

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"> 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. 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. 	<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
1.1.2	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"> 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. The notification of the meeting specifies the venue for the meeting and contains the list of documents required for admission to the premises. 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. 	<p>Observed</p> <p>✓ Partially observed</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"> 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. 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 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. 	<p>✓ Observed</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"> 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. 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. 	<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
1.1.5	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	The shareholders are given equal and equitable opportunities to receive a share of the Company's profits by receiving dividends.			
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  Partially observed 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"> • 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; • 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; • 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; • 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. <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>✓ Observed</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>✓ Observed</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>✓ Observed</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>✓ Partially observed</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  Partially observed 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.	 Observed 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).	 Observed 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	 Observed 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.	 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
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	The Board of Directors is accountable to the Company's shareholders.			
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	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.			
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  Partially observed 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  Not observed	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  Not observed	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 ✓ Partially observed 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	The Chair of the Board of Directors ensures that the functions assigned to the Board of Directors are performed as efficiently as possible.			
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 ✓ Partially observed 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 ✓ Not observed	<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.	✓ 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
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"> 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. 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. 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. 	<p>Observed</p> <p>✓ Partially observed</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"> 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. 	<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
2.6.3	Members of the Board of Directors have sufficient time to perform their duties.	<ol style="list-style-type: none"> 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. 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. 	<p>Observed</p> <p>Partially observed</p> <p>✓ Not observed</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"> quarterly requests the data on held positions from the members of the governing bodies, 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. <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"> 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. The Company has a formalized induction program for newly elected members of the Board of Directors. 	<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
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"> The Board of Directors has formed the Audit Committee consisting of Independent Directors only. 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. 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. Meetings of the Audit Committee were held at least once a quarter in the reporting period. 	<p>Observed</p> <p>✓ Partially observed</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"> The Board of Directors has formed the Remuneration Committee consisting of Independent Directors only. The Chair of the Remuneration Committee is an Independent Director who is not the Chair of the Board of Directors. The Company's internal documents set out the duties of the Remuneration Committee, including those specified in Recommendation 180 of the Code. 	<p>Observed</p> <p>✓ Partially observed</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"> 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. 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. 	<p>Observed</p> <p>Partially observed</p> <p>✓ Not observed</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	The Board of Directors arranges a performance assessment of the Board of Directors, its Committees and members.			
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	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.			
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	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.			
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	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.			
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"> – 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; – 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. <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>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	
4.3	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.			
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>✓ Partially observed</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"> • approved the revised Methodology for Calculating and Evaluating KPIs of the General Director; • 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). <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"> 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). 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. 	<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"> 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. 	<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"> 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. 	<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"> 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. 	<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"> The Company has approved an Anticorruption Policy. 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. 	<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>✓ Observed</p> <p>Partially observed</p> <p>Not observed</p>	
5.2	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.			
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>✓ Observed</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>✓ 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
6.1	The Company and its operations are transparent to shareholders, investors and other stakeholders.			
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"> The Board of Directors has approved the Company's Information Policy developed taking into account the recommendations of the Code. 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. 	<p>✓ Observed</p> <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"> The Company discloses information on its corporate governance system and general corporate governance principles used by it, including disclosure on the Company's website. 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). 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. 	<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"> 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. 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. 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. 	<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"> 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. 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. 	<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"> The Company's Annual Report contains information on the key aspects of its operations and its financial results The Company's Annual Report contains information on environmental and social aspects of its operations. 	<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 ✓ Partially observed 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.	✓ 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
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"> 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. 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. 	<p>Observed</p> <p>✓ Partially observed</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"> • reorganization of the Company, • increase in the Company's share capital by increasing the nominal value of the shares or by placing additional shares; • 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; • 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. <p>The following issues are under the competence of the Company's Board of Directors:</p> <ul style="list-style-type: none"> • statement on listing of the Company's shares and (or) equity securities convertible to the Company's shares, • preliminary approval of decisions on consummating certain transactions by the Company: <ul style="list-style-type: none"> – ones, the subject of which is capital assets of the Company exceeding 10% of the carrying amount, – 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, – ones related with transfer (reception) of real estate and power grid facilities to temporary ownership (use) exceeding five years, – 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, – ones that can cause liabilities expressed in foreign currency, transactions with derivatives instruments. <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  Partially observed 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.	 Observed Partially observed Not observed	
7.2	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.			
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.	 Observed 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  Partially observed 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"> The Company's controller is Rosseti, which is also the controller of Energoservice Kuban JSC, a party of the transaction; 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; 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 	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"> 1. Refinancing of debt to credit institutions. 2. Financing of operating activities. 3. Repayment of accounts payable (including overdue). <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"> 1. The Company's Controller is Rosseti, which is also a party to the transaction; 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 	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)
4	Loan Agreement	30.06.2020	<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> <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"> 1. The interest rate shall not exceed the Key rate of the Bank of Russia, i.e. + 2% per annum. 2. 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. <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"> The Company's controller is Rosseti, which is also the controller of Energoservice Kuban JSC, a party of the transaction; 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; 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; 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; 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 	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"> 1. The Company's controller is Rosseti, which is also the controller of VOLS-VL Management JSC, a party of the transaction; 2. 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 	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, %
Subsidiaries of Rosseti Kuban			
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, %
Other commercial organizations, shares of which are owned by the Company			
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) ¹ , %	-21.70	0.92	-2.26
5	Return on total assets (ROTA) for profit before tax ¹ , %	-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

¹ 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) ¹ , %	145.4	9.0	6.9
5	Return on total assets (ROTA) for profit before tax ¹ , %	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

¹ 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 Gipokommunenergo 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
Q2			
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
Q3			
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
Q4			
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"> 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; organizing and conducting advanced training and professional retraining of specialists of Rosseti Kuban; organizing and conducting scientific research, scientific and technical and experimental works, consulting activities; scientific expertise of programs, projects, recommendations, other materials and work specialized materials 	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"> • 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; • 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; • 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; • 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. 	<ol style="list-style-type: none"> 1. the need to promote the interests of the Company, including in relations with government bodies and trade unions; 2. the need to improve the efficiency of social partnership, to assist in maintaining social stability in labor collectives; 3. development of cooperation with other organizations in the field of labor and on other issues of social and economic nature 	Annual membership fee: RUB 1,700,000
4	Association Nonprofit Partnership of Territorial Network Organizations	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	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	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	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	<ol style="list-style-type: none"> 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; 2. development of business relations with large companies in Kuban 	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.

