia Association)	<p>Main goals:</p> <ul style="list-style-type: none"> <li>• protection and promotion of the interests of employers in the electric power industry, including in relations with state authorities and trade unions, consolidation of the aggregate resource of the Association members to influence the social and economic policy of the state;</li> <li>• regulation of social and labor relations in the electric power industry, increasing the efficiency of social partnership, promoting the maintenance of social stability in the labor collectives of the electric power industry organizations, increasing the efficiency of human resource management, enhancing the return on investment to personnel and the development of human capital;</li> <li>• assistance in the creation of favorable conditions for business in general and development of the electric power industry in particular, participation in the development and implementation of projects to increase the economic efficiency of energy organizations, increase labor productivity;</li> <li>• development of the national system of professional qualifications and its industry segment, promoting the development of industry-specific professional education, meeting the needs of employers in training qualified personnel, etc.</li> </ul>	<ol style="list-style-type: none"> <li>1. the need to promote the interests of the Company, including in relations with government bodies and trade unions;</li> <li>2. the need to improve the efficiency of social partnership, to assist in maintaining social stability in labor collectives;</li> <li>3. development of cooperation with other organizations in the field of labor and on other issues of social and economic nature</li> </ol>	Annual membership fee: RUB 1,700,000
4	Association Nonprofit Partnership of Territorial Network Organizations	<p>The Association Nonprofit Partnership of Territorial Network Organizations consolidates, represents and protects the professional interests of participants of the partnership in government bodies of all levels, infrastructure, non-commercial and public organizations. The partnership platform is a center for communication of partnership participants and dissemination of the best business practices in the Power Grid Complex. The Supervisory Board of the Association Nonprofit Partnership of Territorial Network Organizations includes the Heads of the specialized offices of the Energy Committee of the State Duma of the Russian Federation, the Ministry of Energy of Russia</p>	<p>Ensuring the compliance of Rosseti Kuban with the requirements of the wholesale market in the event that the functions of a guaranteeing supplier are assigned to Rosseti Kuban</p>	Entry (one-time) fee: RUB 1 mln Quarterly current (regular) membership fee: RUB 256,000
5	Chamber of Commerce and Industry of the Krasnodar Territory	<p>Promotion of interaction between business entities and local authorities, all-round development of trade and economic, investment and scientific and technical cooperation between entrepreneurs of the Krasnodar Territory and entrepreneurs of foreign countries. Coordination and representation of the interests of all members of the Chamber, entrepreneurs and their associations, regardless of ownership, subordination and location on the Krasnodar Territory</p>	<ol style="list-style-type: none"> <li>1. representation of interests in cooperation with the administration of the Krasnodar Territory, the city of Krasnodar, as well as the administrations of cities and districts of the Territory;</li> <li>2. development of business relations with large companies in Kuban</li> </ol>	Annular membership fee of the Company: RUB 20,000

# APPENDIX 4

INDEPENDENT AUDITOR'S REPORT  
ON ACCOUNTING (FINANCIAL) STATEMENTS  
OF PUBLIC JOINT STOCK COMPANY ROSSETI KUBAN

Independent Auditor's Report  
on Accounting (Financial) Statements of  
**Public Joint Stock Company**  
**Rosseti Kuban**  
for 2020

February 2021

**Independent Auditor's Report  
on Accounting (Financial) Statements of  
Public Joint Stock Company  
Rosseti Kuban**

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## Independent Auditor's Report

To: the shareholders and the Board of Directors  
of Public Joint Stock Company  
Rosseti Kuban

### Opinion

We have audited the accompanying accounting (financial) statements of Public Joint-Stock Company Rosseti Kuban (hereinafter – the Company) which comprise the balance sheet as of December 31, 2020, Statement of Financial Results for 2020, and appendixes thereto.

In our opinion, the accompanying accounting (financial) statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its accounting performance and cash flows for 2020 in accordance with the accounting (financial) statements preparation rules established by the Russian Federation.

### Basics for Opinion

We conducted our audit in accordance with the International Standards of Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Accounting Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) accepted by the International Ethics Standards Board for Accountants (IESBA) 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.

<b>Key audit matter</b>	<b>How the matter was addressed in our audit.</b>
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<b>Recognition and measurement of revenue from electricity transmission services</b>	
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<p>Recognition and measurement of revenue from electricity transmission services was one of the most significance in our audit due to certain mechanisms of operation of retail electricity market that stipulate presence of disagreements between network, energy supply and other companies pertaining to the volume and cost of transmitted electricity. The sum of the disputable revenue is considered as material for the accounting (financial) statements of the Company. The assessment by the Company's management of favorable outcome of the dispute resolution is, to a large extent, subjective. The revenue is recognized when, with regard of assumptions, disputes are resolved in favor of the Company.</p>	
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	<p>We have review the Company's policy on recognizing revenue from electricity transmission services; evaluated the system of internal control over revenue recognition; reviewed the accuracy of determined revenue amounts based on concluded electricity transmission contracts; on a sample basis obtained confirmations of accounts receivable balances from the counterparties; analyzed outcomes of litigations in respect of disputed amounts for the provided services, if any; and evaluated exiting procedures for confirming the volume of transmitted electricity.</p>
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Information on the revenue from electricity transmission services is disclosed in Clause 6.12 of Notes to the Accounting Statements and Statement of Financial Results.

<b>Impairment of accounts receivable</b>	
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<p>In our opinion, the matter of impairment of accounts receivable was one of the most significance in our audit due to significant balances of the Company's accounts receivable as of December 31, 2020 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.</p>	
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	<p>We have analyzed the adequacy of the Company's policy on reviewing accounts receivable and determining whether accounts receivables impairment allowance should be established, as well as procedures of confirming the reasonableness of the estimates made by the management of the Company, including review of accounts receivable payments, review of maturity dates and overdue debts, review of customers' financial solvency.</p>
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Information on impairment of accounts receivable is disclosed in Clause 6.6 of Notes to the Accounting Statements and Statement of Financial Results.

	<p>We have performed audit procedures in respect of information used by the Company for determining the impairment of accounts receivable, in respect of classification of accounts receivable by their maturity dates; tested accuracy of calculating the allowance on the basis of the management estimates.</p>
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**Key audit matter****How the matter was addressed in our audit.****Recognition, measurement and disclosure of provisions and contingent liabilities**

Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims of counterparties (including territorial electric grid companies and energy supply companies) were matters of the most significance in our audit because they require a lot of management judgments in respect of significant amounts of balance of payments between counterparties being in dispute in the course of litigations or in the process of pre-trial procedures.

Information on provisions and contingent liabilities are disclosed in Clause 6.15 of Notes to the Accounting Statements and Statement of Financial Results.

The audit procedures included review of court rulings made by courts of different levels, and review of adequacy of management judgments in respect of the assessment of possibility of outflow of economic resources following dispute resolutions, review of conformity of the prepared documentation with the existing contracts and compliance with the law.

**Other information included in the annual report for 2020**

Other information includes information contained in the annual report for 2020 but does not include accounting (financial) statements and our audit report on it. The Management is responsible for other information. The annual report for 2020 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 responsibility for the Audit of the Accounting (Financial) Statements**

Our objectives are to obtain reasonable assurance on whether the accounting (financial) statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounting (financial) statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the accounting (financial) statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the accounting statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ Evaluate the overall presentation, structure and content of the accounting (financial) statements, including the disclosures, and whether the accounting (financial) statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee of the Board of Directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Board of Directors of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Board of Directors of the Company, we determine those matters that were of most significance in the audit of the accounting (financial) statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Manager in charge of the audit resulting in this independent auditor's report is Kalmykova A.B.

Kalmykova A.B.  
Partner  
Ernst & Young LLC  
Krasnodar

24 February 2021

**Details of the audited entity**

Name: Public Joint-Stock Company Rosseti Kuban  
Record made in the State Register of Legal Entities on 17 September 2002; Primary state registration number 1022301427268  
Address: 2A Stavropolskaya Street, Krasnodar 350033, Russia

**Details of the auditor**

Name: Ernst & Young LLC  
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.  
Address: 77/1 Sadovnicheskaya naberezhnaya, Moscow 115035, Russia  
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

A member firm of Ernst & Young Global Limited

Appendix 1

Balance sheet					
as at December 31 20'20					
					Codes
Form of OKUD					0710001
Date (day, month, year)					31   12   2020
Company Rosseti Kuban PJSC					OKPO 00104604
Taxpayer Identification Number					TIN 2309001660
Economic activity electric power transmission					OKVED 2 35.12
Legal form/form of property Public Joint Stock Company / privately owned					OKOPF/OKFS 12247   16
Unit of measurement: thousands of RUB					OKEI 384
Registered office (address) 350033, Russian Federation, Krasnodar, 2A Stavropolskaya Street					
Financial statements are audited <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO					
Name of audit organization/surname, first name, patronymic (if any) of registered auditor Limited Liability Company Ernst & Young					
Taxpayer Identification Number of audit organization/registered auditor					TIN 7709383532
Primary State Registration Number of audit organization/registered auditor					PSRN / PSRNSP 102773970203
Note	Line item	Line code	As at December 31 2020	As at December 31 2019	As at December 31 2018
<b>ASSETS</b>					
<b>I. NON-CURRENT ASSETS</b>					
5.1.1.-5.2.2.	Intangible assets	1110	145,514	134,682	38,621
5.2.2.	including non-complete transactions on acquisition of intangible assets	1111	7,500	7,500	7,500
5.2.1.-5.2.2.	Research and development results	1120	17,603	33,756	107,450
5.2.2.	Including expenses for non-complete research and development	1121	17,603	33,756	107,450
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
5.3.1.-5.3.6.	Fixed assets	1150	63,827,345	63,343,130	65,534,635
	Lands and objects of nature management	1151	136,562	136,411	136,330
	Buildings, machinery, equipment, construction	1152	59,203,156	59,270,093	50,768,189
	Other fixed assets	1153	196,617	262,534	207,553
5.3.5.	Construction in progress	1154	3,391,998	3,069,476	10,190,196
5.3.6.	advances issued for investment building and purchase of fixed assets	1155	96,451	30,056	341,336
	raw materials intended to be used in case of fixed assets creation*	1156	802,561	574,560	891,031
5.3.1.	Income-bearing investments in tangible assets	1160	-	-	-
5.4.1.-5.4.3.	Financial investments	1170	31,579	39,050	37,556
	investments in subsidiary companies	1171	31,578	39,049	37,555
	investments in affiliates	1172	-	-	-
	investments in other companies	1173	1	1	1
	Loans given to companies for the period of more than 12 months	1174	-	-	-
	Financial investments	1175	-	-	-
5.7.2.	Deferred tax assets	1180	1,020,464	888,357	857,928
	Other non-current assets	1190	253,975	291,676	130,725
	Total non-current assets	1100	65,296,480	64,730,651	63,706,915
<b>II. CURRENT ASSETS</b>					
5.5.1-5.5.2.	Inventories	1210	1,910,048	1,835,632	1,861,538
	Raw materials and other equivalent supplies	1211	1,910,048	1,832,183	1,861,538
	Work-in-progress	1212	-	-	-
	Finished goods and goods for resale	1213	-	1,396	-
	Shipped goods	1214	-	2,053	-
	Other inventories and expenses	1215	-	-	-
	VAT on purchased assets	1220	19,601	2,558	2,450
5.6.1.-5.6.4.	Accounts receivable	1230	8,547,200	7,433,109	7,057,410
	Payments expected beyond 12 months of the reporting date	1231	23,124	25,601	22,880
	Buyers and customers	123101	445	462	1,128
	Notes receivable	123102	-	-	-
	Advances issued	123103	-	-	-
	Other accounts receivable	123104	22,679	25,139	21,752
	Payments expected within 12 months of the reporting date	1232	8,524,076	7,407,508	7,034,530
	Buyers and customers	123201	7,577,874	6,610,771	6,205,537
	Notes receivable	123202	-	-	-
	Receivables from subsidiaries and affiliates for dividends	123203	-	-	-
	Receivables from participants (shareholders) for contributions to charter capital	123204	-	-	-
	Advances issued	123205	47,518	32,700	34,489
	Other accounts receivable	123206	898,684	764,037	794,504
5.4.1-5.4.3.	Financial investments (except cash equivalents)	1240	-	-	-
	Loans given to companies for the period of less than 12 months	1241	-	-	-
	Other short-term financial investments	1242	-	-	-
Φ.4	Cash and cash equivalents	1250	718,034	1,699,590	2,194,482
	Cash in bank	1251	-	-	-
	Current accounts	1252	718,030	1,699,590	2,194,307
	Foreign currency accounts	1253	-	-	-
	Other cash	1254	4	-	175
	Other current assets	1260	888,881	625,747	1,179,000
	Total current assets	1200	12,083,764	11,596,636	12,294,880
	<b>BALANCE</b>	<b>1600</b>	<b>77,380,244</b>	<b>76,327,287</b>	<b>76,001,795</b>

Note	Line item	Line code	As at December 31	As at December 31	As at December 31
			2020	2019	2018
<b>LIABILITIES</b>					
<b>III. EQUITY AND RESERVES</b>					
3.1.	Charter capital (share capital, charter fund, contributions of partners)	1310	33,465,784	30,379,335	30,379,335
3.1.	Capital (before the amendments are registered)	1311	-	3,086,449	-
3.1.	Treasury shares	1320	-	-	-
5.3.1.,5.1.1.	Revaluation of non-current assets	1340	-	-	9,873,914
3.1.	Additional capital (without revaluation)	1350	6,481,916	6,481,916	6,481,916
3.1.	Capital reserve	1360	424,221	302,820	295,260
3.1.	Accumulated profit (accumulated losses)	1370	(2,542,723)	(283,379)	(12,510,296)
	of past years	1371	(1,041,445)	(2,787,062)	(12,716,403)
	of reporting period	1372	(1,501,278)	2,503,683	206,107
	Total equity and reserves	1300	37,829,198	39,967,141	34,520,129
<b>IV. NON-CURRENT LIABILITIES</b>					
5.6.7.-5.6.8.	Borrowings	1410	17,882,922	19,432,911	13,283,239
	Bank loans subject to redemption beyond 12 months of the reporting date	1411	16,482,922	19,432,911	9,683,239
	Loans subject to redemption beyond 12 months of the reporting date	1412	1,400,000	-	3,600,000
5.7.2.	Deferred tax liabilities	1420	2,132,816	1,871,876	1,250,116
5.7.1.	Estimated liabilities	1430	-	-	-
5.6.5.-5.6.6.	Other liabilities	1450	1,514,462	1,161,583	1,248,675
	Total non-current liabilities	1400	21,530,200	22,466,370	15,782,030
<b>V. CURRENT LIABILITIES</b>					
5.6.7.-5.6.8.	Borrowings	1510	5,553,866	3,652,592	11,395,279
	Bank loans subject to redemption within 12 months of the reporting date	1511	-	19,652	7,915,101
	Loans subject to redemption within 12 months of the reporting date	1512	5,553,866	3,632,940	3,480,178
5.6.5.-5.6.6.	Accounts payable	1520	10,763,538	8,757,713	12,883,089
	Suppliers and contractors	1521	5,936,862	5,136,188	5,238,557
	Notes payable	1522	-	-	-
	Wages payable	1523	317,117	273,713	313,073
	Debts owed to state non-budgetary funds	1524	135,442	157,086	120,710
	Taxes and dues payable	1525	771,058	642,898	606,530
	Advances received	1526	2,640,747	1,876,504	5,164,803
	Delay from participants (shareholders) in paying revenues	1527	479	453	919
	Other accounts payable	1528	961,833	670,871	1,388,497
	Unearned revenues	1530	159,854	138,274	123,239
5.7.1.	Estimated liabilities	1540	1,527,161	1,339,596	1,348,029
	Other liabilities	1550	16,427	5,601	-
	Total current liabilities	1500	18,020,846	13,893,776	25,699,636
	<b>BALANCE</b>	<b>1700</b>	<b>77,380,244</b>	<b>76,327,287</b>	<b>76,001,795</b>

Chief Executive Officer	Sergeev S.V.	Chief Accountant	Skiba I.V.
(signature)	(signature)	(signature)	(signature)
" 24 "	February	20 21	

Statement of Financial Results				
		for January-December 20 20		
			Form of OKUD	Codes
			Date (day, month, year)	0710002
Company	Rosseti Kuban PJSC		OKPO	31/12 /2020
Taxpayer Identification Number			TIN	00104604
			OKVED 2	2309001660
Economic activity	electric power transmission		OKVED 2	35.12
Legal form/form of property			OKOPF/OKFS	12247   16
Public Joint Stock Company/ privately owned			OKEI	384
Unit of measurement: thousands of RUB				
Note	Line item	Line code	for January-December 2020	for January-December 2019
1	2	3	4	5
	Revenue	2110	49,369,580	51,003,699
	including			
	Revenue from electric power transmission	2111	48,101,880	46,515,696
	Revenue from technological connection	2112	731,309	4,206,155
	Revenue from organization of the functioning and development of Unified Energy System (UES) of Russia relating to integrated distribution power grid	2113	-	-
	Revenue from resale of electric power and capacity	2114	-	-
	Income derived from participatory interest in the charter capital of other companies	2115	-	-
	Lease revenue	2116	146,337	14,905
	Revenue from sales of other products, goods, works, services of a commercial character	2117	390,054	266,943
	Revenue from sales of other products, goods, works, services of a non-commercial character	2118	-	-
2.1.	Cost of sales	2120	(46,800,254)	(43,773,854)
	including			
	Cost of electric power transmission	2121	(45,703,738)	(42,302,088)
	Cost of technological connection	2122	(763,785)	(1,231,482)
	Cost of organization of the functioning and development of Unified Energy System (UES) of Russia relating to integrated distribution power grid	2123	-	-
	Cost resale of electric power and capacity	2124	-	-
	Cost of participatory interest in the charter capital of other companies	2125	-	-
	Cost of lease services	2126	(45,164)	(8,741)
	Cost of other products, goods, works, services of a commercial character	2127	(287,567)	(231,543)
	Cost of other products, goods, works, services of a non-commercial character	2128	-	-
	Gross profit (loss)	2100	2,569,326	7,229,845
2.1.	Selling costs	2210	-	-
2.1.	Administrative expenses	2220	(175,087)	(162,236)
	Profit (loss) from goods sold	2200	2,394,239	7,067,609
	Income derived from participatory interest in the charter capital of other companies	2310	668	635
	Interest receivable	2320	28,872	67,390
	Interest payable	2330	(1,593,371)	(1,971,069)
5.11.	Other revenues	2340	1,563,197	2,269,626
5.11.	Other expenses	2350	(3,777,891)	(3,909,428)
	Profit (loss) before tax	2300	(1,384,286)	(3,524,763)
2.3.	Profits tax	2410	(265,794)	(1,306,119)
2.3.	including current income tax	2411	(136,961)	(727,232)
2.3.	Deferred income tax	2412	(128,833)	(578,887)
2.3.	Other	2460	148,802	285,039
	Net profit (loss)	2400	(1,501,278)	(2,503,683)
Note	Line item	Line code	for January-December 2020	for January-December 2019
5.1.1. 5.3.1.	<b>For reference</b> Surplus on revaluation of non-current assets not included in the net profit (loss) of the period	2510	-	-
	Surplus on other operations not included in the net profit (loss) of the period	2520	-	-
	Profits tax from operations the result of which is not included in the net profit (loss) of the period	2530	-	-
	Comprehensive financial result for the period	2500	(1,501,278)	2,503,683
2.2.	Basic earnings (loss) per share	2900	-4,4860	8,0373
2.2.	Diluted earnings (loss) per share	2910	-4,4860	8,0373
Chief Executive Officer:	Sergeev S.V.			
	(signature)	(signature)		
Chief accountant	Skiba I.V.			
	(signature)	(signature)		
" 24 "	February	20 21		

2.1. Cost of good sold, works, services according to elements of costs			
Indication		For January-December	For January-December
Line item	Line code	2020	2019
1	2	3	4
Cost of production	6510	46,800,254	43,773,854
including			
Material costs	6511	9,887,083	9,591,487
Labour costs	6512	5,269,850	4,590,159
Compulsory insurance, insurance against accidents at work and work-related diseases	6513	1,534,377	1,346,895
Amortization	6514	4,546,509	4,245,097
Miscellaneous Expenditures	6515	25,562,435	24,000,216
For reference:Changes in inventories and reserves (increase [+], decrease [-]):	6520	-	-
including			
Work-in-progress	6521	0	-
Finished products	6522	-	-
Purchased goods	6523	-	-
Goods delivered	6524	-	-
Auxiliary materials	6525	-	-
<b>Total costs of sales</b>	6500	46,800,254	43,773,854
Selling expenses	6550	-	-
including			
Material cost	6551	-	-
Labour costs	6552	-	-
Compulsory insurance, insurance against accidents at work and work-related diseases	6553	-	-
Amortization	6554	-	-
Miscellaneous Expenditures	6555	-	-
Administrative expenses	6560	175,087	162,236
including			
Material cost	6561	-	-
Labour costs	6562	27,991	17,189
Compulsory insurance, insurance against accidents at work and work-related diseases	6563	7,120	4,772
Amortization	6564	-	-
Miscellaneous Expenditures	6565	139,976	140,275
Chief Accountant		Skiba I.V.	
	(signature)	(signature)	
« 24 »	February	20 21	

## 2.2. Earnings Per Share, diluted earnings per share

Indication		for January-December	for January-December
Line item	Line code	2020	2019
1	2	3	4
<b>Net profit (accumulated losses) of the reporting period</b>	6610	(1,501,278)	(2,503,683)
Preferred dividends	6611		
Basic earnings (loss) of the reporting period	6612	-	-
Weighted average number of ordinary shares outstanding during the accounting period	6613	334,658	311,509
<b>Basic earnings (loss) per share</b>	6620	-4,4860	8,0373
Weighted average market value per ordinary share	6621	74	71
<b>Possible increment in profit and weighted average number of shares outstanding</b>	6630	X	X
As a result of conversion of preferred shares into ordinary shares	6631	X	X
possible increment in profit	66311	-	-
additional number of shares	66312	-	-
As a result of conversion of the bonds into ordinary shares	6632	X	X
possible increment in profit	66321	-	-
additional number of shares	66322	-	-
As a result of performance of Share Sale and Purchase Agreements at a below-market price	6633	X	X
contract purchase price	66331	-	-
possible increment in profit	66332	-	-
additional number of shares	66333	-	-
<b>Diluted Earnings per Share</b>	6640	-4,4860	8,0373
adjusted value of basic earnings	6641	(1,501,278)	(2,503,683)
adjusted value of weighted average the number of shares outstanding	6642	334,658	311,509

Chief Accountant \_\_\_\_\_ Skiba I.V.  
(signature) (signature)

« 24 » February 20 21

<b>2.3. Profit taxation</b>			
Line item	Line code	For 2020	For 2019
1	2	3	4
<b>Profit (loss) before tax</b>	6710	(1,384,286)	3,524,763
as well as taxed at a rate:			
20%	67101	(1,384,286)	3,524,763
other rates	67102	-	-
untaxed	67103	-	-
Permanent difference	6711	2,713,257	3,005,830
Changes in temporary subtractive differences	6712	660,534	217,430
Changes in taxable temporary differences	6713	(1,304,700)	(3,111,865)
Income Tax Expense (Potential Tax Benefit)	6721	(276,857)	704,953
Permanent tax expense (permanent tax revenue)	6722	542,651	601,166
Deferred income tax, including:	6723	(128,833)	(578,887)
Changes in deferred tax asset	67231	132,107	43,486
Changes in deferred tax liability	67232	(260,940)	(622,373)
Current corporate income tax	6725	(136,961)	(727,232)
Income tax expense (income tax benefit)	67251	(265,794)	(1,306,119)
<b>Amounts of corporate income tax for prior tax periods (according to adjusted declarations, tax inspections)</b>	6726	132,328	305,493
<b>Other tax payments and penalties from income</b>	6727	16,474	(8,010)
<b>Write-off of deferred taxes on profit and loss</b>	6728	-	(12,444)
For reference: recognition (write-off) of deferred tax assets due to the change of probability that the company will receive taxable income in subsequent reporting periods	67281	-	(12,444)
<b>Net profit (loss)</b>	6729	(1,501,278)	2,503,683
Chief accountant			Skiba I.V.
	(signature)		(signature)



Statement of Changes in Equity							
for 2020							
							Codes
							Form of OKUD 0710004
							Date (day, month, year) 31   12   2020
Company	Rosseti Kuban PJSC						OKPO 00104604
Taxpayer Identification Number							TIN 2309001660
Economic activity	electric power transmission						OKVED 2 35.12
Legal form/form of property							
Public Joint Stock Company/ privately owned							OKOPF/OKFS 12247   16
Unit of measurement: thousands of RUB							OKEI 384

## 3.1. Capital flows

Line item	Line code	Charter capital	Capital (before the amendments are registered)	Treasury shares	Additional capital	Capital reserve	Retained Earnings (uncovered loss)	Total
Capital value as at December 31, 2020	(1) 3100	30,379,335	-	-	16,355,630	295,260	(12,510,296)	34,520,129
For 2019	(2)							
Increase in capital – total:	3210	-	3,086,449	-	-	-	2,504,201	5,590,650
including:								
net profit	3211	x	x	x	x	x	2,503,683	2,503,683
revaluation of assets	3212	x	x	x		x		-
income directly related to increase in capital								
additional issue of shares	3213	x	x	x	-	x	518	518
	3214		3,086,449			x	x	3,086,449
increase in nominal value of shares	3215	-	-	x	x	x	-	x
reorganization of a legal entity	3216	-	-	-	-	-	-	-
Decrease in capital - total:	3220	-	-	-	-	-	(143,638)	(143,638)
including:								
loss	3221	x	x	x	x	x	-	-
revaluation of assets	3222	x	x	x		x	-	-
expenses directly related to decrease in capital								
	3223	x	x	x		x	-	-
decrease in nominal value of shares	3224	-	-	-	x	x	-	-
decrease in number of shares	3225	-	-	-	x	x	-	-
reorganization of a legal entity	3226	-	-	-	-	-	-	-
dividends	3227	x	x	x		x	(143,638)	(143,638)
Change in additional capital	3230	x	x	x	(9,873,914)	x	9,873,914	x
Change in capital reserve	3240	x	x	x		7,560	(7,560)	x
Capital value as at December 31, 2019	(2) 3200	30,379,335	3,086,449	-	6,481,916	302,820	(283,379)	39,967,141
For 2020	(3)							
Increase in capital – total:	3310	-	(3,086,449)	-	-	-	249	249
including:								
net profit	3311	x	x	x	x	x		-
revaluation of assets	3312	x	x	x		x		-
income directly related to increase in capital								
	3313	x	x	x		x	249	249
additional issue of shares	3314	3,086,449	(3,086,449)			x	x	(3,086,449)
increase in nominal value of shares	3315			x	x	x		x
reorganization of a legal entity	3316							-
Decrease in capital - total:	3320	-	-	-	-	-	(2,138,192)	(2,138,192)
including:								
loss	3321	x	x	x	x	x	(1,501,278)	(1,501,278)
revaluation of assets	3322	x	x	x		x		-
expenses directly related to decrease in capital								
	3323	x	x	x		x		-
decrease in nominal value of shares	3324			x	x	x		-
decrease in number of shares	3325				x	x		-
reorganization of a legal entity	3326							-
dividends	3327	x	x	x	x	x	(636,914)	(636,914)
Change in additional capital	3330	x	x	x		x		x
Change in capital reserve	3340	x	x	x		121,401	(121,401)	x
Capital value as at December 31, 2020	(3) 3300	33,465,784	-	-	6,481,916	424,221	(2,542,723)	37,829,198

3.2. Adjustments in connection with a change in accounting policy and correction of errors*					
Line item	Line code	As at December 31	Change in capital for 2019		As at December 31
		2018	out of net profit (loss)	out of other factors	2019
<b>Capital - total</b>					
before adjustments	3400	35,238,546	2,428,011	2,943,329	40,609,886
adjustment due to:					
change in Accounting Policy	3410	(718,417)	75,672	-	(642,745)
correction of errors	3420	-	-	-	-
after adjustments	3500	34,520,129	2,503,683	2,943,329	39,967,141
including:					
Retained Earnings (uncovered loss):					
before adjustments	3401	(12,654,441)	2,428,011	10,585,796	359,366
adjustment due to:					
change in Accounting Policy	3411	144,145	75,672	(862,562)	(642,745)
correction of errors	3421	-	-	-	-
after adjustments	3501	(12,510,296)	(2,503,683)	(9,723,234)	(283,379)
other items of capital where adjustments are made					
(within the line code)					
before adjustments	3402	47,892,987	-	(7,642,467)	40,250,520
Charter capital	34021	30,379,335			30,379,335
Capital (before the amendments are registered)	340211	-		3,086,449	3,086,449
Treasury shares	34022	-	-		
Additional capital	34023	17,218,392	-	(10,736,476)	6,481,916
Capital reserve	34024	295,260	-	7,560	302,820
adjustment due to:					
change in Accounting Policy	3412	(862,562)	-	(862,562)	-
correction of errors	3422	-	-	-	-
after adjustments	3502	47,030,425	-	(6,779,905)	40,250,520

<b>3.3. Net assets</b>				
Line item	Line code	As at December 31	As at December 31	As at December 31
		2020	2019	2018
Net assets	3600	37,989,052	40,105,415	34,643,368
Chief Executive Officer		Sergeev S.V.		
(signature)		(signature)		
Chief Accountant		Skiba I.V.		
(signature)		(signature)		
" 24 "	February	20 21		

<b>3.4. Calculation of Appraisal of Net Asset Value of the Stock Company</b>					
Line Item	Balance sheet line code	As at December 31 2020	As at December 31 2019	As at December 31 2018	
1	2	3	4	5	
<b>I. Assets</b>					
1.	Intangible assets	1110	145,514	134,682	38,621
2.	Research and development results	1120	17,603	33,756	107,450
3.	Intangible development assets	1130	-	-	-
4.	Tangible development assets	1140	-	-	-
5.	Fixed assets	1150	63,827,345	63,343,130	65,534,635
6.	Income-bearing investments in tangible assets	1160	-	-	-
7.	Long-term and short-term investments	1170 + 1240	31,579	39,050	37,556
8.	Other non-current assets <sup>2</sup>	1180+1190	1,274,439	1,180,033	988,653
9.	Inventories	1210	1,910,048	1,835,632	1,861,538
10.	VAT on purchased assets	1220	19,601	2,558	2,450
11.	Accounts receivable <sup>3</sup>	1230	8,547,200	7,433,109	7,057,410
12.	Cash and cash equivalents	1250	718,034	1,699,590	2,194,482
13.	Other non-current assets <sup>1</sup>	1260	888,881	625,747	1,179,000
14.	Total Assets accepted to calculation (the sum of items 1 -13)		77,380,244	76,327,287	76,001,795
<b>II. Liabilities</b>					
15.	Long-term borrowings	1410	17,882,922	19,432,911	13,283,239
16.	Deferred tax liabilities	1420	2,132,816	1,871,876	1,250,116
17.	Estimated liabilities	1430+1540	1,527,161	1,339,596	1,348,029
18.	Other long-term liabilities	1450	1,514,462	1,161,583	1,248,675
19.	Short-term borrowings	1510	5,553,866	3,652,592	11,395,279
20.	Accounts payable <sup>4</sup>	1520	10,763,538	8,757,713	12,883,089
21.	Other short-term liabilities <sup>5</sup>	1550	16,427	5,601	-
22.	Total liabilities accepted to calculation (the sum of items 15-21)		39,391,192	36,221,872	41,358,427
23.	Net Asset Value of the Stock Company (total assets accepted to calculation (page 14) by deducting total liabilities accepted to calculation (page 22))		37,989,052	40,105,415	34,643,368
Chief Accountant _____ Skiba I.V. _____ (signature) (signature)					
« 24 » February 20 21					

Statement of Cash Flows			
for January-December 2020			
			Codes
Form of OKUD			0710005
Date (day, month, year)			31   12   2020
Company	Rosseti Kuban PJSC	OKPO	00104601
Taxpayer Identification Number		TIN	2309001660
Economic activity	electric power transmission	OKVED 2	35.12
Legal form/form of property		OKOPF/OKFS	12247   16
Public Joint Stock Company/ privately owned		OKEI	384
Unit of measurement: thousands of RUB			
Line item	Line code	For 2020	For 2019
1	2	3	4
<b>Cash Flow from Operating Activities</b>			
Receipts - total	4110	40,219,495	40,021,240
including:			
from sale of products, goods, works and services	4111	39,229,479	38,862,997
<i>including from sale of products, goods, works and services to parent, subsidiary and affiliated companies</i>	411101	1,836	2,148
lease payments, license fees, royalties, commission charges and other similar payments	4112	101,886	29,914
<i>including from lease payments, license fees, royalties, commission charges and other similar payments from parent, subsidiary and affiliated companies</i>	411201	1,728	543
from resale of financial investments	4113	-	-
<i>including from resale of financial investments to parent, subsidiary and affiliated companies</i>	411301	-	-
other receipts	4119	888,130	1,128,329
<i>including other receipts from parent, subsidiary and affiliated companies</i>	411901	1,112	0
Payments - total	4120	(36,430,136)	(37,679,443)
including:			
suppliers (contractors) for raw materials, materials, works and services	4121	(24,683,632)	(24,828,071)
<i>including to suppliers (contractors) for raw materials, materials, works and services of parent, subsidiary and affiliated companies</i>	412101	(417,139)	(153,457)
due to employee remuneration	4122	(5,613,574)	(4,963,781)
interest on debenture	4123	(1,492,097)	(1,993,555)
<i>including interest on debenture to parent, subsidiary and affiliated companies</i>	412301	(42,846)	0
corporate income tax	4124	(410,086)	(388,307)
other payments	4129	(4,230,747)	(5,505,729)
<i>including other payments to parent, subsidiary and affiliated companies</i>	412901	(32,658)	(50,883)
Balance of cash flows from current transactions	4100	3,789,359	2,341,797
<b>Cash Flow From Investing Activities</b>			
Receipts - total	4210	170,946	463,923
including:			
from sale of non-current assets (except financial investments)	4211	1,268	2,843
<i>including from sale of non-current assets (except financial investments) to parent, subsidiary and affiliated companies</i>	421101	-	-
from share sale of other entities (ownership interest)	4212	-	-
<i>including from share sale of other entities (ownership interest) to parent, subsidiary and affiliated companies</i>	421201	-	-
from repayment of extended loans, from sale of debt securities (claims for cash against third parties)	4213	-	-
<i>including from repayment of extended loans, from sale of debt securities (claims for cash against third parties) of parent, subsidiary and affiliated companies</i>	421301	-	-
dividends, interest on debt financial investments and similar income from ownership interest in other entities	4214	29,449	68,486
<i>including dividends, interest on debt financial investments and similar income from ownership interest in other entities from parent, subsidiary and affiliated companies</i>	421401	668	635
other receipts	4219	140,229	392,594
<i>including other receipts from parent, subsidiary and affiliated companies</i>	421901		0
Payments -total	4220	(4,555,053)	(4,653,561)
including:			
due to purchase, creation, modernization, reconstruction and preparation for use of non-current assets	4221	(4,481,855)	(4,394,586)
<i>including payments to parent, subsidiary and affiliated companies due to purchase, creation, modernization, reconstruction and preparation for use of non-current assets</i>	422101	(370,866)	(4,171)
due to share purchase of other entities (ownership interest)	4222	-	-
<i>including payments to parent, subsidiary and affiliated companies due to share purchase of other entities (ownership interest)</i>	422201	-	-
due to purchase of debt securities (claims for cash against third parties), granting loans to third parties	4223	-	-
<i>including payments to parent, subsidiary and affiliated companies due to purchase of debt securities (claims for cash against third parties), granting loans to third parties</i>	422301	-	-
interest on debenture included in the investment asset value	4224	(18,441)	(220,410)
<i>including interest on debenture, included in the investment asset value to parent, subsidiary and affiliated companies</i>	422401	-	-
other payments	4229	(54,757)	(78,565)
<i>including other payments to parent, subsidiary and affiliated companies</i>	422901	-	(927)
Balance of cash flows from investing activities	4200	(4,384,107)	(4,229,638)

Line item	Line code	For 2020	For 2019
<b>Cash Flows from Financing Activities</b>			
Receipts - total	4310	49,963,993	25,225,092
including:	4311	49,963,993	22,138,643
receiving loans and borrowings			
<i>including receiving loans and borrowings from parent, subsidiary and affiliated companies</i>	431101	6,800,000	-
monetary contributions of owners (participants)	4312	-	-
<i>including monetary contributions of owners (participants) of parent, subsidiary and affiliated companies</i>	431201	-	-
from issue of shares, increase in ownership interest	4313	-	3,086,449
<i>including issue of shares, increase in ownership interest of parent, subsidiary and affiliated companies</i>	431301	-	3,086,449
from bond issue, promissory notes and other debt securities, etc.	4314	-	-
<i>including bond issue, promissory notes and other debt securities, etc. of parent, subsidiary and affiliated companies</i>	431401	-	-
other receipts	4319	-	-
<i>including other receipts from parent, subsidiary and affiliated companies</i>	431901	-	-
Payments - total	4320	(50,350,805)	(23,831,968)
including:			
to owners (participants) due to stock buyback (ownership interest) of their entities or their cessation of membership	4321	-	-
<i>including to owners (participants) due to stock buyback (ownership interest) of their entities or their cessation of membership of parent, subsidiary and affiliated companies</i>	432101	-	-
for payment of dividends and other payments on distribution of profits to owners (participants)	4322	(636,822)	(143,615)
<i>including for payment of dividends and other payments on distribution of profits to owners (participants) of parent, subsidiary and affiliated companies</i>	432201	(595,146)	(133,262)
in connection with payment (buyback) of promissory notes and other debt securities, buyback of loans and borrowings	4323	(49,713,983)	(23,688,353)
<i>including due to payment (buyback) of promissory notes and other debt securities, buyback of loans to parent, subsidiary and affiliated companies</i>	432301	-	-
other payments	4329	-	-
<i>including other payments to parent, subsidiary and affiliated companies</i>	432901	-	-
Balance of cash flows from financing activities	4300	(386,812)	(1,393,124)
<b>Balance of cash flows for the reporting period</b>	<b>4400</b>	<b>(981,560)</b>	<b>(494,717)</b>
<b>Cash balance and cash equivalents as of the beginning of the reporting period</b>	<b>4450</b>	<b>(1,699,590)</b>	<b>(2,194,307)</b>
<b>Cash balance and cash equivalents at the end of the reporting period</b>	<b>4500</b>	<b>(718,030)</b>	<b>(1,699,590)</b>
Effect of exchange rate of foreign currency changes against the ruble	4490	-	-
Chief Executive Officer	Sergeev S.V.	Chief Accountant	Skiba I.V.
(signature)	(signature)	(signature)	(signature)
" 24 "	February	20 21	

