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POWER TRANSMISSION

NISHCHUK

OLEG FEDOROVICH

DEPUTY GENERAL DIRECTOR FOR SERVICE SALES



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

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

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

MAIN FACTORS

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

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

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

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

MEASURES TO REDUCE ENERGY LOSSES

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

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

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

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

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

ELECTRICITY METERING STATUS

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

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

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

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

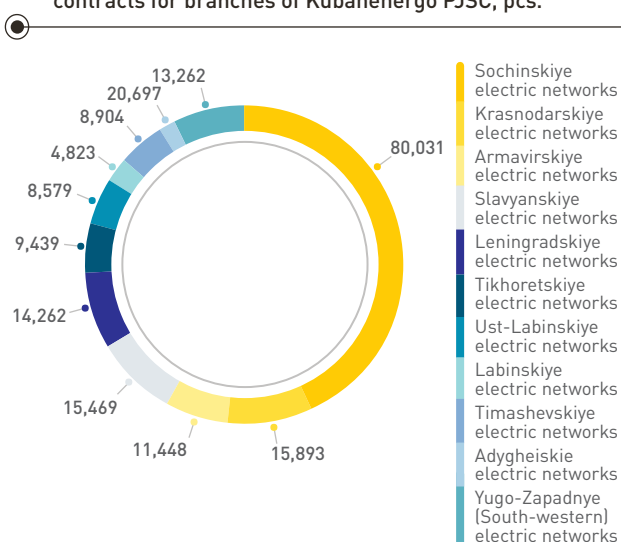
THE INTRODUCTION OF ELECTRICITY METERING DEVICES WITH REMOTE DATA COLLECTION (AUTOMATED METER READING AND CONTROL SYSTEM – AMRCS)

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

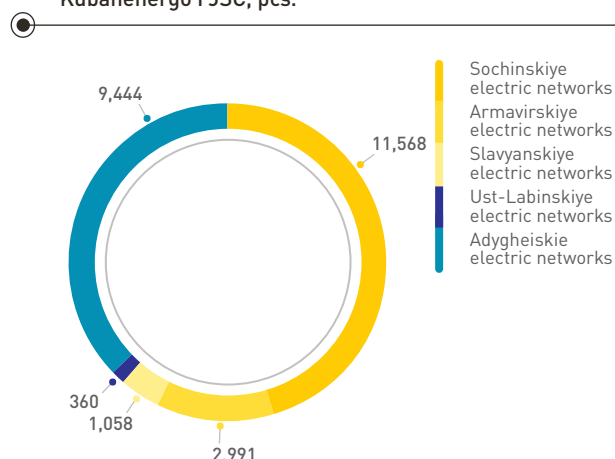
As a part of the implementation of the Company's investment program in 2018, 928 electricity meters were installed and automated at transformer substations, and 331 electricity metering devices were automated at substations, which far exceeds the planned figures.

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

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



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



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

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

TECHNOLOGICAL CONNECTION TO THE ELECTRIC NETWORKS OF KUBANENERGO PJSC

KOSTETSKY

VYACHESLAV YUREVICH

DEPUTY GENERAL DIRECTOR FOR DEVELOPMENT AND TECHNOLOGICAL CONNECTION



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

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

THE DEMAND FROM APPLICANTS FOR TECHNOLOGICAL CONNECTION SERVICES REMAINS AT A REASONABLY HIGH LEVEL.

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

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

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

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

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

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

EXECUTION OF CONTRACTS FOR TECHNOLOGICAL CONNECTION OF CONSUMERS

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

Capacity connected in 2018 by the class of customer, MW

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

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

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

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

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

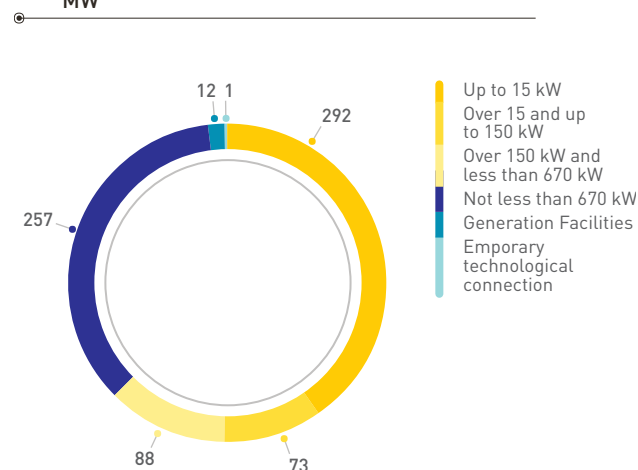
- residential complex with kindergarten and underground parking in the city of Krasnodar (developer LLC "YugStroyImperial 23");
- multi-apartment housing facilities in the city of Anapa (applicant LLC "New Lazurit");
- residential complex LLC METROPOLIS;
- multi-story complex residential development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