Key audit matter	How the matter was addressed in our audit.
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<p>Recognition and measurement of revenue from electricity transmission services</p> <p>Recognition and measurement of revenue from electricity transmission services was one of the most significance in our audit due to certain mechanisms of operation of retail electricity market that stipulate presence of disagreements between network, energy supply and other companies pertaining to the volume and cost of transmitted electricity. The sum of the disputable revenue is considered as material for the accounting (financial) statements of the Company. The assessment by the Company's management of favorable outcome of the dispute resolution is, to a large extent, subjective. The revenue is recognized when, with regard of assumptions, disputes are resolved in favor of the Company.</p> <p>Information on the revenue from electricity transmission services is disclosed in Clause 6.12 of Notes to the Accounting Statements and Statement of Financial Results.</p>	<p>We have review the Company's policy on recognizing revenue from electricity transmission services; evaluated the system of internal control over revenue recognition; reviewed the accuracy of determined revenue amounts based on concluded electricity transmission contracts; on a sample basis obtained confirmations of accounts receivable balances from the counterparties; analyzed outcomes of litigations in respect of disputed amounts for the provided services, if any; and evaluated exiting procedures for confirming the volume of transmitted electricity.</p>
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<p>Impairment of accounts receivable</p> <p>In our opinion, the matter of impairment of accounts receivable was one of the most significance in our audit due to significant balances of the Company's accounts receivable as of December 31, 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> <p>Information on impairment of accounts receivable is disclosed in Clause 6.6 of Notes to the Accounting Statements and Statement of Financial Results.</p>	<p>We have analyzed the adequacy of the Company's policy on reviewing accounts receivable and determining whether accounts receivables impairment allowance should be established, as well as procedures of confirming the reasonableness of the estimates made by the management of the Company, including review of accounts receivable payments, review of maturity dates and overdue debts, review of customers' financial solvency.</p> <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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<u>Key audit matter</u>	<u>How the matter was addressed in our audit.</u>
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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					
					r.
					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
ASSETS					
I. NON-CURRENT ASSETS					
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
II. CURRENT ASSETS					
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
	BALANCE	1600	77,380,244	76,327,287	76,001,795

Note	Line item	Line code	As at December 31	As at December 31	As at December 31
			2020	2019	2018
LIABILITIES					
III. EQUITY AND RESERVES					
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
IV. NON-CURRENT LIABILITIES					
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
V. CURRENT LIABILITIES					
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
	BALANCE	1700	77,380,244	76,327,287	76,001,795

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
				Codes
				Form of OKUD
				0710002
				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
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.	For reference 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	-	-
Total costs of sales	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
Net profit (accumulated losses) of the reporting period	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
Basic earnings (loss) per share	6620	-4,4860	8,0373
Weighted average market value per ordinary share	6621	74	71
Possible increment in profit and weighted average number of shares outstanding	6630	X	X
As a result of conversion of preferred shares into ordinary shares	6631	X	X
possible increment in profit	66311	-	-
additional number of shares	66312	-	-
As a result of conversion of the bonds into ordinary shares	6632	X	X
possible increment in profit	66321	-	-
additional number of shares	66322	-	-
As a result of performance of Share Sale and Purchase Agreements at a below-market price	6633	X	X
contract purchase price	66331	-	-
possible increment in profit	66332	-	-
additional number of shares	66333	-	-
Diluted Earnings per Share	6640	-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

2.3. Profit taxation			
Line item	Line code	For 2020	For 2019
1	2	3	4
Profit (loss) before tax	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)
Amounts of corporate income tax for prior tax periods (according to adjusted declarations, tax inspections)	6726	132,328	305,493
Other tax payments and penalties from income	6727	16,474	(8,010)
Write-off of deferred taxes on profit and loss	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)
Net profit (loss)	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	18 (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	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	x	7,560	(7,560)	x	
Capital value as at December 31, 2019	19 (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	x	121,401	(121,401)	x	
Capital value as at December 31, 2020	20 (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
Capital - total					
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

3.3. Net assets				
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		

3.4. Calculation of Appraisal of Net Asset Value of the Stock Company					
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	
I. Assets					
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 ²	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 ³	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 ¹	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
II. Liabilities					
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 ⁴	1520	10,763,538	8,757,713	12,883,089
21.	Other short-term liabilities ⁵	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			
Public Joint Stock Company/ privately owned		OKOPF/OKFS	12247 16
Unit of measurement: thousands of RUB		OKEI	384
Line item	Line code	For 2020	For 2019
1	2	3	4
Cash Flow from Operating Activities			
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
Cash Flow From Investing Activities			
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
Cash Flows from Financing Activities			
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)
Balance of cash flows for the reporting period	4400	(981,560)	(494,717)
Cash balance and cash equivalents as of the beginning of the reporting period	4450	(1,699,590)	(2,194,307)
Cash balance and cash equivalents at the end of the reporting period	4500	(718,030)	(1,699,590)
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								
		Line code	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		
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
	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
	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
	51013	for 2020	192	(147)	-	45	-	-	-	-	(23)	-	-	-	192	(170)	-	22
	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

Intellectual property objects (exclusive rights for the results of intellectual property)

including:

at patent owner for inventions, industrial sample, utility model

at the right holder for the computer software, database

at trademark owner, owner of a service mark, Protected Designation of Origin

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		
Research and development	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	-	-	-	-	-	-	-	-		
For reference: out of the total amount of R&D:												
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)	(38,711)	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	(1,378)	-	-	46,802	(42,903)	3,899		
for 2019	52115	for 2019	47,883	(40,870)	7,013	45	-	(818)	801	(1,784)	-	-	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		

unlimited useful life of fixed assets that are not subject to depreciation - total	5202	for 2020	136,411	-	136,411	151	-	-	-	-	-	-	-	-	-	-	-	-	136,562	-	136,562	-	136,411	
	5212	for 2019	136,330	-	136,330	105	-	(24)	-	-	-	-	-	-	-	-	-	-	-	136,411	-	136,411	-	136,411
Including:																								
Lands	52021	for 2020	136,411	-	136,411	151	-	-	-	-	-	-	-	-	-	-	-	-	-	136,562	-	136,562	-	136,411
	52121	for 2019	136,330	-	136,330	105	-	(24)	-	-	-	-	-	-	-	-	-	-	-	136,411	-	136,411	-	136,411
objects of nature management	52022	for 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	52122	for 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital investments in fundamental improvement of lands	5203	for 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5213	for 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounted as a part of interest-bearing investments in material valuables - total	5220	for 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5230	for 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Including:																								
Property for lease	5221	for 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5231	for 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property provided under lease agreement	5222	for 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5232	for 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