5.1. Intangible assets

5.1.1. The existence of intangible assets and intangible assets turnover

Indication		At the start of the year				Changes for period				At the end of the period								
		Original/ current market value	Accumulated amortization	Impairment losses	Residual value	Increase	Original/ current market value	Accumulated amortization	Impairment losses	Accumulated amortization	Original/ current market value	Accumulated amortization	Impairment losses	Residual value				
Line item	Line code	Period		6	7	8	9	10	11	12	13	14	15	16	17	18	19	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	5100	for 2020	164,510	(37,328)	-	127,182	55,836	(1,770)	1,770	-	(45,004)	-	-	-	218,576	(80,562)	-	(138,014)
	5110	for 2019	59,483	(28,372)	-	31,121	113,313	(8,926)	8,296	-	(17,252)	-	-	-	164,510	(37,328)	-	127,182
	5101	for 2020	124,345	(25,972)	-	98,373	55,836	-	-	-	(34,244)	-	-	-	180,181	(60,216)	-	119,965
	5111	for 2019	30,056	(14,141)	-	15,915	92,381	1,908	-	-	(11,831)	-	-	-	124,345	(25,972)	-	98,373
Intellectual property objects (exclusive rights for the results of intellectual property)																		
including:																		
	51011	for 2020	24,479	(3,581)	-	20,898	-	-	-	-	(4,138)	-	-	-	24,479	(7,719)	-	16,760
	51111	for 2019	7,579	(1,911)	-	5,648	14,812	1,908	-	-	(1,610)	-	-	-	24,479	(3,581)	-	20,898
at patent owner for inventions, industrial sample, utility model	51012	for 2020	99,674	(22,244)	-	77,430	55,836	-	-	-	(30,083)	-	-	-	155,510	(52,327)	-	103,183
	51112	for 2019	22,105	(12,105)	-	10,000	77,569	-	-	-	(10,139)	-	-	-	99,674	(22,244)	-	77,430
at the right holder for the computer software, database	51013	for 2020	192	(147)	-	45	-	-	-	-	(23)	-	-	-	192	(170)	-	22
at trademark owner, owner of a service mark, Protected Designation of Origin	51113	for 2019	192	(125)	-	67	-	-	-	-	(22)	-	-	-	192	(147)	-	45
	5102	for 2020	40,165	(11,356)	-	28,809	-	(1,770)	1,770	-	(10,760)	-	-	-	38,385	(20,346)	-	18,049
	5112	for 2019	29,437	(14,231)	-	15,206	20,932	(10,204)	8,286	-	(5,421)	-	-	-	40,165	(11,356)	-	28,809
Other																		

5.2.Results of research, development and technological works and intangible assets												
5.2.1. The existence and turnover of R&D deliverables												
Line item	Line code	Period	At the start of the year		Increase	Changes for period		Part of value written-off as expenses for period	At the end of the year			
			Historical cost	Part of value written-off as expenses		Historical cost	Part of value written-off as expenses		Historical cost	Part of value written-off as expenses		
1	2	3	4	5	6	7	8	9	10	11		
<b>Research and development</b>	5140	for 20 20	-	-	-	-	-	-	-	-		
	5150	for 20 19	-	-	-	-	-	-	-	-		
Where:												
Patentable results of performed R&D	5141	for 20 20	-	-	-	-	-	-	-	-		
	5151	for 20 19	-	-	-	-	-	-	-	-		
	Other											
5142	for 20 20	-	-	-	-	-	-	-	-	-		
5152	for 20 19	-	-	-	-	-	-	-	-	-		
<b>For reference: out of the total amount of R&amp;D:</b>												
Research and development expenses made by own efforts	5143	for 20 20	-	-	-	-	-	-	-	-		
	5153	for 20 19	-	-	-	-	-	-	-	-		
Research and development expenses made by efforts of external companies	5144	for 20 20	-	-	-	-	-	-	-	-		
	5154	for 20 19	-	-	-	-	-	-	-	-		



5.2.2. Incomplete and unexecuted R&D and incomplete operations on purchase of intangible assets									
Line item	Line code	Period	At the start of the year	Expenses for period	Changes for period			At the end of the year	
					Costs written-off that had not given positive results	Accepted for recording as intangible assets and R&D			
		3	4	5	6	7	8		
1	2								
Expenses for non-complete research and development - total	5160	for 20 20	33,756	39,683	-	(55 836)	17,603		
including:	5170	for 20 19	107,450	45,163	-	(118 857)	33,756		
Patentable results of performed R&D	5161	for 20 20	33,756	39,683	-	(55 836)	17,603		
	5171	for 20 19	91,424	38,244	-	(95 912)	33,759		
Other	5162	for 20 20	-	-	-	-	-		
	5172	for 20 19	16,026	6,919	-	(22 945)	-		
Incomplete operations on purchase of intangible assets - total	5180	for 20 20	7,500	-	-	-	7,500		
	5190	for 20 19	7,500	-	-	-	7,500		
including:									
at patent owner of inventions, industrial sample, utility model	5181	for 20 20	-	-	-	-	-		
	5191	for 20 19	-	-	-	-	-		
at the right holder for the computer software, database	5182	for 20 20	-	-	-	-	-		
	5192	for 20 19	-	-	-	-	-		
at trademark owner, owner of a service mark, Protected Designation of Origin	5183	for 20 20	-	-	-	-	-		
	5193	for 20 19	-	-	-	-	-		
Other	5184	for 20 20	7,500	-	-	-	7,500		
	5194	for 20 19	7,500	-	-	-	7,500		

5.3. Fixed assets																	
5.3.1. The existence and movement of fixed assets																	
Line item	Line code	Period	At the start of the year						Changes for period						At the end of the year		
			Historical cost	Accumulated amortization	Residual value	Increase		Decrease		Amortization charged	Revaluation		Historical cost	Accumulated amortization	Residual value		
						Historical cost	Accumulated amortization of received objects	Historical cost	Accumulated amortization		Historical cost	Accumulated amortization					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
Fixed assets (excluding investments in material valuations) - total	5200	for 2020	122,486,882	(62,817,844)	59,669,038	4,410,388	(80)	(177,884)	162,219	(4,527,346)	-	-	126,719,386	(67,183,051)	59,536,335		
for 2019	5210	for 2019	110,059,759	(58,947,687)	51,112,072	12,836,270	(1,145)	(409,147)	377,301	(4,246,313)	-	-	122,486,882	(62,817,844)	59,669,038		
Including:																	
Depreciable fixed assets - total:	5201	for 2020	122,350,471	(62,817,844)	59,532,627	4,410,237	(80)	(177,884)	162,219	(4,527,346)	-	-	126,582,824	(67,183,051)	59,399,773		
for 2019	5211	for 2019	109,923,429	(58,947,687)	50,975,742	12,836,165	(1,145)	(409,123)	377,301	(4,246,313)	-	-	122,350,471	(62,817,844)	59,532,627		
Including:																	
Industrial buildings	52011	for 2020	11,846,747	(5,506,083)	6,340,664	144,729	-	(20,488)	18,765	(224,301)	-	-	11,917,008	(5,711,619)	6,259,389		
for 2019	52111	for 2019	10,968,932	(5,370,420)	5,598,512	970,325	-	(92,510)	77,809	(213,472)	-	-	11,846,747	(5,506,083)	6,340,664		
constructions, except transmission lines	52012	for 2020	3,723,334	(1,484,176)	2,237,158	221,057	-	(4,078)	4,033	(191,466)	-	-	3,940,313	(1,673,609)	2,266,704		
for 2019	52112	for 2019	2,985,463	(1,317,231)	1,668,232	740,303	3,522	(2,432)	1,478	(173,945)	-	-	3,723,334	(1,486,176)	2,237,158		
transmission lines and its devices	52013	for 2020	52,969,962	(18,837,516)	34,132,446	2,248,456	-	(35,659)	27,148	(2,021,438)	-	-	55,182,759	(20,831,806)	34,350,953		
for 2019	52113	for 2019	46,611,098	(16,925,968)	29,685,130	6,409,125	4	(50,261)	38,332	(1,949,884)	-	-	52,969,962	(18,837,516)	34,132,446		
machinery and equipment for production of electrical energy, electrical substations, equipment for electrical energy transformation	52014	for 2020	44,638,454	(30,820,430)	13,818,024	1,278,316	-	(81,716)	79,160	(1,431,804)	-	-	45,835,054	(32,173,074)	13,661,980		
for 2019	52114	for 2019	41,149,569	(29,520,286)	11,629,283	3,528,656	(4,555)	(39,711)	39,410	(1,335,099)	-	-	44,638,454	(30,820,430)	13,818,024		
production and household inventory	52015	for 2020	47,110	(41,833)	5,227	-	-	(308)	308	(1,376)	-	-	46,802	(42,903)	3,899		
for 2019	52115	for 2019	47,883	(40,870)	7,013	45	-	(818)	801	(1,764)	-	-	47,110	(41,833)	5,277		
other	52016	for 2020	9,124,864	(6,125,806)	2,999,058	517,679	(80)	(36,555)	32,805	(656,959)	-	-	9,606,888	(6,750,040)	2,856,848		
for 2019	52116	for 2019	8,160,484	(5,722,912)	2,387,572	1,187,711	(216)	(223,331)	219,471	(572,149)	-	-	9,124,864	(6,125,806)	2,999,058		



<b>5.3.3. Change in fixed assets value as a result of further construction, further equipping, reconstruction and partial liquidation</b>			
<b>Line item</b>	<b>Line code</b>	<b>For 2020</b>	<b>For 2019</b>
1	2	3	4
Increase in fixed assets value as a result of further construction, further equipping, reconstruction - total	5260	1,439,482	1,344,731
including:			
industrial buildings	5261	1,767	8,769
constructions except transmission	5262	4,397	7,926
transmission lines and its devices	5263	1,408,693	1,263,933
machinery and equipment for production of electrical energy, electrical substations, equipment for electrical energy transformation	5264	19,640	60,496
production and household inventory	5265	-	-
other	5266	4,985	3,607
Decrease in fixed assets value as a result of partial liquidation- total:	5270	(30,916)	(33,948)
including:			
industrial buildings	5271	-	-
constructions except	5272	-	-
transmission lines and its devices	5273	(30,640)	(33,599)
machinery and equipment for production of electrical energy, electrical substations, equipment for electrical energy transformation	5274	(195)	(284)
production and household inventory	5275	-	-
other	5276	(81)	(65)

5.3.4. Other usage of fixed assets				
Line item	Line code	As at December 31	As at December 31	As at December 31
		2020	2019	2018
1	2	3	4	5
Leased out fixed assets that are recorded on the balance sheet	5280	105,041	173,122	81,084
Leased out fixed assets that are not recorded on the balance sheet	5281	-	-	-
Fixed asset acquired by leasing that are recorded on the balance sheet	5282	-	-	-
Fixed assets acquired by leasing that are not recorded on the balance sheet	5283	20,181,738	3,820,737	3,092,597
Real estate accepted for operation and in use undergoing the state registration	5284	3,385,515	5,945,647	3,261,112
Preparing Fixed Assets for Mothballing	5285	10,115	20,125	20,125
Other usage of fixed assets (pawn and others)	5286	-	-	-



## 5.4. Financial investments

## 5.4.1. The existence and turnover of financial investments

Line item	Line code	Period	At the start of the year		Changes for period					At the end of the period	
			Historical cost	Accumulated adjustment	Increase	Decrease (redeemed)		Accrual of interests (including bringing historical value to nominal value)	Current market value (losses from impairment)	Historical cost	Accumulated adjustment
						Historical cost	Accumulated adjustment				
1	2	3	4	5	6	7	8	9	10	11	12
<b>Long-term financial investments - total</b>	5301	for 20 20	45,690	(6,640)	-	-	-	-	(7,471)	45,690	(14,111)
	5311	for 20 19	45,690	(8,134)	-	-	-	-	1,494	45,690	(6,640)
Contributions to the charter (share) capitals of other companies - total	53021	for 20 20	45,690	(6,640)	-	-	-	-	(7,471)	45,690	(14,111)
	53121	for 20 19	45,690	(8,134)	-	-	-	-	1,404	45,690	(6,640)
including:											
Subsidiary Business Entities	530211	for 20 20	45,687	(6,638)	-	-	-	-	(7,471)	45,687	(14,109)
	531211	for 20 19	45,687	(8,132)	-	-	-	-	1,494	45,687	(6,638)
Dependent Business Companies	530212	for 20 20	-	-	-	-	-	-	-	-	-
	531212	for 20 19	-	-	-	-	-	-	-	-	-
other	530213	for 20 20	3	(2)	-	-	-	-	-	3	(2)
	531213	for 20 19	3	(2)	-	-	-	-	-	3	(2)
Federal and municipal securities	53022	for 20 20	-	-	-	-	-	-	-	-	-
	53122	for 20 19	-	-	-	-	-	-	-	-	-
Securities of other organizations - total	53023	for 20 20	-	-	-	-	-	-	-	-	-
	53123	for 20 19	-	-	-	-	-	-	-	-	-
including:											
debt securities (bonds, promissory notes)	530231	for 20 20	-	-	-	-	-	-	-	-	-
	531231	for 20 19	-	-	-	-	-	-	-	-	-
Loans given	53024	for 20 20	-	-	-	-	-	-	-	-	-
	53124	for 20 19	-	-	-	-	-	-	-	-	-
Certificates of deposit	53025	for 20 20	-	-	-	-	-	-	-	-	-
	53125	for 20 19	-	-	-	-	-	-	-	-	-
Other	53026	for 20 20	-	-	-	-	-	-	-	-	-
	53126	for 20 19	-	-	-	-	-	-	-	-	-
<b>Long-term financial investments, having current market value - total</b>	5302	for 20 20	-	-	-	-	-	-	-	-	-
	5312	for 20 19	-	-	-	-	-	-	-	-	-
Contributions to the charter (share) capitals of other companies - total	53031	for 20 20	-	-	-	-	-	-	-	-	-
	53131	for 20 19	-	-	-	-	-	-	-	-	-
including:											
Subsidiary Business Entities	530311	for 20 20	-	-	-	-	-	-	-	-	-
	531311	for 20 19	-	-	-	-	-	-	-	-	-
Dependent Business Companies	530312	for 20 20	-	-	-	-	-	-	-	-	-
	531312	for 20 19	-	-	-	-	-	-	-	-	-
Other	530313	for 20 20	-	-	-	-	-	-	-	-	-
	531313	for 20 19	-	-	-	-	-	-	-	-	-
Federal and municipal securities	53032	for 20 20	-	-	-	-	-	-	-	-	-
	53132	for 20 19	-	-	-	-	-	-	-	-	-
securities of other organizations - total	53033	for 20 20	-	-	-	-	-	-	-	-	-
	53133	for 20 19	-	-	-	-	-	-	-	-	-
including:											
debt securities (bonds, promissory notes)	530331	for 20 20	-	-	-	-	-	-	-	-	-
	531331	for 20 19	-	-	-	-	-	-	-	-	-
Other	53034	for 20 20	-	-	-	-	-	-	-	-	-
	53134	for 20 19	-	-	-	-	-	-	-	-	-
<b>Long-term financial investments, where the current market value is not determined - total</b>	5303	for 20 20	45,690	(6,640)	-	-	-	-	(7,471)	45,690	(14,111)
	5313	for 20 19	45,690	(8,134)	-	-	-	-	1,494	45,690	(6,640)

5.4. Financial investments

5.4.1. The existence and turnover of financial investments (continuation)

Line item	Line code	Period	At the start of the year		Increase	Changes for period			At the end of the year		
			Historical cost	Accumulated adjustment		Decrease (redeemed)		Current market value (losses from impairment)	Historical cost	Accumulated adjustment	
						Historical cost	Accumulated adjustment				
			4	5	6	7	8	9	10	11	12
1	2	3									
	5305	for 20 20	-	-	-	-	-	-	-	-	-
<b>Short-term financial investments - total</b>	5315	for 20 19	-	-	-	-	-	-	-	-	-
Contributions to the charter (share) capitals of other companies - total	53061	for 20 20	-	-	-	-	-	-	-	-	-
	53161	for 20 19	-	-	-	-	-	-	-	-	-
Federal and municipal securities	53062	for 20 20	-	-	-	-	-	-	-	-	-
	53162	for 20 19	-	-	-	-	-	-	-	-	-
Securities of other organizations - total	53063	for 20 20	-	-	-	-	-	-	-	-	-
	53163	for 20 19	-	-	-	-	-	-	-	-	-
including:											
debt securities (bonds, promissory notes)	530631	for 20 20	-	-	-	-	-	-	-	-	-
	531631	for 20 19	-	-	-	-	-	-	-	-	-
Loans given	53064	for 20 20	-	-	-	-	-	-	-	-	-
	53164	for 20 19	-	-	-	-	-	-	-	-	-
Certificates of deposit	53065	for 20 20	-	-	-	-	-	-	-	-	-
	53165	for 20 19	-	-	-	-	-	-	-	-	-
Other	53066	for 20 20	-	-	-	-	-	-	-	-	-
	53166	for 20 19	-	-	-	-	-	-	-	-	-





5.4.2. Adjustments of estimates of financial investments						
Indication		At the start of the year	Changes for period			At the end of the period
Line item	Line code		Increase	Decrease	Retirement of financial investments	
1	2	3	4	5	6	7
<b>Long-term financial investments</b>	7100	(6,640)	(7,571)	100	-	(14,111)
Difference between the current market value of financial investments and their initial estimate	7110	-	-	-	-	-
<i>including:</i>						
Contributions to the charter (share) capitals of other companies - total	7111	-	-	-	-	-
<i>including:</i>						
Subsidiary Business Entities	71111	-	-	-	-	-
Dependent Business Companies	71112	-	-	-	-	-
other	71113	-	-	-	-	-
Federal and municipal securities	7112	-	-	-	-	-
Securities of other organizations - total	7113	-	-	-	-	-
<i>including:</i>						
debt securities (bonds, promissory notes)	71131	-	-	-	-	-
Other	7114	-	-	-	-	-
Difference between the current value of debt securities and their original cost	7120	-	-	-	-	-
<i>including:</i>						
Securities of other organizations - total	7121	-	-	-	-	-
<i>including:</i>						
debt securities (bonds, promissory notes)	71211	-	-	-	-	-
Other	7122	-	-	-	-	-
Provision for impairment of financial investments, where the market value is not determined	7130	(6,640)	(7,571)	100	-	(14,111)
<i>including:</i>						
Contributions to the charter (share) capitals of other companies - total	7131	(6,640)	(7,571)	100	-	(14,111)
<i>including:</i>						
Subsidiary Business Entities	71311	(6,638)	(7,571)	100	-	(14,109)
Dependent Business Companies	71312	-	-	-	-	-
other	71313	(2)	-	-	-	(2)
Federal and municipal securities	7132	-	-	-	-	-
Securities of other organizations - total	7133	-	-	-	-	-
<i>including:</i>						
debt securities (bonds, promissory notes)	71331	-	-	-	-	-
Loans given	7134	-	-	-	-	-
Certificate of deposit	7135	-	-	-	-	-
Other	7136	-	-	-	-	-

<b>Short-term financial investments</b>	7200	-	-	-	-	-
Difference between the current market value of financial investments and their initial estimate, where the value is determined	7210	-	-	-	-	-
<i>including:</i>						
Contributions to the charter (share) capitals of other companies - total	7211	-	-	-	-	-
<i>including:</i>						
Subsidiary Business Entities	72111	-	-	-	-	-
Dependent Business Companies	72112	-	-	-	-	-
other	72113	-	-	-	-	-
Securities of other organizations - total	7212	-	-	-	-	-
<i>including:</i>						
debt securities (bonds, promissory notes)	72121	-	-	-	-	-
Other	7213	-	-	-	-	-
Difference between the current value of debt securities and their original cost	7220	-	-	-	-	-
<i>including:</i>						
Securities of other organizations - total	7221	-	-	-	-	-
<i>including:</i>						
debt securities (bonds, promissory notes)	72211	-	-	-	-	-
Other	7222	-	-	-	-	-
Provision for impairment of financial investments, without market value	7230	-	-	-	-	-
<i>including:</i>						
Contributions to the charter (share) capitals of other companies - total	7231	-	-	-	-	-
<i>including:</i>						
Subsidiary Business Entities	72311	-	-	-	-	-
Dependent Business Companies	72312	-	-	-	-	-
other	72313	-	-	-	-	-
Federal and municipal securities	7232	-	-	-	-	-
Securities of other organizations - total	7233	-	-	-	-	-
<i>including:</i>						
debt securities (bonds, promissory notes)	72331	-	-	-	-	-
Loans given	7234	-	-	-	-	-
Certificate of deposit	7235	-	-	-	-	-
Other	7236	-	-	-	-	-

5.5. Inventories

5.5.1.1. The existence of inventory and inventory turnover

Line item	Line code	Period	At the start of the period		Income and expenses	Changes for period			At the end of the period		
			prime cost	Reserve amount for impairment of value		Decrease	Reserve amount for impairment of value	Impairment loss	Inventory turnover between inventory groups (types of inventory)	Prime cost	Reserve amount for impairment of value
1	2	3	4	5	6	7	8	9	10	11	12
Inventory - total	5400	for 20 20	1,844,114	(8,482)	2,866,343	(2,795,779)	6,010	(2,158)	X	1,914,678	(4,630)
	5420	for 20 19	1,869,872	(8,334)	2,972,336	(2,998,094)	2,638	(2,786)	X	1,844,114	(8,482)
Raw materials	5401	for 20 20	1,840,665	(8,482)	2,867,955	(2,793,942)	6,010	(2,158)	-	1,914,678	(4,630)
	5421	for 20 19	1,869,872	(8,334)	2,965,255	(2,994,462)	2,638	(2,786)	-	1,840,665	(8,482)
Work in progress	5402	for 20 20	-	-	-	-	-	-	-	-	-
	5422	for 20 19	-	-	-	-	-	-	-	-	-
Goods delivered	5403	for 20 20	2,053	-	(2,053)	-	-	-	-	-	-
	5423	for 20 19	-	-	2,053	-	-	-	-	2,053	-
Finished products and goods	5404	for 20 20	1,396	-	441	(1,837)	-	-	-	0	-
	5424	for 20 19	-	-	5,028	(3,632)	-	-	-	1,396	-
Other inventories and expenses	5405	for 20 20	-	-	-	-	-	-	-	-	-
	5425	for 20 19	-	-	-	-	-	-	-	-	-

5.6 Accounts Receivable and Accounts Payable

5.6.1. The existence and turnover of accounts receivable

Line item	Line code	Period	At the start of the year		Changes for period							At the end of the period		
			Accounted under the terms and conditions of the contract	Reserve amount for doubtful debts	As a result of business transactions (amount of debt under the deal of operation)	Inflow Interest payable, penalties and other accruals	Reserve accrual	Repayment	Retirement Written-off out of the previous accrued reserve	Write-off to financial result	Provision recovery	Transferring from long-term debt to short-term debt	Accounted under the terms and conditions of the contract	Reserve amount for doubtful debts
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Non-current accounts receivable</b>	5501	for 20 20	25,601	-	13,465	-	-	(910)	-	-	-	(15,032)	23,124	-
<b>total</b>	5521	for 20 19	22,880	-	17,606	-	-	(128)	-	-	-	(14,757)	25,601	-
including:														
Settlements with buyers and customers	5502	for 20 20	462	-	1,111	-	-	-	-	-	-	(1,128)	445	-
	5522	for 20 19	1,128	-	0	-	-	-	-	-	-	(666)	462	-
including:														
on electric power transmission	55021	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	55221	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
on technological connection	55022	for 20 20	462	-	-	-	-	-	-	-	-	(462)	-	-
	55222	for 20 19	1,128	-	-	-	-	-	-	-	-	(666)	462	-
on organization of the functioning and development of unified energy system (UES) of Russia relating to integrated distribution power grid	55023	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	55223	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
on resale of electric power and capacity	55024	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	55224	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
on rental income	55025	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	55225	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
on others	55026	for 20 20	-	-	1,111	-	-	-	-	-	-	(666)	445	-
	55226	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
Advance issued	5503	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	5523	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
Notes receivable	5504	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	5524	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
Other accounts receivable	5505	for 20 20	25,139	-	12,354	-	-	(910)	-	-	-	(13,904)	22,679	-
	5525	for 20 19	21,752	-	17,606	-	-	(128)	-	-	-	(14,091)	25,139	-
including:														
non-interest promissory notes	55051	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	55251	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
on others	55052	for 20 20	25,139	-	12,354	-	-	(910)	-	-	-	(13,904)	22,679	-
	55252	for 20 19	21,752	-	17,606	-	-	(128)	-	-	-	(14,091)	25,139	-
<b>Out of the total amount of non-current accounts receivable</b>	5506	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	5526	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
receivables from subsidiaries	55061	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	55261	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
receivables from affiliates	55062	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	55262	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
<b>Short-term accounts receivable</b>	5510	for 20 20	9,124,826	(1,717,318)	2,644,719	-	(533,789)	(1,237,845)	(31,582)	(395)	228,846	15,032	10,514,755	(1,990,679)
<b>total</b>	5530	for 20 19	8,762,836	(1,728,306)	1,449,920	-	(307,659)	(1,072,332)	(23,171)	(7,184)	295,476	14,757	9,124,826	(1,717,318)
including:														
Settlements with buyers and customers	5511	for 20 20	7,683,125	(1,072,354)	(1,987,776)	-	(396,618)	(797,039)	(15,650)	-	171,856	1,128	8,859,340	(1,281,466)
	5531	for 20 19	7,312,143	(1,106,606)	(866,805)	-	(60,332)	(490,723)	(5,776)	-	88,818	666	7,683,125	(1,072,354)
including:														
on electric power transmission	55111	for 20 20	7,381,313	(1,032,468)	1,703,590	-	(296,752)	(536,367)	(2,011)	-	167,153	-	8,546,525	(1,160,056)
	55311	for 20 19	7,168,195	(1,076,834)	676,925	-	(45,527)	(458,097)	(5,710)	-	84,183	-	7,381,313	(1,032,468)
on technological connection	55112	for 20 20	65,820	(37,546)	9,433	-	(7,450)	(24,366)	(13,525)	-	4,005	462	37,824	(27,466)
	55312	for 20 19	58,731	(29,716)	33,431	-	(12,465)	(27,008)	-	-	4,635	666	65,820	(37,456)
on organization of the functioning and development of unified energy system (UES) of Russia relating to integrated distribution power grid	55113	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	55313	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
on resale of electric power and capacity	55114	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	55314	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
on rental income	55115	for 20 20	2,748	(216)	58,321	-	(25,161)	(3,664)	(1)	-	166	-	57,404	(25,210)
	55315	for 20 19	3,038	-	1,687	-	(216)	(1,977)	-	-	-	-	2,748	(216)
on others	55116	for 20 20	233,244	(2,124)	216,432	-	(67,255)	(232,642)	(113)	-	532	666	217,587	(68,734)
	55316	for 20 19	82,179	(56)	154,762	-	(2,124)	(3,641)	(56)	-	-	-	233,244	(2,124)
Advances issued	5512	for 20 20	37,679	(4,979)	31,063	-	(95)	(17,169)	(50)	-	1,019	-	51,523	(4,005)
	5532	for 20 19	39,843	(5,354)	19,413	-	(548)	(21,393)	(83)	(101)	840	-	37,679	(4,979)
Notes receivable	5513	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	5533	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from participants (shareholders) for contributions to charter capital	5514	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	5534	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from subsidiaries and affiliates for dividends	5515	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	5535	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
Other accounts receivable	5516	for 20 20	1,404,022	(639,985)	625,880	-	(137,076)	(423,637)	(15,882)	(395)	55,971	13,904	1,603,892	(705,208)
	5536	for 20 19	1,410,850	(616,346)	563,702	-	(246,779)	(560,216)	(17,322)	(7,083)	205,818	14,091	1,404,022	(639,985)
including:														
non-interest promissory notes	55161	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	55361	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
overpayment on taxes and dues	55162	for 20 20	234,631	-	127,744	-	-	(6,280)	-	(141)	-	-	355,954	-
	55362	for 20 19	274,443	-	8,565	-	-	(48,377)	-	-	-	-	234,631	-
disposal of property	55163	for 20 20	44,028	-	3,352	-	(35,494)	(10,203)	-	-	-	3,680	40,857	(35,494)
	55363	for 20 19	43,375	-	981	-	-	(900)	-	(44)	-	596	44,028	-
other	55164	for 20 20	1,125,363	(639,985)	494,784	-	(101,582)	(407,154)	(15,882)	(254)	55,971	10,224	1,207,091	(669,714)
	55364	for 20 19	1,083,032	(616,346)	554,156	-	(246,779)	(510,959)	(17,322)	(7,039)	205,818	13,495	1,125,363	(639,985)
<b>Out of the total amount of short-term accounts receivable</b>	5517	for 20 20	38	-	12,215	-	-	(38)	-	-	-	-	12,215	-
	5537	for 20 19	260	-	-	-	-	(222)	-	-	-	-	38	-
receivables from subsidiaries	55171	for 20 20	38	-	12,215	-	-	(38)	-	-	-	-	12	-
	55371	for 20 19	260	-	-	-	-	(222)	-	-	-	-	38	-
receivables from affiliates	55172	for 20 20	-	-	-	-	-	-	-	-	-	-	-	-
	55372	for 20 19	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	5500	for 20 20	9,150,427	(1,717,318)	(2,658,184)	-	(533,789)	(1,238,755)	(31,582)	(395)	(228,846)	-	10,537,879	(1,990,679)
	5520	for 20 19	8,785,716	(1,728,306)	(1,467,526)	-	(307,659)	(1,072,460)	(23,171)	(7,184)	(295,476)	-	9,150,427	(1,717,318)

5.6.3. Overdue accounts receivable							
Line item	Line code	As at December 31, 2020		As at December 31, 2019		As at December, 2018	
		Accounted under the terms and conditions of the contract	Carrying value (less the reserve for doubtful debts)	Accounted under the terms and conditions of the contract	Carrying value (less the reserve for doubtful debts)	Accounted under the terms and conditions of the contract	Carrying value (less the reserve for doubtful debts)
1	2	3	4	5	6	7	8
Payments expected within 12 months of the reporting date	564	4,310,833	2,645,352	3,167,474	1,673,160	2,284,107	848,194
including:							
buyers and customers, including	5641	3,205,125	2,248,111	2,347,946	1,497,998	1,430,530	615,718
on electric power transmission	56411	3,044,095	2,209,092	2,257,021	1,446,811	1,378,243	593,202
on technological connection	56412	36,480	9,014	47,937	10,390	46,601	16,885
on organization of the functioning and development of unified energy system (UES) of Russia relating to integrated distribution power grid	56413	-	-	-	-	-	-
on resale of electric power and capacity	56414	-	-	-	-	-	-
on rental income	56415	44,425	19,215	763	546	1,715	1,715
on other issues	56416	80,125	11,390	42,225	40,251	3,971	3,916
notes receivable	5642	-	-	-	-	-	-
Receivables from subsidiaries and affiliates for dividends	5643	-	-	-	-	-	-
Receivables from participants (shareholders) for contributions to charter capital	5644	-	-	-	-	-	-
Advances issued	5645	12,392	8,386	4,552	170	5,987	1,231
Other accounts receivable	5646	1,093,316	388,255	814,976	174,992	847,590	231,245
Chief accountant					Skiba I.V.		
		signature			signature		
(1) - the reporting date of the reporting period is indicated							
(2) - the prior period is indicated							
(3) - year, prior to preceding year is indicated							

## 5.6.5. The existence and turnover of accounts payable

Line item	Line code	Period	Opening balance	Changes for period					Ending balance
				Inflow		Retirement		Transferring from long-term debt to short-term debt	
				As a result of business transactions (amount of debt under the deal of operation)	Interest accrued, penalties and other accruals	Repayment	Write-off to financial result		
1	2	3	4	5	6	7	8	9	10
<b>Long-term accounts payable - total</b>	5551	for 20 20	1,161,583	1,401,569	-	(553)	-	(1,048,137)	1,514,462
	5571	for 20 19	1,248,675	491,348	-	(1,089)	-	(577,351)	1,161,583
including:									
accounts payable of suppliers and contractors	5552	for 20 20	104,632	-	-	-	-	(9,160)	95,472
	5572	for 20 19	5,950	101,019	-	-	-	(2,337)	104,632
including:									
construction	55521	for 20 20	-	-	-	-	-	-	-
	55721	for 20 19	-	-	-	-	-	-	-
other	55522	for 20 20	104,632	-	-	-	-	(9,160)	95,472
	55722	for 20 19	5,950	101,019	-	-	-	(2,337)	104,632
Other accounts payable	5553	for 20 20	1,056,951	1,401,569	-	(553)	-	(1,038,977)	1,418,990
	5573	for 20 19	1,242,725	390,329	-	(1,089)	-	(575,014)	1,056,951
<b>Out of the total amount of long-term debt</b>	5554	for 20 20	-	-	-	-	-	-	-
	5574	for 20 19	-	-	-	-	-	-	-
Debt owed to subsidiaries	55541	for 20 20	-	-	-	-	-	-	-
	55741	for 20 19	-	-	-	-	-	-	-
Debt owed to affiliates	55542	for 20 20	-	-	-	-	-	-	-
	55742	for 20 19	-	-	-	-	-	-	-
<b>Short-term accounts payable - total</b>	5560	for 20 20	8,757,713	5,554,535	-	(4,571,551)	(25,296)	1,048,137	10,763,538
	5580	for 20 19	12,883,089	4,561,822	-	(9,171,253)	(43,296)	577,351	8,757,713
including:									
Settlements with suppliers and contractors	5561	for 20 20	5,136,188	3,313,819	-	(2,515,939)	(6,366)	9,160	5,936,862
	5581	for 20 19	5,238,557	2,480,026	-	(2,579,872)	(4,860)	2,337	5,136,188
including:									
construction	55611	for 20 20	1,265,881	1,190,693	-	(1,194,299)	(2,735)	-	1,259,540
	55811	for 20 19	750,583	1,164,146	-	(644,303)	(4,545)	-	1,265,881
other	55612	for 20 20	3,870,307	2,123,126	-	(1,321,640)	(3,631)	9,160	4,667,322
	55812	for 20 19	4,487,974	1,315,880	-	(1,935,569)	(315)	2,337	3,870,307
Advances issued	5562	for 20 20	1,876,504	442,990	-	(699,969)	(17,387)	1,038,609	2,640,747
	5582	for 20 19	5,164,803	666,424	-	(4,494,875)	(34,157)	574,309	1,876,504
including:									
on electric power transmission	55621	for 20 20	24,428	31,188	-	(8,005)	(1)	-	47,610
	55821	for 20 19	12,936	20,098	-	(8,606)	-	-	24,428
on technological connection	55622	for 20 20	1,826,938	303,654	-	(669,366)	(16,769)	1,038,609	2,483,066
	55822	for 20 19	5,144,416	625,406	-	(4,483,955)	(33,238)	574,309	1,826,938
on organization of the functioning and development of unified energy system (UES) of Russia relating to integrated distribution power grid	55623	for 20 20	-	-	-	-	-	-	-
	55823	for 20 19	-	-	-	-	-	-	-
on resale of electric power and capacity	55624	for 20 20	-	-	-	-	-	-	-
	55824	for 20 19	-	-	-	-	-	-	-
on participation in other organizations	55625	for 20 20	-	-	-	-	-	-	-
	55825	for 20 19	-	-	-	-	-	-	-
on lease services	55626	for 20 20	1,214	11,767	-	(1,901)	-	-	11,080
	55826	for 20 19	18	1,213	-	(17)	-	-	1,214
on other issues	55627	for 20 20	23,924	96,381	-	(20,697)	(617)	-	98,991
	55826	for 20 19	7,433	19,707	-	(2,297)	(919)	-	23,924
Delay from participants (shareholders) in paying revenues	5563	for 20 20	453	26	-	-	-	-	479
	5583	for 20 19	919	-	-	(466)	-	-	453
Notes payable	5564	for 20 20	-	-	-	-	-	-	-
	5584	for 20 19	-	-	-	-	-	-	-
Debts owed to state non-budgetary funds	5565	for 20 20	157,086	135,442	-	(157,086)	-	-	135,442
	5585	for 20 19	120,710	157,086	-	(120,710)	-	-	157,086
Settlements in respect of taxes and levies	5566	for 20 20	642,898	771,058	-	(642,898)	-	-	771,058
	5586	for 20 19	606,530	642,898	-	(606,530)	-	-	642,898
Payables owed to corporate staff	5567	for 20 20	273,713	317,117	-	(273,713)	-	-	317,117
	5587	for 20 19	313,073	273,713	-	(313,073)	-	-	273,713
Other accounts payable	5568	for 20 20	670,871	574,083	-	(281,946)	(1,543)	368	961,833
	5588	for 20 19	1,388,497	341,675	-	(1,055,727)	(4,729)	705	670,871
<b>Out of the total amount of short-term debt</b>	5569	for 20 20	26,205	264,918	-	(20,419)	-	-	270,704
	5589	for 20 19	5,771	26,205	-	(5,771)	-	-	26,205
Debt owed to subsidiaries	55691	for 20 20	26,205	264,918	-	(20,419)	-	-	270,704
	55891	for 20 19	5,771	26,205	-	(5,771)	-	-	26,205
Debt owed to affiliates	55692	for 20 20	-	-	-	-	-	-	-
	55892	for 20 19	-	-	-	-	-	-	-
<b>Total</b>	5550	for 20 20	9,919,296	6,956,104	-	(4,572,104)	(25,296)	-	12,278,000
	5570	for 20 19	14,081,764	5,053,170	-	(9,172,342)	(43,296)	-	9,919,296