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

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

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

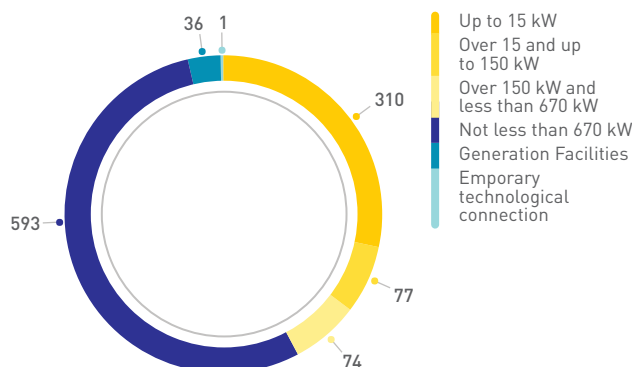
The structure of the executed contracts of Kubanenergo PJSC for the connected capacity, MW



VOLUMES OF CONSUMER DEMAND FOR TECHNOLOGICAL CONNECTION IN 2018

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

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



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

REVENUES RECEIVED AND CASH COLLECTED

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

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

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

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

TECHNOLOGICAL CONNECTION OF GENERATION FACILITIES

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

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

ENSURING RELIABLE AND EFFICIENT OPERATION OF THE POWER SYSTEM

SHISHIGIN

IGOR NIKOLAEVICH

DEPUTY GENERAL DIRECTOR FOR TECHNICAL ISSUES –
CHIEF ENGINEER



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

THESE INDICATORS WERE ACHIEVED BY:

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

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

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

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

DRILLS TO PREVENT THE OCCURRENCE OF MASS OUTAGES OF POWER GRID FACILITIES UNDER THE INFLUENCE OF NATURAL HAZARDS WERE CONDUCTED ON THE TERRITORY OF THE BRANCH ADYGHEISKIE ELECTRIC NETWORKS.

FOR TIMELY AND HIGH-QUALITY PREPARATION OF THE POWER SYSTEM FOR OPERATION IN THE AUTUMN-WINTER PERIOD OF 2018/2019, THERE WERE COMPLETED 1,177 EVENTS. BY THE ORDER OF THE MINISTRY OF ENERGY OF RUSSIA DATED 14.11.2018, NO. 1031, THE DECISION ON THE COMPANY'S READINESS TO WORK IN THE HEATING SEASON 2018/2019. WAS ISSUED WITH THE ISSUANCE OF THE READINESS PASSPORT TO THE SOCIETY.

PROVIDING QUALITY, RELIABLE AND UNINTERRUPTED POWER SUPPLY TO CONSUMERS

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

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

The main activities carried out in 2018 were aimed at:

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

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

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

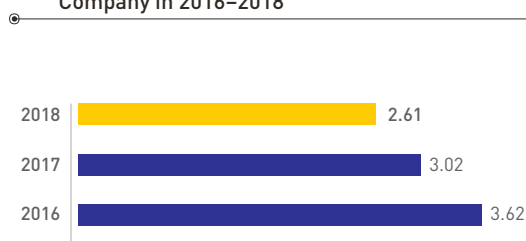
- interaction with territorial bodies of the Ministry of Emergency Situations of Russia was organized as a part of agreements on cooperation in terms of forecasting, development control, and the development and implementation of measures to normalize a fire-hazardous situation, there were concluded 32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

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

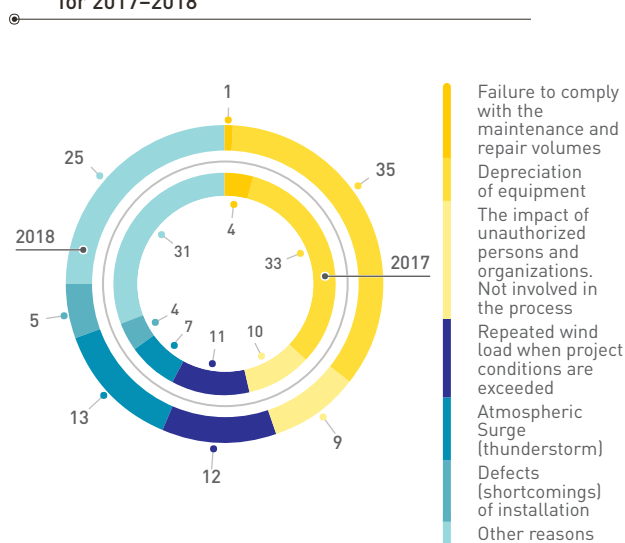
In order to ensure reliable operation of the Company's electric grid facilities during a thunderstorm period, an order was issued and executed on 16.03.2018, No. 255 "Preparation for the thunderstorm period of 2018":

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

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



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



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

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

REPAIR AND MAINTENANCE ACTIVITIES

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

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

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

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

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

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

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

- 680.32 km of wire replaced with overhead transmission lines 0.4–10 kV;
- 527.4 km of 0.4–10 kV bare wire replaced by steel insulated wire;
- were replaced 14,640 branches to inputs to households made with bare wire;
 - / 11 overhead lines with uninsulated wires were removed from the territories of preschool institutions, schools, other educational institutions, camps, etc. (if the removal was impossible, the bare wire was replaced with insulated).