5.3.3. Change in fixed assets value as a result of further construction, further equipping, reconstruction and partial liquidation			
Line item	Line code	For 2020	For 2019
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
Long-term financial investments - total	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	-	-	-	-	-	-	-	-	-
Long-term financial investments, having current market value - total	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	-	-	-	-	-	-	-	-	-
Long-term financial investments, where the current market value is not determined - total	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	-	-	-	-	-	-	-	-	-
Short-term financial investments - total	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
Long-term financial investments	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	-	-	-	-	-

Short-term financial investments	7200	-	-	-	-	-
Difference between the current market value of financial investments and their initial estimate, where the value is determined	7210	-	-	-	-	-
<i>including:</i>						
Contributions to the charter (share) capitals of other companies - total	7211	-	-	-	-	-
<i>including:</i>						
Subsidiary Business Entities	72111	-	-	-	-	-
Dependent Business Companies	72112	-	-	-	-	-
other	72113	-	-	-	-	-
Securities of other organizations - total	7212	-	-	-	-	-
<i>including:</i>						
debt securities (bonds, promissory notes)	72121	-	-	-	-	-
Other	7213	-	-	-	-	-
Difference between the current value of debt securities and their original cost	7220	-	-	-	-	-
<i>including:</i>						
Securities of other organizations - total	7221	-	-	-	-	-
<i>including:</i>						
debt securities (bonds, promissory notes)	72211	-	-	-	-	-
Other	7222	-	-	-	-	-
Provision for impairment of financial investments, without market value	7230	-	-	-	-	-
<i>including:</i>						
Contributions to the charter (share) capitals of other companies - total	7231	-	-	-	-	-
<i>including:</i>						
Subsidiary Business Entities	72311	-	-	-	-	-
Dependent Business Companies	72312	-	-	-	-	-
other	72313	-	-	-	-	-
Federal and municipal securities	7232	-	-	-	-	-
Securities of other rganizations - 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
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Non-current accounts receivable	5501	for 20 20	25,601	-	13,465	-	-	(910)	-	-	-	(15,032)	23,124	-
total	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	-
Out of the total amount of non-current accounts receivable	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	-	-	-	-	-	-	-	-	-	-	-	-
Short-term accounts receivable	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)
total	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	-	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	1,128	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	1,093,032	(616,346)	554,156	-	(246,779)	(510,959)	(17,322)	(7,039)	205,818	13,495	1,125,363	(639,985)
Out of the total amount of short-term accounts receivable	5517	for 20 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	-	-	-	-	-	-	-	-	-	-	-	-
Total	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
Long-term accounts payable - total	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
Out of the total amount of long-term debt	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	-	-	-	-	-	-	-
Short-term accounts payable - total	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
Out of the total amount of short-term debt	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	-	-	-	-	-	-	-
Total	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									

5.6.8. Expenses for loans and borrowings			
Indication		For long-term loans and borrowings	For short-term loans and borrowings
Line item	Line code		
1	2	3	4
Expenses for loans total:	7510	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
Estimated liabilities - total	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
Out of the total amount of contingent liabilities:						
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				

5.7.2. Deferred taxes			
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

5.8. Securities				
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 assets	58121	-	-	-
securities and other financial investments	58122	-	-	-
other	58123	-	-	-
other issued	5813	-	-	-

5.9. Government assistance											
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	
Other revenues total	8000	1,563,197	2,269,626
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

Other revenues total	8100	(3,777,891)	(3,909,428)
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	-	-	-	-	-	-	-	-
Total Revenue of segment	8300	2020	48,101,880	731,309	-	-	-	-	536,391	49,369,580
including	8400	2019	46,515,696	4,206,155	-	-	-	-	281,848	51,003,699
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
Gains/(losses) of segment	8306	2020	(1,372,012)	(128,676)	-	-	-	-	(590)	(1,501,278)
	8406	2019	(590,716)	3,092,746	-	-	-	-	1,653	2,503,683
Assets of segments	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
Liabilities of segments	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
Amortization of fixed assets and intangible assets	8390	2020	4,453,469	68,565	-	-	-	-	50,296	4,572,350
	8490	2019	4,186,821	55,426	-	-	-	-	21,318	4,263,565



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**

Branch of activities	Issuing authority	Details	Validity period
1	2	3	4
For extraction licence (fresh groundwater mining for household drinking process water supply in Krasnodar)	Ministry of Natural Resources of 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

№	Name	Registered office
1.	Krasnodar Electrical Networks	350000, Krasnodar, 131 Pashkovskaya Str.
2.	Sochi Electrical Networks	354000, Sochi, 42 Konstitutsii USSR Str.
3.	Armavir Electrical Networks	352900, Armavir, 54 Vorovskogo Str.
4.	Adygeya Electrical Networks	385000, Maykop, 358 Shovgenova Str.
5.	Timashevsk Electrical Networks	352700, Timashevsk, 176 Lenina Str.
6.	Tikhoretsk Electrical Networks	352122, Tikhoretsk, 62 Dzerzhinskogo Str.
7.	Leningrad Electrical Networks	353745, Leningradskaya village, 6 Divizii 302 Str.
8.	Slavyansk Electrical Networks	353560, Slavyansk-na-Kubani, 49 Stroitelei Str.
9.	South-West Electrical Networks	353902, Novorossiysk, 1 Vostochnyy Mol
10.	Labinsk Electrical Networks	352503, Labinsk, 334 Mira Str.
11.	Ust-Labinsk Electrical Networks	352232, Ust-Labinsk, 4 Krasnodarskaya Str.

The average annual number of employees in PJSC 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.

PJSC Rosseti Kuban

Table 3 – Members of the Board of Directors of the Company (as of December 31, 2020):

No.	Full name	Principal place of employment and official capacity	Position on the Board of Directors of Rosseti Kuban
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

PJSC Rosseti Kuban

Table 4 – Composition of Management of the Company (as of December 31, 2020):

No	Full name	Principal place of employment and official capacity	Status in the Management of PJSC Rosseti Kuban
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.

PJSC Rosseti Kuban

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 Alekseevna	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.

PJSC Rosseti Kuban

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.

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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.

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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.