## 5.6.7. Loans and borrowings

Line item	Line code	Period	At the start of the year	Changes for period					At the end of the period
				Inflow	Accrual of interests	Principal repayment	Repayment of interest	Eransferring from long-term debt to short-term debt	
1	2	3	4	5	6	7	8	9	10
Long-term borrowings - total	7410	for 20 20	19,432,911	36,128,620	-	(37,678,609)	-	-	17,882,922
	7430	for 20 19	13,283,239	19,916,920	-	(6,484,008)	-	(7,283,240)	19,432,911
including:									
Loans	7411	for 20 20	19,432,911	34,728,620	-	(37,678,609)	-	-	16,482,922
	7431	for 20 19	9,683,239	19,916,920	-	(6,484,008)	-	(3,683,240)	19,432,911
Borrowings	7412	for 20 20	-	1,400,000	-	-	-	-	1,400,000
	7432	for 20 19	3,600,000	-	-	-	-	(3,600,000)	-
Current borrowings - total	7420	for 20 20	3,652,592	13,835,373	1,611,812	(12,035,373)	(1,510,538)	-	5,553,866
	7440	for 20 19	11,395,279	2,221,723	2,170,660	(17,204,345)	(2,213,965)	7,283,240	3,652,592
including:									
Loans	7421	for 20 20	-	8,435,373	0	(8,435,373)	-	-	-
	7441	for 20 19	7,899,382	2,221,723	0	(13,804,345)	-	(3,683,240)	-
Interest on loans	74211	for 20 20	19,652	-	1,383,168	-	(1,402,820)	-	-
	74411	for 20 19	15,719	-	1,414,802	-	(1,410,869)	-	19,652
Borrowings	7422	for 20 20	3,632,940	5,400,000	228,644	(3,600,000)	(107,718)	-	5,553,866
	7442	for 20 19	3,480,178	-	755,658	(3,400,000)	(803,096)	3,600,000	3,632,940
(1) - the reporting period is indicated									
(2) - the prior period is indicated									

<b>5.6.8. Expenses for loans and borrowings</b>			
<b>Indication</b>		<b>For long-term loans and borrowings</b>	<b>For short-term loans and borrowings</b>
<b>Line item</b>	<b>Line code</b>		
1	2	3	4
Expenses for loans total:	7510	1,364,289	18,879
write-off as other expenses	7511	1,346,305	18,879
included in the cost of assets	7512	17,984	-
Expenses for borrowings total:	7520	60,473	168,171
write-off as other expenses	7521	60,473	167,714
included in the cost of assets	7522	-	457
Out of the total cost on borrowings and loans:	7530	1,424,762	187,050
interest accrued	7531	1,424,762	187,050
other expenses	7532	-	-

5.7.1. Estimated liabilities						
Indication		Opening balance	Recognized	Redeemed	Written off as excessive amount	Ending balance
Line item	Line code					
1	2	3	4	5	6	7
<b>Estimated liabilities - total</b>	5700	1,339,596	1,403,758	(1,151,802)	(64,391)	1,527,161
including:						
Forthcoming vacation pay	5701	263,014	519,632	(465,816)	-	316,830
Year-end benefit payment	5702	372,778	296,180	(352,188)	-	316,770
Outstanding litigation as of reporting date	5703	203,330	45,973	(175,567)	(20,876)	52,860
Claims of tax authorities on the results of tax inspections that remained unsolved as of reporting date	5704		156,967	-	-	156,967
Other estimated liabilities	5705	500,474	385,006	(158,231)	(43,515)	683,734
<b>Out of the total amount of contingent liabilities:</b>						
Created for the account of expenses for core activities	5706	1,016,644				
Created for the account of other expenses	5707	361,734				
Included in the cost of assets	5708	25,380				

<b>5.7.2. Deferred taxes</b>			
Line item	Line code	Deferred tax assets	Deferred tax liabilities
1	2	3	4
Balance at the beginning of the reporting period	7700	888,357	1,871,876
Change of temporary differences in the reporting period causing tax consequences	7710	132,107	260,940
The result of change in tax rates	7720	-	-
The result of change in taxation rules (accounting procedure of income tax)	7730	-	-
Change of temporary differences in the reporting period for transactions whose results are not included in the accounting profit (loss)	7740	-	-
write-off of temporary differences beyond tax consequences	7750	-	-
<i>For reference:</i> Recognition (write-off) of deferred tax assets due to the change of probability that the company will receive taxable income in subsequent reporting periods	7760	-	x
Balance at the end of the reporting period	7800	1,020,464	2,132,816

<b>5.8. Securities</b>				
Indication		As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Line item	Line code			
1	2	3	4	5
Received — total	5800	549,501	303,376	578,597
including:				
promissory notes	5801	-	-	-
pledged property	5802	107	107	107
where:				
items of fixed assets	58021	107	107	107
securities and other financial investments	58022	-	-	-
other	58023	-	-	-
other received	5803	549,394	303,269	578,490
Issued under own obligations— total	5810	-	-	-
including:				
promissory notes	5811	-	-	-
pledged property	5812	-	-	-
where:				
items of fixed asseets	58121	-	-	-
securities and other financial investments	58122	-	-	-
other	58123	-	-	-
other issued	5813	-	-	-

Line item		Line code	2020				2019			
			At the start of the year	Received during the year	Returned during the year	At the end of the year	At the start of the year	Received during the year	Returned during the year	At the end of the year
	Public funds received - total	5900	-	4,084	(4,084)	-	4,000	(4,000)	-	
	<i>including:</i>									
	on current expenses	5901	-	1,201	(1,201)	-	1,025	(1,025)	-	
	compensations for Chernobyl victims	5902	-	-	-	-	-	-	-	
	for task performance on mobilization training	5903	-	-	-	-	-	-	-	
	for liquidation of interterritorial cross-subsidization	5904	-	-	-	-	-	-	-	
	for investments in non-current assets	5905	-	-	-	-	-	-	-	
	other purposes	5906	-	2,883	(2,883)	-	2,975	(2,975)	-	
	<i>where:</i>									
	funding for preventive measures to reduce occupational injuries and occupational diseases	5911	-	2,883	(2,883)	-	2,959	(2,959)	-	
	funding for thorough medical check-ups for employees engaged in work with harmful and (or) occupational hazards factors	5912	-	-	-	-	-	-	-	

## 5.11. Other revenues and expenses

Indication		For 2020	For 2019
Line item	Line code		
1	2	3	
<b>Other revenues total</b>	8000	<b>1,563,197</b>	<b>2,269,626</b>
including:			
From sale of fixed assets, except apartments	8001	115	2,063
From sale of apartments	8002	-	-
From sale of inventories	8003	11,039	10,042
From sale of currency	8004	-	-
From sale of intangible assets	8005	-	-
From sale of securities	8006	-	-
From sale of other assets	8007	-	-
From joint arrangements	8008	-	-
Profit for 2019 recognized in the reporting period	8009	36,856	-
Profit for 2018 recognized in the reporting period	8010	10,380	198,679
Profit for 2017 recognized in the reporting period	8011	15,882	14,930
Profit up to January 1, 2017 recognized in the reporting period	8012	49,114	19,678
Penalties, fines and forfeits recognized or for which the judgments (arbitration awards) for their recovery have been obtained	8013	518,967	422,610
Accounts payable for which the statute of limitations has expired (more than three years)	8014	25,296	43,296
Exchange differences	8015	-	-
Assets in surplus on the results of the inventory count	8016	55	158
Donated assets except fixed assets and intangible assets	8017	3,881	3,829
Revenue from donated fixed assets identified in accordance with established order	8018	22,503	20,722
Value of tangible assets remaining after the assets that are not subject to recovery and further use have been written off	8019	3,791	1,415
Revaluation of financial investments according to the current market value	8020	-	-
Revenue from decrease (write-off) of provision for doubtful debts	8021	232,555	299,342
Revenue from decrease (write-off) of reserve for estimated liabilities	8022	64,391	135,697
Revenue from decrease (write-off) of provision for depreciation of inventories	8023	6,008	2,825
Revenues under assignment of claim agreements	8024	-	-
Revenues from determination of freelance electric power consumption	8025	70,376	90,998
Insurance settlements receivable	8026	230,611	64,351
Revenues related to the Interest in the Charter Capital of other organizations	8027	-	-
Restoring accounts receivable previously written off	8028	24	92
Discount on promissory notes	8029	-	-
Compensations for difference in tariffs (budgetary funding)	8030	-	-
Revenue from decrease (write-off) of provision for impairment of financial investments	8031	100	1,594
Increase in value of items of fixed assets	8032	-	-
Revenue from increase in value of previously cut-price items of fixed assets	8033	-	-
Revenue from payment of promissory notes	8034	-	-
Other	8035	261,253	937,305

<b>Other revenues total</b>	8100	<b>(3,777,891)</b>	<b>(3,909,428)</b>
including:			
From sale of fixed assets, except apartments	8101	-	(4,766)
From sale of apartments	8102	-	-
From sale of inventories	8103	(8,825)	(9,079)
From sale of currency	8104	-	-
From sale of intangible assets	8105	-	-
From sale of securities	8106	-	-
From sale of other assets	8107	-	-
Other taxes	8108	-	-
Expenses for bank services	8109	(406)	(318)
Expenses for maintenance of financial investments	8110	-	-
Provision for doubtful debts	8111	(533,810)	(307,808)
Provision for impairment of financial investments	8112	(7,571)	(100)
Provision for impairment of tangible assets	8113	(2,309)	(2,786)
Provision for discontinued operations	8114	-	-
Reserve for estimated liabilities	8115	(55,696)	(107,988)
Retirement of assets without revenue	8116	-	-
VAT on donated property	8117	-	-
Loss for 2019 recognized in the reporting period	8118	(428,141)	-
Loss for 2018 recognized in the reporting period	8119	(110,767)	(298,761)
Loss for 2017 recognized in the reporting period	8120	(107,950)	(189,736)
Loss up to January 1, 2017 recognized in the reporting period	8121	(152,329)	(139,512)
Penalties, fines and forfeits recognized or for which the judgments (arbitration awards) for their recovery have been obtained	8122	(61,394)	(35,641)
State fees under the economic contracts	8123	(13,247)	(12,708)
Revaluation of financial investments according to the current market value	8124	-	-
Discount on promissory notes	8125	-	-
Expenses under assignment of claim agreements	8126	-	-
Non-refundable VAT	8127	(7,689)	(8,962)
Expenses for discovered non-contractual electricity consumption	8128	-	-
Contributions to associations and funds	8129	(3,649)	(3,328)
Accounts receivable for which the statute of limitations has expired (more than three years)	8130	(395)	(7,184)
Exchange differences	8131	-	-
Court costs	8132	(1,289)	(2,100)
Theft, shortages	8133	(268)	(39,611)
Expenses for execution proceedings	8134	-	-
Payment of the cost of employees' apartments	8135	-	-
Other financial aid and other cash payments to employees	8136	(291,347)	(267,808)
Financial aid to retired employees (including lump-sum payments, compensations for community charges)	8137	(9,826)	(10,230)
Expenses for sporting events	8138	(880)	(4,694)
Expenses for social activities	8139	(8,633)	(8,473)
Charitable expenditures	8140	-	(5,000)
Value of redeemable promissory notes	8141	-	-
Residual value of written-off fixed assets	8143	-	-
Reduction in prices of items of fixed assets	8144	-	-
Other	8145	(1,917,470)	(2,442,835)

Chief Executive Officer	(signature)	Sergeev S.V. (signature)
Chief Accountant	(signature)	Skiba I.V. (signature)
« 24 »	February	20 21



5.13. Information on reportable segments

Line item	Line code	Period	Electric power transmission	Technological connection	Reportable segment name	Reportable segment name	Reportable segment name	Other segments	Total	
	1	2	3	4	5	6	7	8	9	10
Revenue from external buyers	8310	2020	48,101,880	731,309	-	-	-	-	536,391	49,369,580
	8311	2019	46,515,696	4,206,155	-	-	-	-	281,848	51,003,699
Sales revenue between segments	8320	2020	-	-	-	-	-	-	-	-
	8321	2019	-	-	-	-	-	-	-	-
<b>Total Revenue of segment</b>	<b>8300</b>	<b>2020</b>	<b>48,101,880</b>	<b>731,309</b>	-	-	-	-	<b>536,391</b>	<b>49,369,580</b>
including	<b>8400</b>	<b>2019</b>	<b>46,515,696</b>	<b>4,206,155</b>	-	-	-	-	<b>281,848</b>	<b>51,003,699</b>
Revenue from transmission	8301	2020	48,101,880	-	-	-	-	-	-	48,101,880
	8401	2019	46,515,696	-	-	-	-	-	-	46,515,696
Revenue from technological connection	8302	2020	-	731,309	-	-	-	-	-	731
	8402	2019	-	4,206,155	-	-	-	-	-	4,206,155
Other revenue	8303	2020	-	-	-	-	-	-	536,391	536,391
	8403	2019	-	-	-	-	-	-	281,848	281,848
Interest receivable	8303	2020	-	-	-	-	-	-	28,872	28,872
	8403	2019	-	-	-	-	-	-	67,390	67,390
Interest payable	8304	2020	1,593,371	-	-	-	-	-	-	1,593,371
	8404	2019	1,971,069	-	-	-	-	-	-	1,971,069
Income Tax Expenses	8305	2020	204	116,154	-	-	-	-	634	116,992
	8405	2019	1,021,080	-	-	-	-	-	-	1,021,080
<b>Gains/(losses) of segment</b>	<b>8306</b>	<b>2020</b>	<b>(1,372,012)</b>	<b>(128,676)</b>	-	-	-	-	<b>(590)</b>	<b>(1,501,278)</b>
	<b>8406</b>	<b>2019</b>	<b>(590,716)</b>	<b>3,092,746</b>	-	-	-	-	<b>1,653</b>	<b>2,503,683</b>
<b>Assets of segments</b>	8307	2020	74,885,901	1,098,993	-	-	-	-	1,395,350	77,380,244
	8407	2019	74,306,147	962,116	-	-	-	-	1,059,024	76,327,287
including non-current assets	8308	2020	63,590,343	990,606	-	-	-	-	715,531	65,296,480
	8408	2019	63,547,029	860,961	-	-	-	-	322,661	64,730,651
<b>Liabilities of segments</b>	8309	2020	71,151,660	5,092,056	-	-	-	-	1,136,528	77,380,244
	8409	2019	71,850,628	3,750,869	-	-	-	-	725,790	76,327,287
<b>Amortization of fixed assets and intangible assets</b>	<b>8390</b>	<b>2020</b>	<b>4,453,469</b>	<b>68,565</b>	-	-	-	-	<b>50,296</b>	<b>4,572,350</b>
	<b>8490</b>	<b>2019</b>	<b>4,186,821</b>	<b>55,426</b>	-	-	-	-	<b>21,318</b>	<b>4,263,565</b>



PUBLIC JOINT STOCK  
COMPANY ROSSETI KUBAN  
(PJSC ROSSETI KUBAN)

**NOTES TO THE ACCOUNTING STATEMENTS  
FOR 2020**

Krasnodar  
2021

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## 1. BACKGROUND INFORMATION

PJSC Rosseti Kuban (hereinafter referred to as the “Company”) is the largest electric grid company in the territory of Krasnodar Region and the Republic of Adygeya that transmits and distributes electricity to the distribution grid with a voltage of 110 kV and lower located in populated areas, village settlements, separate cities and neighborhood centre of Krasnodar Region and the Republic of Adygeya, including Sochi.

**Full name:** Public Joint Stock Company Rosseti Kuban.

**Short name:** PJSC Rosseti Kuban Rosseti Kuban.

Registered on February 10, 1993.

Entered in the Single State Register of Legal Entities by Inspection of the Federal Tax Service of Russia No. 3 in Krasnodar under No. 1022301427268 of September 17, 2002. Certificate 23 No. 001806938.

**TIN (KPP):** 2309001660 (997650001).

**Legal form / form of property PJSC Rosseti Kuban** – Public Joint Stock Company (Code OKOPF 47) / private ownership (Code OKFS 16).

**Registered office (legal address) PJSC Rosseti Kuban** – 350033, the Russian Federation, Krasnodar, 2A Stavropolskaya Street.

**The core activities of the Company are:**

- providing services for distribution and transmission of energy that is transferred out of the electrical system;
- services for technological connection of consumers to electric networks.

Table 1 – **Permits (licences) for certain types of work**

<b>Branch of activities</b>	<b>Issuing authority</b>	<b>Details</b>	<b>Validity period</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
For extraction licence (fresh groundwater mining for household drinking process water supply in Krasnodar)	Ministry of Natural Resources of Krasnodar Region	КРД No. 80383 БЭ	From November 30, 2015 to July 20, 2034
For extraction licence (fresh groundwater mining for household drinking process water supply Tverskaya village of Apsheronsk district of Krasnodar Region)	Ministry of Natural Resources of Krasnodar Region	КРД No. 80380БЭ	From October 26, 2015 to January 1, 2035
Execution of works related to the usage of information classified as state secret	Federal Security Service of the Russian Federation (FSB) in Krasnodar Region	ГТ 0084635, registration number 2050	From August 31, 2020 – July 13, 2023
Transportation by buses of other persons of licensee for own requirements	Federal Transportation Inspection Service (Rostransnadzor) of The Ministry of Transport of the Russian Federation	AH-23-000047	From April 8, 2019 – unlimited

## PJSC Rosseti Kuban

Accounting Statements of PJSC Rosseti Kuban contain operational performance of all branch offices, representative offices and other business units, as follows:

**Table 2 – Branches of PJSC Rosseti Kuban**

<b>№</b>	<b>Name</b>	<b>Registered office</b>
1.	Krasnodar Electrical Networks	350000, Krasnodar, 131 Pashkovskaya Str.
2.	Sochi Electrical Networks	354000, Sochi, 42 Konstitutsii USSR Str.
3.	Armavir Electrical Networks	352900, Armavir, 54 Vorovskogo Str.
4.	Adygeya Electrical Networks	385000, Maykop, 358 Shovgenova Str.
5.	Timashevsk Electrical Networks	352700, Timashevsk, 176 Lenina Str.
6.	Tikhoretsk Electrical Networks	352122, Tikhoretsk, 62 Dzerzhinskogo Str.
7.	Leningrad Electrical Networks	353745, Leningradskaya village, 6 Divizii 302 Str.
8.	Slavyansk Electrical Networks	353560, Slavyansk-na-Kubani, 49 Stroitelei Str.
9.	South-West Electrical Networks	353902, Novorossiysk, 1 Vostochnyy Mol
10.	Labinsk Electrical Networks	352503, Labinsk, 334 Mira Str.
11.	Ust-Labinsk Electrical Networks	352232, Ust-Labinsk, 4 Krasnodarskaya Str.

The average annual number of employees in PJSC Rosseti Kuban for the reporting period amounted to 8,959, in 2019 amounted to 8,644, prior to preceding 2018 amounted to 8,611.

**Company's auditor:**

Full name: Limited Liability Company Ernst & Young  
 Legal address: 115035, Moscow, 77 Sadovnicheskaya naberezhnaya, building 1  
 Current address: 115035, Moscow, 77 Sadovnicheskaya naberezhnaya, building 1  
 TIN: 7709383532  
 PSRN: 1027739707203  
 Phone/fax: 8 (495) 755-97-00/8; (495) 755-97-01

**Management Board of the Company** is the General Meeting of Shareholders, the Board of Directors of the Company, Management Board (Collegial Executive Body of the Company), General Director (Chief Executive Officer of the Company).

**Chief Executive Officer of the Company:** Sergeev Sergey Vladimirovich.

**Chief Accountant of the Company:** Skiba Inna Viktorovna.

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**Table 3 – Members of the Board of Directors of the Company (as of December 31, 2020):**

<b>No.</b>	<b>Full name</b>	<b>Principal place of employment and official capacity</b>	<b>Position on the Board of Directors of Rosseti Kuban</b>
1.	Gavrilov Aleksandr Ilich Chairman of the Board of Directors	Member of Krasnodar Regional Association “Regional Scientific and Technological Union of Energy Workers and Electricians”	Chairman of the Board of Directors
2.	Logatkin Andrey Vyacheslavovich	Director – Head of the Department of International Cooperation of PJSC Rosseti	Member of the Board of Directors
3.	Sergeev Sergey Vladimirovich	CEO of PJSC Rosseti Kuban	Member of the Board of Directors
4.	Shagina Irina Aleksandrovna	Head of the Department of Tariff Policy of PJSC Rosseti	Member of the Board of Directors
5.	Terekhov Ivan Andreevich	Head of Department of Insurance in the Strategy Department of PJSC Rosseti	Member of the Board of Directors
6.	Guryanov Denis Lvovich	Member of the Board of Directors of PJSC Rosseti Kuban	Member of the Board of Directors
7.	Alyushenko Igor Dmitrievich	Deputy Chief Engineer – Chief Controller of PJSC Rosseti	Member of the Board of Directors
8.	Varseev Vasiliy Valerevich	Member of the Board of Directors of PJSC Rosseti Kuban	Member of the Board of Directors
9.	Varvarin Aleksandr Viktorovich	Vice-president for Legal Regulation and Law Enforcement of the Russian Union of Industrialists and Entrepreneurs (RSPP)	Member of the Board of Directors
10.	Medvedev Mikhail Vladimirovich	Adviser to the Director-General of JSC “Avangard”	Member of the Board of Directors
11.	Yavorskiy Viktor Korneevich	Member of the Presidium of the Board of "OPORA RUSSIA"	Member of the Board of Directors

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**Table 4 – Composition of Management of the Company (as of December 31, 2020):**

<b>No</b>	<b>Full name</b>	<b>Principal place of employment and official capacity</b>	<b>Status in the Management of PJSC Rosseti Kuban</b>
1.	Sergeev Sergey Vladimirovich	CEO of PJSC Rosseti Kuban	Chairman of the Board
2.	Armaganian Edgar Garrievich	First Deputy CEO – Director of the Branch of PJSC Rosseti Kuban Sochi Electrical Networks	Deputy Chairman of the Board
3.	Shchepakin Maksim Mikhailovich	First Deputy CEO of PJSC Rosseti Kuban	Member of the Board
4.	Mishanin Aleksey Aleksandrovich	Deputy CEO for Technical Issues – Chief Engineer of PJSC Rosseti Kuban	Member of the Board
5.	Korzhanevskiy Viktor Anatolevich	Deputy CEO for Investment Operations of PJSC Rosseti Kuban	Member of the Board
6.	Ocheredko Olga Vyacheslavovna	Deputy CEO for Economics and Finance of PJSC Rosseti Kuban	Member of the Board
7.	Nishchuk Oleg Fedorovich	Deputy CEO for Implementation of Services of PJSC Rosseti Kuban	Member of the Board
8.	Skiba Inna Viktorovna	Chief Accountant – Head of Department of Financial Records, Accounts and Tax Returns of Rosseti Kuban	Member of the Board

The Auditing Committee of the Company is the supervisory authority for financial and operational activities of the Company.



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**Table 5 – Composition of the Company's Audit Committee (as of December 31, 2020):**

No	Full name	Principal place of employment and official capacity	Status in the Audit Committee
1.	Lelekova Marina Aleksееvna	Director of the Internal Control and Risk Management Department of PJSC Rosseti	Chairman of the Audit Committee
2.	Skrunnikova Ludmila Stanislavovna	Chief Expert of Supervisory Activities Department of the Internal Control and Risk Management Department of PJSC Rosseti	Member of the Audit Committee
3.	Malyshev Sergey Vladimirovich	Lead Expert of Supervisory Activities Department of the Internal Control and Risk Management Department of PJSC Rosseti	Member of the Audit Committee
4.	Kim Svetlana Anatolevna	Head of Supervisory Activities Department of the Internal Control and Risk Management Department of PJSC Rosseti	Member of the Audit Committee
5.	Kabizskina Elena Aleksandrovna	Chief Expert of Supervisory Activities Department of the Internal Control and Risk Management Department of PJSC Rosseti	Member of the Audit Committee

**Table 6 – The Main Subsidiaries and Affiliates**

Name of the subsidiary	Participatory interest (%)	Registered office	Line of business
1	2	3	4
Joint-Stock Company Energetik Holiday Facility	100	353490, Krasnodar Region, Gelendzhik, Divnomorskoye village, 4 Pionerskaya Str.	Provision of medical, sanatorium and health-resort, health and fitness services, accommodation services (temporary accommodation services), food and nutrition services and services to the population
Joint-Stock Company Kuban Energoservis	100	350080, Krasnodar Region, Krasnodar, 47 Novorossiyskaya Str.	Implementation of programs on energy conservation and increasing the energy efficiency of final consumers in the regions by means of implementation of the multilevel system of energy services.

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## **2. FUNDAMENTAL PRINCIPLES OF ACCOUNTING POLICIES**

PJSC Rosseti Kuban keeps accounting records in accordance with the requirements for Russian Accounting Standards and Federal Law of December 6, 2011 No. 402-FZ “On Accounting” and also in accordance with Corporate Standard of PJSC Rosseti “Uniform Corporate Accounting Principles for accounting purposes”.

Data from Accounting Statements are presented in thousands Russian Rubles (if not otherwise mentioned).

### **2.1. Assets and liabilities in foreign currencies**

The Company does not have assets and liabilities denominated in foreign currency at the beginning and the end of the reporting period.

### **2.2. Expenses for research, development and technological works (R&D)**

Accounting of expenses for research, development and technological works is incurred in accordance with Accounting Regulation 17/02, approved by Order of the Ministry of Finance of the Russian Federation No. 115n of November 19, 2002 and subsequent changes. Writing off the expenses for each facility of R&D is made using the straight-line method.

### **2.3. Intangible assets**

Accounting for intangible assets is kept by the Company in accordance with the Accounting Regulation 14/2007 “Intangible asset accounting”, approved by Order of the Ministry of Finance of the Russian Federation No. 153n of December 27, 2007.

Straight-line method is used for the amortization of the cost of the intangible assets with definite useful lives.

### **2.4. Fixed assets and construction in progress**

Accounting for fixed assets is kept by the Company in accordance with the Accounting Regulation 6/01 “*Accounting for fixed assets*”, approved by Order of the Ministry of Finance of the Russian Federation No. 26H of March 30, 2001 and Accounting Guidelines on fixed assets, approved by Order of the Ministry of Finance of the Russian Federation No. 91n of October 13, 2003.

## PJSC Rosseti Kuban

Accounting for construction in progress is kept by the Company in accordance with the Regulation of Accounting and Reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation No. 34Н of July 29, 1998 and in accordance with the Accounting Regulation of long-term investments (letter of the Russian Ministry of Finance No. 160 of December 30, 1993), if not at variance with subsequent regulatory legal acts on accounting.

Items of fixed assets are accepted for recording at original cost, determined according to the method of receipt-purchase for a fee, implementation by own efforts, construction, receiving without compensation and so on.

Assets are recognized as a part of inventories and written-off as manufacturing expenses in accounting and accounting statements as far as they release to production or into operation and to relation of which the terms for attribution of assets to the fixed assets (with the value less than 40,000 rubles inclusive) are fulfilled. The following items are included in the fixed assets regardless of their value:

- transmission lines;
- lands;
- buildings;
- constructions;
- vehicles

Costs on borrowings and loans related to investment asset formation (items of fixed assets, asset groups and other similar assets demanding much time and purchasing costs and (or) construction) are included in the cost of the depreciable asset.

Amortization of the items of fixed assets is calculated using the straight-line method on the basis of their useful lives.

Useful life is regulated by the Committee of the Company on receipt of fixed assets in accordance with the final report of the technical employees taking into consideration the information specified in technical documentation of the construction site.

## PJSC Rosseti Kuban

The following useful lives are determined for accounting purposes in accordance with the technical rules and regulations and instructions for the operation of equipment of manufacturing plants and newly introduced items of fixed assets related to the groups such as “Transmission lines and transmission facilities” and “Vehicles and machinery”.

Item of fixed assets	Useful life, years
<i>Material-working machinery and equipment</i>	
Power transformer	30
Shunt reactor	30
Current limiting reactor	30
Cell of gas-insulated switchgear	30
Cell of the complete distribution device	25
Current transformer (CT)	30
Voltage transformer (VT)	30
Switch	30
Disconnecter, isolating switch and short-circuiting device	30
<i>Constructions and transfer mechanisms (transmission lines)</i>	
Overhead transmission lines (OTL)	35
Cable transmission lines	30
Overhead and cable transmission lines	30

Fully amortizing (depreciated) fixed assets are not measured at amortized cost.

The result due to retirement, write-off and donation of fixed asset is reflected in the Statement of financial results and as a part of other revenues and expenses.

Fixed asset value has not changed, except for further construction, modernization and reconstruction of fixed assets. Expenses for reconstruction of fixed assets are reflected on the balance sheet of the reporting period to which the expenses relate.

Accounting for the property acquired under leasing is carried out in accordance with the Federal Law No. 164-FZ of October 29, 1998 “On financial lease (leasing)”.

## 2.5. Inventories

Inventory accounting is kept by the Company in accordance with the Accounting Regulation 5/01 “*Inventory accounting*”, approved by Order of the Ministry of Finance of the Russian Federation No. 44n of June 9, 2001 and Accounting guidelines on inventory accounting, approved by Order of the Ministry of Finance of the Russian Federation No. 119n of December 28, 2001.

When inventories are included in the accounting, inventory valuation is made by the following ways:

- when purchase for a charge – in the amount of actual expenses for purchasing except for VAT and other recoverable taxes from the budget (Clause 6, Accounting Regulation 5/01);
- during production by own efforts – on the basis of actual expenses related to the production of the current expenses. Accounting and formation of expenses for production of inventories are carried out in accordance with the procedure established for the determination of prime cost of the appropriate types of production (Clause 7, Accounting Regulation 5/01);
- entered against contribution to the charter capital – on the basis of monetary value agreed upon with shareholders (participants), unless otherwise required by the legislation of the Russian Federation in accordance with the actual expenses for delivery of inventories and bring them up to an acceptable standard for use (Clause 8, 11, Accounting Regulation 5/01);
- donation or received under the donation agreement and also remaining after disposal of fixed assets and other property, recognition of inventories that were recognized as the surplus on the results of the inventory count – on the basis of current market value for delivery of inventories and bring them up to an acceptable standard for use (Clause 9, 11, Accounting Regulation 5/01);
- received under the agreements providing for fulfilment of obligations (payment) by non-monetary assets – according to the value of assets transferred or subject to transfer to the Company, established on the basis of the price for which the Company usually identifies the value for the similar assets under comparable circumstances. When it is not possible to establish the value of assets that are transferred or subject to transfer to the Company, the inventory cost according to the agreements providing for fulfilment of obligations (payment) by non-monetary assets is identified on the basis of the price for which the Company usually purchases the similar inventories under comparable circumstances. The actual expenses for delivery of inventories and bring them up to an acceptable standard for use are included in the actual cost of these inventories (Clause 6, 10, 11, Accounting Regulation 5/01);
- cost of inventories received under the barter contracts where the contractual value of barterable property is established, official contractual value is recognized.

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Inventories are measured at average cost of every type of inventory when the inventories release to production or their disposal in accordance with Clause 16 and Accounting Regulation 5/01 “Inventory accounting”.

Special clothes before putting into operation are recognized according to the account 10 "Materials" on the separate sub-account “Dedicated tooling and special clothes at stock”. The cost of special clothes that have useful lives more than 12 months is repaid using the straight-line method on the basis of their useful lives according to the industry standards requiring free issue of work clothes, special shoes and other personal protective equipment and in accordance with the Rules of Provision of Employees with special clothes, special shoes and other personal protective equipment, approved by Decree of the Ministry of Health and Social Development of July 1, 2009 No. 290n. Special clothes that have useful lives more than 12 months are reflected on the balance sheet as a part of other non-current assets.

The Company creates the reserve for depreciation of inventories for the account of financial results.

## **2.6. Deferred expenses**

The principled approach established in the Company is to recognize incurred expense in the balance sheet and accounting as a part of deferred expense and its equating to the asset. This approach is based on the fact that the future economic benefits (temporary benefits) related to the asset and appraisal of the asset value is probable.

The Company has established that the balance of deferred expenses is recorded in the lines “Other non-current assets” and “Other current assets”.

For this purpose the distribution between section I and section II of the balance sheet occurs on the basis of repayment period of the relevant expenses, i.e. the expenses where the repayment period is more than 12 months are to be recorded in the section I of the balance sheet and the other expenses are to be recorded in the section II.

## **2.7. Financial investments**

Accounting for financial investments is kept by the Company in accordance with the Accounting Regulation 19/02 “*Accounting for financial investments*”, approved by Order of the Ministry of Finance of the Russian Federation No. 126n of December 10, 2002.

## PJSC Rosseti Kuban

Contributions to charter capitals of other organizations are recognized by the financial investments of the organization and recorded in accounting in the amount of actual expenses of the investor, i.e. according to the cost of assets entered against contribution in which the assets were recorded on the balance sheet.

Financial investments in which the current market value is not determined are subject to reflection in accounting and accounting statements at original cost as of reporting date (Clause 21, Accounting Regulation 19/02).

Financial investments in which the current market value is determined are subject to reflection in the accounting statements at the current market value at the end of the reporting period by means of adjustment of evaluation of investments for the previous reporting date (Clause 20, Accounting Regulation 19/02).

Debt securities are reflected at historical cost. Difference between nominal value of acquisition and nominal value of the securities is to be included in other revenues and expenses.

## **2.8. Borrowings and loans**

Accounting for borrowings and loans is kept by the Company in accordance with the Accounting Regulation 15/2008 “*Accounting for borrowings and loans*”, approved by Order of the Ministry of Finance of the Russian Federation No. 107n of October 6, 2008.

## **2.9. Estimated liabilities**

Accounting for estimated liabilities is kept by the Company in accordance with the Accounting Regulation 8/2010 “*Estimated liabilities, contingent liabilities and contingent assets*”, approved by Order of the Ministry of Finance of the Russian Federation No. 167n of December 13, 2010.

## **2.10. Deferred taxes**

Accounting for deferred taxes is kept by the Company in accordance with the Accounting Regulation 18/02 “*Accounting for corporate income tax*”, approved by Order of the Ministry of Finance of the Russian Federation No. 114n of November 19, 2002.

The amounts of deferred tax asset and liability are to be reflected in expanded form on the balance sheet during the preparation of the accounting statements.

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## 2.11. Revenue and other income

Accounting for revenue and other income is kept by the Company in accordance with the Accounting Regulation 9/99 “*Organization's income*”, approved by Order of the Ministry of Finance of the Russian Federation No. 32n of May 6, 1999.

Revenue is recognized in accounting of the Company, provided that the following conditions are met:

- 1) The organization has the right to receive revenue under the specific contract or it should be confirmed by other appropriate means;
- 2) The amount of revenue is to be defined;
- 3) There is confidence that there will be increase in economic benefits of the organization as a result of the concrete operation. There is confidence that there will be increase in economic benefits of the organization as a result of the concrete operation when the organization receives an asset in payment or there is no uncertainty about receipt of an asset;
- 4) If the ownership (possession, use and control) of production (goods) was transferred from the organization to the buyer or the work was accepted by the client (the service was provided);
- 5) Expenses that were incurred or will be incurred due to this operation may be identified.

Receipts related to the equity interest in other organizations; receipts from sale of fixed assets and other assets; fines, penalties and forfeitures for the breach of contract terms and conditions; receiving of assets without compensation; profit for past years; amounts of accounts payable for which the statute of limitations has expired; exchange differences and other income are the other income of the Company in accordance with the Clause 7, Accounting Regulation 9/99.

Other revenues are recorded in the statement of financial results less the expenses related to these revenues, in case that:

- Corresponding rules of accounting require and do not prohibit such recognition of revenues;
- Revenues and expenses related to them, as a result of one and the same or similar business activity (such as assignment for temporary use (temporary possession and use) of own assets) are not essential for financial characteristics of the Company.



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## **2.12. Cost of goods sold, production, works, services, selling costs, administrative expenses and other expenses**

Accounting for expenses is kept by the Company in accordance with the Accounting Regulation 10/99 “*Organization's expenses*”, approved by Order of the Ministry of Finance of the Russian Federation No. 33n of May 6, 1999. General business expenses are fully recognized in the cost of goods sold and services in the reporting period and distribution by types of activities is carried out in proportion to the revenue.

Administrative expenses are recorded in the account 26 “General business expenses” showing individual cost centers and nomenclature. Administrative expenses are recorded in the statement of financial results in the line “Administrative expenses”.

## **2.13. Government assistance**

Accounting for funds received under government assistance is kept by the Company in accordance with the Accounting Regulation 13/2000 “*Accounting for government assistance*”, approved by Order of the Ministry of Finance of the Russian Federation No. 92n of December 16, 2000.

## **2.14. Associates and affiliates**

Information on associates and affiliates is disclosed by the Company in accordance with the Accounting Regulation 11/2008 “*Information on associates and affiliates*”, approved by Order of the Ministry of Finance of the Russian Federation No. 48n of April 29, 2008.

## **2.15. Information on segments**

Information on segments is disclosed by the Company in accordance with the Accounting Regulation 12/2010 “*Information on segments*”, approved by Order of the Ministry of Finance of the Russian Federation No. 143n of November 8, 2010.

