

FINANCE AND ECONOMICS STATEMENTS

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

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

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

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



Deputy General Director
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Financial and Economic Results

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

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

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

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

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

Key factors influencing the financial results:

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

The main financial and economic indicators of Rosseti Kuban¹ (RUB mln)

Indicator	2018	2019	2020
Proceeds from product (service) sales	46,401	51,004	49,370
Including:			
– power transmission	45,583	46,516	48,102
– grid connection	602	4,206	731
– sales of electricity	0	0	0
– other activities	215	282	536
Net cost of products (services)	-41,461	-43,774	-46,800
Gross profit	4,940	7,230	2,569
Management costs	-155	-162	-175
Selling and marketing expenses	0	0	0
Sales profit (loss)	4,784	7,068	2,394
Interest receivable	82	67	29
Interest payable	-1,911	-1,971	-1,593
Income from affiliation with other companies	9	0.6	0.7
Other earnings, total	2,575	2,270	1,563
Other expenses, total	-4,259	-3,909	-3,778
Profit (loss) before tax	1,280	3,525	-1,384
Profit tax and other payments	-1,129	-1021	-117
Financial result	151	2,504	-1,501
EBITDA²	7,158	9,741	4,756
Revenue per share, RUB	0.498	7.481	-4.486

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

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

Accounts Receivable, Operation with Debtors

Analysis of changes in accounts receivable (RUB mln)

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

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

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

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

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

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

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

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

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

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

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

Accounts Payable

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

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

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

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

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

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

Bonded Loans of the Company

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

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