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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:

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Balance Sheet line code as of December 31, 2019	Before adjustment	Adjustment	After adjustment
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

Balance Sheet line code as of December 31, 2018	Before adjustment	Adjustment	After adjustment
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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Line code of Statements of financial results for 2019	Before adjustment	Adjustment	After adjustment
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
Total taxes	226,253	642,898	4,013,645	3,990,134	330,902	771,058
Tax Penalties	2	–	(5,595)	3	5,600	–
Fines	8,376	–	(10,644)	432	19,452	–
Total	234,631	642,898	3,997,406	3,990,569	355,954	771,058

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
Insurance contributions – total	5,471	157,086	1,699,033	1,737,642	22,436	135,442
including:						
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
Penalties – total	–	–	3	3	–	–
Fines – total	4	–	1	91	94	–
Total	5,475	157,086	1,699,037	1,737,736	22,530	135,442

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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
Taxes – total	226,253	642,898	4,013,645	3,990,134	330,902	771,058
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
Penalties – total	2	–	(5,595)	3	5,600	–
Federal budget	1	–	3	3	1	–
Regional tax, national tax	–	–	–	–	–	–
Local tax	1	–	(5,598)	–	5,599	–
Fines – total	8,376	–	(10,644)	432	19,452	–
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	–
Total	234,631	642,898	3,997,406	3,990,569	355,954	771,058

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
Total line 1510	–	5,400,000	153,866	–
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
Total line 1410	–	17,882,922	–	–

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 1st-3rd quarters of 2020 and ruble appreciation in the 4th 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)

Indication		2019	2020
Line item	Line code		
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.	Electric power losses, including	Million rubles with VAT	9 433,909	9 940,924
		million kWh	2 426,390	2 340,764
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.	Consumption of resources for business needs including according to the type of resources	Million rubles with VAT	140,730	147,902
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.	Equipped with devices for energy resources accounting, consumed for housekeeping needs of the Company	%	100	100
1.4.	Equipped with smart devices for energy accounting of consumers at the retail market in accordance with the Intellectual Energy Accounting Development Program *	%	73.25	23.7

* 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
Total Bank "RRDB" (JSC)			20,000

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 ^{***}				
- other debts	(24,617)	(168,451)	153,049	(40,019)
- dividends	–	(595,146)	595,146	–
PJSC FGC UES [*]				
- 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 [*]				
- 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 ^{***}				
- other debts	(130)	(15,457)	15,282	(305)
Technical Customer Centre JSC [*]				
- other debts	(2,207)	(1,347)	2,115	(1,439)
JSC Kuban Energoservis ^{***}				
- 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) [*]				
- other debts	–	(35)	35	–
JSC Fiber Optic Transmission Systems Management [*]				
- 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
1. Short-term benefits, including	17,557	29,493	1,030	844	1,727	2,271
1.1. Employee Remuneration for the reporting period (without vacation pay)	13,765	23,326	790	648	1,459	1,918
a) bonus	–	–	–	–	–	–
b) fringe benefits	–	–	–	–	–	–
c) other types of compensation given to employees as a result of specific labor indications and bottom line	–	–	–	–	–	–
1.2. Annual paid leave for the work in the reporting period	–	–	–	–	–	–
1.3. Other benefits in favour of key management personal (regardless terms and conditions of an Employment Contract) total, including	–	–	–	–	–	–
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	–	–	–	–	–	–
1.4. Accrued taxes and other compulsory payments to the corresponding budgets and extra-budgetary funds	3,792	6,167	240	196	268	353
2. Long-term benefits, including:	–	–	–	–	–	–
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	–	–	–	–	–	–
3. Total benefits (short-term and long-term benefits) excluding accruals on them	13,765	23,326	790	648	1,459	1,918
4. Total benefits accruals (short-term and long-term benefits)	3,792	6,167	240	196	268	353

PJSC Rosseti Kuban

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

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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

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

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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”

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Appendix 5.9 “Government assistance”

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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)
Operating profit		986 223	6 056 547
Finance income	12	58 988	76 495
Finance expenses	12	(2 090 467)	(1 932 547)
Total finance expenses		(2 031 479)	(1 856 052)
Profit/(loss) before tax		(1 045 256)	4 200 495
Expense on income tax	13	(194 954)	(1 179 807)
Profit/(loss) for the period		(1 240 210)	3 020 688
Other comprehensive income/(loss)			
<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
Total items that cannot be reclassified subsequently to profit or loss		23 052	(228 855)
Other comprehensive income/(loss) for the period, except income tax		23 052	(228 855)
Total comprehensive income/(loss) for the period		(1 217 158)	2 791 833
Profit/(loss) is attributable to:			
Company owners		(1 240 210)	3 020 688
Total comprehensive income/(loss) is attributable to:			
Company owners		(1 217 158)	2 791 833
Earnings per share			
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
ASSETS			
Non-current assets			
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
Total non-current assets		64 563 667	59 351 718
Assets classified as held for sale – non-current	18	-	61 358
Total non-current assets		64 563 667	59 413 076
Current assets			
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
Total current assets		11 324 874	11 002 090
Assets classified as held for sale	18	22 314	-
Total current assets		11 347 188	11 002 090
Total assets		75 910 855	70 415 166
EQUITY AND LIABILITIES			
Equity			
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)
Total equity which is payable to Company owners		32 809 094	34 662 917
Non-current liabilities			
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	-
Total non-current liabilities		24 625 147	22 051 975
Current liabilities			
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
Total current liabilities		18 476 614	13 700 274
Total liabilities		43 101 761	35 752 249
Total equity and liabilities		75 910 855	70 415 166

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
CASH FLOW FROM OPERATING ACTIVITIES			
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
Total adjustments impact		9 090 048	7 316 389
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)
Cash flow from operating activities before changes in working capital and estimated liabilities		7 976 949	9 959 089
<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)
Cash flow from operating activities before payment of income tax and interests		7 646 777	5 497 975
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)
Net cash from operating activities		5 212 355	2 779 182
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed assets and intangible assets acquisition		(4 922 336)	(4 599 648)
Interests received		29 721	68 088
Net cash used in investing activities		(4 892 615)	(4 531 560)
CASH FLOW FROM FINANCING ACTIVITIES			
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)
Net cash from (used in) financing activities		(1 283 280)	1 263 542
Net decrease in cash and cash equivalents		(963 540)	(488 836)
Cash and cash equivalents as of the beginning of the reporting period	22	1 716 085	2 204 921
Cash and cash equivalents at the end of the reporting period	22	752 545	1 716 085