## **2.16. Cash flow information**

Cash flow information is disclosed by the Company in accordance with the Accounting Regulation 23/2011 “*Statement of cash flows*”, approved by Order of the Ministry of Finance of the Russian Federation No. 11n of February 2, 2011.

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### **3. CHANGES IN ACCOUNTING POLICIES IN 2020**

In 2020, some amendments were introduced to the Accounting Policies by the Company on accounting of deferred taxes due to the entry into force of the new RAS 18/02 “Accounting for Corporate Income Tax” as amended since January 1, 2020, namely the Company has reflected the corresponding differences arising from revaluation of fixed assets and reserves for estimated liabilities as a part of temporary differences resulting in formation of deferred tax. In accordance with the Clause 14,15 of RAS 1/2008, recalculation was performed retrospectively out of balance sheet line code 1370 “Accumulated Profit” and 1340 “Revaluation of Non-Current Assets”.

Changes in comparative indicators as a result of this change in the accounting policy are presented in Clause 5 of the present Notes.

### **4. CHANGES IN ACCOUNTING POLICIES IN 2021**

The accounting policy for 2021 is amended related to the entry into force of the Order of the Ministry of Finance of Russia dated November 15, 2019 No. 180n Federal Accounting Standard FAS 5/2019 *"Inventories"*.

The Company is in the phase of final evaluation of the amounts that have an impact on indications of Accounting (Financial) Statements as of January 1, 2021.

This change of RAS will be recorded in the accounting (financial) statements for the first quarter of 2021 and will lead to the changes in comparative indicators for the periods prior to reporting period if appropriate.

### **5. ADJUSTMENTS AND OTHER CHANGES IN ACCOUNTING RELATED TO THE PRIOR PERIODS**

As a result of the introduction of the new RAS 18/02 “Accounting for Corporate Income Tax” as amended, the following adjustments have been introduced by the Company to the Balance Sheet as of December 31, 2019 and December 31, 2018 and the Statement of Financial Results for 2019:

## PJSC Rosseti Kuban

<b>Balance Sheet line code as of December 31, 2019</b>	<b>Before adjustment</b>	<b>Adjustment</b>	<b>After adjustment</b>
1180 Deferred tax assets	792,989	95,368	888,357
1100 Total section I	64,635,283	95,368	64,730,651
1600 Balance	76,231,919	95,368	76,327,287
1370 Retained Earnings (uncovered losses)	359,366	(642,745)	(283,379)
1371 Retained Earnings (uncovered losses) for past years	(2,068,645)	(718,417)	(2,787,062)
1372 Retained Earnings (uncovered losses) of the reporting period	2,428,011	75,672	2,503,683
1300 Total section III	40,609,886	(642,745)	39,967,141
1420 Deferred tax liabilities	1,133,763	738,113	1,871,876
1400 Total section IV	21,728,257	738,113	22,466,370
1700 Balance	76,231,919	95,368	76,327,287

<b>Balance Sheet line code as of December 31, 2018</b>	<b>Before adjustment</b>	<b>Adjustment</b>	<b>After adjustment</b>
1180 Deferred tax assets	764,948	92,980	857,928
1100 Total section I	63,613,935	92,980	63,706,915
1600 Balance	75,908,815	92,980	76,001,795
1340 Revaluation of non-current assets	10,736,476	(862,562)	9,873,914
1370 Retained Earnings (uncovered losses)	(12,654,441)	144,145	(12,510,296)
1371 Retained Earnings (uncovered losses) for past years	(12,805,639)	89,236	(12,716,403)
1372 Retained Earnings (uncovered losses) of the reporting period	151,198	54,909	206,107
1300 Total Section III	35,238,546	(718,417)	34,520,129
1420 Deferred tax liabilities	438,719	811,397	1,250,116
1400 Total section IV	14,970,633	811,397	15,782,030
1700 Balance	75,908,815	92,980	76,001,795

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<b>Line code of Statements of financial results for 2019</b>	<b>Before adjustment</b>	<b>Adjustment</b>	<b>After adjustment</b>
2410 Income tax	(1,381,791)	75,672	(1,306,119)
2412 Deferred income tax	(654,559)	75,672	(578,887)
2400 Net profit (loss)	2,428,011	75,672	2,503,683
2500 Comprehensive financial result for the period	2,428,011	75,672	2,503,683

The adjustments have been introduced to the explanations of the Notes to compare data in accordance with the above-mentioned information.

Due to the reflected changes, the amount of basic and diluted earnings per share for 2019 was 8,0373 thousand rubles.

## **6. INFORMATION DISCLOSURE ON SPECIFIC INDICATIONS OF ACCOUNTING STATEMENTS FOR 2020**

### **6.1. Fixed assets**

Real estate assets accepted for operation and in use undergoing the state registration are recorded in the account 01.06 "Real estate assets the ownership of which is not registered". As of December 31, 2020 the original value of the real estate assets accepted for operation and in use undergoing the state registration amounted to 3,385,515 thousand rubles

Fixed assets under the agreements providing for fulfilment of obligations by non-monetary assets were missing for the period from January 1 to December 31, 2020.

Information on fixed asset groups, change in value and usage are specified in Appendices 5.3.1; 5.3.3; 5.3.4.

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### **6.1.1. Capital investments in progress**

Amount of advances and advance payment of services related to the construction and purchase of fixed assets without VAT; raw materials intended to be used for the purpose of creation of fixed assets are recorded on the balance sheet of the Company as capital investments in-progress. As of December 31, 2020 the amount of advances and advance payment of services related to the construction and purchase of fixed assets amounted to 96,451 thousand rubles, VAT from advances and advance payment of services related to the construction and purchase of fixed assets is recorded in the line 1260 "Other current assets" in the amount of 18,955 thousand rubles. As of December 31, 2020 the amount of raw materials intended to be used for the purpose of creation of fixed assets amounted to 802,561 thousand rubles.

Information on the presence and flow of construction in progress assets is disclosed in Appendix 5.3.5.

### **6.1.2. Fixed assets received for lease**

There are no fixed assets received for lease in the current reporting period. In the coming period lease payments are not planned.

## **6.2. Other non-current and current assets**

As of December 31, 2020, deferred expenses amounted to 262,634 thousand rubles depending of the date of write-off, fixed as of the date of acceptance for recording. These expenses are recorded on the balance sheet:

1) Non-exclusive rights for computer software:

- Useful life more than 12 months (line 1190) amounted to 149,362 thousand rubles;
- Useful life during 12 months (line 1260) amounted to 112,341 thousand rubles.

2) Other:

- Useful life more than 12 months (line 1190) amounted to 728 thousand rubles;
- Useful life during 12 months (line 1260) amounted to 203 thousand rubles.

Cost of special clothes with useful lives more than 12 months in the amount of 103,885 thousand rubles is recorded in the line 1190 as a part of non-current assets.

The amount of VAT from advances received amounted to 721,071 thousand rubles is recorded in the line 1260 as a part other current assets.

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### **6.3. Financial investments**

The analysis of financial investments of PJSC Rosseti Kuban for the presence of impairment indicators was conducted as of December 31, 2020.

As a result of reserve for decrease in financial investments was restored in the amount of 100 thousand rubles and accrued in the amount of 7,571 thousand rubles. Information on the presence and flow of financial investments is disclosed in Appendices 5.4.1 and 5.4.2.

### **6.4. Government assistance**

The decision was made by the Territorial authorities of Social Insurance Fund of the Russian Federation (SIF RF) concerning the funding for preventive measures to reduce occupational injuries.

Information is disclosed in Appendix 5.9

### **6.5. Equity and reserves**

At the beginning of 2020 the charter capital of the Company amounted to 30,379,335,000 rubles and consist of 303,793,350 ordinary shares at par value of 100 (one hundred) rubles per share.

On July 15, 2020, the official registration of amendments to the Articles of Association of the Company was carried out. After the increase, the amount of charter capital was 33,465,783,700 rubles.

Preferred shares did not issued by the Company.

Additional capital of the Company is formed as a result of paid-in capital in excess of par.

The company creates the capital reserve intended for loss coverage. These losses are not specifically defined but may occur in economic turnover. The capital reserve is created out of net profits of the Company.

### **6.6. Accounts receivable**

Information on the presence and flow of accounts receivable for the reporting period is disclosed in the Table 5.1. Notes to the balance sheet and statement of financial results are represented in a tabular format. Accounts receivable that is arisen and paid off in the one reporting period is not included in the turnover.

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**Table 7 – Settlements with the budget**

(thousands of RUB)

Indication	Debt as of December 31, 2019		Accrued for 2020	Paid for 2020	Debt as of December 31, 2020	
	Debit	Credit			Debit	Credit
VAT	–	410,204	2,595,009	2,463,215	–	541,998
Property tax	721	173,812	665,807	676,544	20	162,374
Income tax	224,670	–	4,635	82,244	302,279	–
Land charge	857	1,102	(22,273)	5,409	28,601	1,164
Personal income tax	3	55,677	761,971	754,208	2	63,439
Transport tax	–	2,103	8,492	8,514	–	2,081
Other taxes and dues	2	–	4	–	–	2
<b>Total taxes</b>	<b>226,253</b>	<b>642,898</b>	<b>4,013,645</b>	<b>3,990,134</b>	<b>330,902</b>	<b>771,058</b>
Tax Penalties	2	–	(5,595)	3	5,600	–
Fines	8,376	–	(10,644)	432	19,452	–
<b>Total</b>	<b>234,631</b>	<b>642,898</b>	<b>3,997,406</b>	<b>3,990,569</b>	<b>355,954</b>	<b>771,058</b>

The amount of accounts receivable for taxes and dues is increased for 121,323 thousand rubles in 2020.

Accounts receivable related to the income tax was created in the amount of 302,279 thousand rubles due to the fact that advance payments (paid in 2020) had exceeded the amount of income tax, calculated for year results.

Accounts receivable on land value tax was created in the amount of 28,601 thousand rubles due to the reflection in the 4th quarter of 2020 of the judicial decision in favour of the Company which partially canceled the results of the offsite tax inspection for 2011-2012 on land value tax.

The increase of accounts receivable on fines in the amount of 11,076 thousand rubles, penalties in the amount of 5,598 thousand rubles mainly related to the reflection of reduced sanctions in accordance with the judicial decision in favour of the Company.

**Table 8 – Settlements for insurance contributions**

(thousands of RUB)

Indication	Debt as of December 31, 2019		Accrued for 2020	Paid for 2020	Debt as of December 31, 2020	
	Debit	Credit			Debit	Credit
<b>Insurance contributions – total</b>	<b>5,471</b>	<b>157,086</b>	<b>1,699,033</b>	<b>1,737,642</b>	<b>22,436</b>	<b>135,442</b>
<b>including:</b>						
Pension contribution	2	118,269	1,228,401	1,241,439	6	105,235
Compulsory health insurance	1	34,762	297,762	304,370	–	28,153
Social insurance	5,468	4,055	172,870	191,833	22,430	2,054
<b>Penalties – total</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>3</b>	<b>–</b>	<b>–</b>
<b>Fines – total</b>	<b>4</b>	<b>–</b>	<b>1</b>	<b>91</b>	<b>94</b>	<b>–</b>
<b>Total</b>	<b>5,475</b>	<b>157,086</b>	<b>1,699,037</b>	<b>1,737,736</b>	<b>22,530</b>	<b>135,442</b>

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Accounts receivable related to the insurance contributions increased by 17,055 thousand rubles in 2020. The growth was mainly driven by increasing in accounts receivable in respect of contributions to the Social Insurance Fund (by 16,962 thousand rubles) owing to the increase in expenses for temporary disability as a result of the spread of a new coronavirus infection in 2020 as well as indexation of allowances in the amount of 1,030 from February 2020.

**Table 9 – Allocation of taxes, penalties and fines according to the levels of budget**

(thousands of RUB)

Indication	Debt as of December 31, 2019		Accrued for 2020	Paid for 2020	Debt as of December 31, 2020	
	Debit	Credit			Debit	Credit
<b>Taxes – total</b>	<b>226,253</b>	<b>642,898</b>	<b>4,013,645</b>	<b>3,990,134</b>	<b>330,902</b>	<b>771,058</b>
Federal budget	18,352	465,885	3,357,686	3,278,943	79,163	605,439
Regional tax, national tax	207,040	175,912	678,230	705,785	223,138	164,455
Local tax	861	1,101	(22,271)	5,406	28,601	1,164
<b>Penalties – total</b>	<b>2</b>	<b>–</b>	<b>(5,595)</b>	<b>3</b>	<b>5,600</b>	<b>–</b>
Federal budget	1	–	3	3	1	–
Regional tax, national tax	–	–	–	–	–	–
Local tax	1	–	(5,598)	–	5,599	–
<b>Fines – total</b>	<b>8,376</b>	<b>–</b>	<b>(10,644)</b>	<b>432</b>	<b>19,452</b>	<b>–</b>
Federal budget	8,106	–	(1,562)	20	9,688	–
Regional tax, national tax	258	–	(2,536)	408	3,202	–
Local tax	12	–	(6,546)	4	6,562	–
<b>Total</b>	<b>234,631</b>	<b>642,898</b>	<b>3,997,406</b>	<b>3,990,569</b>	<b>355,954</b>	<b>771,058</b>

Accounts receivable of buyers and clients, other accounts receivable are disclosed in Appendices 5.6.1-5.6.3.

## 6.7. Accounts payable, loans and borrowings

Information on the presence and flow of accounts payable for the reporting period is disclosed in the Table 5.3. Notes to the balance sheet and statement of financial results are represented in a tabular format. Accounts payable that is arisen and paid off in the one reporting period is not included in the turnover.

The amount of accounts payable for tax payments increased by 128,160 thousand rubles.

There was a considerable increase in accounts payable related to the value added tax. Accounts payable related to the value added tax increased for 131,794 thousand rubles due to the fact that VAT charges for the fourth quarter (Q4) 2020 in the amount of 522,724 thousand rubles had exceeded the VAT charges in the amount of 465,496 thousand rubles for the fourth quarter (Q4) 2019.



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In 2020, accounts payable related to the insurance contributions decreased by 21,644 thousand rubles, including the pension contributions by 13,034 thousand rubles, contributions to the compulsory medical insurance funds by 6,609 thousand rubles. This change was driven by a decrease in the amount of accruals in December 2020 versus the amount of accruals in December 2019.

**Table 10 – Amounts and repayment periods of borrowings and loans of PJSC Rosseti Kuban as of December 31, 2020**

(thousands of RUB)

Name of the bank	No. of loan agreement	The amount of the actual debt	Interest debt	Repayment period
PJSC Rosseti	5736	–	17,626	Less than 1 month
PJSC Rosseti	5781	5,400,000	136,240	Less than 7 months
<b>Total line 1510</b>	–	<b>5,400,000</b>	<b>153,866</b>	–
Bank GPB (JSC)	No. 0719-030-0000-K	1,000,000	–	Above 1.5 years
Bank GPB (JSC)	No. 0719-031-0000-K	1,000,000	–	Above 1.5 years
Bank GPB (JSC)	No. 0719-120-0000-K	3,000,000	–	Above 2 years
Bank GPB (JSC)	No.0719-048-0000-ГC	1,500,000	–	Above 2 years
Bank GPB (JSC)	No.0719-049-0000-ГC	1,575,000	–	Above 2 years
Bank GPB (JSC)	No 0719-050-0000-ГC	1,187,500	–	Above 2 years
Bank "RRDB"( JSC)	374ю	1,000,000	–	Above 2 years
Bank "RRDB"( JSC)	375ю	1,320,422	–	Above 2 years
Bank "RRDB"( JSC)	376ю	2,000,000	–	Above 2 years
PJSC PS Bank (Promsvyazbank)	No. 0089-20-3-15	1,900,000	–	Above 2 years
JSC SMP Bank	08-22-2020/KJI	1,000,000	–	Above 2 years
PJSC Rosseti	5736	1,400,000	–	Above 4 years
<b>Total line 1410</b>	–	<b>17,882,922</b>	–	–

Interest rates for debt portfolio of the Company have been formed in the range of 5.68% to 7.07% per annum as of December 31, 2020.

Information is disclosed in Appendices 5.6.5-5.6.8.

### 6.7.1. Securing obligations

As of December 31, 2020, the amount of bank guarantees received to insure the fulfilment of obligations under the contractor agreements/supply and repayment (return of advances) amounted to 549,394 thousand rubles on the off-balance sheet item 008 “Fulfilment of obligations and payments received” (Appendix 5.8.). Pledged property under the agreement for purchase and sale of apartments amounted to 107 thousand rubles (Appendix 5.8.).

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### 6.7.2. Information on opportunities of the Company to raise additional cash as of reporting date

Table 11 – Unused credit facilities by the Company

(thousands of RUB)

Creditor bank	Name and date of the contract	Amount of unutilized limit	Termination date of drawdown
PAO Sberbank	No. 5400/380 of September 25, 2017	3,000,000	September 23, 2022
PAO Sberbank	No. 5400/449 of July 9, 2018	2,000,000	July 8, 2023
PAO Sberbank	No. 5400/634 of November 18, 2019	2,000,000	November 16, 2024
PAO Sberbank	No. 5400/635 of November 18, 2019	2,000,000	November 16, 2024
PAO Sberbank	No. 5400/695 of September 17, 2020	1,500,000	September 16, 2025
PAO Sberbank	No. 5400/696 of September 17, 2020	2,000,000	September 16, 2025
VTB Bank (PJSC)	No. KC-30750/0001/B-19 of March 29, 2019	1,000,000	March 27, 2021
VTB Bank (PJSC)	No. KC-30750/0002/B-19 of March 29, 2019	1,300,000	March 27, 2021
VTB Bank (PJSC)	No. KC-30750/0003/B-19 of March 29, 2019	1,400,000	March 27, 2021
VTB Bank (PJSC)	No. KC-30750/0004/B-19 of April 22, 2019	1,300,000	April 21, 2021
VTB Bank (PJSC)	No. KC-30750/0007/B-20 of August 20, 2020	1,425,000	July 20, 2025
VTB Bank (PJSC)	No. KC-30750/0008/B-20 of August 20, 2020	1,575,000	July 20, 2025
VTB Bank (PJSC)	No. KC-30750/0009/B-20 of August 20, 2020	1,575,000	July 20, 2025
VTB Bank (PJSC)	No. KC-30750/0013/B-20 of August 31, 2020	1,500,000	July 31, 2025
VTB Bank (PJSC)	No. KC-30750/0010/B-20 of August 31, 2020	1,575,000	July 31, 2025
VTB Bank (PJSC)	No. KC-30750/0014/B-20 of August 31, 2020	1,575,000	July 31, 2025
VTB Bank (PJSC)	No. KC-30750/0012/B-20 of August 31, 2020	1,850,000	July 31, 2025
VTB Bank (PJSC)	No. KC-30750/0011/B-20 of August 31, 2020	2,000,000	July 31, 2025
Bank "RRDB"(JSC)	No. 355ю of November 6, 2018	1,261,000	May 5, 2023
Bank "RRDB"(JSC)	No. 356ю of November 6, 2018	1,261,000	May 5, 2023
Bank "RRDB"(JSC)	No. 357ю of November 6, 2018	1,261,000	May 5, 2023
Bank "RRDB"(JSC)	No. 369ю of December 11, 2019	1,000,000	June 11, 2024
Bank "RRDB"(JSC)	No. 375ю of April 29, 2020	179,578	April 29, 2025
Bank "RRDB"(JSC)	No. 379ю of August 25, 2020	1,575,000	February 25, 2025

Available credit limits are opened up by the Company which makes it possible to refund borrowings subject to prompt repayment in 2020. As of December 31, 2020 the total amount of credit limit with termination of drawdown period in 2021-2025 amounted to 37,112,578 thousand rubles, including in the amount of 12,500 000 thousand rubles – in PAO Sberbank, in the amount of 6,537,578 thousand rubles - in Bank “RRDB” (JSC), in the amount of 18,075,000 thousand rubles – in VTB Bank (PJSC).

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## **6.8. Information on risks of business activity**

Internal Control Policy and Risk Management Policy are approved by the Board of Directors of the Company (Minutes No. 233/2016 of March 18, 2016), the main objective of which is to recognize and ensure the fulfilment of prevention measures intended to minimize the risks (control procedures) according to the deadlines, with the purpose of reducing the probability of financial and other losses that have an impact on achieving goals of the Company. There are specific core principles in regards to risk management:

- 1) Creation and protection of values of the Company (risk management contributes to achievement of the goals, performance improvement, maintaining health and human safety, maintaining security for all types of Company's operations, observation of statutory and regulatory requirements, environment control, improvement of quality of services, operational efficiency, management and company image);
- 2) Risk management is an integral part of all organizational processes (risk management is not a separate activity that is separated from the core activity and operations of the company; risk management is a part of management commitment including the strategic planning, processes of project management and adjustments);
- 3) Risk management is a part of decision making procedure;
- 4) Risk management is a systematic, structured and well timed process;
- 5) Risk management is based on the best available information;
- 6) Risk management should be transparent , all-inclusive and respect the interests of concerned parties;
- 7) Risk management should be dynamic, repeated and adaptable to changes;
- 8) Risk management contributes to the permanent improvement of the company;
- 9) Responsibility for risk management – all participants of risk management are responsible for recognition, evaluation, analysis and continuous monitoring of risks as a part of its activities, development and implementation of necessary measures for risk management and continuous monitoring the efficiency of measures for risk management.
- 10) Principle of optimality is analyzed as relation of costs relating to the implementation of measures for risk management and the impact of the implementation of these measures, including the compliance of degree of complexity of risk management with the importance of the object subject to examination depending of risks.
- 11) The unity of methodological framework. Risk management (recognition, evaluation, analysis and monitoring of risks, development and monitoring the

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efficiency of measures for risk management) is carried out on the basis of approaches and standards common to all structural units of the Company.

The Company carries out collection and analysis of information characterizing the external and internal factors that have a negative impact on achieving goals of the Company every three months. The Company has developed and fulfills the measures in order to minimize the consequence of risk realization. These measures are focused on preventing the negative effects. At the same time political and economic factors have an impact on the activity of PJSC Rosseti Kuban. Because of these factors the Company can't guarantee that the measures intended to prevent the probability of negative effects will be able to remedy the situation, because these risk factors are out of the Company's control.

### **Industry risks**

#### **Risks in the sphere of tariff setting for electric power transmission**

##### **Risks of tariff setting that do not cover the full economically justified expenditures**

In connection with the limitation of tariff growth for services for electric power transmission to the ultimate consumers at the Russian Federation government level, there is a high probability that published tariffs will not cover the full economically justified expenditures for electric power transmission. To prevent and mitigate the consequences of realization those risks, the Company shall cooperate with the Regulatory Authorities, justify and confirm the expenditures of its activities. Therefore, the Company maintains its position about necessity of accounting for economically justified expenditures in its entirety, being the power provider for Krasnodar Region and the Republic of Adygeya and also forms and sends the disputes to the Federal Antimonopoly Service of the Russian Federation

##### **The risk of increased costs for electric power transmission services of other network organizations**

Under the conditions of limited tariff growth, the regional regulator accepts significant revenue growth for individual network organizations by reducing (or unchanged) revenue from some network organizations in favor of an increase in other network organizations

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The subjective approach of the regional regulator to the distribution of the network component among network organizations in the regions where it operates, the absence of revision of tariff decisions for individual network organizations during several regulatory periods, the inclusion of the investment component for individual network organizations, or as a result of enforcement of instructions of the Federal Antimonopoly Service of the Russian Federation (FAS Russia) and court decisions may lead to the realization of risk.

The risk is assessed by the Company as significant with an average level of consequences from implementation. In order to minimize this risk and mitigate the consequences of its implementation, the Company provides the Regional Energy Commission - Prices and Rates Department of Krasnodar Region with supporting materials conforming the level of economically justified expenditures as well as maintaining its position about necessity of breakthrough growth of the Company's expenditures, being the power provider for Krasnodar Region and the Republic of Adygeya.

*The risk of an increase in the price of electricity purchased with the purpose of compensation for losses*

Free pricing in the wholesale energy market (capacity), where the purchase of electric energy (capacity) is carried out in order to compensate for the technological expenses (losses) for electric power during the electric power transmission through the networks is a factor for the realization of this risk. If the risk is realized, there may be a change in the value of net profit, the total volume of uncontrolled expenses, the debt load, cost value of servicing raised funds. In order to minimize this risk and mitigate the consequences of its implementation, the shortfall in revenue in excess of the weighted average uncontrolled price of the wholesale electricity and capacity market on actual basis in relation to the accepted in the tariff balance decisions is claimed by the regulator for compensation in the future period of regulation.

***Risks in the sphere of electric power transmission***

*Risk of reducing the volume of services for transmission of energy*

Volume reduction of electrical energy consumption may be driven by the impact of such external factor as economic crises and the decline in output of goods, the construction by consumers of their own generation, weather anomalies, industrial accidents, man-made disasters, a pandemic and the observance of quarantine regime by both individuals and legal entities. Potential influence of these factors may influence on reducing the volume of services for transmission of energy, and therefore, revenue reduction of the Company. At present, the risk is assessed as significant.

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However, in connection with the economic development of the region in which the Company operates, in recent years there has been a dynamic of increase in volume of electrical energy consumption. The Company monitors the current and predictive economic situation in the region and in the whole country, conducts preparatory works for proper power equipment functioning in the appropriate seasons of the year, performs maintenance and repair of power facilities.

**Risks of tariff setting on implementation of services for technological connection**

The Company is subject to the risk of scarcity of source of funding of events under the contracts on implementation of technological connection due to approving by regulating authority of rates of the charge for technological connection below the economically justified level. One of the factors of this risks arising is introduction of amendments to legislation of the Russian Federation (Federal Law of March 26, 2003 No. 35-FZ “On Electric Power Industry”) on excluding of power receivers of maximum capacity 150 kW from paying for technological connection, investment component to pay off expenses for construction of electric grid facilities (from October 1, 2015 – no more than 50% from amount of specified expenditures, from October 1, 2017 – excluding this expenditures from paying for technological connection).

To minimize the risk, the Company cooperates with tariffs regulatory authorities, forms correct scope of obligations under the technological connection agreements, elaborates design documentation on scope of obligations on technological connection agreements, provides the Regulatory Authorities with supporting materials conforming economic justification of the level of rates of the charge for technological connection.

Risk of antimonopoly legislation is estimated by Company as moderate. The reason of the risk implementation may become nonfulfillment of the Company’s obligations on technological connection on the signed agreements (because of scarcity of funds and a considerable number of agreements on technological connection).

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### **Operational risks**

In the process of its activity the Issuer is exposed to risks associated with physical deterioration, abuse and critical changes in the parameters of the equipment.

The main ones are:

- 1) deterioration of performance and economic indicators of electric equipment;
- 2) threat of failures with partial or full undersupply of electricity with corresponding negative social consequences;
- 3) failure to comply with the obligations under the contracts for the provision of electricity transmission services;
- 4) negative environmental effects.

In order to decrease the risk of the group the issuer takes the following steps:

- 1) scheduled repair and maintenance of equipment
- 2) technical re-equipment, reconstruction and new construction
- 3) regular optimization of structure and amount of components and spare parts in reserve and other
- 4) providing of industrial security and manufacturing control.

The company assesses the level of risk above the average and believes that the negative factors will not materially affect its activities and performance of obligations on its securities.

### **Price risks**

Provision of electricity transmission services includes as well the purchase of raw materials, services, equipment and other materials used by the Company in its operations. The price increase is mainly explained by inflationary pressures and the impact of macroeconomic factors. During the economic instability the risk of augmentation of cost for goods, works and services used by the Company increases. However, macroeconomic factors, including inflation, are now stabilizing. Thus, price risks are assessed as low.

In order to minimize these risks, the Company uses the position of a large consumer and purchases the material and technical resources, and selects the service providers through competitive and regulated procurements.

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### **Risks of financial loss owing to external and political situations and regional risks**

Risks associated with adverse weather conditions which may lead to technological disturbances.

Sudden changes of regional scale (ecological, political, demographic, social) are unlikely, but their emergence will certainly affect the Issuer's activities. Taking into consideration the sufficient level of development of the transport infrastructure of the region, the risks of termination of transport communication due to inaccessibility and farness are minimal.

In the Company's opinion, the situation in the region will have a favorable effect on the Issuer's activity; there is no reason to expect that a change of the situation in the region will entail the Issuer's failure to fulfil its liabilities.

The actual value for achieving the reliability indicator of electric power transmission services in indicative terms did not exceed the planned values. The risk is assessed as "moderate." To identify the causes of major technological disturbances (accidents), accident investigations are organized in accordance with the requirements of the Decree of the Government of the Russian Federation of October 28, 2009 No. 846 "On Approval of the Rules for Investigating the Causes of Accidents in the Electric Power Industry". Based on the results of investigations, emergency prevention measures are being developed in order to minimize the consequences of the realization of the risk and henceforth prevent the occurrence of similar cases and cover the above mentioned factors..

### **Risks associated with the political and economic situation in the country and region**

The indicators of economic progress in the regions where the Company operates (Krasnodar Region and the Republic of Adygeya) are stable for several years; these regions are attractive for investments.

The worsening of economic and political situation in the country and the region under the influence of external factors (including sanctions) are main risks for the Company. Since the Company operates only on internal market, government of the Russian Federation develops programmes on import substitution including in regions where the Company operates, it leads to increasing of amount of electric energy consumption. Increasing of energy efficiency and adoption of energy-efficient technologies are development priorities of economics.

In the event of significant political instability, which can negatively affect the operations and earnings, the Issuer takes measures of crisis management, reduces as much as possible the expenses, and investment plans.



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Additionally, there are risks associated with military conflicts, introduction of a state of emergency, natural disasters that may have consequences as follows:

- deterioration of the whole national economy status and, consequently, of the Issuer's financial status;
- damage to Company property that may negatively affect its ability to timely and fully fulfil its liabilities to consumers and counterparties.

The regions where the Company operates are politically stable with the risk of a military conflict or a state of emergency occurrence there due to internal causes being minimal. The Company has elaborated and is carrying out target arrangements for protection of the Company's energy facilities against subversive or terrorist acts. The Company established a permanent working group on combating terrorism in the power distribution facilities in the region. Besides, cooperation with law enforcement authorities is carried out. To compensate for damage of the effect of emergency circumstances associated, inter alia, with natural disasters, the Company concludes property insurance contracts.

### **Financial risks**

#### **Risk of an increase in inflation**

The current inflation level cannot have a significant effect on the financial status of the Company. The Ministry of Economic Development of the Russian Federation has reviewed the Macroeconomic forecast related to the inflation rate for 2019-2022 in favor of its reduction against the background of forthcoming deceleration of consumer demand level, caused by the loan cycle. According to the data of the Federal State Statistics Service, the rate of the annual inflation amounted to 3 percent based on the results of 2020. However, because of pandemic and observance of quarantine by economic entities, according to the Bank of Russia's forecast, inflation will reach 4,9 percent according to the results of 2020 and will stand close to 4 percent later on. Nevertheless, for minimization of financial risks associated with inflation processes and affecting the financial results of activity, the Company is implementing an integrated programme for analysis of financial risks, planning and appraisal of actual profitability of activity; one identifies return rate indices that are indicative of the Company's level of cost-efficiency, normative values of financial coefficients characterizing the Company's solvency and liquidity, which enable one to promptly detect drawbacks in the Company's work and take measures for their elimination. As well as in accordance with Decree of the Government of the Russian Federation of December 29, 2011 No. 1178 "On price formation in sphere of regulated prices (tariffs) in power industry" when regulating electricity tariffs inflation level should be taken into consideration (consumer price index), that was defined in the prognosis of social and economic development of the Russian Federation. Thus, the Company considers these risks as moderate.

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### **The risk of an increase in interest rates on credits and loans**

The Company attracts short-term and long-term borrowings from the Russian financial market. Since Company operates in the Russian Federation, inflation growth in the Russian Federation is one of the factors of overall growth of interest rates. Significant increase in interest rates on loans and borrowings can lead to debt service increase. But nowadays because of low level of inflation and regular decline in key rate, the risk of rising interest rates on loans is estimated as low (there has been a consistent decline in the interest rate from 11 percent per annum to 4.25 percent per annum versus the similar period of 2016). To manage this risk, the Company optimizes the debt portfolio structure and reduces its servicing costs. Thus, the average interest rate of the Company amounted to 6.2 percent at planned value of 8 percent based on the results of 2020. Besides, the Company strains after use of loans and borrowings with the fixed interest rate. The Company's supposed actions in the event of negative effect of interest rates change on one's activity: attraction of longer-term loans to avoid negative effect of interest rates short-term fluctuations and diversify funding sources.

### **Risk of changes of foreign currencies exchange rates**

Carrying out its core business activity within the territory of the Russian Federation, the Company has neither investment into foreign companies which value of net assets is exposed to the risk of currency exchange rates fluctuations, nor revenues or expenses expressed in terms of foreign currency. Risks connected with exchange rate fluctuations, are not factors of direct impact on the financial and economic activities of the Company, but may lead to augmentation of prices for energy equipment. In spite of volatility and weakening of a national currency in the 1<sup>st</sup>-3<sup>rd</sup> quarters of 2020 and ruble appreciation in the 4<sup>th</sup> quarter of 2020, the Company estimates the risk as moderate. In order to mitigate the Company's risk, the macroeconomic situation is monitored and procurement planning and import substitution are carried out. 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.

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### **Risk of reducing the customer prices**

Changes in the consumer price index to some extent affect the Company's rate of return and one's financial and business activity results, but their effect is not a direct dependence factor. Indirect dependence of the Company's rate of return on changes of the consumer price index is mainly conditioned by the fact that tariffs for services for transmission of electric energy cross electric power grids are established by state tariff bodies on the basis of justified expenses on their provision and fully or partially compensate for growth of the Company's expenses associated with inflation. Due to the decreasing of inflation rate, the risk is evaluated as moderate.

The occurrence of these financial risks can have an impact on the Company'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 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**

#### **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.

The Company holds licences for certain activities. 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 and/or making of demands on licensing of the basic kinds of activity, the Company will take necessary steps to

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obtain the appropriate licenses and permits. Risks connected with absence of possibility to extend the license of the Company are minimal and cannot influence on Company's fulfillment of obligations on outstanding securities.

***The risk of performance of a judicial act (settlement of disputes) on debt collection for power transmission services not in favor of the Company***

The absence of documents conforming actual fulfillment of obligations on behalf of the Company, services and expenses incurred, including insufficient or poor quality of supporting materials, incoherence of activities of business units may lead to negative financial consequences for the Issuer when pronouncing judicial acts (settlement of disputes) on collection of debts for power transmission services not in favor of the Company, collection of court costs. The risk is estimated as moderate.

The Company participates in legal proceedings, the results of which may significantly affect its financial and economic activities. The Company continuously monitors litigation practice, which allows this information to be used to achieve positive judicial decisions in its favor. At present, changes in litigation practice that may negatively affect the results of the current legal processes involving the Issuer, and as a consequence, the results of the Company's economic activities, are not assumed.

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**Impossibility of timely land registration (on high interest objects)**

The Company's exposure to the risk of untimely land registration should be considered as inessential. The Company implements cooperation with government authorities of regional/republican/local significance, with rightholders of plots of land, as well as controlling the activities of contract organizations performing works on land registration.

In the event of change and/or presentation of claims, deliberate obstructiveness of registration of proprietary rights by the relevant agencies, incoherence of activities of the Company's employees, the Company will take the necessary measures to execute the relevant documentation. The risks of untimely land registration are minimal and cannot significantly affect the Company's activities.

**Deliberate illegal acts on behalf of both legal entities and individuals, as well as on behalf of employees, causing economic damage and threat to the good name**

The Company monitors changes in the legislation of the Russian Federation, and cooperation has been established with law enforcement agencies. Preventive maintenance is performed with employees of the Company. The risk is assessed as significant.

**Engaging of employees in corrupt practices**

Violation and failure to comply with the requirements of the legislation of the Russian Federation, local regulatory legal acts and regulatory and administrative documents may lead to negative reputational consequences, as well as financial damage to the company. The Company maintains a high level of corporate culture and implementation of the Corruption Control Plan allows to form a negative attitude towards corruption behavior among the Company's management/employees.

**Reputational risk**

The risk that the Company incurs losses due to such factors as a reduction in the number of customers (counterparties) because of the formation of negative image of financial stability, the financial position of the issuer, the quality of the work, is considered as minimal. The Company is a natural monopoly, there is an annual increase in the number of electricity consumers. In addition, the Company developed good practice for long-term cooperation with its partners.

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### **Strategy risk**

The Company, being a part of the unified integrated distribution power grid of Russia, seeks to achieve the objectives defined at the national level. The Strategy for development of integrated power grid of the Russian Federation was approved by the Decree of the Government of the Russian Federation of April 3, 2013 No.511-p. Since the Company is a subsidiary of PJSC Rosseti, the largest Russian systemically important electric grid company, the Company is a participant in implementation of policies and programmes on activities (business processes) of PJSC Rosseti.

The decision to start the implementation of a specific strategy (programme) in the activities of the Company shall be accepted by the Board of Directors.

The probability of the risk of losses arising from errors (defects) made in management decisions, defining the strategy and activities of the Company, is assessed as low.

Measures to prevent the occurrence of this risk are:

- elaboration of proposals and scenarios to improve the implementation of specific policies and programmes;
- analysis of effectiveness of particular strategy, adoption of managerial solutions by the results of analysis;
- development and implementation of key performance indicators to achieve policies, linking them with bonuses of managers of the Company;
- 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**

#### **Operational risks**

##### *Risks connected with the current legal trials*

The Company participates in legal trials the results of which can materially affect its financial and operational activities. PJSC Rosseti Kuban regularly monitors the judicial practice that allows to use this information for reaching positive judicial decision in its favor.

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.

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*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 moderate.

*Risks connected with possibility of loss of customers that constitute at least 10% of total revenue from sales of products (work, services) of the Company*

The Company cooperates with main customers and is monopolist in sphere of services rendering on electric energy transmission in the regions of the Issuer's activity. The possibility of loss of main customers is minimal.