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
Ending on January 1, 2020	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)
Total comprehensive income for the period	-	-	-	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)
Ending on 31 December, 2020	33 465 784	6 481 916	-	(399 377)	(6 739 229)	32 809 094
Ending on January 1, 2019	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
Total comprehensive expense for the period	-	-	-	(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)
Ending on 31 December, 2019	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 uninterrupted power supply to consumers and connection of power;
- state regulation of tariffs for main operating activity allows to forecast within the limits of approved tariffs for the Group's services;
- lack of changes in the way and extent of usage of the Group's business assets in the current period;
- absence of currency risk (the major part of income and expenses of the Group and also monetary assets and liabilities are denominated in Russian rubles);
- absence of direct negative impact of legislative (regulatory) changes on the main operating activity of the Group intended to 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;

Explanatory notes to the Consolidated Financial Statements for the year ended on December 31, 2020 (unaudited) (in thousands Russian rubles, if not mentioned otherwise)

- 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
Segment revenues	49 369 580	1 034 520	50 404 100
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)
EBITDA	4 768 923	95 721	4 864 644

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
Segment revenues	51 003 699	159 521	51 163 220
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
EBITDA	9 752 394	4 682	9 757 076

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For the year, ended on December 31, 2020:

	Rosseti Kuban	Other segments	Total
Assets of segments	77 380 244	434 941	77 815 185
Including Fixed assets and construction in progress	63 827 345	58 828	63 886 173
Capital investment	5 052 934	30 923	5 083 857
Liabilities of segments	39 551 046	312 955	39 864 001
For the year, ended on December 31, 2019:			
Assets of segments	76 231 919	83 120	76 315 039
Including Fixed assets and construction in progress	63 343 130	32 213	63 375 343
Capital investment	5 451 095	4 756	5 455 851
Liabilities of segments	35 622 033	33 273	35 655 306

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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
Segments revenues	50 404 100	51 163 220
Exclusion of sales revenues between segments	(841 416)	(74 556)
Sales revenue adjustment (external)	(1 051)	(11 694)
Revenue in Consolidated Statement of Profit or Loss and other Comprehensive Income	49 561 633	51 076 970

Reconciliation of EBITDA of reportable segments:

	For the year, ended on December 31	
	2020	2019
EBITDA of reportable segments under RAS	4 864 644	9 757 076
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
EBITDA of reportable segments under IFRS	6 765 788	10 081 371
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)
Consolidated profit/(loss) for the period in Consolidated Statement of Profit or Loss and Other Comprehensive Income	(1 240 210)	3 020 688

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Explanatory notes to the Consolidated Financial Statements for the year ended on December 31, 2020 (unaudited) (in thousands Russian rubles, if not mentioned otherwise)

Reconciliation of the total sum of assets of reportable segments:

	For the year, ended on December 31	
	2020	2019
Total sum of assets of segments	77 815 185	76 315 039
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)
Total sum of assets in Consolidated Statement of Financial Position	75 910 855	70 415 166

Reconciliation of the total sum of liabilities of reportable segments:

	For the year, ended on December 31	
	2020	2019
Total sum of liabilities of segments	39 864 001	35 655 306
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
Total sum of liabilities in Consolidated Statement of Financial Position	43 101 761	35 752 249

(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

	For the year, ended on December 31	
	2020	2019
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
Total of the revenue from contracts with customers	49 409 949	51 052 874
Revenue from lease agreements	151 684	24 096
	49 561 633	51 076 970

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

	For the year, ended on December 31	
	2020	2019
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
	1 166 432	1 380 755

9 Other expenses

	For the year, ended on December 31	
	2020	2019
Loss/(profit) from fixed assets sale	83 332	341 140
Other expenses	-	5 544
	83 332	346 684

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10 Operating expenses

	For the year, ended on December 31	
	2020	2019
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
	49 266 371	45 981 321

11 Expenses for employee benefits

	For the year, ended on December 31	
	2020	2019
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
	7 482 352	6 532 396

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».

Explanatory notes to the Consolidated Financial Statements for the year ended on December 31, 2020 (unaudited) (in thousands Russian rubles, if not mentioned otherwise)

12 Finance Income and Expenses

	For the year, ended on December 31	
	2020	2019
Finance income		
Interest income on loans issued, bank deposits and bills and bank account balance	29 642	67 627
Interest income on assets associated with liabilities for employee benefits	22 820	
The effect from initial discounting of financial liabilities	1 170	3 928
Amortization of discount of financial assets	5 034	4 940
Other financial income	322	-
	58 988	76 495
	For the year, ended on December 31	
	2020	2019
Finance expenses		
Interest expenses for financial liabilities measured at amortized cost	(1 547 750)	(1 770 319)
Interest expenses for lease liabilities	(505 136)	(94 682)
Interest expenses for long-term liabilities for employee benefits	(33 186)	(34 907)
The effect from initial discounting of financial assets	(1 453)	(7 870)
Amortization of discount of financial liabilities	(2 942)	(3 949)
Other finance expenses	-	(20 820)
	(2 090 467)	(1 932 547)

13 Income tax

	For the year, ended on December 31	
	2020	2019
Current income tax		
Accrued of current tax	(107 284)	(727 758)
Tax adjustment for the prior periods	82 860	305 493
Total current income tax	(24 424)	(422 265)
Deferred income tax		
Accrual and recovery of temporary differences	(170 530)	(757 542)
Current income tax expense	(194 954)	(1 179 807)

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

	For the year, ended on December 31, 2020			For the year, ended on December 31, 2019		
	Before tax	Income tax	After tax	Before tax	Income tax	After tax
Revaluation of pension liabilities for the programmes with fixed payments	28 815	(5 763)	23 052	(286 068)	57 213	(228 855)
	28 815	(5 763)	23 052	(286 068)	57 213	(228 855)

As at December 31, 2020 and December 31, 2019, deferred income tax assets and liabilities are calculated at a rate of 20 percent that is expected to be applicable to the realization of the related assets and liabilities.

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

	For the year, ended on December 31, 2020	%	For the year, ended on December 31, 2019	%
Profit/(loss) before tax	(1 045 256)	(100)	4 200 495	(100)
Theoretic cost amount of income tax at 20% rate	209 051	(20)	(840 099)	(20)
Tax effects from sections, untaxed and non-deductible for tax purposes	(486 865)	47	(645 201)	(15)
Corrections on previous years	82 860	(8)	305 493	7
	(194 954)	19	(1 179 807)	(28)

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Explanatory notes to the Consolidated Financial Statements for the year ended on December 31, 2020 (unaudited) (in thousands Russian rubles, if not mentioned otherwise)

14 Fixed assets

	Real estate and buildings	Transmission networks	Electric power transmission equipment	Other	Construction in progress	Total
<i>Initial /deemed cost</i>						
As at January 1, 2019	8 078 303	39 375 396	17 999 307	7 961 187	11 312 191	84 726 384
Reclassification between groups	(2 211)	(1 679)	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)
As at December 31, 2019	9 857 128	45 731 587	21 500 947	8 942 530	3 702 815	89 735 007
<i>Accumulated depreciation and impairment</i>						
As at January 1, 2019	(2 890 092)	(12 341 674)	(7 942 339)	(5 602 190)	(78 302)	(28 854 597)
Reclassification between groups	1 149	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
As at December 31, 2019	(3 207 102)	(14 098 992)	(8 986 012)	(5 964 288)	(71 282)	(32 327 676)
<i>Carrying amount</i>						
As at January 1, 2019	5 188 211	27 033 722	10 056 968	2 358 997	11 233 889	55 871 787
As at December 31, 2019	6 650 026	31 632 595	12 514 935	2 978 242	3 631 533	57 407 331
<i>Initial /deemed cost</i>						
As at January 1, 2020	9 857 128	45 731 587	21 500 947	8 942 530	3 702 815	89 735 007
Reclassification between groups	(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)
As at December 31, 2020	10 310 767	47 916 296	22 774 160	9 488 067	4 203 866	94 693 156
<i>Accumulated depreciation and impairment</i>						
As at January 1, 2020	(3 207 102)	(14 098 992)	(8 986 012)	(5 964 288)	(71 282)	(32 327 676)
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
As at December 31, 2020	(3 554 562)	(16 186 964)	(10 132 972)	(6 586 411)	(68 245)	(36 529 154)
<i>Carrying amount</i>						
As at January 1, 2020	6 650 026	31 632 595	12 514 935	2 978 242	3 631 533	57 407 331
As at December 31, 2020	6 756 205	31 729 332	12 641 188	2 901 656	4 135 621	58 164 002

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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:

	Increase, %	Decrease, %
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.

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15 Intangible assets

	Software	Certificates, licenses and patents	R&D	Other	Total
<i>Initial cost</i>					
As at January 1, 2019	505 189	5 295	40 934	36 169	587 587
Reclassification between groups	-	-	7 500	(7 500)	-
Receipts	147 612	1 876	29 433	57 877	236 798
Disposal	-	-	(63 367)	(8 351)	(71 718)
As at December 31, 2019	652 801	7 171	14 500	78 195	752 667
<i>Accumulated amortization and impairment</i>					
As at January 1, 2019	(318 369)	(5 295)	-	(15 102)	(338 766)
Accumulated amortization	(85 207)	(600)	-	(10 515)	(96 322)
Disposal	-	-	-	8 298	8 298
As at December 31, 2019	(403 576)	(5 895)	-	(17 319)	(426 790)
<i>Carrying amount</i>					
As at January 1, 2019	186 820	-	40 934	21 067	248 821
As at December 31, 2019	249 225	1 276	14 500	60 876	325 877
	Software	Certificates, licenses and patents	R&D	Other	Total
<i>Initial cost</i>					
As at January 1, 2020	652 801	7 171	14 500	78 195	752 667
Receipts	101 505	1 908	-	-	103 413
Disposal	(1 770)	-	-	-	(1 770)
As at December 31, 2020	752 536	9 079	14 500	78 195	854 310
<i>Accumulated amortization and impairment</i>					
As at January 1, 2020	(403 576)	(5 895)	-	(17 319)	(426 790)
Accumulated amortization	(100 125)	(2 558)	-	(21 989)	(124 672)
Disposal	1 770	-	-	-	1 770
As at December 31, 2020	(501 931)	(8 453)	-	(39 308)	(549 692)
<i>Carrying amount</i>					
As at January 1, 2020	249 225	1 276	14 500	60 876	325 877
As at December 31, 2020	250 605	626	14 500	38 887	304 618

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

	Land and buildings	Transmission networks	Electric power transmission equipment	Other	Total
<i>Initial cost</i>					
As at January 1, 2019	529 699	18 906	562 801	8 858	1 120 264
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)
As at December 31, 2019	581 969	14 704	558 753	7 789	1 163 215
<i>Accumulated depreciation and impairment</i>					
As at January 1, 2019	-	-	-	-	-
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
As at December 31, 2019	(32 455)	(3 804)	(133 505)	(1 587)	(171 351)
<i>Carrying amount</i>					
As at January 1, 2019	529 699	18 906	562 801	8 858	1 120 264
As at December 31, 2019	549 514	10 900	425 248	6 202	991 864
<i>Initial cost</i>					
As at January 1, 2020	581 969	14 704	558 753	7 789	1 163 215
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)
As at December 31, 2020	2 463 669	2 782 544	1 446 353	386 427	7 078 993
<i>Accumulated depreciation and impairment</i>					
As at January 1, 2020	(32 455)	(3 804)	(133 505)	(1 587)	(171 351)
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
As at December 31, 2020	(406 643)	(558 974)	(394 826)	(76 293)	(1 436 736)
<i>Carrying amount</i>					
As at January 1, 2020	549 514	10 900	425 248	6 202	991 864
As at December 31, 2020	2 057 026	2 223 570	1 051 527	310 134	5 642 257

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
Tax assets/(liabilities)	2 002 873	913 882	(1 887 347)	(622 063)	115 526	291 819
Tax offset	(1 886 502)	(622 063)	1 886 502	622 063	-	-
Net tax assets/(liabilities)	116 371	291 819	(845)	-	115 526	291 819

(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
	291 819	(170 530)	(5 763)	115 526

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	January 1 2019	Acknowledged as part of profit or loss	Acknowledged as part of other comprehensive income	December 31 2019
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
	992 148	(757 542)	57 213	291 819

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:

	For the year ended on December 31	
	2020	2019
As part of non-current assets		
Assets are qualified as available for sale - long term	–	61 358
	–	61 358
As part of current assets		
Assets are qualified as available for sale - short term	22 314	–
	22 314	–

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

	December 31, 2020	December 31, 2019
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)
	2 014 723	1 944 833