Risks in manufacturing activity of the Company:

- 1) systematic interruption of power supply of customers in the result of accidents and disturbances at grid sections and substation equipment;
- 2) violation of requirements of GOST 31144-2013 on providing the quality of electric energy;
- 3) disturbance of regime of electric energy transmission and reducing of quality of rendered services;
- 4) non-implementation of maintenance (including diagnosis) and repair on time;
- 5) emergency situations in related networks, that can breakdown the equipment of the Company;
- 6) excessive losses of electric power.

To reduce these risks, the Company focuses on development of electric grid complex with using of science based engineering decisions and technologies, tested in operation, modern electric equipment.

Increasing of tariffs on rendered services by the Company, due to increasing of "external" expenses influence on risks: purchased electric energy on losses compensation, changing of amount of payment of services for electric energy transmission of "FGC UES" PJSC and other factors.

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The risk of occupational injuries is measured as critical with high level of consequences from implementation and smoothed by ensuring occupational safety by way of:

- issuing certified, high-quality protective equipment, detergents and disinfectants, serviceable tools, devices and control of their correct use;
- implementing and using technologies ensuring safe performance of works and safe working conditions;
- compliance with the requirements of regulatory legal acts on maintenance, in the field of labor protection, fire, industrial and environmental safety, including in the design, construction, upgrading and retooling;
- control of execution/implementation of programs containing requirements for labor protection and aimed at prevention of injuries (programs for elimination of places most likely to cause injury, etc.);
- timely providing workplace training on labor protection with quality control of their understanding.

*Investment risks*

Implementation of investment programme of the Company demands fund raising both owned and loaned, on conditions satisfying the requirements of tariff system.

The main of the investment risks is the risk of increasing the volume of financing of the investment program in general and/or in accordance with the Project Brief (in relation to the established limits), the untimely inclusion of projects in the investment program, the absence of a contractor, accessible equipment compliant with the necessary requirements for the implementation of innovation projects. At present, the current risks are assessed as moderate. To minimize risk of untimely and incorrect implementation of investment programme, the Company approved several local document aimed to fulfillment of control of terms and quality of investment projects.



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## 6.9. Deferred taxes

In order to recognize revenues and expenses when calculating the income tax, the Company applies accrual method of accounting. The company accounts and includes in the report deferred tax assets and obligations on income tax. Deferred tax assets and obligations are accounted for temporary differences that are incomes and expenditures, which form the profit (loss) in one reporting period and taxable base on income tax in other reporting periods.

Current income tax is tax for taxation purposes defined in accounting on the basis of the amount of conditional tax, adjusted sum of permanent tax assets and liabilities as well as deferred tax assets and liabilities of reporting period. The future (deferred) component of income tax expense is reflected in the Statement of Financial Results.

Current income tax is recognized as obligation to budget equal to the amount of tax payable to the budget for the reporting period.

Income tax expense (qualified income tax) is calculated by multiplying accounting income (loss) by income tax rate, established in accordance with the legislation of the Russian Federation on taxes and dues.

The Company determined the following components of income tax in 2020, thousands of RUB:

Table 12 – **Income tax**

(thousands of RUB)

Line item	Amount	Tax rate	Amount	Income tax component
Profit/(loss) before tax	(1,384,286)	20%	(276,857)	Income tax expense (qualified income tax)
Change of taxable temporary difference	(1,304,700)	20%	(260,940)	Changes in deferred tax liabilities
including:				including:
- differences appeared	(1,872,505)	20%	(374,501)	accrued deferred tax liabilities
- differences are repaid	567,805	20%	113,561	deferred tax liabilities are repaid
Changes in deductible temporary differences	660,534	20%	132,107	Changes in deferred tax liabilities
including:				including:
- differences appeared	1,050,360	20%	210,072	accrued deferred tax liabilities
- differences are repaid	(389,826)	20%	(77,965)	deferred tax liabilities are repaid
Taxable (deductible) permanent differences	2,713,257	20%	542,651	Temporary tax asset (liability)
Taxable base	(684,805)	20%	(136,961)	Current tax

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There are no reasons for changes in used tax rates versus the prior reporting period.

Information on profit taxation, deferred taxes flow is disclosed in Appendices 2.3 and 5.7.2.

### **6.10. Cost of goods sold, production, works, services, selling costs, administrative expenses and other expenses**

Expenses (costs) are recognized in that reporting period where they occurred, regardless the time of the actual cash payment or another implementation (accrual principle assumption).

**Table 13 – Explanation of the balance item “Miscellaneous expenditures” as a part of prime cost**

(thousands of RUB)

<b>Indication</b>		<b>2019</b>	<b>2020</b>
<b>Line item</b>	<b>Line code</b>		
Cost of goods sold	6510	43,773,854	46,800,254
including			
Miscellaneous expenditures	6515	24,000,216	25,562,435
Including			
Services of distribution grid companies		12,371,771	12,876,119
Services of “FGC UES” PJSC		7,647,277	7,627,903
Other expenses		3,981,168	5,058,413

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**6.10.1. Information on costs of energy resources use**

Table 14 – Information on costs of energy resources use

Ser. No.	Accepted target indicators/indicators	Measurement unit	2019 (fact)	2020 (fact)
1.	2	3	5	5
1.1.	<b>Electric power losses, including</b>	<b>Million rubles with VAT</b>	<b>9 433,909</b>	<b>9 940,924</b>
		<b>million kWh</b>	<b>2 426,390</b>	<b>2 340,764</b>
1.1.1.	Expenditure for electrical substation own needs	Million rubles with VAT	64,496	68,744
		million kWh	16,590	17,278
1.2.	<b>Consumption of resources for business needs including according to the type of resources</b>	<b>Million rubles with VAT</b>	<b>140,730</b>	<b>147,902</b>
1.2.1.	fuel and energy, including	Million rubles with VAT	137,690	144,892
		tonne of oil equivalent	4 166	4 142
1.2.1.1.	electric power	Million rubles with VAT	128,818	136,858
		thousand kWh	29 914,193	30 288,726
		thousand kWh for sqm of floor area	0,201	0,193
1.2.1.2.	heat energy	Million rubles with VAT	8,137	6,776
		Gcal	3 214,236	2 737,995
		Gcal for sqm of floor area	0,131	0,125
1.2.1.3.	natural gas	thousand m3	101,577	100,379
		Million rubles with VAT	0,735	1,259
1.2.2.	hot-water supply	thousand m3	–	–
		Million rubles with VAT	–	–
1.2.3.	cold-water supply	thousand m3	73,191	68,698
		Million rubles with VAT	3,040	3,009
1.3.	<b>Equipped with devices for energy resources accounting, consumed for housekeeping needs of the Company</b>	<b>%</b>	<b>100</b>	<b>100</b>
1.4.	<b>Equipped with smart devices for energy accounting of consumers at the retail market in accordance with the Intellectual Energy Accounting Development Program *</b>	<b>%</b>	<b>73.25</b>	<b>23.7</b>

\* Equipped with smart devices for energy accounting is determined in accordance with the requirements of Decree of the Government of the Russian Federation of June 19, 2020 No. 890 "On procedure for granting an access to the minimum set of functions of smart energy meters (capacity)".

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## 6.11. Information on cash flows

In accordance with the Accounting Regulation 23/2011, the cash flows of organizations in the form of receipts and payments of value added tax (receipts from the buyers and clients, payments to suppliers and contractors and payments to the budget system of the Russian Federation and reimbursement from it) are recorded as compressed in the line 4129 “Other payments” of the form of balance sheet “Statement of Cash Flows” in the amount of 63,236 thousand rubles including:

- VAT as part of amounts received 7,885,069 thousand rubles;
- VAT as a part of amounts paid (5,686,100) thousand rubles;
- VAT, paid to the budget (2,135,733) thousand rubles.

The result: 63,236 thousand rubles.

Highly liquid investments (cash equivalents) that can most quickly and easily be converted into previously known cash and subject to low risk of changes in value for the period from January 1, 2020 to December 31, 2020 amounted 11,920,787 thousand rubles (certificate of deposit). Cash transfer into certificate of deposit that is recognized as cash equivalents, is not cash flow and is not reflected in the Statement of Cash Flows.

**Table 15 – The amount of a minimum cash balance on the current accounts of the Company as of December 31, 2020**

(thousand rubles)

Foundation (additional agreement, trade confirmation)	Transaction starting date	Transaction expiration date	Amount of a minimum cash balance
1	2	3	4
Application No.201 of December 30, 2020 to the supplementary agreement No.1- HO/407/30-1358 of November 6, 2018 to the contract No. 40702926 of December 26, 2016	December 30, 2020	January 11, 2021	20,000
<b>Total Bank "RRDB" ( JSC)</b>			<b>20,000</b>

There is no overdraft debt of PJSC Rosseti Kuban as of December 31, 2020.

As of December 31, 2020 there are no guarantees of third-parties received and not used by the Company in order to receive a loan where the amount of cash (raised by the Company) is indicated.

Cash (or cash equivalents) that cannot be used by the Company (for example, letters of credit opened in favour of other organizations related to the transactions in progress as of reporting date) is absent as of December 31, 2020.

## 6.12. Information on segments

According to Accounting Regulations 12/2010, the management and decision-making structure of the organization and the internal reporting system were taken as bases of segmentation in the Company.

The Company determined the structure of the reportable segments:

- 1) Electric power transmission;
- 2) Technological connection to electric networks.

The Company discloses information in the Accounting (Financial) Statements only by the reportable segments. The remaining segments are recorded as the other segments in the Accounting Statements. Information on the reportable segments does not contain data on the cash flow from operating, investment and financial operations because of the labour intensity of its presentation in the accounting (financial) statements.

**Table 16 – Customers, revenue from sales which is less than 10% of the total revenue of the Company**

(thousands of RUB)

Ser. No.	Line item (client)	Total amount of revenue	Including: electric power transmission	Including: other services
1.	Independent Energy Selling Company of Krasnodar Region JSC	15,920,732	15,920,722	10
2.	TNS Energo Kuban PJSC	23,392,303	23,352,915	39,388

Besides, information on reportable segments is disclosed in Appendix 5.13.

## 6.13. Related party disclosure

### 6.13.1. List of related parties

The operations of PJSC Rosseti Kuban are strongly affected by following individuals/legal entities, which are affiliated to the Company. In accordance with the legislation of the Russian Federation, PJSC Rosseti Kuban publishes the lists of affiliates of PJSC Rosseti Kuban on its website at <https://rosseti-kuban.ru/aktsioneram-i-investoram/raskrytie-informatsii/spisok-affilirovannykh-lits-obschestva/>

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Individuals/legal entities affecting the Company's activity:

- the largest shareholder of the Company – PJSC Rosseti (owns 93.44% of PJSC Rosseti Kuban shares);
- persons that are members of the management bodies of the Company (members of the Board of Directors, Management Board members, Chief Executive Officer of PJSC Rosseti Kuban).

PJSC Rosseti Kuban supervises the operations of its subsidiaries: Energetik Holiday Facility JSC and Kuban Energoservis JSC by methods of corporate management.

### 6.13.2. Operations carried out with related parties and transactions in progress with related parties where the settlements are executed through the bank under the terms of the contracts

Table 17 – Revenues and debts related to them for 2019

(thousands of RUB)

Contractor	As of December 31, 2018	Accrued	Paid	As of December 31, 2019
Energetik Holiday Facility JSC ***	260	2,694	(2,916)	38
Kuban Energoservis JSC ***	–	181	(181)	–
Rosseti PJSC***	–	1,422	(1,422)	–
JSC Fiber Optic Transmission Systems Management	–	19,149	(19,149)	–
Main Data Processing Center of Power Engineering JSC	15	–	(15)	–
PJSC IDGC of the North Caucasus	42,444	43,464	(1,000)	84,908

Table 18 – Revenues and debts related to them for 2020

(thousands of RUB)

Contractor	As of December 31, 2019	Accrued	Paid	As of December 31, 2020
Energetik Holiday Facility JSC ***	38	2,075	(2,044)	69
Kuban Energoservis JSC ***	–	2,321	(2,269)	52
PJSC Rosseti	–	1,422	(1,422)	–
JSC Fiber Optic Transmission Systems Management	–	5,227	(5,227)	–
PJSC Rosseti South *	–	4,639	(4,639)	–

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**Table 19 – Expenses, other transactions and debts related to them for 2019**

(thousands of RUB)

Contractor	As of December 31, 2018	Accrued	Paid	As of December 31, 2019
1	2	3	4	5
PJSC IDGC of the South *				
- other debts	–	(869)	869	–
Training Centre PJSC IDGC of Urals, Non-State Privately Owned Educational Institution of Continuing Professional Education *				
- other debts	–	(150)	150	–
PJSC IDGC of Urals				
- other debts	–	(2,665)	2,665	–
PJSC Rosseti ***				
- other debts	(24,206)	(168,629)	168,218	(24,617)
- dividends	–	(133,262)	133,262	–
- settlements with shareholders	–	(3,086,449)	3,086,449	–
PJSC FGC UES*				
- trading transactions	(1,238,241)	(10,145,002)	10,515,684	(867,559)
- other debts	(295,810)	(182,837)	466,646	(12,001)
- other debts	184,676	7,779	(181,960)	10,495
- provision	(167,449)	–	167,449	–
PJSC IDGC of the North Caucasus *				
- other debts	(54)	–	–	(54)
Energetik Holiday Facility JSC ***				
- other debts	–	(15,098)	14,968	(130)
Technical Customer Centre JSC*				
- other debts	(6,675)	(5,722)	10,190	(2,207)
JSC Kuban Energoservis ***				
- other debts	(5,771)	(86,680)	66,376	(26,075)
- dividends	–	(635)	635	–
PJSC Research and Development Center of Federal Grid Company of Unified Energy System (FGC UES) *				
- other debts	–	(50)	50	–
JSC Fiber Optic Transmission Systems Management *				
- trading transactions	(22,844)	(121,366)	43,191	(101,019)
- other debts	(15,722)	(112,729)	51,755	(76,696)
JSC Electrosetservis Unified National Electricity Grid*				
- trading transactions	(45,931)	–	45,931	–
- other debts	(45,834)	(123,167)	169,001	–

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**Table 20 – Expenses, other transactions and debts related to them for 2020**

(thousands of RUB)

Contractor	As of December 31, 2019	Accrued	Paid	As of December 31, 2020
1	2	3	4	5
PJSC Rosseti <sup>***</sup>				
- other debts	(24,617)	(168,451)	153,049	(40,019)
- dividends	–	(595,146)	595,146	–
PJSC FGC UES <sup>*</sup>				
- trading transactions	(867,559)	(9,232,575)	9,307,647	(792,487)
- other debts	(12,001)	(4)	11,985	(20)
- other debts	10,495	357,500	(361,112)	6,883
provision	–	–	–	–
PJSC Rosseti North Caucasus <sup>*</sup>				
- other debts	(54)	(14)	14	(54)
- other debts	84,908	57,307	(67,946)	74,269
- provision	–	(66,459)	–	(66,459)
Energetik Holiday Facility JSC <sup>***</sup>				
- other debts	(130)	(15,457)	15,282	(305)
Technical Customer Centre JSC <sup>*</sup>				
- other debts	(2,207)	(1,347)	2,115	(1,439)
JSC Kuban Energoservis <sup>***</sup>				
- other debts	(26,075)	(1,034,298)	789,977	(270,396)
- other debts	–	225,881	(198,339)	27,542
- dividends	–	(668)	668	–
PJSC Research and Development Center of Federal Grid Company of Unified Energy System (FGC UES) <sup>*</sup>				
- other debts	–	(35)	35	–
JSC Fiber Optic Transmission Systems Management <sup>*</sup>				
- trading transactions	(101,019)	(294, 892)	119,527	(276,384)
- other debts	(76,696)	(106,691)	160,222	(23,165)

\* The legal entity is a member of the same group of persons to which the Company belongs.

\*\* The legal entity is entitled to manage more than 20% of shares of the Company.

\*\*\* The Company is entitled to manage more than 50% of total votes, attached to the shares that constitute the charter capital, the interest of this legal entity.

Write-off of accounts receivable for which the statute of limitations has expired and other bad debts, including write-off out of provision for doubtful debts, has not been made.



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**6.13.3. Benefits payable to key management personnel****Table 21 – Information on the amounts of key management personnel benefits**

Types of benefits	Members of the Board of Directors		Members of the Auditing Committee		Members of the Board	
	2019	2020	2019	2020	2019	2020
<b>1. Short-term benefits, including</b>	<b>17,557</b>	<b>29,493</b>	<b>1,030</b>	<b>844</b>	<b>1,727</b>	<b>2,271</b>
<b>1.1. Employee Remuneration for the reporting period (without vacation pay)</b>	<b>13,765</b>	<b>23,326</b>	<b>790</b>	<b>648</b>	<b>1,459</b>	<b>1,918</b>
a) bonus	–	–	–	–	–	–
b) fringe benefits	–	–	–	–	–	–
c) other types of compensation given to employees as a result of specific labor indications and bottom line	–	–	–	–	–	–
<b>1.2. Annual paid leave for the work in the reporting period</b>	–	–	–	–	–	–
<b>1.3. Other benefits in favour of key management personal (regardless terms and conditions of an Employment Contract) total, including</b>	–	–	–	–	–	–
a) compensations for community charges;	–	–	–	–	–	–
b) health benefits (insurance);	–	–	–	–	–	–
c) lump-sum payments related to financial aid for vacation	–	–	–	–	–	–
d) full or partial payment for recreation;	–	–	–	–	–	–
e) full or partial payment for education for Company's personal benefit;	–	–	–	–	–	–
f) other (please specify) including:	–	–	–	–	–	–
Compensation for residential lease	–	–	–	–	–	–
Severance pay	–	–	–	–	–	–
<b>1.4. Accrued taxes and other compulsory payments to the corresponding budgets and extra-budgetary funds</b>	<b>3,792</b>	<b>6,167</b>	<b>240</b>	<b>196</b>	<b>268</b>	<b>353</b>
<b>2. Long-term benefits, including:</b>	–	–	–	–	–	–
2.1. Post-employment benefits, including	–	–	–	–	–	–
a) payments under the voluntary insurance agreements concluded with the insurance companies	–	–	–	–	–	–
b) payments under non-state pension agreements, concluded with non-state pension funds;	–	–	–	–	–	–
c) other payments, guaranteeing payment of pension benefits and other social guarantees after termination of labor activity;	–	–	–	–	–	–
2.2. Other long-term benefits	–	–	–	–	–	–
2.3. Long-term benefits accrual	–	–	–	–	–	–
<b>3. Total benefits (short-term and long-term benefits) excluding accruals on them</b>	<b>13,765</b>	<b>23,326</b>	<b>790</b>	<b>648</b>	<b>1,459</b>	<b>1,918</b>
<b>4. Total benefits accruals (short-term and long-term benefits)</b>	<b>3,792</b>	<b>6,167</b>	<b>240</b>	<b>196</b>	<b>268</b>	<b>353</b>

PJSC Rosseti Kuban

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#### **6.14. The going concern principle**

Accounting (financial) statements of PJSC Rosseti Kuban for 2020 were drawn up in accordance with the going concern principle, which assumes that the Company is able to sell its assets and fulfil its liabilities in the normal course of business in the foreseeable future. As reflected in the present accounting (financial) statements, the Company's financial result (loss) in 2020 amounted to 1,501,278 thousand rubles which was mainly driven by the impact of negative consequences associated with the spread of COVID-19 (in 2019 net profit amounted to 2,503,683 thousand rubles as a result of one-time revenue receipts for technological connection from the large declarant of the Federal State Institution "Rostransmodernizatsiya"), short-term liabilities of the Company as of December 31, 2020 amounted to 18,020,846 thousand rubles; including debt obligations in the amount of 5,553,866 thousand rubles. Available credit limits are opened up by the Company which makes it possible to refund borrowings subject to prompt repayment in 2021. As of December 31, 2020, the total amount of credit limit with termination of drawdown period in 2021-2025 amounted to 37,112,578 thousand rubles, including in the amount of 12,500,000 thousand rubles – in PAO Sberbank, in the amount of 6,537,578 thousand rubles - in Bank "RRDB" (JSC), in the amount of 18,075,000 thousand rubles – in VTB Bank (PJSC).

According to the forecasts of the Company Management, the net operating cash flow in 2021 will be sufficient to cover Company's liabilities payable in 2021.

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 2021.

#### **6.15. Estimated liabilities, contingent liabilities and assets**

In 2020, the Company recognized in the accounting the estimated liabilities related to the possible compensation payments for unused vacations in the amount of 519,632 thousand rubles, previously formed estimated liability in the amount of 465,816 thousand rubles, ending balance of the reporting period amounted to 316,830 thousands rubles. As of December 31, 2020, the estimated liability was formed, related to the possible benefits pay according to the results of the year in the amount of 316,770 rubles.

The amount of the estimated liability according to the unsettled claims of the suppliers at the beginning of the reporting period is recorded in the Accounting (Financial) Statements in the amount of 500,474 thousand rubles, including 208,963 thousand rubles as related to non-consensual amount of loss, 290,650 thousand rubles as related to services for transmission of energy. Charges amounted to 385,006 thousand rubles, including 117,559 thousand rubles as related to non-consensual amount of loss, 257,593 thousand rubles as related to services for transmission of energy. The amount of estimated liability according to the unsettled claims of the suppliers at the end of the reporting period amounted to

PJSC Rosseti Kuban

683,734 thousand rubles, including 325,464 thousand rubles as related to non-consensual amount of loss, 348,416 thousand rubles as related to services for transmission of energy.

As of December 31, 2020, the on-site tax inspection for 2016-2018 has been completed, but the inspection certificate until the date of signature of the statements has not been submitted by the tax authority. For this purpose, the Company's Management, acting on the prudence principle, made a decision on reserve for estimated liabilities for tax risks in the amount of 156,967 thousand rubles.

As of December 31, 2020, the amount of provision for lawsuits amounted to 52,860 thousand rubles (Appendix 5.7.1.).

Discounting of the amounts of estimated liabilities, recognized by the Company is not applicable, because the expected deadline for the fulfilment of obligations is less than 12 months after the reporting date.

The expected amounts of counter-claims or amounts of the third party claims in reimbursement of expenses that the Company is going to incur during the fulfilment of obligations, and also the assets recognized on such claims in accordance with the Clause 19 of the Accounting Regulation 8/2010 as of the reporting date are absent.

According to the continuous development of practical application of taxation rules, the property tax may be disputed by the tax authorities and courts related to the movables and immovable, used by the Company. Risk of tax claims, as well as probability of adverse settlement of tax disputes (if they arise) is estimated by the Company as "possible". The Company's Management estimates conditional tax risks within 700 million rubles that does not exceed 1 percent of the asset value.

## **6.16. Events after the reporting period**

Accounting for events after the reporting date and disclosure of information concerning these events in the statements is kept by the Company in accordance with the Accounting Regulation 7/98 "*Events after the reporting date*", approved by Order of the Ministry of Finance of the Russian Federation No. 56n of November 25, 1998.

On January 21, 2021 (Minutes No. 418/2021 of January 22, 2021), the Board of Directors of PJSC Rosseti Kuban made a decision on convocation of the extraordinary General Meeting of the Company's Shareholders on February 24, 2021. The item on increasing the charter capital of PJSC Rosseti Kuban by floating additional shares was included on the agenda.

It is planned to increase the charter capital of PJSC Rosseti Kuban by floating additional ordinary shares in the quantity of 69,583,132 units (sixty nine million five hundred and eighty three thousand one hundred and thirty two) at nominal value of 100 (one hundred) rubles per share for a total amount at nominal value of

PJSC Rosseti Kuban

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6,958,313,200 (six billion nine hundred and fifty eight million three hundred and thirteen thousand two hundred) rubles.

Economic events that have or may have an impact on financial position or operating results of the Company, that occur between the reporting date (December 31, 2020) and the date of signing of the Accounting (Financial) Statements of PJSC Rosseti Kuban for 2020 are absent.

Chief Executive Officer of  
PJSC Rosseti Kuban

S.V. Sergeev

Chief Accountant-Head of the  
Accounting and Tax Accounting  
Department of PJSC Rosseti Kuban

I.V. Skiba

February 24, 2021

## **Appendices to the Balance Sheet and Statement of Financial Results**

Appendix 5.1.1 “The existence of intangible assets and intangible assets turnover”

Appendix 5.2.1 “The existence and turnover of R&D deliverables”

Appendix 5.2.2 “Incomplete and unexecuted R&D and incomplete operations on purchase of intangible assets”

Appendix 5.3.1 “The existence and movement of fixed assets”

Appendix 5.3.3 “Changes in value of fixed assets as a result of further construction, further equipping, reconstruction and partial liquidation”

Appendix 5.3.4 “Other usage of fixed assets”

Appendix 5.3.5 “Capital investments in progress”

Appendix 5.3.6 “Advances issued for investment building and purchase of fixed assets”

Appendix 5.4.1 “The existence and turnover of financial investments”

Appendix 5.4.2 “Adjustments of estimates of financial investments”

Appendix 5.5.1 “The existence of inventory and inventory turnover”

Appendix 5.5.2 “Pledged inventory”

Приложение 5.6.1 “The existence and turnover of accounts receivable”

Приложение 5.6.3 “Overdue accounts receivable”

Appendix 5.6.5 “The existence and turnover of accounts payable”

Appendix 5.6.6 “Overdue accounts payable”

Appendix 5.6.7 “Loans and borrowings”

Appendix 5.6.8 “Expenses for loans and borrowings”

Appendix 5.7.1 “Estimated liabilities”

Appendix 5.7.2 “Deferred taxes”

Appendix 5.8 “Securities”

Appendix 5.9 “Government assistance”

Appendix 5.11 “Other revenues and expenses”

Appendix 5.13 “Information on reportable segments”

Appendix 2.1 “Cost of goods sold, works and services according to elements of costs”

Appendix 2.2 “Profit accrued to one share, diluted earnings per share”

Appendix 2.3 “Profit taxation”

# APPENDIX 5

CONSOLIDATED FINANCIAL STATEMENT PREPARED  
IN ACCORDANCE WITH THE INTERNATIONAL  
FINANCIAL REPORTING STANDARDS FOR THE YEAR  
ENDED 31 DECEMBER 2020 (UNAUDITED)

**PJSC «Rosseti Kuban»**

**Consolidated Financial Statement prepared in accordance with  
the International Financial Reporting Standards  
for the year ended 31 December 2020 (unaudited)**

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

	Note	For the year, ended on December 31, 2020	For the year, ended on December 31, 2019
Revenue	7	49 561 633	51 076 970
Operating expenses	10	(49 266 371)	(45 981 321)
Charge of provision for expected credit losses		(387 155)	(73 161)
Net charge of impairment loss of fixed assets and right-of-use assets	14	(4 984)	(12)
Other income	8	1 166 432	1 380 755
Other expenses	9	(83 332)	(346 684)
<b>Operating profit</b>		<b>986 223</b>	<b>6 056 547</b>
Finance income	12	58 988	76 495
Finance expenses	12	(2 090 467)	(1 932 547)
<b>Total finance expenses</b>		<b>(2 031 479)</b>	<b>(1 856 052)</b>
<b>Profit/(loss) before tax</b>		<b>(1 045 256)</b>	<b>4 200 495</b>
Expense on income tax	13	(194 954)	(1 179 807)
<b>Profit/(loss) for the period</b>		<b>(1 240 210)</b>	<b>3 020 688</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that cannot be reclassified subsequently to profit or loss</i>			
Revaluation of obligations for the programmes with fixed payments	27	28 815	(286 068)
Income tax	13	(5 763)	57 213
<b>Total items that cannot be reclassified subsequently to profit or loss</b>		<b>23 052</b>	<b>(228 855)</b>
<b>Other comprehensive income/(loss) for the period, except income tax</b>		<b>23 052</b>	<b>(228 855)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>(1 217 158)</b>	<b>2 791 833</b>
<b>Profit/(loss) is attributable to:</b>			
Company owners		(1 240 210)	3 020 688
<b>Total comprehensive income/(loss) is attributable to:</b>			
Company owners		(1 217 158)	2 791 833
<b>Earnings per share</b>			
Basic and diluted earnings per share (RUB)	24	(3.71)	9.68

The present Consolidated Financial Statement is approved by Company Management on 9 March 2021 and signed on behalf of Company Management by the following persons:

General Director

S.V. Sergeev

Chief Accountant – Head of  
Accounting and Tax Accounting Department

I.V. Skiba



*PJSC «Rosseti Kuban»***Consolidated Statement of Financial Position (in thousands Russian rubles, if not mentioned otherwise)**

	Note	December 31, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	14	58 164 002	57 407 331
Intangible assets	15	304 618	325 877
Right-of-use assets	16	5 642 257	991 864
Trade and other accounts receivable	20	13 139	11 343
Assets associated with employee benefits obligations	27	319 337	318 362
Other non-current financial assets		1	1
Deferred tax assets	17	116 371	291 819
Advances issued and other non-current assets	21	3 942	5 121
<b>Total non-current assets</b>		<b>64 563 667</b>	<b>59 351 718</b>
Assets classified as held for sale – non-current	18	-	61 358
<b>Total non-current assets</b>		<b>64 563 667</b>	<b>59 413 076</b>
<b>Current assets</b>			
Inventory	19	2 014 723	1 944 833
Prepayment of income tax		302 622	226 256
Trade and other accounts receivable	20	8 115 500	7 066 945
Cash and cash equivalents	22	752 545	1 716 085
Advances issued and other current assets	21	139 484	47 971
<b>Total current assets</b>		<b>11 324 874</b>	<b>11 002 090</b>
Assets classified as held for sale	18	22 314	-
<b>Total current assets</b>		<b>11 347 188</b>	<b>11 002 090</b>
<b>Total assets</b>		<b>75 910 855</b>	<b>70 415 166</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Charter capital	23	33 465 784	30 379 335
Share premium		6 481 916	6 481 916
Reserve for capital stock issues		-	3 086 449
Other reserves		(399 377)	(422 429)
Retained earnings		(6 739 229)	(4 862 354)
<b>Total equity which is payable to Company owners</b>		<b>32 809 094</b>	<b>34 662 917</b>
<b>Non-current liabilities</b>			
Non-current borrowings	25	22 778 403	20 321 793
Non-current trade and other accounts payable	28	104 439	104 093
Non-current advances received	30	1 179 235	880 900
Liabilities for employee benefits	27	561 821	732 902
Government subsidies		404	12 287
Deferred tax liabilities	17	845	-
<b>Total non-current liabilities</b>		<b>24 625 147</b>	<b>22 051 975</b>
<b>Current liabilities</b>			
Current borrowings and current portion of non-current borrowings	25	6 755 657	3 827 128
Trade and other accounts payable	28	7 592 834	6 749 582
Government subsidies		11 878	12 270
Advances received	30	2 252 510	1 575 441
Taxes payable except income tax	29	938 301	809 162
Estimated liabilities	31	921 992	726 472
Current income tax payable		3 442	219
<b>Total current liabilities</b>		<b>18 476 614</b>	<b>13 700 274</b>
<b>Total liabilities</b>		<b>43 101 761</b>	<b>35 752 249</b>
<b>Total equity and liabilities</b>		<b>75 910 855</b>	<b>70 415 166</b>

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

	Note	For the year, ended on December 31, 2020	For the year, ended on December 31, 2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit/(loss) for the period		(1 240 210)	3 020 688
<i>Adjustments:</i>			
Depreciation of fixed assets, right-of-use assets and amortization of intangible assets	10	5 720 577	3 948 329
Net charge of impairment loss of fixed assets and right-of use assets	14	4 984	12
Finance expenses	12	2 090 467	1 932 547
Finance income	12	(58 988)	(76 495)
Loss from fixed assets sale	9	83 332	341 140
Recovery of provision for impairment of inventory		(3 930)	147
Charge of provision for expected credit losses		387 155	73 161
Write-off of bad debts		124 889	10 799
Write-off of accounts payable	8	(25 296)	(43 918)
Change of government subsidies		(12 275)	(12 653)
Charge of estimated liabilities	10	531 893	214 965
Other non-cash transactions		52 286	(251 452)
Expense on income tax	13	194 954	1 179 807
<b>Total adjustments impact</b>		<b>9 090 048</b>	<b>7 316 389</b>
Change of assets associated with employee benefits obligations		(975)	(27 141)
Change of employee benefits obligations		(175 452)	(41 138)
Change in long-term trade and other accounts receivable		1 785	(3 058)
Change in long-term advances issued and other non-current assets		1 179	917
Change in long-term trade and other accounts payable		1 253	53 184
Change in long-term advances received		299 321	(360 752)
<b>Cash flow from operating activities before changes in working capital and estimated liabilities</b>		<b>7 976 949</b>	<b>9 959 089</b>
<i>Changes in operating assets and liabilities:</i>			
Change in trade and other accounts receivable		(1 539 290)	(460 859)
Change in advances issued and other assets		(85 790)	56 823
Change in inventories		(32 769)	87 174
Change in trade and other accounts payable		994 574	(1 321 502)
Change in advances received		694 856	(2 517 890)
Usage of estimated liabilities		(361 753)	(304 860)
<b>Cash flow from operating activities before payment of income tax and interests</b>		<b>7 646 777</b>	<b>5 497 975</b>
Income tax paid		(425 086)	(389 414)
Interest paid under the lease agreements		(498 722)	(94 567)
Interest paid		(1 510 614)	(2 234 812)
<b>Net cash from operating activities</b>		<b>5 212 355</b>	<b>2 779 182</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed assets and intangible assets acquisition		(4 922 336)	(4 599 648)
Interests received		29 721	68 088
<b>Net cash used in investing activities</b>		<b>(4 892 615)</b>	<b>(4 531 560)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Borrowed funds		49 965 693	22 139 643
Repayment of borrowings		(49 715 682)	(23 689 975)
Proceeds from shares issuing		-	3 086 449
Dividends which are payable to Company owners		(636 639)	(143 586)
Changes in lease liabilities		20 317	-
Payments for lease liabilities		(916 969)	(128 989)
<b>Net cash from (used in) financing activities</b>		<b>(1 283 280)</b>	<b>1 263 542</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(963 540)</b>	<b>(488 836)</b>
<b>Cash and cash equivalents as of the beginning of the reporting period</b>	22	<b>1 716 085</b>	<b>2 204 921</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	22	<b>752 545</b>	<b>1 716 085</b>

## PJSC «Rosseti Kuban»

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

	Charter capital	Share premium	Reserve for capital stock issues	Reserves	Retained earnings	Total equity
<b>Ending on January 1, 2020</b>	30 379 335	6 481 916	3 086 449	(422 429)	(4 862 354)	34 662 917
Loss for the reporting period	-	-	-	-	(1 240 210)	(1 240 210)
<i>Other comprehensive income/(expense):</i>						
Revaluation of net obligations (assets) pension liabilities	-	-	-	28 815	-	28 815
Income tax in respect of other comprehensive income (Note 13)	-	-	-	(5 763)	-	(5 763)
<b>Total comprehensive income for the period</b>	-	-	-	23 052	(1 240 210)	(1 217 158)
<i>Transactions with Company owners recorded directly in equity</i>						
Registration of an additional share issue	3 086 449	-	(3 086 449)	-	-	-
Dividends to shareholders (Note 23)	-	-	-	-	(636 665)	(636 665)
<b>Ending on 31 December, 2020</b>	33 465 784	6 481 916	-	(399 377)	(6 739 229)	32 809 094
<b>Ending on January 1, 2019</b>	30 379 335	6 481 916	-	(193 574)	(7 739 922)	28 927 755
Profit for the reporting period	-	-	-	-	3 020 688	3 020 688
<i>Other comprehensive income/(expense):</i>						
Revaluation of net obligations (assets) pension liabilities	-	-	-	(286 068)	-	(286 068)
Income tax in respect of other comprehensive expense	-	-	-	57 213	-	57 213
<b>Total comprehensive expense for the period</b>	-	-	-	(228 855)	3 020 688	2 791 833
<i>Transactions with Company owners recorded directly in equity</i>						
Shares issuing	-	-	3 086 449	-	-	3 086 449
Dividends to shareholders	-	-	-	-	(143 120)	(143 120)
<b>Ending on 31 December, 2019</b>	30 379 335	6 481 916	3 086 449	(422 429)	(4 862 354)	34 662 917

## **1 General information**

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

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

In 1993 the Krasnodar Industrial Group of Power Industry and Electrification «Krasnodarenergo» was reorganized into Open Joint-Stock Company of Power Industry and Electrification of Kuban (hereinafter referred to as the OJSC «Kubanenergo» or «Company») on the basis of Decree of the President of Russia of August 14, 1992 No. 922 «On Aspects of Reorganization of State Owned Enterprises, Associations, Organizations of Fuel and Energy Industry into Joint Stock Companies», the Decree of the President of Russia of August 15, 1992 No. 923 «On Management Arrangements of Electric Power Complex of the Russian Federation in the context of privatization», the Decree of the President of Russia of November 5, 1992 No. 1334 «On Implementation of Decree of the President of Russia for Electric Power Industry» of August 14, 1992 No. 922 «On Aspects of Reorganization of State Owned Enterprises, Associations, Organizations of Fuel and Energy Industry into Joint Stock Companies». The new corporate name as to type of legal entity was approved by the Annual General Meeting of Shareholders of June 22, 2015 due to introduction of amendments to the Civil Code of the Russian Federation. Full corporate name Open Joint Stock Company of power industry and electrification of Kuban (OJSC «Kubanenergo») was changed to Public Joint Stock Company of power industry and electrification of Kuban (PJSC «Kubanenergo»).

Interdistrict inspection of the Federal tax service No. 16 in the Krasnodar region on August 10th, 2020 made changes in the Unified state register of legal entities on state registration about changes in the constituent documents of a legal entity with the state registration number 2202306332908 related to the renaming of PJSC «Kubanenergo».