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>
Trade and other accounts receivable long-term		
Trade accounts receivable	445	285
Other accounts receivable	12 694	11 058
	<u>13 139</u>	<u>11 343</u>
Trade and other accounts receivable short-term		
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>
Non-current		
Advances issued	3 257	4 436
VAT for advances received	685	685
	<u>3 942</u>	<u>5 121</u>
Current		
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>

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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
			752 545	1 716 085

* 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

	2020	2019
Ordinary shares as at January 1	334 658	303 793
The effect of stock floatation	-	8 162
Weighted average number of shares for the period ended on December 31	334 658	311 955

	For the year, ended on December 31, 2020	For the year, ended on December 31, 2019
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
Profit/(loss) per share – basic and diluted (in Russian rubles)	(3,71)	9,68

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25 Borrowings

	December 31, 2020	December 31, 2019
Long-term liabilities		
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)
	22 778 403	20 321 793
Short-term liabilities		
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
	6 755 657	3 827 128
Including:		
Interest payable on loans and borrowings	153 866	19 652
Interest payable on unsecured bonds	-	32 940
	153 866	52 592

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:

	Effective interest rates	Repayment periods	Nominal value
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
			49 965 693

* Loans and borrowings from government-controlled entities.

For the year, ended on December 31, 2020 the Group repaid the following bonded and bank loans:

	Nominal value
Loans and borrowings from government-controlled entities	46 113 982
Other loans and borrowings	1 700
Bonded loans	3 600 000
	49 715 682

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
Unsecured loans and borrowings					
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%	23 436 788	19 432 911
Unsecured bonds					
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
Total liabilities				29 534 060	24 096 329

26 Changes in liabilities arising from financial activities

	Borrowings		Interest payable except interest on lease agreements	Lease liabilities	Dividends payable
	Long-term	Short-term			
As at January 1, 2020	19 432 911	3 600 000	52 592	1 063 418	453
Changes due to cash flow from financing activities					
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)
Total	(1 549 989)	1 800 000	(1 510 614)	(1 415 691)	(636 639)
Non-cash changes					
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)	-
Total	-	-	1 611 888	6 449 545	636 665
As at December 31, 2020	17 882 922	5 400 000	153 866	6 097 272	479

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	Borrowings		Interest payable except interest on lease agreements	Lease liabilities	Dividends payable
	Long-term	Short-term			
As at January 1, 2019	13 283 239	11 300 004	95 897	1 159 897	919
Changes due to cash flow from financing activities					
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)
Total	13 432 911	(14 983 243)	(2 234 812)	(223 556)	(143 586)
Non-cash changes					
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)	-
Total	(7 283 239)	7 283 239	2 191 507	127 077	143 120
As at December 31, 2019	19 432 911	3 600 000	52 592	1 063 418	453

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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
Total net cost of liabilities	<u>561 821</u>	<u>732 902</u>

Change in value of net assets associated with liabilities for employee benefits:

	For the year ended December 31	
	<u>2020</u>	<u>2019</u>
Value of assets as at January 1	318 362	291 221
Employer's contribution	20 014	67 599
Other movement on accounts	24 011	2 181
Benefits payment	(43 050)	(42 639)
Value of assets as at December 31	<u>319 337</u>	<u>318 362</u>

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:

	For the year ended December 31, 2020		For the year ended December 31, 2019	
	Benefits after termination of labor activity	Other long-term benefits	Benefits after termination of labor activity	Other long-term benefits
Liabilities according to the programs with fixed payments as at January 1	732 902	-	453 065	-
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)	-
Liabilities according to the programs with fixed payments as at December 31	<u>561 821</u>	<u>-</u>	<u>732 902</u>	<u>-</u>

Expenses included as part of profit and loss for the period:

	For the year ended	
	<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
Total (income)/expenses included as part of profit and loss	(89 672)	45 600

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
Total (profit)/loss included as part of other comprehensive income	(28 815)	286 068

Changes in reserve for revaluation of liabilities as part of other comprehensive income for reporting period:

	For the year ended December 31	
	2020	2019
Revaluation as at January 1	528 033	241 965
Changes in revaluation	(28 815)	286 068
Revaluation as at December 31	499 218	528 033

The main actuarial assumptions:

	December 31, 2020	December 31, 2019
Financial assumptions		
Discounting rate	6,10%	6,30%
Salary increase in the future	4,50%	4,50%
Inflation rate	4,00%	4,00%
Demographical assumptions		
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

	December 31, 2020	December 31, 2019
Long-term debt		
Trade accounts payable	95 472	103 725
Other accounts payable	8 967	368
	104 439	104 093
Short-term debt		
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
	7 592 834	6 749 582

The Group's exposure to liquidity risk related to payables is disclosed in Note 32.

29 Taxes payable except income tax

	December 31, 2020	December 31, 2019
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
	938 301	809 162

30 Advances received

	December 31, 2020	December 31, 2019
Long-term		
Advances for services of technological connection to electric networks	1 179 235	880 900
	1 179 235	880 900
Short-term		
Advances for services of technological connection to electric networks	2 083 710	1 537 903
Other advances received	168 800	37 538
	2 252 510	1 575 441

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

	For the year ended December 31	
	2020	2019
Balance as at January 1	726 472	788 366
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
Balance as at December 31	921 992	726 472

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.

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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
	8 881 184	8 794 373

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)
	8 858 682	(1 253 116)	7 656 054	(1 057 167)

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)
	10 135 040	(2 006 401)	8 852 878	(1 774 590)

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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	2020	2019
Ending on January 1	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	-	-
Ending on December 31	2 006 401	1 774 590

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:

December 31, 2020	Carrying value	Cash flows under the contract	Prior to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years
Non-derivative financial liabilities								
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
	37 243 615	43 084 651	16 505 433	3 782 098	17 800 077	1 595 905	1 532 233	1 868 905
December 31, 2019								
Non-derivative financial liabilities								
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
	31 002 143	35 908 211	12 146 034	9 690 620	12 336 291	94 624	58 739	1 581 903

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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
Revenue, other income, finance income				
Parent Company				
Other revenue	1 185	1 185	-	-
Income from the termination of the lease agreement	157	-	-	-
The enterprises are under common control of the parent company				
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	-	-
	36 767	221 172	109 975	86 822

	Transaction amount		Carrying value	
	2020	2019	December 31, 2020	December 31, 2019
Operating expenses, finance expense				
Parent company				
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
The enterprises are under common control of the parent company				
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)	-
	7 979 039	9 561 157	884 716	999 367
Construction and installation jobs capitalized	42 815	188 190	295 632	131 557
	8 021 854	9 749 347	1 180 348	1 130 924

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Carrying value

	December 31, 2020	December 31, 2019
Parent company		
Loans and borrowings	6 800 000	3 600 000
Lease liabilities	-	1 947
The enterprises are under common control of the parent company		
Advances issued	4 867	4 436
Lease liabilities	293 285	800
Advances received	76	76
	7 098 228	3 607 259

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.

	For the year ended December 31	
	2020	2019
Short-term employee benefits	214 488	162 039
	214 488	162 039

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"> Exercises control over financial and economic activities of the Company; based on its results, it prepares proposals/recommendations for improvement of the ICS; carries out independent assessment of accuracy of the data contained in the Company's Annual Report and the annual accounting statements of the Company
2	Board of Directors	<ul style="list-style-type: none"> 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; monitors the activities of the executive bodies of the Company in the main (priority) areas; reviews the report of the Management Board on organization and functioning of the Company's ICS; annually reviews reports of the internal auditor on the efficiency of the ICS; considers the results of the external independent assessment of the efficiency of ICS
3	Audit Committee of the Board of Directors	<ul style="list-style-type: none"> Carries out preliminary consideration before approval by the Board of Directors of the Company's internal documents defining the organization and strategy for the developments and improvement of the ICS, Internal Control Policy and subsequent changes to them; 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; 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
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"> 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
5	Executive bodies: Management Board, General Director	<ul style="list-style-type: none"> Ensure creation and effective functioning of the ICS; ensure execution of resolutions of the Board of Directors in terms of ICS organization
5.1	Management board	<ul style="list-style-type: none"> Establishes the direction and plans for development and improvement of the ICS; prepares reports on the financial and economic activities of the Company, the organization and functioning of the ICS; considers the results of the external independent assessment of the ICS efficiency; develops measures for the development and improvement of the ICS
5.2	General Director of the Company	<ul style="list-style-type: none"> Approves the regulatory and methodological documents of the Company on the organization and functioning of the ICS, except for the documents which approval falls within the competences of the Company's Board of Directors; ensures execution of the Company's business plans necessary for achieving its targets; supervises accounting and administrative reporting, preparation of accounting (financial) and other statements; 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
6	Collective working bodies, of which the most important are:	<ul style="list-style-type: none"> perform control procedures and/or develops recommendations for improving control procedures and certain components (elements) of internal control and the ICS within their authority

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"> evaluates the reasonableness and prospects for resolving disputes between the Company and counterparties with regard to financial settlements; evaluates the efficiency of measures implemented in order to reduce accounts receivable, including for services rendered for the transmission of power; considers issues in terms of accounts receivable management submitted by the structural divisions of the Company to the Commission for consideration; determines the position of the Company in relation to the management of accounts receivable
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"> 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; provides a comprehensive assessment of the efficiency of counterparties in the context of the production direction in capital construction; 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
6.3	Power Supply Consolidation Commission of the Company	<ul style="list-style-type: none"> Determines the technical and economic feasibility of the acquisition of power facilities, taking into account all submitted documents; determines the position of the project submitted for its consideration on the expediency (inexpediency) of the acquisition of power facilities; organizes a transaction for the acquisition of power facilities; concludes the contract on the acquisition of facilities and organizes registration of facilities
6.4	Commission on Corporate Ethics Compliance and Conflict of Interest Resolution	<ul style="list-style-type: none"> 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; resolves conflicts of interests in relation to the Company's employees; considers the facts and cases of violation of the norms of corporate ethics and standards of corporate behavior in the Company; ensures the fulfillment of the requirements of Article 133 of the Federal Law No.273-FZ On Combating Corruption dated December 25, 2008
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"> ensure implementation of internal control principles; establish effective processes (activities), including development and implementation, taking into account the identified risks of new control procedures or the modification of existing ones; ensure regulation of supervised processes (activities); arrange execution of control procedures; assess (monitor) execution of control procedures; assess the supervised processes (activities) for the need to optimize them to improve efficiency and meet the changing conditions of the external and internal environment, organize development of proposals for improving the control procedures; provide elimination of identified deficiencies in the control procedures and processes (activities)
8	Employees of the Company's structural divisions who perform control procedures by virtue of their official duties	<ul style="list-style-type: none"> Perform the control procedures; 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; submit proposals for implementation of the control procedures in relevant areas of activity to direct management

No.	ICS participants	Key functions in the ICS
2nd line of defence		
9	Internal Control and Risk Management Department	<ul style="list-style-type: none"> • Develops and ensures the implementation of basic and methodological documents on the creation and improvement of the ICS; • 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; • prepares information on the state of the ICS for stakeholders; • interacts with government regulatory authorities on internal control issues
10	Specialized control divisions:	
10.1	Economic Security Office	<ul style="list-style-type: none"> • Counteracts the facts of unfair competition; • conducts official investigations into the facts (preconditions) of damage to the interests of the economic security of the Company; • organizes the fight against theft of electricity, financial and material resources, intellectual property, the prevention of other crimes against the Company's property; • conducts independent audits and participates in joint inspections of the financial and economic divisions of the Company to prepare its own opinion on violations and form an evidence base to protect the Company's legitimate interests
10.2	Anti-Corruption Compliance	<ul style="list-style-type: none"> • Develops and organizes the implementation in the Company of a unified system for the implementation of corporate and anti-corruption compliance procedures; • organizes the Company's activities in the conduct of corporate and anti-corruption compliance procedures
10.3	Legal Department	<ul style="list-style-type: none"> • Supervises the Company's compliance with legal requirements by conducting legal review and coordination in the manner prescribed by the organizational and administrative documents of the Company, drafts of contracts and agreements, drafts of organizational and administrative documents, drafts of powers of attorney to represent the Company's interests to third parties, drafts of statements, letters complaints sent on behalf of the Company to the legislative and executive authorities, courts of law, enforcement agencies; • monitors and informs the Company's management 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
10.4	Corporate Provision Office	<ul style="list-style-type: none"> • Controls resolutions of the Management Board, Board of Directors and its Committees; • provides control of information transparency in the Company in the interests of its shareholders and potential investors
10.5	Documentation and Minutes	<ul style="list-style-type: none"> • Provides a single documentation management system in terms of control of the performance discipline in the Executive Office and branches of the Company; • 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

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