The full corporate name of the Company, which comes into force on August 11th, 2020:

- in Russian language – Публичное акционерное общество «Россети Кубань»;
- in English language – Public Joint stock company «Rosseti Kuban».

The short corporate name of the Company, which comes into force on August 11th, 2020:

- in Russian language – ПАО «Россети Кубань»;
- in English language – Rosseti Kuban. PJSC.

PJSC Rosseti is a parent company.

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

Note 5 lists the Company's subsidiaries with a 100% interest in its share capital.

Information on the Group's relations with other related parties is provided in Note 35.

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

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

As of December 31, 2020 and 2019 the Russian Federation owned 88,04 % of the shares in the statutory fund of the ultimate parent company PJSC Rosseti, including 88,89 % of the ordinary voting shares, 7,01% of the preference shares.

As of December 31, 2020 and 2019 PJSC Rosseti owned 93,44% of outstanding ordinary shares PJSC «Rosseti Kuban».

The State has an impact on the activities of the Group by the agency of representatives of the Board of

**PJSC «Rosseti Kuban»**

*Explanatory notes to the Consolidated Financial Statements for the year ended on December 31, 2020 (unaudited) (in thousands Russian rubles, if not mentioned otherwise)*

Directors of the ultimate parent company Rosseti PJSC, rate regulation in the electric power industry, approval and supervision of investment program implementation. A substantial number of government-controlled enterprises are among the contractors of the Group (service consumers, suppliers, contractors and so on).

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

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

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

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

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

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

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

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

Starting with the second quarter, there has been a gradual recovery in global economic activity due to the partial withdrawal of restrictions aimed at preventing the spread of the epidemic, as well as a partial recovery in world oil prices as a result of the adoption of a new OPEC+ mining agreement and compliance with mining reduction targets. This process continued in the second half of 2020. However, the scope and duration of these events remain uncertain and may continue to have an impact on our earnings, cash flows and financial position in the future.

The Group continues to control and evaluate the development of the situation as well as reacting adequately, as follows:

- work in coordination with the government authorities at federal and regional levels in order to prevent the spread of the coronavirus as well as taking reasonable measures to ensure the safety, protecting life and health of its employees and contractors;
- implement the actions on maintaining the reliability of electric power supply and implement investment projects;

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

## **2 Basis for Preparation of Consolidated Financial Statement**

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

The present Consolidated Financial Statement is drawn up in accordance with the requirements of International Financial Reporting Standards (IFRS).

Every enterprise of the Group keeps individual records and prepares the official financial statements in accordance with Russian Accounting Standards (hereinafter referred as «RAS»). The present Consolidated Financial Statement is drawn up in accordance with the accounting records under RAS, which were adjusted and reclassified for purposes of faithful representation of the statements in accordance with IFRS.

### **(b) The basis for determination of cost**

The present Consolidated Financial Statement is drawn up on the basis of original (historical) cost, with the exception of:

- Financial assets and liabilities measurable at fair value through profit and loss
- Financial assets and liabilities measurable at fair value through other comprehensive income.

### **(c) Functional currency and reporting currency**

Russian Ruble is the national currency of the Russian Federation (hereinafter the «Ruble» or «RUR»), which is used by the Group as the functional currency and the currency for the present Consolidated Financial Statement. All numbers in Russian rubles were rounded to the nearest thousand.

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

Preparation of consolidated financial statements in accordance with IFRS requires the usage of professional judgements, assumptions and educated estimates by the Executive Board, which impact how the Regulations on Accounting Policy are used and what sums of assets, liabilities, revenues and expenses are shown. The actual results can vary from these estimates.

The Executive Board revises the estimates and assumptions on a regular basis, based on the experience and other factors that were taken as the basis of determination of book value of assets and liabilities. Changes in accounting estimates and assumptions are recognized in that period in which they were adopted in case the change affects only this period or recognized only in that period to which the change relates and beyond periods if the change affects both given and future periods.

The professional judgements that have a significant impact on indications that were recorded in the consolidated financial statement, accounting estimates and assumptions that may lead to the necessity of substantial amendments to the book value of assets and liabilities over the next year include the following:

#### ***Impairment of assets and right-of-use assets***

As of each reporting date the Group's Executive Board determines the presence of signs of impairment of assets and right-of-use assets. The signs of impairment include the change of business plan, tariffs and other factors that lead to the adverse effects on the Group's activities. The Executive Board evaluates the expected cash flows from cash generating units and calculates an acceptable discount rate to calculate the discounted value of the present cash flows during the calculation of value in use. The detailed information is provided in the Note «Fixed assets» and «Right-of-use asset».

#### ***Determination of the lease term under contracts with an option to extend or an option to terminate the lease – The Group as a lessee***

The Group defines a lease term as a non-cancellable lease period, together with periods for which an option

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to extend the lease is available if it is reasonably certain that it will be exercised, or periods for which an option to terminate the lease is available if it is reasonably certain that it will not be exercised.

In making a judgment to assess whether the Group has sufficient confidence in the exercise of an option to extend or terminate the lease in determining the lease term, the Group considers the following factors:

- if the leased object specialized;
- location of the object;
- whether the Group and the lessor have the practical option of choosing an alternative counterparty (choosing an alternative asset);
- costs associated with the termination of the lease and the conclusion of a new (replacement) contract;
- availability of significant improvements to leased properties.

***Impairment of accounts receivables***

Provision for expected credit losses on accounts receivable is created on the basis of Executive Board's probability estimation of specific debt redemption of the specific borrowers. The Group takes into consideration all reasonable and verified information about past, current and predictable events for the purposes of estimation of credit losses. The past experience is to be reviewed based on data available at the moment in order to reflect the current factors that have no impact on the previous periods and to exclude the impact of factors that happened in the past and no longer exist.

***Obligations for pension payments***

Expenses for Pension Program with fixed payments and the relevant expenses for Pension Program are calculated with the usage of actuarial expectations. Actuarial valuations require using economic and demographic assumptions in regards to demographic and financial data. There are material uncertainties in regards to such valuations because of the early program.

***The acknowledgment of deferred tax assets***

The Executive Board evaluates the deferred tax assets for each accounting date and determines the sum for reflection in such a way, where the usage of tax deductions is possible. When determining future taxable income and amount of tax deductions, the Executive Board uses the accounting estimates and assumptions on the basis of the value of taxable income for prior periods and expectations regarding the deferred income that is believed to be reasonable under the circumstances.

***Estimated reserves for lawsuits and claims***

The provision for lawsuits and claims is created based on management's assessment of the likelihood of an adverse outcome for the received lawsuits and claims of repayment. For the purposes of estimating reserves, the Group consistently considers all reasonable and verifiable information about past events, current and projected events that is available without undue effort and is relevant to the measurement of the liability. The experience gained in the past is adjusted based on the data currently available to reflect current conditions that did not affect previous periods, and to exclude the influence of conditions that occurred in the past that no longer exist.

***(e) Changes in submission. Reclassification of comparison data***

During the reporting period, the Group changed the presentation of individual indicators in order to provide more accurate information about their nature. To ensure comparability, the previous reporting period indicators were reclassified in the consolidated statement of cash flows:

- Changes in long-term trade and other receivables, long-term advances issued and other non-current assets, long-term trade and other payables, long-term advances received, previously disclosed under the lines «Change in trade and other receivables», «Change in advances issued and other assets», «Change in trade and other payables», «Change in advances received» respectively, to ensure comparability of the consolidated statement of cash flows, included in separate lines «Changes in long-term trade and other receivables» in the amount of 3 058 thousand rubles, «Change in long-term advances issued and other non-current assets» in the amount of 917 thousand rubles, «Change



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in long-term trade and other payables» in the amount of 53 184 thousand rubles, «Change in long-term advances received» in the amount of 360 752 thousand rubles.

**(f) New standards, clarifications on amendments to existing standards**

The Group for the first time applied the following amendments and interpretations that relates to the activities of the Group, which comes into force on January 1, 2020 and after that date. Applying these changes had no significant impact on the present Consolidated Financial Statement.

*Amendments to (IFRS) 3 «Business combinations»*

These amendments change the definition of business in order to simplify its application in practice. In addition, a optional «asset concentration test» is introduced, during which further analysis to determine the presence of a business might not be carried out. When applying the asset concentration test, if virtually all of the fair value of the acquired assets is concentrated in a single asset (or a group of similar assets), such assets will not be considered a business.

*Conceptual Framework for Financial Reporting*

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

*Amendments to IAS 1 and IAS 8 «Definition of Material»*

These amendments clarify the definition of ‘material’ and application of this interpretation with a help of inclusion of guidelines for definition that were previously contained in other International Finance Reporting Standards are to ensure the subsequence of definition of material in the full set of standards (IFRS). Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

*Amendments to IFRS 16 «Lease assignments related to the Covid-19 pandemic»*

These amendments provide an exemption for lessees from applying the requirements of IFRS 16 to account for lease modifications in the case of lease assignments that arise as a direct consequence of the Covid-19 pandemic. As a practical simplification, the lessee may decide not to analyze whether the lease assignment granted by the lessor in connection with the Covid-19 pandemic is a modification of the lease agreement. The lessee, who makes such a decision, must account for any change in lease payments resulting from a lease assignment related to the Covid-19 pandemic, in the same way, as this change would be accounted for under IFRS 16, if it were not a modification of the lease agreement.

*Amendments to IFRS 9, IAS 39 and IFRS 7 «Base Interest Rate Reform»*

These amendments provide for a number of exemptions applied to the accounting of hedging transactions that fall under the reform of the base interest rate. The reform affects hedging transactions if there is uncertainty about the period and / or amount of the underlying cash flow of the hedged item or instrument. The application of these amendments did not have an impact on the Group's consolidated financial statement due to the fact that it does not have any hedging operations.

The new standards, amendments and clarifications that have been issued, but are not yet active at the date of issue of the Group's consolidated financial statement are set out below.

The Group intends to adopt the applicable standards and interpretations for use after the effective date, and no material impact on the Group's consolidated financial statements is expected.

- Amendments to IAS 1 «Classification of liabilities as short-term or long-term»;
- Amendments to IAS 37 «Onerous contracts - contract performance costs»;
- Amendments to IAS 16 «Property, plant and equipment: proceeds before intended use»;
- Amendments to IFRS 3 «References to the conceptual framework» IFRS 17 «Insurance contracts»;

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- Amendment to IFRS 9 «*Financial instruments*» - commission fee for the «10% test» in the event of derecognition of financial liabilities;
- Amendment to IFRS 1 «*First-time adoption of international financial reporting standards*» – subsidiary applying International Financial Reporting Standards for the first time;
- IFRS 17 «*Insurance contracts*»;
- Amendment to IAS 41 «*Agriculture*» - taxation at fair value measurement.

### **3 Significant Accounting Policies**

The accounting policies described below have been applied consistently in all reporting periods presented in these consolidated financial statements.

#### **(a) Consolidation principles**

##### **i. Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls subsidiary when it is exposed to risks connected with variable returns from its involvement with the entity or has the right to those returns and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to non-controlling interests, even if doing so causes the non-controlling interests to have a debit (deficit) balance.

##### **ii. Transactions eliminated on consolidation**

Intragroup balances and transactions, and unrealized gains and losses arising from intragroup transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized profit from operations with objects of investment measured by using the equity method of accounting is eliminated owing to diminution in value of investment within the limits of the ownership interests of the Group in the concerned investment object. Unrealized losses are eliminated in the same way as unrealized profit, but only to the extent that there is no evidence of impairment.

#### **(b) Financial instruments**

##### **i. Financial assets**

The Group classifies the financial assets in accordance with the following categories of evaluation: measured at amortized costs, measured at fair value through other comprehensive income and measured at fair value through profit and loss. The classification depends on business model of financial assets management stipulated by contractual cash flow characteristics.

Financial assets are classified as measured at amortized costs if the following conditions are fulfilled: the asset is confined in the business model framework that is intended to the deduction of assets for receiving the contractual cash flows, in accordance with the terms and conditions of the contract the cash flows are to be received on the specified date that are payments on account of principal amount plus interests on outstanding amount of principal amount.

The Group includes the following financial assets in the financial assets category measured at amortized cost:

- trade and other accounts receivable that satisfy the definition of financial assets, in case the Group has no intention to sell it immediately or in the near future;
- cash and cash equivalents.

Provision for expected credit losses is created for financial assets that are classified as measured at amortized cost.

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Upon termination of recognition of financial assets measured at amortized cost and fair value, the changes of which are reported through profit or loss, the Group reports the financial results due to disposal of assets equal to the difference between reimbursement of fair value and carrying value of an asset in the statement of profit or loss and other comprehensive income (through profit or loss).

The Group includes the equity instruments of other companies into the category of financial assets measured at fair value through other comprehensive income that:

- are not classified as measurable at fair value, the changes of it are reported as part of profit or loss; and
- do not provide the controlling Group with joint control or significant influence over Investee Company.

Upon termination of recognition of the equity instruments of other companies are classified as measurable at fair value through other comprehensive income at the discretion of the Group, the previously recognized components of other comprehensive income are transferred from the reserve of fair value changing on the accumulated profit side.

## **ii. Impairment of financial assets**

Impairment reserves are measured on the basis of 12-month expected credit losses being the result of probable non-fulfilment of obligation within 12 months after the reporting date or expected credit losses throughout the lifetime that being the result of all possible events of default during the expectancy period of financial instrument.

For trade accounts receivable or assets under the contract arising due to the operations within the scope of IFRS 15 “Revenue from Contracts with Customers” (including the significant component of financing) and accounts receivable on lease, the Group applies the simplified approach to reserve measurement for expected credit losses where it is measured at an amount equal to expected credit losses throughout the period.

Reserves for impairment of other financial assets are classified as measurable at amortized cost on the basis of 12-month expected credit losses if there was no significant increase in credit risk upon recognition. Loss allowance on financial instrument is measured as at reporting date at an amount equal to expected credit losses throughout the period if the credit risk of the given financial instrument has significantly increased upon initial recognition taking into account all reasonable and verified information, including the predictable information.

In the quality of indicators of significant increase in credit risk, the Group takes into consideration the actual or anticipating difficulties of the issuer or a borrower’s asset, actual or anticipating breach of conditions of the contract, expectable reconsideration of contractual clauses because of borrower’s financial difficulties on disadvantageous terms for the Group to which it would not have given its consent.

The Group clarifies the default as inability of the contractor (issuer) to deliver on commitments already made (including refund under the contract) due to significant deterioration of financial position by reference to the common practice of credit risk management.

The credit impairment loss on financial assets is reported by means of recognition of allowance for its impairment. In relation to financial asset recorded at amortized cost, the amount of impairment loss is calculated as difference between carrying value of the asset and present value of expected future cash flow discounting at effective interest rate.

If the credit risk of financial asset is decreased in the subsequent periods as a result of the event that followed after recognizing this loss, then the previously recognized impairment loss is subject to reversal by means of decrease of relevant valuation allowance. As a result of reversal the carrying value should not exceed its value in which it would have been recorded in the statement of financial position if this impairment loss had not been recognized.

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**iii. Financial liabilities**

The group classifies the financial liabilities in accordance with the following categories of evaluation: financial liabilities measured at fair value, changes of which are recorded on the profit or loss side; financial liabilities measured at amortized value.

The Group includes the following financial liabilities in the category of financial liabilities measured at amortized value:

- Credit and loans (borrowings)
- Trade and other accounts payable

Credit and loans (borrowings) are initially recognized at fair value taking into consideration the transaction costs directly relating to the attraction of the given resources. The fair value is defined relating to the dominant market interest rate according to the equivalent instruments in case of the main difference between fair value and the price of transaction. In subsequent periods the borrowings are recorded at amortized cost by using the effective interest method; all difference between the fair value of funds received (less the transaction costs) and amount to be paid is recorded on the profit and loss side as interest expenses for the duration of liabilities for the redemption of borrowings.

Borrowing costs are recognized as expenses including that reporting period during which the borrowing costs were incurred if they are not related to the acquisition or construction of qualifying assets. Borrowing costs relating to the acquisition or construction of assets, when its preparation for use takes considerable time (qualifying assets) are capitalize as part of asset value. Capitalization is carried out when the Group:

- bears the costs of qualifying assets,
- bears the costs of borrowings and
- carries on business related to preparation of assets for usage or sale.

Capitalization of borrowing costs may last until the date of asset readiness for usage or sale. The Group capitalizes only those borrowing costs that could have been saved if the Group had not born the costs for qualifying assets. Borrowing costs are capitalized on the basis of the average price of financing of the Group (weighted-average interest expenses relating to the prior expenses for qualifying assets), with the exception of borrowings that were received immediately for the purpose of acquisition of the qualifying asset. The actual borrowing costs decreased by value of investment income from temporary investing of loans are capitalized.

Accounts payable is calculated upon the contractor fulfilled its liability under the contract. Accounts payable is recognized at fair value and then is recognized by amortized cost using the effective interest method.

**(c) Fixed assets****i. Recognition and evaluation**

Fixed assets are recorded at cost less the amount of accumulated depreciation and accumulated losses from impairment. The cost of fixed assets as at January 1, 2011 was established on the basis of its fair value (deemed cost) as at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed (self-built) assets includes the cost of materials and direct labor costs, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If the item of fixed assets is made up of the integral separate components with different useful lives, each of them is recognized as separate item (major component) of fixed assets.

Any amounts of profit or loss on disposal of asset are determined by comparing the proceeds from disposal with the carrying value of fixed assets and recognized in net amount as a part of profit or loss within the line code «Other income» or «Other expenses».

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## **ii. Subsequent costs**

The cost of replacing part (major component) of the item of fixed assets increases the carrying amount of the item if it is highly probable that the Group will gain future economic benefits related to this part and its cost can be measured reliably. The carrying amount of the replaced part is written off. Current repair and maintenance expenses to fixed assets are recognized in the Consolidated Statement of Profit or Loss and Other Aggregate Income as they are incurred.

## **iii. Depreciation**

Depreciation is recognized on a straight-line basis over the estimated useful lives of each part of the item of fixed assets starting when this item is ready for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The expected useful lives of fixed assets in the reporting and comparative periods were as follows:

– buildings	1–83 years;
– transmission networks	4–79 years;
– power transmission equipment	1–42 years;
– other assets	1–50 years.

Method of depreciation, useful lives and residual value of fixed assets are analyzed at each accounting date and adjusted, if necessary.

## **(d) Intangible assets**

Intangible assets include mainly capitalized computer software and licenses with a limited useful life. The purchased software and licenses are capitalized on the basis of the costs incurred in acquiring and bringing it to ready for use condition.

Research costs are expensed as incurred. Development costs are recognized as intangible assets only when the Group can demonstrate the following: the technical feasibility of creating an intangible asset so that it is available for use or sale; intention to create an intangible asset and use or sell it; how the intangible asset will generate future economic benefits; the availability of resources to complete development, and the ability to reliably estimate the costs incurred during development. Other development costs are expensed as incurred. Development costs previously expensed are not recognized as assets in the subsequent period. The carrying amount of development costs is subject to an annual impairment test.

After initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortisation of intangible assets is calculated on a straight-line basis over the useful life of the asset. At the end of each reporting year the amortization methods, useful lives and residual values are reviewed to determine whether they need to be revised and revised, if necessary.

The expected useful lives of intangible assets in the reporting and comparative periods were as follows:

• Licenses and certificates	1-10 years;
• Software	1-15 years.

At each reporting date management assesses, whether there is any indication that intangible assets are impaired. In the event of an impairment, the carrying amount of intangible assets is written down to the higher of the value in use and the fair value of the asset less costs to sell.

## **(e) Lease**

At the time of the conclusion of the contract the Group assesses, whether the contract as a whole or its individual components is a lease agreement. A contract as a whole or its individual components is a lease agreement, if the contract transfers the right to control the use of the identified asset for a certain period in exchange for compensation.

Right-of-use assets are initially measured at cost and amortized to the earlier of the following dates: the end of the useful life of the right-of-use asset or the end of the lease term. The initial cost of a right-of-use asset

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includes the initial measurement of the lease liability, lease payments made before or at the lease commencement date, and initial direct costs. After recognition, right-of-use assets are carried at cost less accumulated depreciation and accumulated impairment losses. Right-of-use assets are presented separately in the statement of financial position.

The lease liability is initially measured at the present value of lease payments that have not yet been made at the lease commencement date and is subsequently measured at amortized cost, with interest expense recognized as finance expense in the consolidated profit and loss statement. Lease liabilities are presented in the Statement of Financial Position as long-term and short-term borrowings.

The Group recognizes lease payments on short-term leases as an expense on a straight-line basis over the lease term.

For an individual lease agreement, the Group may decide to qualify the agreement as a lease, in which the underlying asset has a low value and recognize the lease payments under such agreement as an expense on a straight-line basis over the lease term.

For lease agreements for land under power grid facilities with an indefinite term, or with a contract term of no more than 1 year with the possibility of annual renewal, the Group determines the term of the contract, using as a basic criterion the useful life of the fixed assets located on the leased land.

For contracts for the lease of power grid facilities with an indefinite term, or with a term under the contract of no more than 1 year with the possibility of annual renewal, the Group determines the term of the contract, using as a basic criterion the useful life of its own fixed assets with similar technical characteristics.

**(f) Advances issued**

Advances issued are classified as non-current assets if the advance related to the acquisition of an asset that will be classified as non-current after its initial inclusion in the balance sheet. Advances issued for acquisition of an asset are included in its carrying value upon receipt of control over the asset by the Group and if there is a high probability that the Group will derive economic benefits from its usage.

**(g) Inventories**

Inventories are measured at the lower of the two amounts: cost or net realizable value. The cost of inventories is determined on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or processing costs and other costs incurred in shipping cost to its existing location and condition.

Net realizable value is the estimated selling price of inventory object in the ordinary course of the Group's activity, less the estimated costs of completion and selling expenses.

Inventories intended for the provision of work on the prevention and elimination of accidents (emergencies) at power grid facilities (industry emergency reserve) are reflected in the section «Inventories».

**(h) Impairment of nonfinancial assets**

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is presented as the greater of its two values: value in use of the asset (this unit) and its fair value less cost to sell.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (cash-generating unit).

The Group's common (corporate) assets do not generate unaffected cash flows and are utilized by more than one cash-generating unit. Costs of corporate assets are allocated between units on a reasonable and consistent basis and tested for impairment as part of the testing of the unit to which the corporate asset is allocated.

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Impairment losses are recognized in profit or loss. Impairment losses from cash-generating units are allocated to reduction of the carrying amount of assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

For other assets, an impairment loss recognized in a prior period is reviewed at each reporting date to determine, whether there is any indication that the amount of the loss should be reduced or that it should no longer be recognized.

An impairment loss is reversed when there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of amortization) if no impairment loss had been recognized.

### **(i) Value added tax**

Value added tax arising upon sale of goods is subject to transfer to public account upon occurrence of the earliest date: (a) since receipt of payments from the customers or (b) since the shipping date of goods or services to the buyer.

Input VAT is subject to refund by way of set-off against output VAT amount upon receiving of the invoice.

Amount of VAT payable to the budget is interpreted separately as a part of short-term liabilities.

During the creation of provision for expected credit losses on accounts receivable, the whole amount of doubtful debt is reserved, including VAT.

### **(j) Employee benefits**

#### **i. Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate (independent) fund and will have no further (legal or constructive) obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State Pension Fund, are recognized as an employee benefit expense in profit or loss in the periods during which employees rendered their services. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

#### **ii. Defined benefit plan**

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The obligation recognized in the consolidated statement of financial position with respect to defined benefit pension plans is a discounted amount of obligations as of the reporting date.

The discount rate is the yield at the end of the year on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the predicted conditional unit of accumulation of future payments.

Revaluation of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset limit (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. Actuarial gains and losses on changes in actuarial assumptions are recognized in other comprehensive income/expense.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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### **iii. Other long-term employee benefits**

The Group's net obligation with respect to long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The measurement is performed using the projected unit credit method. Revaluation is recognized in profit or loss in the period in which they arise.

### **iv. Short-term benefits**

The discounting is not applicable in determining the value of liabilities related to short-term employee benefits and the relevant expenses will be recognized, if the employees carry out their employment duties.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably and it is highly probable that there will be an outflow of economic benefits.

### **(k) Estimated liabilities**

The estimated liabilities is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is highly probable that an outflow of economic benefits will be required to settle the obligation. The amount of the estimated liability is determined by discounting the expected cash flows at a pre-tax rate that reflects current market valuations of the impact of a change in time value of money and risks incidental to the specific obligation. The amounts reflecting the «amortization of discount» are recognized as financial expenses.

### **(l) Share capital**

Ordinary shares and preferred shares that are not subject to mandatory redemption by the decision of the owners are classified as equity.

### **(m) Dividends**

Dividends are recognized as a liability and excluded from equity at the reporting date only if they are declared (approved by shareholders) on or before the reporting date. Dividends are subject to disclosure if they are declared after the reporting date, but before the consolidated financial statements are signed.

### **(n) Revenue from contracts with customers**

The Group recognizes the revenue, when (or as far as) the entity fulfills the obligation by means of transfer of promised goods or services (i.e. assets) to the customer. The assets are transferred at that time, when (or as far as) the buyer gains control over such assets.

When (or as far as) the entity fulfills the obligation, the Group recognizes revenues in the amount which is expecting to receive in return for transferring of the promised assets to the buyer, except VAT.

#### *Services for electric power transmission*

Revenue from electricity transmission services is recognized during the period (billing month) and is measured using the results method (cost of electricity and capacity transferred).

Tariffs for services for electric power transmission of electric power are approved by federal executive government body of the constituent entity relating to State regulation of tariffs (Federal Antimonopoly Service) and by executive government body of the subjects of Russian Federation to State regulation of tariffs.

#### *Services for technological connection to electric networks*

Revenue from services for technological connection to electric networks represents non-refundable fee for connecting customers to electricity networks and is recognized when the customer is connected to the



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network. The Group cedes control over the service at a certain point (on actual basis of connection of a consumer to the electrical grid) and thus fulfills the obligation at a certain point.

Payment for technological connection based on individual project, standard tariffs, rates per unit of maximum capacity and formulas for payment for connection to the network are approved by the Regional Energy Commission (Tariffs and Prices Department of the correspondent region) and do not depend on revenue from electricity transmission services. Payment for connection to unified national (Russian) power network is approved by the Federal Antimonopoly Service.

The Group made judgment that technological connection service is a separate performance obligation that is recognized when the services are provided.

Once connection services are performed, there are no any other obligations beyond the connection services contract. Practically and in accordance with the laws on electricity market, technological connection and electricity transmission contracts are negotiated separately with different customers as different sets of services and with different commercial objectives with no relation in the contracts in pricing, purpose, acceptance, or type of service.

#### *Other revenue*

The revenue from other technical and maintenance services, also the revenue from other sales is recognized at that time when the buyer gains control over such assets.

#### *Trade receivables*

Trade receivables represent the Group's right to an amount of compensation that is unconditional (i.e., only the passage of time is required before payment is due). The accounting policy for the recognition of trade and other receivables is set out in the section «Financial assets».

#### *Contractual obligations*

Contractual obligation is an obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs its obligations under the contract. The Group reflects contractual obligations with the buyers within the line code "Advances received" inclusive of VAT.

The advances received mainly represent deferred income under technological connection contracts.

Advances received from the buyers and customers are analyzed by the Group for financial component. If any length of time more than one year between the receipt of advances from the buyers and customers and transfer of promised goods and services other than by reason of provision of financing to the contractor (under the contacts on technological connection to electric networks), the interest expense for advances received is not recognized. Such advances are recorded at fair value of assets that were received by the Group from the buyers and customers by way of preliminary payment.

#### **(o) Government subsidies**

Government subsidies are recognized if there is reasonable assurance that the subsidies will be received and all the terms associated with these subsidies will be fulfilled. When the subsidy is issued for financing certain expenses, it is recognized as income on a regular basis within the same periods in which cost incurred are expensed and which has to be compensated by subsidy. When the subsidy is issued to finance an asset, it is recognized as income, less the related expenses, in equal amounts over the expected useful life of the related asset.

Government subsidies that compensate the Group for electricity tariffs (lost income) are recognized in the consolidated statement of profit or loss and other comprehensive income (as a part of other income) in the same periods in which the respective revenue is earned.

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**(p) Social payments**

When the Group's contributions to social programs are intended for the benefit of society as a whole, and are not limited to payments to the Group's employees, they are recognized in profit or loss as they are implemented. Group costs related to the financing of social programmes, without making a commitment with respect to such financing in the future date, are recognized in the consolidated statement of profit or loss and other comprehensive income as they arise.

**(q) Financial income and costs**

Finance income includes interest income on funds invested, dividend income, gains on the disposal of financial assets measured at fair value and measured at amortized cost, and discounts on financial instruments. Interest income is recognized as it accrues in profit or loss as it arises, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance costs are comprised of interest expense on borrowings, financial leasing, and losses on disposal of financial assets measured at fair value and measured at amortized cost, and effect of discounts on financial instruments. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss of the period using the effective interest method.

**(r) Income tax expense**

Income tax expense is comprised of current and deferred taxes. Current and deferred taxes are recognized in profit or loss, except to the extent that it relates to transactions on business combination, or items recognized in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable with respect to previous years.

Deferred tax is recognized with respect to temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. Deferred tax is not recognized related to:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting nor taxable profit or tax loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not be reversed in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would arise out of the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities at the end of the reporting period.

The amount of deferred tax is determined on the basis of tax rates that are expected to be applied in the future, at the time of recovery of temporary differences, based on the effective or substantively enacted legislation as of the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and fines may be due. The Group accrues tax liabilities based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions, and may involve a series of judgments about future events. New information may become available that may cause the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities on current profit tax, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is highly probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(s) Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

**4 Fair Value Measurement**

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

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

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

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

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

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

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

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

**5 Principal Subsidiaries**

The Group's Consolidated Financial Statements as of December 31, 2020 and December 31, 2019 includes the Company and its subsidiaries, which are owned (founded) by PJSC «Rosseti Kuban»:

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

**6 Segment Information**

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

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

To reflect the results of each reporting segment, revenue and EBITDA indicators are used, since they are included in internal management reports prepared on the basis of RAS reporting data, and are regularly analyzed and evaluated by the Management Board. EBITDA is calculated as profit or loss before interest

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expense, taxation depreciation and amortization. The Management Board believes that these indicators are most relevant when evaluating the results of certain segments in relation to other segments and other companies that operate in these industries. Management believes that the EBITDA calculated in this way is the most relevant for evaluating the performance of the Group's operating segments.

For the purpose of presenting a reconciliation of EBITDA to consolidated profit for the period, in relative information with the net accrual of impairment loss of property, plant and equipment and right-of-use assets has been moved from the adjustments section to the second section.

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

Indicators of segments are based on business information that is prepared on the basis of RAS data and may differ from the similar ones presented in the financial statements which have been drawn up in accordance with IFRS. Reconciliation of the indicators in assessment, submitted to the Management with similar indicators in these Consolidated Financial Statements includes those reclassifications and adjustments that are necessary for presentation of reporting in accordance with IFRS.

Key segment indicators are presented and analyzed by the Group's Management Board and are disclosed in the tables below.

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**(a) Information on reportable segments**

For the year, ended on December 31, 2020:

	Rosseti Kuban	Other segments	Total
Revenue from external buyers	49 365 948	196 736	49 562 684
Sales revenue between segments	3 632	837 784	841 416
<b>Segment revenues</b>	<b>49 369 580</b>	<b>1 034 520</b>	<b>50 404 100</b>
Including			
<i>Electric power transmission</i>	48 101 880	-	48 101 880
<i>Services for technological connection to electric networks</i>	731 309	-	731 309
<i>Other revenue</i>	536 391	1 034 520	1 570 911
Finance income	29 540	1 092	30 632
Finance expenses	(1 593 371)	(105)	(1 593 476)
Depreciation and amortization	(4 559 838)	(3 913)	(4 563 751)
Segment profit/(loss) before tax	(1 384 286)	91 703	(1 292 583)
<b>EBITDA</b>	<b>4 768 923</b>	<b>95 721</b>	<b>4 864 644</b>

For the year, ended on December 31, 2019:

	Rosseti Kuban	Other segments	Total
Revenue from external buyers	51 001 303	87 361	51 088 664
Sales revenue between segments	2 396	72 160	74 556
<b>Segment revenues</b>	<b>51 003 699</b>	<b>159 521</b>	<b>51 163 220</b>
Including			
<i>Electric power transmission</i>	46 515 696	-	46 515 696
<i>Services for technological connection to electric networks</i>	4 206 155	-	4 206 155
<i>Revenue from lease agreements</i>	14 905	9 701	24 606
<i>Other revenue</i>	266 943	149 820	416 763
Finance income	68 025	237	68 262
Finance expenses	(1 971 069)	(35)	(1 971 104)
Depreciation and amortization	(4 256 562)	(2 160)	(4 258 722)
Segment profit before tax	3 524 763	2 487	3 527 250
<b>EBITDA</b>	<b>9 752 394</b>	<b>4 682</b>	<b>9 757 076</b>

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For the year, ended on December 31, 2020:

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

For the year, ended on December 31, 2019:

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

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

Reconciliation of segments revenues:

	For the year, ended on December 31	
	2020	2019
<b>Segments revenues</b>	<b>50 404 100</b>	<b>51 163 220</b>
Exclusion of sales revenues between segments	(841 416)	(74 556)
Sales revenue adjustment (external)	(1 051)	(11 694)
<b>Revenue in Consolidated Statement of Profit or Loss and other Comprehensive Income</b>	<b>49 561 633</b>	<b>51 076 970</b>

Reconciliation of EBITDA of reportable segments:

	For the year, ended on December 31	
	2020	2019
<b>EBITDA of reportable segments under RAS</b>	<b>4 864 644</b>	<b>9 757 076</b>
Adjustment of intangible asset value	58 351	67 648
Discounting of accounts payable	1 170	3 928
Adjustment of accounts payable	33 856	27 685
Discounting of accounts receivable	5 034	4 940
Adjustment of disputed accounts receivable	42 615	-
Adjustment for impairment of other financial assets	-	(1 594)
Adjustment to the allowance for expected credit losses	-	(63 136)
Lease adjustment (reversal of lease expenses under IFRS 16)	1 733 407	232 504
Adjustment of estimated liabilities	(8 338)	27 525
Acknowledgment of pension and other non-current liabilities to employees	176 427	68 279
Adjustment of accrued provisions for unused vacation days and bonuses	(42 665)	(9 061)
Adjustment of fixed assets value	9 838	(15 398)
Adjustment of taxes	16 431	(8 010)
Adjustment of revenue from electric power transmission	(1 051)	(11 694)
Adjustment for intra-group transactions	(132 960)	-
Subsidy adjustment	3 942	-
Other adjustments	5 087	679
<b>EBITDA of reportable segments under IFRS</b>	<b>6 765 788</b>	<b>10 081 371</b>
Depreciation of fixed assets, right-of-use assets and amortization of intangible assets	(5 720 577)	(3 948 329)
Interest expenses for financial liabilities	(1 585 331)	(1 837 865)
Interest expenses for lease liabilities	(505 136)	(94 682)
Income tax expense	(194 954)	(1 179 807)
<b>Consolidated profit/(loss) for the period in Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>	<b>(1 240 210)</b>	<b>3 020 688</b>

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Reconciliation of the total sum of assets of reportable segments:

	<b>For the year, ended on December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Total sum of assets of segments</b>	<b>77 815 185</b>	<b>76 315 039</b>
Recognition of right-of-use assets on lease within the scope of IFRS 16	5 642 257	991 864
Recognition of assets, associated with employee benefits obligations	319 337	318 362
Adjustment of deferred tax assets	(932 816)	(501 586)
Adjustment of financial investments	14 109	6 638
Adjustment of provision for expected credit losses	(17 773)	(61 280)
Decrease in accounts receivables of advances for VAT amount from advances issued	(721 071)	(5 601)
Calculations between segments	(295 841)	(26 243)
Discounting of accounts receivable	(6 800)	(10 381)
Reclassification of accounts receivable on lease to lease obligations	(12 784)	(8 777)
Write-off of accounts receivable	(25 619)	(24 522)
Intragroup financial assets	(45 687)	(45 687)
Adjustment of intangible assets value	(108 058)	(89 063)
Decrease in VAT recoverable amount for VAT amount from advances received	(17 687)	(517 157)
Adjustment of fixed assets value	(5 570 362)	(5 906 065)
Excluding current RE from capital expenditures	(106 368)	-
Write-off of current assets	(21 740)	-
Other adjustments	2 573	(20 375)
<b>Total sum of assets in Consolidated Statement of Financial Position</b>	<b>75 910 855</b>	<b>70 415 166</b>

Reconciliation of the total sum of liabilities of reportable segments:

	<b>For the year, ended on December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Total sum of liabilities of segments</b>	<b>39 864 001</b>	<b>35 655 306</b>
Acknowledgment of lease liabilities within the scope of IFRS 16	6 097 272	1 017 174
Reclassification of accounts payable to lease IFRS 16	(298 281)	-
Acknowledgment of pension and other non-current liabilities to employees	561 821	732 902
Adjustment of accrued provisions for unused vacation days and bonuses	188 181	145 516
Discounting of accounts payable	(308)	(2 080)
Subsidy adjustment	(3 971)	-
Decrease in other accounts payable for VAT amount from advances received	(721 071)	(5 601)
Calculations between segments	(295 841)	(26 243)
Write-off of deferred income	(147 572)	(113 716)
Adjustment of deferred tax liabilities	(2 133 121)	(1 134 136)
Decrease in accounts payable for advances received for VAT amount from advances received	(17 687)	(517 157)
Other adjustments	8 338	284
<b>Total sum of liabilities in Consolidated Statement of Financial Position</b>	<b>43 101 761</b>	<b>35 752 249</b>

**(c) The significant buyer**

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



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For the year, ended on December 31, 2020 and December 31, 2019 the Group had two contractors, who individually owned more than 10 percent of the consolidated revenue of the Group. The revenue from the above-mentioned contractors are recorded in the financial statement of the Group.

The total revenue from the first contractor for 2020 year amounts to 23 392 295 thousand rubles or 47,23% of total revenues of the Group (for 2019 – 21 975 765 thousand rubles or 47,25%). The total revenue from the second contractor for 2020 year amounts to 15 920 732 thousand rubles or 32,15% of total revenues of the Group (for 2019 – 16 061 606 thousand rubles or 34,53%).

**7 Revenue**

	<b>For the year, ended on December 31</b>	
	<b>2020</b>	<b>2019</b>
Electric power transmission	48 099 486	46 502 139
Technological connection to electric networks	731 309	4 206 155
Other revenue	579 154	344 580
<b>Total of the revenue from contracts with customers</b>	<b>49 409 949</b>	<b>51 052 874</b>
Revenue from lease agreements	151 684	24 096
	<b>49 561 633</b>	<b>51 076 970</b>

Other revenue includes mainly revenue from the sale of additional (non-tariff) services provided by the company and not related to the main activities: services for the placement of equipment at power grid facilities, services for technical and repair maintenance, diagnostics and testing, construction and installation works, consulting and organizational and technical services and other non-tariff services.

**8 Other income**

	<b>For the year, ended on December 31</b>	
	<b>2020</b>	<b>2019</b>
Income from discovered electric power consumption without agreements	70 376	90 998
Доход от прекращения договора аренды	17 117	870
Income in the form of penalties, fines and forfeits in economic contracts	527 826	433 750
Income from compensation for losses due to disposal/liquidation of electric grid property	225 558	687 790
Income from donated fixed assets and inventories	65 648	59 078
Income from subsidies received	3 942	-
Insurance payout	230 669	64 351
Write-off of accounts payable	25 296	43 918
	<b>1 166 432</b>	<b>1 380 755</b>

**9 Other expenses**

	<b>For the year, ended on December 31</b>	
	<b>2020</b>	<b>2019</b>
Loss/(profit) from fixed assets sale	83 332	341 140
Other expenses	-	5 544
	<b>83 332</b>	<b>346 684</b>

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**10 Operating expenses**

	<b>For the year, ended on December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses for employee benefits	7 482 352	6 532 396
Depreciation of fixed assets, right-of-use assets and amortization of intangible assets	5 720 577	3 948 329
<i>Material expenses, including</i>		
Electric energy for compensation of process losses	8 284 103	7 861 591
Purchasing electrical energy and heat for own requirements	120 836	115 069
Other material expenses	1 732 846	1 886 312
<i>Works and services of production nature, including</i>		
Services for electric power transmission	20 504 022	20 019 048
Repair services and technical maintenance	693 764	1 541 744
Other works and services of production nature	402 090	73 498
Taxes and dues except income tax	682 534	667 156
Short-term lease	13 324	9 827
Insurance	90 878	76 103
<i>Other services of third parties, including:</i>		
Communication services	72 569	76 569
Security	236 053	206 895
Consulting, legal and auditing services	56 721	43 525
Expenses for software and maintenance	96 330	103 601
Transport services	4 062	6 106
<i>Other services, including</i>		
Expenses for energy service agreements	1 435 925	1 372 278
Other services of third parties	104 481	53 873
<i>Other expenses, including</i>		
Business expenses	76 334	187 947
Estimated liabilities	531 893	224 688
Expenses related to the maintenance of the property	169 585	96 758
Expenses for services for implementation, operation and development of UPS	118 322	118 322
Expenses recognized in the form of penalties, fines and forfeits for breach of contract	61 483	35 937
Profit and loss for prior periods	382 224	316 307
Other operational services	193 063	407 442
	<b>49 266 371</b>	<b>45 981 321</b>

**11 Expenses for employee benefits**

	<b>For the year, ended on December 31</b>	
	<b>2020</b>	<b>2019</b>
Salary	5 559 871	4 756 593
Social security contribution	1 697 707	1 455 934
Expenses/(income) related to Authorized Payment Programs	(122 858)	10 693
Other	347 632	309 176
	<b>7 482 352</b>	<b>6 532 396</b>

For the year ended December 31, 2020, an amount of assessment according to the programme with fixed contributions amounted to 52 594 thousand rubles (for the year ended December 31, 2019: 51 831 thousand rubles).

The amounts of key management personnel benefits are disclosed in the Note 35 «Related-party transactions».



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**14 Fixed assets**

	<b>Real estate and buildings</b>	<b>Transmission networks</b>	<b>Electric power transmission equipment</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Total</b>
<i>Initial /deemed cost</i>						
<b>As at January 1, 2019</b>	<b>8 078 303</b>	<b>39 375 396</b>	<b>17 999 307</b>	<b>7 961 187</b>	<b>11 312 191</b>	<b>84 726 384</b>
Reclassification between groups	(2 211)	(1 679)	2 970	920	-	-
Receipts	816	28 523	141 565	365 589	5 099 970	5 636 463
Transfer to right-of-use assets	-	-	-	-	(589)	(589)
Entry into operation	1 785 181	6 349 074	3 359 207	846 819	(12 340 281)	-
Disposal	(3 512)	(19 727)	(2 102)	(231 234)	(368 476)	(625 051)
Transfer to non-current assets held for sale	(1 449)	-	-	(751)	-	(2 200)
<b>As at December 31, 2019</b>	<b>9 857 128</b>	<b>45 731 587</b>	<b>21 500 947</b>	<b>8 942 530</b>	<b>3 702 815</b>	<b>89 735 007</b>
<i>Accumulated depreciation and impairment</i>						
<b>As at January 1, 2019</b>	<b>(2 890 092)</b>	<b>(12 341 674)</b>	<b>(7 942 339)</b>	<b>(5 602 190)</b>	<b>(78 302)</b>	<b>(28 854 597)</b>
Reclassification between groups	1 149	476	(1 312)	(313)	-	-
Introduction into fixed asset structure (loss carryforward due to impairment)	-	(1 527)	(3 610)	-	5 137	-
Accumulated depreciation	(320 363)	(1 765 989)	(1 040 563)	(557 952)	-	(3 684 867)
Transfer to non-current assets held for sale	192	-	-	97	-	289
Impairment/reversal of impairment	(12)	-	-	-	-	(12)
Disposal	2 024	9 722	1 812	196 070	1 883	211 511
<b>As at December 31, 2019</b>	<b>(3 207 102)</b>	<b>(14 098 992)</b>	<b>(8 986 012)</b>	<b>(5 964 288)</b>	<b>(71 282)</b>	<b>(32 327 676)</b>
<i>Carrying amount</i>						
<b>As at January 1, 2019</b>	<b>5 188 211</b>	<b>27 033 722</b>	<b>10 056 968</b>	<b>2 358 997</b>	<b>11 233 889</b>	<b>55 871 787</b>
<b>As at December 31, 2019</b>	<b>6 650 026</b>	<b>31 632 595</b>	<b>12 514 935</b>	<b>2 978 242</b>	<b>3 631 533</b>	<b>57 407 331</b>
<i>Initial /deemed cost</i>						
<b>As at January 1, 2020</b>	<b>9 857 128</b>	<b>45 731 587</b>	<b>21 500 947</b>	<b>8 942 530</b>	<b>3 702 815</b>	<b>89 735 007</b>
Reclassification between groups	(4 588)	5 424	2	(838)	-	-
Transfer to right-of-use assets	-	-	-	-	589	589
Receipts	220	37 621	50 358	31 272	5 012 693	5 132 164
Entry into operation	460 524	2 153 273	1 240 311	542 803	(4 396 911)	-
Disposal	(2 517)	(11 609)	(17 458)	(27 700)	(115 320)	(174 604)
<b>As at December 31, 2020</b>	<b>10 310 767</b>	<b>47 916 296</b>	<b>22 774 160</b>	<b>9 488 067</b>	<b>4 203 866</b>	<b>94 693 156</b>
<i>Accumulated depreciation and impairment</i>						
<b>As at January 1, 2020</b>	<b>(3 207 102)</b>	<b>(14 098 992)</b>	<b>(8 986 012)</b>	<b>(5 964 288)</b>	<b>(71 282)</b>	<b>(32 327 676)</b>
Reclassification of depreciation and impairment losses	2 854	(3 003)	(1)	150	-	-
Impairment/reversal of impairment	-	-	-	-	(4 984)	(4 984)
Introduction into fixed asset structure (loss carryforward due to impairment)	(898)	(509)	(1 106)	(534)	3 047	-
Accumulated depreciation	(350 727)	(2 088 952)	(1 164 795)	(646 616)	-	(4 251 090)
Disposal	1 311	4 492	18 942	24 877	4 974	54 596
<b>As at December 31, 2020</b>	<b>(3 554 562)</b>	<b>(16 186 964)</b>	<b>(10 132 972)</b>	<b>(6 586 411)</b>	<b>(68 245)</b>	<b>(36 529 154)</b>
<i>Carrying amount</i>						
<b>As at January 1, 2020</b>	<b>6 650 026</b>	<b>31 632 595</b>	<b>12 514 935</b>	<b>2 978 242</b>	<b>3 631 533</b>	<b>57 407 331</b>
<b>As at December 31, 2020</b>	<b>6 756 205</b>	<b>31 729 332</b>	<b>12 641 188</b>	<b>2 901 656</b>	<b>4 135 621</b>	<b>58 164 002</b>

**PJSC «Rosseti Kuban»**

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As at December 31, 2020 construction in progress includes advances for acquisition of fixed assets amounting to 140 958 thousand rubles (as at December 31, 2019 amounting to 73 195 thousand rubles), and also building materials for fixed assets amounting to 802 561 thousand rubles (as at December 31, 2019 amounting to 574 560 thousand rubles).

For the year ended on December 31, 2020 capitalized interests amounted to 64 138 thousand rubles (for the year ended December 31, 2019 amounted to 400 368 thousand rubles), capitalization rate amounted to 6,94% (for the year ended December 31, 2019 amounted to 7,96%).

For the year ended on December 31, 2020 amortization was capitalized into the value of the facilities of investment building amounting to 13 717 thousand rubles (for the year ended December 31, 2019 amounted to 5 358 thousand rubles).

As at December 31, 2020 and December 31, 2019 there are no fixed assets are pledged as security for a loan.

**Impairment of property, plant and equipment**

Due to the presence of signs of impairment of non-current assets, the Group conducted an impairment test as at December 31, 2020.

Most of the Group's property, plant and equipment are specialized items that rarely become available for sale on the open market, except, when they are sold as part of existing businesses. The market for such property, plant and equipment is not active in the Russian Federation and does not provide enough examples of purchase and sale for a market-based approach to determine the fair value of these property, plant and equipment.

As a result, the value in use of property, plant and equipment as at December 31, 2020 was determined using the discounted cash flow method. This method takes into account the future net cash flows that these property, plant and equipment will generate in the course of operating activities, as well as on disposal, in order to determine the recoverable amount of these assets.

The main activity of the Group for the supplying of services for the transmission and distribution of electricity, technological connection to electric networks is carried out in the regions of the Russian Federation: Krasnodar Krai and the Republic of Adygea. When determining the CGU, the structure of assets, their territorial location, mechanisms of electricity transmission, the method of tariff formation, the isolation of the energy system, as well as the possibility of separate accounting and planning of financial indicators for a group of assets are taken into account. The main criteria for determining the CGU is the indivisibility of the tariff and the impossibility of further detailing of accounting and planning. The group of assets of PJSC «Rosseti Kuban» as a whole (without the allocation of groups of assets of branches) is defined as the CGU.

The following key assumptions were used to estimate the recoverable amount of the assets of the generating units:

The forecast cash flows were determined for the period 2021-2025 based on the management's best estimate of electricity transmission volumes, operating and capital costs, as well as tariffs approved by the regulatory authorities for 2021 (Unified (boiler) tariffs for electricity transmission services on the networks of the Krasnodar Krai and the Republic of Adygea for 2021 were approved by Order of the regional Energy Commission - Department of Prices and Tariffs of the Krasnodar Krai dated 29.12.2020 №51/2020-э).

The source for the forecast of electricity transmission tariffs for the forecast period is the indicators of business plans, which are based on tariff models formed taking into account the average annual growth of the tariff for electricity transmission services in accordance with the Forecast of Socio-economic Development of the Russian Federation for 2021 and the planning period 2022-2023, published on the website of the Ministry of Economic Development of the Russian Federation on September 26, 2020.

The projected electricity transmission volumes for the generating unit were determined on the basis of the annual Business Plan for 2021 and forecast indicators for 2022-2025, approved by the Board of Directors of PJSC «Rosseti Kuban» (Minutes №414/2020 on December 28, 2020).

The projected cash flows were discounted to their present value using the weighted average cost of equity (WACC) of 9,03%.

The long-term growth rate of net cash flows in the post-forecast period was 4%.

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Based on the results of testing, as at December 31, 2020, no impairment of the Group's non-current assets was detected. The sensitivity of the recoverable amount of the assets of the CGU to changes in the basic assumptions in the calculation is presented below:

	<u>Increase, %</u>	<u>Decrease, %</u>
Change in the discount rate by 1%	(14,91%)	22,02%
Change of the RGR to the base value in each period by 3%	27,37%	(28,27%)
Change in the growth rate of net cash flow in the post-forecast period by 1%	17,23%	(11,51%)
Change in the level of operating expenses for 5%	(40,40%)	38,31%
Change in the level of investment (capital investment) by 10%	(2,0%)	2,0%
Change in useful release in each period by 0,5%	(2,92%)	2,92%

The sensitivity analysis of the material assumptions used to construct the impairment model for PJSC Rosseti Kuban as at December 31, 2020 is presented below:

- increase in the discount rate to 10,03% (by 1%): results in an impairment loss on property, plant and equipment of PJSC «Rosseti Kuban» in the amount of 6 185 194 thousand rubles;
- reduction of the required gross revenue to the base value in each period by 3%: results in an impairment loss on property, plant and equipment of PJSC «Rosseti Kuban» in the amount of 15 228 512 thousand rubles;
- increase in the level of operating expenses to the base value in each period by 5%: results in an impairment loss on property, plant and equipment of PJSC «Rosseti Kuban» in the amount of 23 436 209 thousand rubles;
- increase in the level of capital investments in the forecast and post-forecast period by 10%: does not result in an impairment loss on property, plant and equipment of PJSC «Rosseti Kuban» in the amount of 2 552 175 thousand rubles;
- decrease in the growth rate of net cash flow in the post-forecast period by 1%: results in an impairment loss on property, plant and equipment of PJSC «Rosseti Kuban» in the amount of 3 885 066 thousand rubles.

## PJSC «Rosseti Kuban»

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## 15 Intangible assets

	Software	Certificates, licenses and patents	R&D	Other	Total
<i>Initial cost</i>					
<b>As at January 1, 2019</b>	<b>505 189</b>	<b>5 295</b>	<b>40 934</b>	<b>36 169</b>	<b>587 587</b>
Reclassification between groups	-	-	7 500	(7 500)	-
Receipts	147 612	1 876	29 433	57 877	236 798
Disposal	-	-	(63 367)	(8 351)	(71 718)
<b>As at December 31, 2019</b>	<b>652 801</b>	<b>7 171</b>	<b>14 500</b>	<b>78 195</b>	<b>752 667</b>
<i>Accumulated amortization and impairment</i>					
<b>As at January 1, 2019</b>	<b>(318 369)</b>	<b>(5 295)</b>	-	<b>(15 102)</b>	<b>(338 766)</b>
Accumulated amortization	(85 207)	(600)	-	(10 515)	(96 322)
Disposal	-	-	-	8 298	8 298
<b>As at December 31, 2019</b>	<b>(403 576)</b>	<b>(5 895)</b>	-	<b>(17 319)</b>	<b>(426 790)</b>
<i>Carrying amount</i>					
<b>As at January 1, 2019</b>	<b>186 820</b>	-	<b>40 934</b>	<b>21 067</b>	<b>248 821</b>
<b>As at December 31, 2019</b>	<b>249 225</b>	<b>1 276</b>	<b>14 500</b>	<b>60 876</b>	<b>325 877</b>
	Software	Certificates, licenses and patents	R&D	Other	Total
<i>Initial cost</i>					
<b>As at January 1, 2020</b>	<b>652 801</b>	<b>7 171</b>	<b>14 500</b>	<b>78 195</b>	<b>752 667</b>
Receipts	101 505	1 908	-	-	103 413
Disposal	(1 770)	-	-	-	(1 770)
<b>As at December 31, 2020</b>	<b>752 536</b>	<b>9 079</b>	<b>14 500</b>	<b>78 195</b>	<b>854 310</b>
<i>Accumulated amortization and impairment</i>					
<b>As at January 1, 2020</b>	<b>(403 576)</b>	<b>(5 895)</b>	-	<b>(17 319)</b>	<b>(426 790)</b>
Accumulated amortization	(100 125)	(2 558)	-	(21 989)	(124 672)
Disposal	1 770	-	-	-	1 770
<b>As at December 31, 2020</b>	<b>(501 931)</b>	<b>(8 453)</b>	-	<b>(39 308)</b>	<b>(549 692)</b>
<i>Carrying amount</i>					
<b>As at January 1, 2020</b>	<b>249 225</b>	<b>1 276</b>	<b>14 500</b>	<b>60 876</b>	<b>325 877</b>
<b>As at December 31, 2020</b>	<b>250 605</b>	<b>626</b>	<b>14 500</b>	<b>38 887</b>	<b>304 618</b>

For the year ended on December 31, 2020 the sum of amortization of intangible assets is included in operating expenses in the consolidated statement of profit or loss and other comprehensive income is amounted to 122 350 thousand rubles (for the year ended December 31, 2019: 96 218 thousand rubles).

The amount of capitalized amortization of intangible assets is amounted to 1 206 thousand rubles (for the year ended December 31, 2019: 104 thousand rubles).

Intangible assets are amortized on a straight-line basis.

The amount of research and development costs recognized as part of operating expenses for the year 2020 was 8 525 thousand rubles (for the year 2019: 13 316 thousand rubles).

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**16 Right-of-use Assets**

	<b>Land and buildings</b>	<b>Transmission networks</b>	<b>Electric power transmission equipment</b>	<b>Other</b>	<b>Total</b>
<i>Initial cost</i>					
<b>As at January 1, 2019</b>	<b>529 699</b>	<b>18 906</b>	<b>562 801</b>	<b>8 858</b>	<b>1 120 264</b>
Reclassification between groups	-	(3 297)	(4 746)	8 043	-
Receipts	47 065	-	1 246	-	48 311
Modification of terms under lease agreements	9 254	(568)	(548)	548	8 686
Disposal or termination of lease agreements	(4 049)	(337)	-	(9 660)	(14 046)
<b>As at December 31, 2019</b>	<b>581 969</b>	<b>14 704</b>	<b>558 753</b>	<b>7 789</b>	<b>1 163 215</b>
<i>Accumulated depreciation and impairment</i>					
<b>As at January 1, 2019</b>	-	-	-	-	-
Accumulated depreciation	(34 120)	(3 832)	(133 505)	(2 754)	(174 211)
Modification of terms under lease agreements	1 534	-	-	-	1 534
Disposal or termination of lease agreements	131	28	-	1 167	1 326
<b>As at December 31, 2019</b>	<b>(32 455)</b>	<b>(3 804)</b>	<b>(133 505)</b>	<b>(1 587)</b>	<b>(171 351)</b>
<i>Carrying amount</i>					
<b>As at January 1, 2019</b>	<b>529 699</b>	<b>18 906</b>	<b>562 801</b>	<b>8 858</b>	<b>1 120 264</b>
<b>As at December 31, 2019</b>	<b>549 514</b>	<b>10 900</b>	<b>425 248</b>	<b>6 202</b>	<b>991 864</b>
<i>Initial cost</i>					
<b>As at January 1, 2020</b>	<b>581 969</b>	<b>14 704</b>	<b>558 753</b>	<b>7 789</b>	<b>1 163 215</b>
Receipts	1 843 120	2 769 041	1 054 874	379 283	6 046 318
Modification of terms under lease agreements	75 106	838	(161 272)	(249)	(85 577)
Disposal or termination of lease agreements	(36 526)	(2 039)	(6 002)	(396)	(44 963)
<b>As at December 31, 2020</b>	<b>2 463 669</b>	<b>2 782 544</b>	<b>1 446 353</b>	<b>386 427</b>	<b>7 078 993</b>
<i>Accumulated depreciation and impairment</i>					
<b>As at January 1, 2020</b>	<b>(32 455)</b>	<b>(3 804)</b>	<b>(133 505)</b>	<b>(1 587)</b>	<b>(171 351)</b>
Accumulated depreciation	(396 756)	(555 755)	(334 363)	(74 856)	(1 361 730)
Modification of terms under lease agreements	1 329	-	71 020	109	72 458
Disposal or termination of lease agreements	21 239	585	2 022	41	23 887
<b>As at December 31, 2020</b>	<b>(406 643)</b>	<b>(558 974)</b>	<b>(394 826)</b>	<b>(76 293)</b>	<b>(1 436 736)</b>
<i>Carrying amount</i>					
<b>As at January 1, 2020</b>	<b>549 514</b>	<b>10 900</b>	<b>425 248</b>	<b>6 202</b>	<b>991 864</b>
<b>As at December 31, 2020</b>	<b>2 057 026</b>	<b>2 223 570</b>	<b>1 051 527</b>	<b>310 134</b>	<b>5 642 257</b>

For the purposes of the impairment test, specialized right-of-use assets (including leased land under own and leased specialized properties) are classified as CGU assets in the same way as own non-current assets.

The value of use of the right-of-use assets is determined using the discounted cash flow method. Information on the impairment test conducted as at December 31, 2020 is disclosed in Note 14 «Property, plant and equipment».

**17 Deferred tax assets and liabilities**

The differences between IFRS and Russian tax legislation result in temporary differences between the book value of certain assets and liabilities for financial reporting purposes and for profit tax purposes.



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**(a) Recognized deferred tax assets and liabilities**

Deferred tax assets and liabilities are applicable to the following sections:

	Assets		Liabilities		Net	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Fixed assets	27 470	-	(723 839)	(392 773)	(696 369)	(392 773)
Intangible assets	2 346	-	-	(9 507)	2 346	(9 507)
Right-of-use assets	-	-	(1 128 451)	(198 373)	(1 128 451)	(198 373)
Financial assets, measured at fair value, changes of which are recorded through other comprehensive income	-	-	(9 138)	(9 138)	(9 138)	(9 138)
Trade and other accounts receivable	408 361	362 465	-	-	408 361	362 465
Advances issued and other assets	2 548	895	-	-	2 548	895
Lease liabilities	1 219 454	212 684	-	-	1 219 454	212 684
Estimated liabilities	184 398	145 294	(2)	-	184 396	145 294
Employee benefits liabilities	11 529	41 367	-	-	11 529	41 367
Trade and other accounts payable	122 702	147 032	(19 858)	-	102 844	147 032
Advances received	1 038	-	(806)	-	232	-
Tax losses, subject to transferring for the future	15 172	188	-	-	15 172	188
Assets are qualified as available for sale	-	-	(4 463)	(12 272)	(4 463)	(12 272)
Other	7 855	3 957	(790)	-	7 065	3 957
<b>Tax assets/(liabilities)</b>	<b>2 002 873</b>	<b>913 882</b>	<b>(1 887 347)</b>	<b>(622 063)</b>	<b>115 526</b>	<b>291 819</b>
Tax offset	(1 886 502)	(622 063)	1 886 502	622 063	-	-
<b>Net tax assets/(liabilities)</b>	<b>116 371</b>	<b>291 819</b>	<b>(845)</b>	<b>-</b>	<b>115 526</b>	<b>291 819</b>

**(b) Change in deferred tax assets and liabilities for a year**

	January 1 2020	Acknowledged as part of profit or loss	Acknowledged as part of other comprehensive income	December 31 2020
Fixed assets	(392 773)	(303 596)	-	(696 369)
Intangible assets	(9 507)	11 853	-	2 346
Right-of-use assets	(198 373)	(930 078)	-	(1 128 451)
Financial assets, measured at fair value, changes of which are recorded through other comprehensive income	(9 138)	-	-	(9 138)
Trade and other accounts receivable	362 465	45 896	-	408 361
Advances issued and other assets	895	1 653	-	2 548
Lease liabilities	212 684	1 006 770	-	1 219 454
Estimated liabilities	145 294	39 102	-	184 396
Employee benefits liabilities	41 367	(24 075)	(5 763)	11 529
Trade and other accounts payable	147 032	(44 188)	-	102 844
Advances received	-	232	-	232
Tax losses, subject to transferring for the future	188	14 984	-	15 172
Assets are qualified as available for sale	(12 272)	7 809	-	(4 463)
Other	3 957	3 108	-	7 065
	<b>291 819</b>	<b>(170 530)</b>	<b>(5 763)</b>	<b>115 526</b>

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	<b>January 1 2019</b>	<b>Acknowledged as part of profit or loss</b>	<b>Acknowledged as part of other comprehensive income</b>	<b>December 31 2019</b>
Fixed assets	309 624	(702 397)	–	(392 773)
Intangible assets	11 708	(21 215)	–	(9 507)
Right-of-use assets	–	(198 373)	–	(198 373)
Financial assets, measured at fair value, changes of which are recorded through other comprehensive income	(1 626)	(7 512)	–	(9 138)
Trade and other accounts receivable	350 200	12 265	–	362 465
Advances issued and other assets	–	895	–	895
Lease liabilities	–	212 684	–	212 684
Estimated liabilities	157 673	(12 379)	–	145 294
Employee benefits liabilities	12 356	(28 202)	57 213	41 367
Trade and other accounts payable	151 987	(4 955)	–	147 032
Tax losses, subject to transferring for the future	412	(224)	–	188
Assets are qualified as available for sale	–	(12 272)	–	(12 272)
Other	(186)	4 143	–	3 957
	<b>992 148</b>	<b>(757 542)</b>	<b>57 213</b>	<b>291 819</b>

**18 Assets are qualified as available for sale**

As at December 31, 2020 and 2019, the non-core assets were indicated on the balance sheet of the Company, as outlined below:

	<b>For the year ended on December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>As part of non-current assets</b>		
Assets are qualified as available for sale - long term	–	61 358
	–	<b>61 358</b>
<b>As part of current assets</b>		
Assets are qualified as available for sale - short term	22 314	–
	<b>22 314</b>	–

It is expected that selling of non-core asset that is classified as available for sale will take more than one year.

Immediately prior to the classification of the items as assets for sale, an estimate of the recoverable amount was made. As at 31 December 2020, no write-off was made as the carrying amount of assets held for sale did not decrease below its fair value less costs to sell.

**19 Inventory**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Raw materials	827 016	905 244
Reserve for impairment of raw materials	(1 704)	(4 599)
Other inventories	1 192 258	1 048 070
Reserve for impairment of other inventory	(2 847)	(3 882)
	<b>2 014 723</b>	<b>1 944 833</b>

The Group does not hold inventory offered as collateral according to the loan agreement or other agreement as at December 31, 2020 and December 31, 2019.

For a year ended on December 31, 2020 the amount equal to 1 732 846 thousand rubles was recognized as expenses (for a year ended on December 31, 2019 amounted to 1 886 312 thousand rubles) as part of operating expenses in the section «Other material expenses».

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As at December 31, 2020 inventories intended for the provision of works on the prevention and elimination of emergency situations at power grid facilities (industry emergency reserve) are amounted to 507 511 thousand rubles (as at December 31, 2019: 455 806 thousand rubles) and is reflected in the section «Inventories».

**20 Trade and Other Accounts Receivable**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<b>Trade and other accounts receivable long-term</b>		
Trade accounts receivable	445	285
Other accounts receivable	12 694	11 058
	<u>13 139</u>	<u>11 343</u>
<b>Trade and other accounts receivable short-term</b>		
Trade accounts receivable	8 858 237	7 655 769
Provision for expected credit losses on trade accounts receivable	(1 253 116)	(1 057 167)
Other accounts receivable	1 263 664	1 185 766
Provision for expected credit losses on other accounts receivable	(753 285)	(717 423)
	<u>8 115 500</u>	<u>7 066 945</u>

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 32.

Information on balances with related parties is disclosed in Note 35.

**21 Advances Issued and Other Assets**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<b>Non-current</b>		
Advances issued	3 257	4 436
VAT for advances received	685	685
	<u>3 942</u>	<u>5 121</u>
<b>Current</b>		
Advances issued	36 700	45 760
Provision for impairment of advances issued	(5 877)	(13 313)
VAT recoverable	22 597	8 030
VAT for advances received, and VAT for advances, issued for fixed asset acquisition	15 366	431
Prepaid taxes, except income tax	70 698	7 063
	<u>139 484</u>	<u>47 971</u>

Information on balances with related parties is disclosed in Note 35.

**22 Cash and Cash Equivalents**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash at bank and in hand	752 545	1 716 085
	<u>752 545</u>	<u>1 716 085</u>

**PJSC «Rosseti Kuban»**

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	<u>Rating</u>	<u>Rating agency</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Federal Treasury Department in Krasnodar Region*	-	-	579 268	579 268
JSC AB «ROSSIYA»	A+(RU)	ACRA	624	9 009
Russian Regional Development Bank*	Ba2	Moody's	20 263	670
Mosoblbank PJSC	-	-	-	6
PJSC Sberbank*	AAA(RU)	ACRA	104 637	44 154
Bank GPB (JSC)*	ruAA+	Expert RA	1 628	1 082 059
VTB Bank (PJSC)*	ruAAA	Expert RA	1 266	900
Russian Agricultural Bank*	AA(RU)	ACRA	34 657	-
Promsvyazbank*	ruAA-	Expert RA	10 170	-
Other banks	-	-	12	-
Cash in hand	-	-	20	19
			<b>752 545</b>	<b>1 716 085</b>

\* Government-related banks

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

## 23 Charter Capital

### (a) Charter Capital

	<u>Ordinary shares</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Nominal value per share	100 RUR	100 RUR
In circulation as at January 1	334 657 837	303 793 350
In circulation at the end of year and fully paid	334 657 837	334 657 837

### (b) Ordinary shares

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

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

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

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

### (c) Dividends

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

The Annual General Meeting of Shareholders was held on May 29, 2020 and the decision was made to pay dividends on outstanding shares of the Company following the results of financial and operational activities of PJSC «Kubanenergo» for 2019 amounted to 636 914 thousand rubles (Minutes of the Annual General Meeting of Shareholders of May 29, 2020 No. 43). The amount of dividends amounted to 1,90318 rubles per one ordinary share of the Company.

For the year ended on December 31, 2020, dividends that were paid to the Company's owners amounted to 636 639 thousand rubles, including dividends that were paid to PJSC Rosseti – 595 146 thousand rubles (for the year ended on December 31, 2019 – 143 638 thousand rubles, including dividends that were paid to PJSC Rosseti – 133 262 thousand rubles).

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As at December 31, 2020 the amount of dividends for 2016, unclaimed and included in retained earnings, is in amount of 249 thousand rubles (as at December 31, 2019 the amount of unclaimed dividends for 2015 included in retained earnings is 518 thousand rubles).

**(d) Additional issue of the securities**

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

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

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

The payment for supplement shares was made in cash.

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

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

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

February 24, 2021 (Minutes № 44 of 26.02.2021) the extraordinary General meeting of shareholders of PJSC «Rosseti Kuban» the decision to increase the authorized capital of PJSC «Rosseti Kuban» by placing additional ordinary shares in the amount of 69 583 132 (Sixty-nine million five hundred eighty-three thousand one hundred thirty-two) shares with a nominal value of 100 (one hundred) rubles each for the total amount of the nominal value 6 958 313 200 (Six billion nine hundred and fifty-eight million three hundred thirteen thousand two hundred) rubles on the following basic conditions:

- placement - open subscription;
- the price of placing one ordinary share (including when exercising the pre-emptive right to purchase additional shares placed) is 100 (one hundred) rubles;
- form of payment for additional shares - additional shares are paid in cash in rubles of the Russian Federation in non-cash form.

**24 Earnings per Share**

Calculation of earnings per share for the nine months ended on December 31, 2020 and December 31, 2019 is based on earnings that are payable to the ordinary shareowners and weighted average number of common shares outstanding. The Company does not have the dilutive finance instruments.

*In thousands of shares*

	<u>2020</u>	<u>2019</u>
<b>Ordinary shares as at January 1</b>	334 658	303 793
The effect of stock floatation	-	8 162
<b>Weighted average number of shares for the period ended on December 31</b>	<u>334 658</u>	<u>311 955</u>

	<u>For the year, ended on December 31, 2020</u>	<u>For the year, ended on December 31, 2019</u>
Weighted average number of shares outstanding for the period ended on December 31 (in thousands of units)	334 658	311 955
Profit/(loss) for period which is payable to Company owners	(1 240 210)	3 020 688
<b>Profit/(loss) per share – basic and diluted (in Russian rubles)</b>	<u>(3,71)</u>	<u>9,68</u>

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**25 Borrowings**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Long-term liabilities</b>		
Unsecured loans and borrowings	17 882 922	19 432 911
Unsecured bonds	-	3 600 000
Lease liabilities	6 097 272	1 063 418
By deducting: current portion of long-term lease liabilities	(1 201 791)	(174 536)
By deducting: current portion of long-term unsecured bonds	-	(3 600 000)
	<b>22 778 403</b>	<b>20 321 793</b>
<b>Short-term liabilities</b>		
Unsecured loans and borrowings	5 553 866	52 592
Current portion of long-term lease liabilities	1 201 791	174 536
Current portion of long-term unsecured bonds	-	3 600 000
	<b>6 755 657</b>	<b>3 827 128</b>
<b>Including:</b>		
Interest payable on loans and borrowings	153 866	19 652
Interest payable on unsecured bonds	-	32 940
	<b>153 866</b>	<b>52 592</b>

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

For the year, ended on December 31, 2020 the Group took out the following bank loans and borrowings:

	<b>Effective interest rates</b>	<b>Repayment periods</b>	<b>Nominal value</b>
Unsecured bank loans*	KC+1,90% - 7,40%	2022-2023 гг.	42 163 993
Unsecured bank loans	5,95%	2023 г.	1 000 000
Unsecured loans and borrowings	5,68% - 7,07%	2020-2025гг	6 800 000
Other unsecured loans and borrowings	12,0 %	2020 г.	1 700
			<b>49 965 693</b>

\* Loans and borrowings from government-controlled entities.

For the year, ended on December 31, 2020 the Group repaid the following bonded and bank loans:

	<b>Nominal value</b>
Loans and borrowings from government-controlled entities	46 113 982
Other loans and borrowings	1 700
Bonded loans	3 600 000
	<b>49 715 682</b>

As at December 31, 2020 the sum of available line of open but untapped credits of the Group amounted to 37 112 578 thousand rubles (as at December 31, 2019 amounted to 20 850 089 thousand rubles).

As at the date of signing the financial statement, PJSC «Rosseti» does not intend to use the right for early full or partial recovery of debt and payment of accrued interest and penalties in connection with the violation of the restrictive conditions under the agreement № 5781/407/30-905.

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

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

Information on exposure of the Group to interest rate risk is disclosed in Note 32.

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	Repayment period	Effective interest rate		Book value	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<b>Unsecured loans and borrowings</b>					
Unsecured loans and borrowings*	2022-2025 гг. 2023 г.	5,68% - 7,40% 5,95%	7,70%-7,75% Interest-free	22 436 788 1 000 000	19 432 911 -
Other unsecured loans and borrowings	-	-	10,44%-12,65%	<b>23 436 788</b>	<b>19 432 911</b>
<b>Unsecured bonds</b>					
Unsecured bonds*	-	-	10,44%-12,65%	-	3 600 000
Lease liabilities	2021-2069 гг.	5,95% - 8,13%	7,37%-9,2%	6 097 272	1 063 418
<b>Total liabilities</b>				<b>29 534 060</b>	<b>24 096 329</b>

## 26 Changes in liabilities arising from financial activities

	Borrowings		Interest payable except interest on lease agreements	Lease liabilities	Dividends payable
	Long-term	Short-term			
<b>As at January 1, 2020</b>	<b>19 432 911</b>	<b>3 600 000</b>	<b>52 592</b>	<b>1 063 418</b>	<b>453</b>
<b>Changes due to cash flow from financing activities</b>					
Debt financing	36 128 620	13 837 073	-	-	-
Repayment of loans and borrowings	(37 678 609)	(12 037 073)	(1 510 614)	-	-
Lease payments	-	-	-	(916 969)	-
Interest expenses (operating activities, for reference)	-	-	-	(498 722)	-
Dividends payable	-	-	-	-	(636 639)
<b>Total</b>	<b>(1 549 989)</b>	<b>1 800 000</b>	<b>(1 510 614)</b>	<b>(1 415 691)</b>	<b>(636 639)</b>
<b>Non-cash changes</b>					
Capitalized interests	-	-	64 138	1 383	-
Interest expenses	-	-	1 547 750	505 136	-
Receipts under lease contracts	-	-	-	6 046 317	-
Dividends accrued	-	-	-	-	636 665
Other changes, net	-	-	-	(103 291)	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1 611 888</b>	<b>6 449 545</b>	<b>636 665</b>
<b>As at December 31, 2020</b>	<b>17 882 922</b>	<b>5 400 000</b>	<b>153 866</b>	<b>6 097 272</b>	<b>479</b>

*PJSC «Rosseti Kuban»*  
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	Borrowings		Interest payable except interest on lease agreements	Lease liabilities	Dividends payable
	Long-term	Short-term			
<b>As at January 1, 2019</b>	<b>13 283 239</b>	<b>11 300 004</b>	<b>95 897</b>	<b>1 159 897</b>	<b>919</b>
<b>Changes due to cash flow from financing activities</b>					
Debt financing	19 916 920	2 222 723	-	-	-
Repayment of loans and borrowings	(6 484 009)	(17 205 966)	(2 234 812)	-	-
Lease payments	-	-	-	(128 989)	-
Interest expenses (operating activities, for reference)	-	-	-	(94 567)	-
Dividends payable	-	-	-	-	(143 586)
<b>Total</b>	<b>13 432 911</b>	<b>(14 983 243)</b>	<b>(2 234 812)</b>	<b>(223 556)</b>	<b>(143 586)</b>
<b>Non-cash changes</b>					
Reclassification	(7 283 239)	7 283 239	-	-	-
Capitalized interests	-	-	400 368	-	-
Interest expenses	-	-	1 791 139	94 567	-
Receipts under lease contracts	-	-	-	48 311	-
Dividends accrued	-	-	-	-	143 120
Other changes, net	-	-	-	(15 801)	-
<b>Total</b>	<b>(7 283 239)</b>	<b>7 283 239</b>	<b>2 191 507</b>	<b>127 077</b>	<b>143 120</b>
<b>As at December 31, 2019</b>	<b>19 432 911</b>	<b>3 600 000</b>	<b>52 592</b>	<b>1 063 418</b>	<b>453</b>



Explanatory notes to the Consolidated Financial Statements for the year ended on December 31, 2020 (unaudited)  
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## 27 Employee benefits

The Group has a defined benefit pension and other long-term defined benefit plans that cover most full-time and retired employees. Defined post-employment benefits consist of non-state pension provision, lump-sum payment upon retirement, financial support for pensioners, and death benefits.

Value of liabilities according to defined-benefits programs included in Consolidated Statement of Financial Position is outlined below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Net cost of liabilities for benefits programs after termination of labor activity	561 821	732 902
<b>Total net cost of liabilities</b>	<b>561 821</b>	<b>732 902</b>

Change in value of net assets associated with liabilities for employee benefits:

	<b>For the year ended December 31</b>	
	<u>2020</u>	<u>2019</u>
<b>Value of assets as at January 1</b>	<b>318 362</b>	<b>291 221</b>
Employer's contribution	20 014	67 599
Other movement on accounts	24 011	2 181
Benefits payment	(43 050)	(42 639)
<b>Value of assets as at December 31</b>	<b>319 337</b>	<b>318 362</b>

Assets related to pension plan with fixed payments are managed by the Non-State Pension Fund JSC “NPF Otkrytie”. These assets are not the assets of the pension plan with fixed payments because under the terms of agreements between the Group and the funds the Group has the right to use the contributions paid according to the pension plan with fixed payments in order to finance its own pension plan with assessed contribution or to make a transfer to the other fund on the Group's own initiative.

Change in the current value of liabilities according to programs with fixed payments:

	<b>For the year ended December 31, 2020</b>		<b>For the year ended December 31, 2019</b>	
	<b>Benefits after termination of labor activity</b>	<b>Other long-term benefits</b>	<b>Benefits after termination of labor activity</b>	<b>Other long-term benefits</b>
<b>Liabilities according to the programs with fixed payments as at January 1</b>	<b>732 902</b>	-	<b>453 065</b>	-
Current service cost	30 692	-	10 693	-
Past service cost and budget sequestration	(153 550)	-	-	-
Interest expense on liabilities	33 186	-	34 907	-
Effect of revaluation:				
– loss from changes in demographical actuarial assumptions	-	-	23 098	-
– loss from changes in financial actuarial assumption	9 133	-	97 951	-
– (profit)/ from experience adjustment	(37 948)	-	165 019	-
Contributions to the program	(52 594)	-	(51 831)	-
<b>Liabilities according to the programs with fixed payments as at December 31</b>	<b>561 821</b>	<b>-</b>	<b>732 902</b>	<b>-</b>

Expenses included as part of profit and loss for the period:

	<b>For the year ended</b>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Employee service cost	(122 858)	10 693

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Interest expenses	33 186	34 907
<b>Total (income)/expenses included as part of profit and loss</b>	<b>(89 672)</b>	<b>45 600</b>

Profit/loss included as part of other comprehensive income for the period:

	For the year ended	
	December 31, 2020	December 31, 2019
Loss from changes in demographical actuarial assumptions	-	23 098
Loss from changes in financial actuarial assumption	9 133	97 951
(Profit)/loss from experience adjustment	(37 948)	165 019
<b>Total (profit)/loss included as part of other comprehensive income</b>	<b>(28 815)</b>	<b>286 068</b>

Changes in reserve for revaluation of liabilities as part of other comprehensive income for reporting period:

	For the year ended December 31	
	2020	2019
<b>Revaluation as at January 1</b>	<b>528 033</b>	<b>241 965</b>
Changes in revaluation	(28 815)	286 068
<b>Revaluation as at December 31</b>	<b>499 218</b>	<b>528 033</b>

The main actuarial assumptions:

	December 31, 2020	December 31, 2019
<b>Financial assumptions</b>		
Discounting rate	6,10%	6,30%
Salary increase in the future	4,50%	4,50%
Inflation rate	4,00%	4,00%
<b>Demographical assumptions</b>		
Predictable retirement age		
Men	65	65
Women	60	60
Moderate level of employee turnover	9,50%	9,50%

Sensibility of aggregate value for pension liabilities to the changes in the main actuarial assumptions, as outlined below:

	Change in assumptions	Impact on obligations
Discounting rate	Increase/decrease by 0,5%	Change by (3,9)%
Salary increase in the future	Increase/decrease by 0,5%	Change by 3,0%
Benefits (inflation) increase in the future	Increase/decrease by 0,5%	Change by 1,4%
Level of employee turnover	Increase/decrease by 10%	Change by (3,0)%
Death rate	Increase/decrease by 10%	Change by (1,2)%

Amounts of expectable benefits according to the long-term employee benefits programs for 2021 amounting to 153 039 thousand rubles, including:

- according to the programs with fixed payments, including non-state pension provision of employees amounting to 153 039 thousand rubles;
- according to other long-term employee benefits programs amounting 0 thousand rubles.

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**28 Trade and other accounts payable**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Long-term debt</b>		
Trade accounts payable	95 472	103 725
Other accounts payable	8 967	368
	<b>104 439</b>	<b>104 093</b>
<b>Short-term debt</b>		
Trade accounts payable	5 864 793	5 120 393
Other accounts payable and accrued costs	597 154	592 588
Payables to employees	1 130 408	1 036 148
Dividends payable	479	453
	<b>7 592 834</b>	<b>6 749 582</b>

The Group's exposure to liquidity risk related to payables is disclosed in Note 32.

**29 Taxes payable except income tax**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
VAT	570 035	418 872
Property tax	162 485	173 921
Social security contribution	138 979	157 424
Other taxes payable	66 802	58 945
	<b>938 301</b>	<b>809 162</b>

**30 Advances received**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Long-term</b>		
Advances for services of technological connection to electric networks	1 179 235	880 900
	<b>1 179 235</b>	<b>880 900</b>
<b>Short-term</b>		
Advances for services of technological connection to electric networks	2 083 710	1 537 903
Other advances received	168 800	37 538
	<b>2 252 510</b>	<b>1 575 441</b>

Advances received mostly included differed income from the technological connection contracts.

Short-term advances received from the buyers under the technological connection contracts as at December 31, 2019 were included as a part of revenue under the contracts with the buyers for the year ended on December 31, 2020.

The Management of the Group expects that the entire amount of short-term advances received under technological connection contracts as at 31 December 2020 will be recognized as part of the revenue from contracts with customers within the next reporting period.

The increase in short-term advances received as at December 31, 2020 was due to the reclassification from long-term advances received under technological connection contracts to short-term advances under technological connection contracts, including for the largest applicants: FSI «Rostransmodernization» – 575 893 thousand rubles; SHI «Regional Clinical Hospital No. 1 named after Professor S. V. Ochapovsky» of the Department of Health of the Krasnodar Krai – 278 609 thousand rubles.

The increase in long-term advances received as at December 31, 2020 was due to the receipt of advances under technological connection contracts, including the largest applicant JSC "Caspian Pipeline Consortium-R» – 689 873 thousand rubles. It is expected, that these advances will be included in the revenue from contracts with customers during 2021.

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**31 Estimated liabilities**

	<b>For the year ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Balance as at January 1</b>	<b>726 472</b>	<b>788 366</b>
Increase for the period	596 284	319 635
Decrease due to provision recovery	(64 391)	(104 670)
Release of provisions	(361 753)	(304 860)
Capitalized	25 380	28 001
<b>Balance as at December 31</b>	<b>921 992</b>	<b>726 472</b>

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

**32 Financial risk and capital management**

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

This note presents information on the Group's exposure to each of these risks, goals, policies and processes for assessing and managing risks, and the Group's capital management system. Detailed quantitative information is disclosed in the relevant sections of these consolidated financial statements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

**(a) Credit risk**

Credit risk is the possibility of Group's financial losses resulting from buyers or contractors' failure to meet contractual obligations regarding the financial instruments in full and on time. Traditionally it refers to the risks including Group's accounts receivable, bank deposits, cash and cash equivalents.

Deposits with original repayment period more than three month, cash and cash equivalents are floated in financial institutions that have minimum default risk are considered to be risk-free contractors with stable financial position in the financial markets of the Russian Federation.

In terms of the structures of the Group's borrowers, the exposure of the Group to credit risk is mainly depend on personal characteristic of each of the contractors. The Group creates the reserve for expected credit losses on trade and other accounts receivable, , the calculated value of which is defined on the basis of expected credit loss model, weighted by degree of probability of default and can be adjusted either upward or downward. For these purposes the Group analyzes creditability of the contractors, debt redemption dynamics and also takes into consideration the modification of terms for making payments, presence of third-party guarantee, bank guarantees and current economy-wide factors.

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

The Group preferably uses the prospective payment system to engage with contractors. In general, advance for technological connection of consumers to the networks is stipulated in the contract. The Group does not require collateral for receivables.

With the purpose of effective management of accounts receivables, the Group monitors the volume change of accounts receivable and its structure by setting off the current and overdue receivables. The Group carries out activities aimed to contractors' timely fulfilment of contractual liabilities, decrease of overdue receivables in order to minimize the credit risk. Such activities include: negotiations with service consumers, improvement of the effectiveness of forming of the scope of services for electric power transmission, enforcement of meter reading schedules agreed upon with reliable suppliers and technological examination of accounting devices, limiting the electric energy consumption (realizable in accordance with statutory regulations of the Russian Federation), claim work, making of demands concerning the financial security in the form of independent (bank) guarantees, banker's guarantees and other forms of fulfilment of obligations.

*Explanatory notes to the Consolidated Financial Statements for the year ended on December 31, 2020 (unaudited)  
(in thousands Russian rubles, if not mentioned otherwise)*

**i. Credit risk level**

Carrying value of financial assets reflects the maximum value of credit risk of the Group. As at reporting date the maximum value of credit risk amounted to:

	Carrying value	
	December 31, 2020	December 31, 2019
Trade and other accounts receivable (less the provision for expected credit losses)	8 128 639	7 078 288
Cash and cash equivalents	752 545	1 716 085
	<b>8 881 184</b>	<b>8 794 373</b>

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

	December 31, 2020		December 31, 2019	
	Total nominal value	Reserve for expected credit loss	Total nominal value	Reserve for expected credit loss
Buyers of services for electric power transmission	8 515 965	(1 129 735)	7 352 026	(1 014 606)
Buyers of services for technological connection to electric networks	37 783	(27 652)	66 105	(38 185)
Other Buyers	304 934	(95 729)	237 923	(4 376)
	<b>8 858 682</b>	<b>(1 253 116)</b>	<b>7 656 054</b>	<b>(1 057 167)</b>

The carrying value of trade accounts receivable accrued to the ten largest borrowers of the Group amounted to 7 962 695 thousand rubles as at December 31, 2020 (as at December 31, 2019 amounted to 7 129 660 thousand rubles).

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

	December 31, 2020		December 31, 2019	
	Total nominal value	Reserve for expected credit loss	Total nominal value	Reserve for expected credit loss
Undue debts	5 865 076	(36)	5 715 353	(151 662)
Overdue by less than 3 months	1 369 296	(10 236)	885 831	(4 104)
Overdue by more than 3 months and less than 6 months	111 160	(51 208)	254 785	(67 973)
Overdue by more than 6 months and less than a year	534 371	(205 454)	565 275	(128 105)
Overdue for a certain period more than a year	2 255 137	(1 739 467)	1 431 634	(1 422 746)
	<b>10 135 040</b>	<b>(2 006 401)</b>	<b>8 852 878</b>	<b>(1 774 590)</b>

The Group believes that overdue non-impaired receivables are highly probable to be recovered at the reporting date due to the presence of positive court practice in similar cases.

The carrying value of accounts receivables from buyers and customers and other receivables, less allowance for impairment of receivables, represents the maximum amount exposed to the credit risk. Although the repayment of receivables is exposed to the influence of economic factors, the management believes that the Group does not have a significant risk of losses in excess of the already established provision for expected credit losses.

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

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	<b>2020</b>	<b>2019</b>
<b>Ending on January 1</b>	1 774 590	1 722 985
Increase in reserve for a period	505 341	352 822
Reversal of the amounts of reserve for a period	(114 073)	(277 074)
Amounts of trade and other accounts receivable written-off out of the previous accrued reserve	(159 457)	(24 143)
Reclassification for the period	-	-
<b>Ending on December 31</b>	<b>2 006 401</b>	<b>1 774 590</b>

The Group has no contractual basis for netting off of financial assets and financial liabilities and management of the Group does not expect future netting based on additional agreements as at December 31, 2020 and December 31, 2019.

**(b) Liquidity risk**

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

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

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

The Group is able to realize its assets and settle its liabilities in the ordinary course of business in the foreseeable future. As reflected in these consolidated financial statement, the Group's financial result (total loss) for the year 2020 was 1 217 158 thousand rubles, which is mainly due to the impact of negative consequences related to COVID-19.

The Group's current liabilities as at 31 December 2020 amounted to 18 476 614 thousand rubles, including borrowings in the amount of 6 755 657 thousand rubles.

As at December 31, 2020 the sum of available line of open but untapped credits of the Group amounting to 37 112 578 thousand rubles (20 850 089 thousand rubles as at December 31, 2019). The Group has an opportunity to involve the additional financing within the relevant credit lines in order to carry out short-term obligations.

The Group's management forecasts that net cash flow from operating activities in 2021 will be sufficient to cover the Group's liabilities due in 2021.

Thus, despite the working capital deficit, the Group's management believes that the Group will be able to meet all its current obligations during 2021.

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

<b>December 31, 2020</b>	<b>Carrying value</b>	<b>Cash flows under the contract</b>	<b>Prior to 1 year</b>	<b>From 1 to 2 years</b>	<b>From 2 to 3 years</b>	<b>From 3 to 4 years</b>	<b>From 4 to 5 years</b>	<b>Over 5 years</b>
<b>Non-derivative financial liabilities</b>								
Credit and loans	23 436 788	26 854 818	6 861 988	2 184 128	16 279 350	98 980	1 430 372	-
Lease liabilities	6 097 272	8 372 398	1 891 139	1 587 416	1 514 815	1 493 315	98 106	1 787 607
Trade and other account payable	7 709 555	7 857 435	7 752 306	10 554	5 912	3 610	3 755	81 298
	<b>37 243 615</b>	<b>43 084 651</b>	<b>16 505 433</b>	<b>3 782 098</b>	<b>17 800 077</b>	<b>1 595 905</b>	<b>1 532 233</b>	<b>1 868 905</b>
<b>December 31, 2019</b>								
<b>Non-derivative financial liabilities</b>								
Credit and loans	19 452 563	23 038 199	1 492 123	9 444 657	12 101 419	-	-	-
Bonds issued	3 632 940	3 664 872	3 664 872	-	-	-	-	-
Lease liabilities	1 063 418	2 349 838	238 737	236 708	231 066	91 049	55 021	1 497 257
Trade and other account payable	6 853 222	6 855 302	6 750 302	9 255	3 806	3 575	3 718	84 646
	<b>31 002 143</b>	<b>35 908 211</b>	<b>12 146 034</b>	<b>9 690 620</b>	<b>12 336 291</b>	<b>94 624</b>	<b>58 739</b>	<b>1 581 903</b>

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**(c) Market risk**

Market risk is the risk of changes in market prices such as foreign exchange rates, interest rates, prices of goods and equity prices that will affect the Group's financial results or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**i. Currency risk**

The majority of the Group's revenues and expenses, monetary assets and liabilities are denominated in rubles. The impact of changes in exchange rates on the Group's revenues and expenses insignificant.

**ii. Interest risk**

Changes in interest rates impact primarily loans and borrowings as they change either their fair value (fixed rate debt) or their future cash flows (floating rate debt). The management of the Group does not have a formal policy for determining how much of the Group's exposure should be to fixed or floating rates. However, making a decision about new loans and borrowings, the Group management gives priority to loans and borrowings with fixed interest rates and as a result, the Group is exposed to interest rate risk to a limited extent. As a rule, loan agreements entered into by the Group do not contain any charges for the early repayment of loans on the borrower's initiative which facilitates additional flexibility for the Group in relation to optimizing interest rates in the current economic environment.

**Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities as at fair value through profit or loss for the period. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

**(d) Fair and carrying value**

Interest rate that is used for discounting of expectable future cash flows on long-term accounts receivable for the purpose of determination of disclosed fair value as at December 31, 2020 amounted to 6,97% – 9,01% (as at December 31, 2019 amounted to 9,17 – 9,98%).

Interest rate that is used for discounting of expectable future cash flows on long-term accounts payable for the purpose of determination of disclosed fair value as at December 31, 2020 amounted to 6,97% – 9,01% (as at December 31, 2019 amounted to 9,17 – 9,98%).

Interest rate used to discount the expected future cash flows for long-term and short-term loans for the purpose of determining the disclosed fair value as at December 31, 2020 amounting to 5,68% – 7,40% (as at December 31, 2019 amounted to 7,70 – 7,75%).

Within the year ended December 31, 2020 there were no transfers between fair value hierarchy levels.

**(e) Capital management**

The main aim of capital management for the Group is to ensure a strong capital base in order to maintain confidence of investor, creditor and market participants and to sustain future development of the business.

The Group monitors the structure and return on equity using coefficients calculated on the basis of the consolidated financial statements in accordance with IFRS, management statements and statements prepared in accordance with RAS. The Group analyzes the dynamics of the indicators of total debt and net debt, the structure of debt, as well as the ratio of equity and debt capital.

The Group manages its debt position by implementing a credit policy aimed at improving financial stability, optimizing its debt portfolio and building long-term relationships with debt capital market participants. To manage the debt position, the Group applies limits, including the categories of financial leverage, debt coverage, and debt service coverage. The initial data for calculating the limits are the RAS reporting indicators.



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The company and its subsidiaries are required to comply with the statutory requirements for the adequacy of own capital, according to which the value of its net assets, determined in accordance with the Russian Accounting Principles, should always exceed the amount of the share capital.

As at December 31, 2020 and December 31, 2019, these requirements were fulfilled.

### **33 Capital contractual obligations**

As at 31 December 2020, the Group has outstanding commitments under contracts for purchase and construction of property, plant and equipment items for 1 386 140 thousand rubles, including VAT (as at 31 December 2019: 2 099 864 thousand rubles, including VAT).

### **34 Contingent liabilities**

#### **(a) Insurance**

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

#### **(b) Contingent tax liabilities**

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

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

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

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

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

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

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In terms of risk for the tax periods 2019-2020, the Group estimated the risk at the level of «possible» in the amount of 700 000 thousand rubles.

**(c) Legal proceedings**

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

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

**(d) Environmental commitments**

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

**(e) Contingent loan obligations**

As at December 31, 2020, the subsidiary of PJSC «Rosseti Kuban» had borrowed funds classified as a subsidy, since if the terms of the loan agreement are met, the principal debt and interest become non-refundable.

As at 31 December 2020, the amounts for which there was a contingent repayment obligation consisted of: principal debt in the amount of 3 942 thousand rubles, interest arrears in the amount of 29 thousand rubles.

The date of full repayment of the issued loan is June 30, 2021.

The monitoring period under the loan agreement (from December 1, 2020 to March 31, 2021) begins under the following conditions: 1) the number of employees of the borrower at the end of several reporting months after the loan is granted and before December 1, 2020 is at least 80% of the number of employees of the borrower as at June 1, 2020; 2) as at November 25, 2020 the borrower has not entered bankruptcy proceedings, and its activities are not suspended.

The Bank has the right to early termination of lending in the following cases: 1) the loan funds were not used for their intended purpose; 2) the grant was refused; 3) there is a shortage of budget funds, at the expense of which the financial support for the grant is provided; 4) the creditor is excluded from the authorized banks.

The conditions for classifying borrowed funds as a subsidy are as follows: 1) on the date of completion of the observation period in respect of the borrower not entered bankruptcy, and its activities are not suspended; 2) the number of employees during the period of observations at the end of each reporting month shall be not less than 80% of the number of employees as at 1 June 2020; 3) the average wage paid to one employee during the observation period should not be less than the minimum wage; 4) a decision of the lender to write off the debt of the borrower to the creditor: 4.1) 100% of the debt, if the ratio of the number of employees as at March 1, 2021 to the number as at June 1, 2020 is not less than 0.9; 4.2) 50% of the debt, if the ratio of the number of employees as at March 1, 2021 to the number as at June 1, 2020 is at least 0.8.

The management of the subsidiary has reasonable confidence that all the terms of the agreement will be met.

**35 Related Party Transactions****(a) Control relationship**

Related parties include shareholders, affiliates and entities under common ownership and control with the Group, members of the Board of Directors and the key management personnel of the Company. Rosseti PJSC had control over the company as at December 31, 2020 and December 31, 2019. The Government

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represented by the Federal Agency for Property Management holding the majority shares of Rosseti PJSC is the ultimate controlling party.

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

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

	Transaction amount		Carrying value	
	2020	2019	December 31, 2020	December 31, 2019
<b>Revenue, other income, finance income</b>				
<b>Parent Company</b>				
Other revenue	1 185	1 185	-	-
Income from the termination of the lease agreement	157	-	-	-
<b>The enterprises are under common control of the parent company</b>				
Lease	4 434	43	4	4
Other revenue	30 669	52 440	109 811	86 818
Other income	322	-	160	-
Income from the termination of the lease agreement	-	55	-	-
Provision for impairment of other receivables	-	167 449	-	-
	<b>36 767</b>	<b>221 172</b>	<b>109 975</b>	<b>86 822</b>

	Transaction amount		Carrying value	
	2020	2019	December 31, 2020	December 31, 2019
<b>Operating expenses, finance expense</b>				
<b>Parent company</b>				
Expenses for UES organization and development services	118 322	118 322	37 165	-
Other work and services of production nature	15 272	15 272	2 817	1 409
Other expenses	6 413	6 382	37	23 208
Interest expense on lease	151	56	-	-
Interest expenses for financial liabilities measured at amortized cost	228 187	755 858	153 866	32 940
<b>The enterprises are under common control of the parent company</b>				
Services for electric power transmission	7 627 903	8 452 613	765 295	854 915
Services for technological connection to electric networks	3 491	1 822	-	5 645
Repair services and technical maintenance	1 759	949	-	-
Short-term lease	558	61	2 385	12
Other expenses	58 089	188 943	20 901	81 238
Interest expense for lease liabilities	16 644	59	-	-
Interest expenses for financial liabilities measured at amortized cost	-	20 820	-	-
Provision for impairment of other receivables	(97 750)	-	(97 750)	-
	<b>7 979 039</b>	<b>9 561 157</b>	<b>884 716</b>	<b>999 367</b>
Construction and installation jobs capitalized	42 815	188 190	295 632	131 557
	<b>8 021 854</b>	<b>9 749 347</b>	<b>1 180 348</b>	<b>1 130 924</b>

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**Carrying value**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Parent company</b>		
Loans and borrowings	6 800 000	3 600 000
Lease liabilities	-	1 947
<b>The enterprises are under common control of the parent company</b>		
Advances issued	4 867	4 436
Lease liabilities	293 285	800
Advances received	76	76
	<b>7 098 228</b>	<b>3 607 259</b>

As at December 31, 2020 the liability owed to ultimate parent in paying dividends is absent (as at December 31, 2019 is absent).

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

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

The remuneration of key management personnel consists of the salary stipulated in the employment agreement, non-monetary benefits, as well as bonuses determined by the results for the period and other payments.

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

	<b>For the year ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	214 488	162 039
	<b>214 488</b>	<b>162 039</b>

As at December 31, 2020 the current value of liabilities according to the programs with fixed payments and assessed contributions, other post-employment benefits that is reported in the Consolidated Statement of Financial Position, includes the liabilities in relation to key managerial personnel amounting to 0 thousand rubes (as at December 31, 2019 amounting to 0 thousand rubles).

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

In the course of its operating activities, the Group is engaged in many transactions with government-related entities. These transactions are carried out in accordance with regulated tariffs or based on market prices, market interest rates. Taxes are calculated and paid in accordance with Russian tax legislation.

Revenues from government-related entities are amounting to:

- 1,39% of total revenue of the Group for the year ended December 31, 2020 (for the year ended December 31, 2019 amounting to 1,03%);
- 0,95% of revenue of electric power transmission for the year ended December 31, 2020 (for the year ended December 31, 2019 amounting to 0,97%).

Expenses for electric power transmission to the government-related entities (including offset against technological losses) are amounting to 3,36% of total expenses for electric power transmission for the year ended December 31, 2020 (for the year ended December 31, 2019 are amounting to 4,6%).

Interests accrued on credit and loans from government-related banks for the year ended December 31, 2020 are amounting to 1 539 254 thousand rubles (for the year ended December 31, 2019 are amounting to 1 194 391 thousand rubles).

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As at December 31, 2020 the cash balance and cash equivalents placed on government-related banks accounts are amounting to 751 889 thousand rubles (as at December 31, 2019 are amounting to 1 707 051 thousand rubles).

Information on credit and loans received from government-related banks is disclosed in Note 26.

As at December 31, 2020 the lease liabilities of government-related entities are amounting to 5 716 635 thousand rubles (as at December 31, 2019 are amounting to 472 171 thousand rubles).

**36 Events after the reporting period**

On January 21, 2021 (Minutes № 418/2021 of January 22, 2021), the Board of Directors of PJSC «Rosseti Kuban» decided to convene an extraordinary General Meeting of Shareholders of the Company on February 24, 2021. The agenda includes the issue of increasing the authorized capital of PJSC «Rosseti Kuban» by placing additional shares.

On February 24, 2021 (Minutes № 44 of February 26, 2021) The Extraordinary General Meeting of Shareholders of PJSC «Rosseti Kuban» decided to increase the authorized capital of the Company by placing additional ordinary shares in the amount of 69 583 132 with a par value of 100 rubles each, for a total amount of 6 958 313 200 rubles at a par value.

On February 26, 2021, an overdraft loan agreement was signed with JSC JSCB «AK BARS» №6931/4/2021/0102 with the amount of the loan limit of 500 000 thousand rubles and the term of the agreement until February 25, 2024. Purpose-financing is for financial and economic activities.

On February 26, 2021, an overdraft loan agreement was signed with JSC JSCB «AK BARS» № 6931/4/2021/0307 with the amount of the loan limit of 500 000 thousand rubles and the term of the agreement until February 25, 2024. Purpose-financing is for financial and economic activities.

On February 1, 2021, an overdraft loan agreement was signed with JSC «SMP Bank» №08-03-2021/OB with the amount of the loan limit of 500 000 thousand rubles and the term of the agreement until February 1, 2024. Purpose-financing is for financial and economic activities.

# APPENDIX 6

FUNCTIONS OF PARTICIPANTS IN THE INTERNAL  
CONTROL SYSTEM OF ROSSETI KUBAN

**Functions of Participants in the Internal Control System of Rosseti Kuban (hereinafter — ICS)**

No.	ICS participants	Key functions in the ICS
1	Audit Commission	<ul style="list-style-type: none"> <li>Exercises control over financial and economic activities of the Company; based on its results, it prepares proposals/recommendations for improvement of the ICS;</li> <li>carries out independent assessment of accuracy of the data contained in the Company's Annual Report and the annual accounting statements of the Company</li> </ul>
2	Board of Directors	<ul style="list-style-type: none"> <li>Determines the principles and approaches to the organization of the Company's ICS, including approving the Company's internal documents defining the organization and the strategy for the development and improvement of the ICS, supports the Company's Internal Control Policy;</li> <li>monitors the activities of the executive bodies of the Company in the main (priority) areas;</li> <li>reviews the report of the Management Board on organization and functioning of the Company's ICS;</li> <li>annually reviews reports of the internal auditor on the efficiency of the ICS;</li> <li>considers the results of the external independent assessment of the efficiency of ICS</li> </ul>
3	Audit Committee of the Board of Directors	<ul style="list-style-type: none"> <li>Carries out preliminary consideration before approval by the Board of Directors of the Company's internal documents defining the organization and strategy for the developments and improvement of the ICS, Internal Control Policy and subsequent changes to them;</li> <li>carries out preliminary consideration (prior to consideration by the Board of Directors) of the results of assessment of the ICS efficiency based on the report of the internal auditor on the ICS efficiency, as well as information on the results of the external independent assessment of the ICS; it also prepares proposals / recommendations for improvement of the ICS;</li> <li>monitors the ICS regarding consideration of issues related to control over the accuracy of the Company's accounting (financial) statements, over selection of an external auditor and conducting an external audit, over ensuring compliance with regulatory legal requirements regarding consideration of the report of the Management Board on the organization and functioning of the ICS, and also regarding consideration of issues related to the analysis and assessment of implementation of the Internal Control Policy</li> </ul>
4	Other Committees of the Board of Directors: Personnel and Remuneration Committee; Reliability Committee; Strategy, Development, Investment and Reform Committees; Grid Connection Committee	<ul style="list-style-type: none"> <li>Within the competencies established by the Board of Directors, monitor the implementation of the established financial and operational indicators, supervise compliance with applicable laws, rules and procedures set by local regulations, as well as the accuracy and timeliness of reporting generated by the Company</li> </ul>
5	Executive bodies: Management Board, General Director	<ul style="list-style-type: none"> <li>Ensure creation and effective functioning of the ICS;</li> <li>ensure execution of resolutions of the Board of Directors in terms of ICS organization</li> </ul>
5.1	Management board	<ul style="list-style-type: none"> <li>Establishes the direction and plans for development and improvement of the ICS;</li> <li>prepares reports on the financial and economic activities of the Company, the organization and functioning of the ICS;</li> <li>considers the results of the external independent assessment of the ICS efficiency; develops measures for the development and improvement of the ICS</li> </ul>
5.2	General Director of the Company	<ul style="list-style-type: none"> <li>Approves the regulatory and methodological documents of the Company on the organization and functioning of the ICS, except for the documents which approval falls within the competences of the Company's Board of Directors;</li> <li>ensures execution of the Company's business plans necessary for achieving its targets;</li> <li>supervises accounting and administrative reporting, preparation of accounting (financial) and other statements;</li> <li>submits the reports on the Company's financial and economic performance and organization and functioning of the Company's ICS for the consideration of the Board of Directors</li> </ul>
6	Collective working bodies, of which the most important are:	<ul style="list-style-type: none"> <li>perform control procedures and/or develops recommendations for improving control procedures and certain components (elements) of internal control and the ICS within their authority</li> </ul>

No.	ICS participants	Key functions in the ICS
6.1	Commission for Settlement of Accounts Receivable of the Company	<ul style="list-style-type: none"> <li>evaluates the reasonableness and prospects for resolving disputes between the Company and counterparties with regard to financial settlements;</li> <li>evaluates the efficiency of measures implemented in order to reduce accounts receivable, including for services rendered for the transmission of power;</li> <li>considers issues in terms of accounts receivable management submitted by the structural divisions of the Company to the Commission for consideration;</li> <li>determines the position of the Company in relation to the management of accounts receivable</li> </ul>
6.2	Commission for Assessment of the Activities of Contractors Involved in the Construction, Retrofitting and Reconstruction of the Company	<ul style="list-style-type: none"> <li>Identifies problems in the areas of production activities of a counterparty that may cause risks of nonfulfillment (improper performance) of contractual obligations to the Company by the counterparty;</li> <li>provides a comprehensive assessment of the efficiency of counterparties in the context of the production direction in capital construction;</li> <li>draws up a list of bona fide contractors duly fulfilling their obligations under contracts for the construction, retrofitting and reconstruction of Power Grid Complex facilities</li> </ul>
6.3	Power Supply Consolidation Commission of the Company	<ul style="list-style-type: none"> <li>Determines the technical and economic feasibility of the acquisition of power facilities, taking into account all submitted documents;</li> <li>determines the position of the project submitted for its consideration on the expediency (inexpediency) of the acquisition of power facilities;</li> <li>organizes a transaction for the acquisition of power facilities;</li> <li>concludes the contract on the acquisition of facilities and organizes registration of facilities</li> </ul>
6.4	Commission on Corporate Ethics Compliance and Conflict of Interest Resolution	<ul style="list-style-type: none"> <li>Resolves pre-conflict situations arising in the Company's structural divisions, information about which is sent by the Anti-Corruption Compliance Procedure Unit for consideration at Commission meetings;</li> <li>resolves conflicts of interests in relation to the Company's employees;</li> <li>considers the facts and cases of violation of the norms of corporate ethics and standards of corporate behavior in the Company;</li> <li>ensures the fulfillment of the requirements of Article 133 of the Federal Law No.273-FZ On Combating Corruption dated December 25, 2008</li> </ul>
7	Heads of the Company's units and structural divisions	<p>Perform the functions of developing, documenting, introducing, monitoring and improving the internal control system in the functional areas of the Company, the responsibility for the organization and coordination/fulfillment of which is assigned to them by the Company's regulatory documents/ regulations for structural divisions, including:</p> <ul style="list-style-type: none"> <li>ensure implementation of internal control principles;</li> <li>establish effective processes (activities), including development and implementation, taking into account the identified risks of new control procedures or the modification of existing ones;</li> <li>ensure regulation of supervised processes (activities);</li> <li>arrange execution of control procedures;</li> <li>assess (monitor) execution of control procedures;</li> <li>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 development of proposals for improving the control procedures;</li> <li>provide elimination of identified deficiencies in the control procedures and processes (activities)</li> </ul>
8	Employees of the Company's structural divisions who perform control procedures by virtue of their official duties	<ul style="list-style-type: none"> <li>Perform the control procedures;</li> <li>timely inform the direct managers about cases when the execution of the control procedures has become impossible for any reason and/or a change in the design of the control procedures is required due to a change in the internal and/or external conditions of the Company's operation;</li> <li>submit proposals for implementation of the control procedures in relevant areas of activity to direct management</li> </ul>



No.	ICS participants	Key functions in the ICS
<b>2nd line of defence</b>		
9	Internal Control and Risk Management Department	<ul style="list-style-type: none"> <li>• Develops and ensures the implementation of basic and methodological documents on the creation and improvement of the ICS;</li> <li>• assists management in the formation of the ICS of business processes, in making recommendations on the description and implementation of the control procedures in processes (activities) and securing responsibility for officials;</li> <li>• prepares information on the state of the ICS for stakeholders;</li> <li>• interacts with government regulatory authorities on internal control issues</li> </ul>
10	Specialized control divisions:	
10.1	Economic Security Office	<ul style="list-style-type: none"> <li>• Counteracts the facts of unfair competition;</li> <li>• conducts official investigations into the facts (preconditions) of damage to the interests of the economic security of the Company;</li> <li>• organizes the fight against theft of electricity, financial and material resources, intellectual property, the prevention of other crimes against the Company's property;</li> <li>• conducts independent audits and participates in joint inspections of the financial and economic divisions of the Company to prepare its own opinion on violations and form an evidence base to protect the Company's legitimate interests</li> </ul>
10.2	Anti-Corruption Compliance	<ul style="list-style-type: none"> <li>• Develops and organizes the implementation in the Company of a unified system for the implementation of corporate and anti-corruption compliance procedures;</li> <li>• organizes the Company's activities in the conduct of corporate and anti-corruption compliance procedures</li> </ul>
10.3	Legal Department	<ul style="list-style-type: none"> <li>• 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;</li> <li>• monitors and informs the Company's management on 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</li> </ul>
10.4	Corporate Provision Office	<ul style="list-style-type: none"> <li>• Controls resolutions of the Management Board, Board of Directors and its Committees;</li> <li>• provides control of information transparency in the Company in the interests of its shareholders and potential investors</li> </ul>
10.5	Documentation and Minutes	<ul style="list-style-type: none"> <li>• Provides a single documentation management system in terms of control of the performance discipline in the Executive Office and branches of the Company;</li> <li>• organizes control of performance of documents, including regulatory and administrative documents, instructions of the General Director, Minutes of meetings, documents on activities of the Deputy General Directors</li> </ul>

# APPENDIX 7

## PARTICIPANTS IN THE RISK MANAGEMENT SYSTEM AND THEIR FUNCTIONS

## Participants in the Risk Management System (hereinafter — RMS) and Their Functions

Name of participant	Core functions in the RMS
Board of Directors	Approves the Company's internal documents that set forth how the Company's RMS is arranged and functions; reviews reports from the Company's executive bodies concerning the organization, functioning, and performance of the RMS, evaluates its operation and draw recommendations on how to improve it
Strategy Committee of the Board of Directors	Provides preliminary consideration, analysis and development of recommendations (conclusions) on issues of control of critical and significant risk factors within the materials on the issue on performance of the business plan for the corresponding quarter, organization, functioning, and efficiency of the risk management systems in the Company
Executive bodies (Management Board, General Director)	Specify requirements to the format and completeness of information about the Company's risks; define lines and plans of RMS development and improvement; analyze the risk portfolio and devise response and resource reallocation actions to manage certain risks
Risk owners	Are responsible for timely identification and evaluation of risks, adoption of response actions, timely development and arrangement of risk management actions, as well as regular risk monitoring
Persons in charge of risk management activities	Are responsible for timely identification and/or minimization of risks, taking actions to manage the risks in time and in full
Internal Control and Risk Management Department	Serves as general coordinator of risk management procedures
Internal Control Directorate	Performs internal independent assessment of RMS efficiency and produces recommendations for enhancing efficiency and resulting quality of RMS