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

OCCUPATIONAL RELIABILITY AND SAFETY

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



2018

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

20.07.2018 – 20.08.2018

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



19.08.2018 – 20.09.2018

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

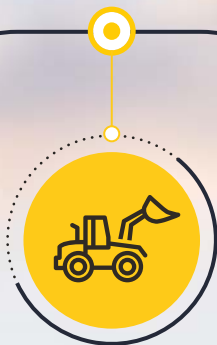
COMPARED TO 2017, THE FOLLOWING DECREASE WAS ACHIEVED IN THE POWER GRID OF 6 KV AND HIGHER:

18.4%

WITH AN AVERAGE DURATION OF INTERRUPTIONS IN POWER SUPPLY TO CONSUMERS

13%

NUMBER OF ACCIDENTS



24.10.2018—25.10.2018

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

14.11.2018

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



INSTRUCTIONS

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

1.177

**THE NUMBER OF
ACTIVITIES**

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

13.5%

SPECIAL EMERGENCY



THE PROGRAM OF MODERNIZATION (RENOVATION) OF POWER GRID FACILITIES

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

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

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

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

The program is being updated:

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

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

FACILITIES FOR MODERNIZATION (RENOVATION)	PLANNED	ACTUAL	THE REASONS FOR THE FAILURE OF THE PLAN
35–110 kV substation:			<p>The non-fulfillment of part, concerning the indicators by sections, is related to the extension of the time frame for implementation of measures of the Investment Program of Kubanenergo PJSC for 2019 (approved by the order of the Ministry of Energy of Russia dated December 12, 2014, No. 180, year of implementation – 2019) (with amendments), namely:</p> <p>by separation of 35–110 kV substation:– reconstruction of the Substation "Severnaya" 110/35/6 kV. Installation T-3 with a capacity of 40 MVA;</p> <p>– reconstruction of the substation 110/35/10 kV "Loris" with the replacement of T-2 25 MVA with a transformer of 40 MVA and the installation of T-3 25 MVA;</p> <p>– reconstruction of the substation "Kotloma" 35 kV with the replacement of T-1 6.3 MVA transformer with 10 MVA;</p> <p>– reconstruction of the substation 110 kV "Gostagayevskaya" with the replacement of the transformer T-1 6.3 MVA with 16 MVA</p>
35 kV and above power transformer, pcs.	26	22	
switch 35 kV and above, pcs.	43	33	
disconnecter 35 kV and above, pcs.	36	35	
OTL 110 kV:			<p>by the division of OTL 110 kV:– lightning protection device in the spans of the supports No. 18–36 OTL 110 kV of Krymskaya-KPTF, schedule for implementation of these measures of the investment program has been adjusted to reflect the fact of 2018, with the completion of work in 2019 due to occurrence of circumstances during construction that complicates the conditions for the production of works and determines the increase in the time frame for their completion</p>
complex reconstruction of 35 kV overhead lines and above, km			
wire, km	2.46	0.9	
including high-temperature wire, km			
support, pcs.	4	3	
including increased support, pcs.			
insulator, pcs			
ground wire, km			
OTL 0.4–6 kV:			
including mounting of Steel Insulated Wires (SIW), km	6.57	6.57	
SIW in the forest, km			
SIW across the populated area, km	6.57	6.57	

ENERGY SAVING AND ENERGY EFFICIENCY INCREASE

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

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

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

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

The target indicators of the Program are:

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

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

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

Planned and actual values of the Program target indicators for 2018

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

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

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

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

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



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

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

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

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

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

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

PRICING POLICY AND RATES FOR THE COMPANY'S SERVICES

PRICING POLICY OF THE COMPANY

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

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

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

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

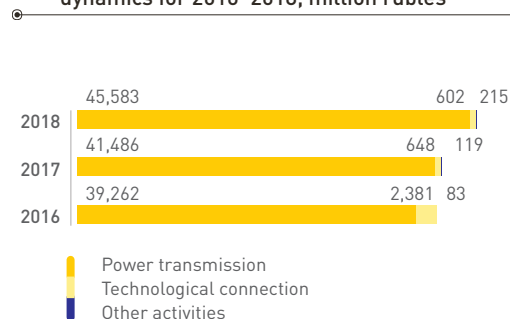
TARIFFS FOR ELECTRICITY TRANSMISSION SERVICES

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

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

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

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



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

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

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

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

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

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

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

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

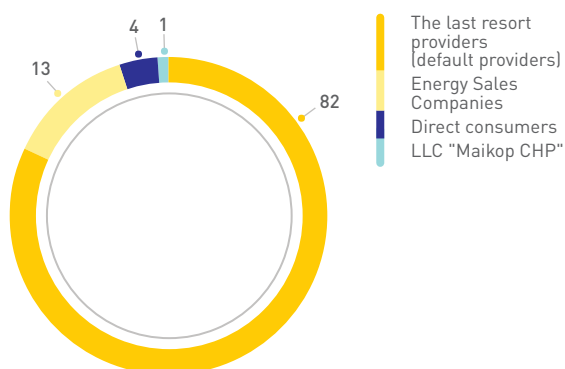
SEQ NO.	RATE CLASSIFICATIONS OF ELECTRICITY CONSUMERS (POWER)	UNIT OF MEASURE	VOLTAGE RANGES			
			HIGH VOLTAGE	MEDIUM VOLTAGE I	MEDIUM VOLTAGE II	LOW VOLTAGE
1.	Other consumers (tariffs are specified without VAT)					First half-year
1.1.	Binomial rate					
1.1.1.	– rate for the maintenance of electrical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

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

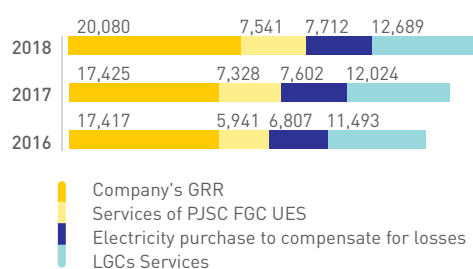
SEQ NO.	RATE CLASSIFICATIONS OF ELECTRICITY CONSUMERS (POWER)	UNIT OF MEASURE	FIRST HALF-YEAR	SECOND HALF-YEAR
1.	Population and categories of consumers equated to it (rates are indicated excluding VAT)			
1.1.	Population and similar categories of consumers, except for those specified in paragraphs 1.2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

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

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



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



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

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

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

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

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

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

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

TARIFFS FOR TECHNOLOGICAL CONNECTION SERVICES

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

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

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

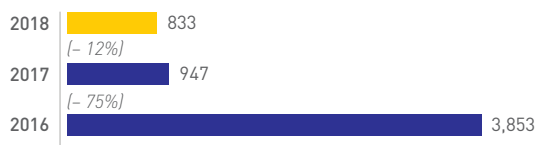
2016 ¹	2017 ²	2018 ³
82,944.95	98,874.17	141,864.41

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

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

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

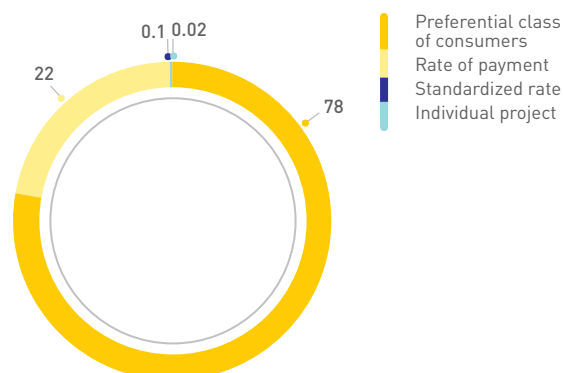
Dynamics of the average size of rates per unit of power, rub./kW



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

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

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



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

INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS

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

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

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

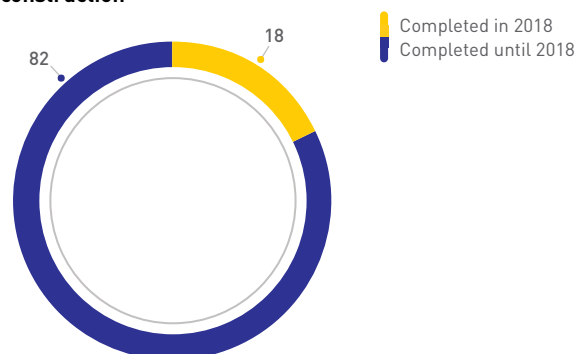
- the control center of Takhtamukaysky Power Distribution Zone was equipped with a central receiving and transmitting station and the KOTMI operational information complex;
- teleinformation collection and transmission system is organized on the newly built substation 110 kV "Lazurnaya" with the arrangement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

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

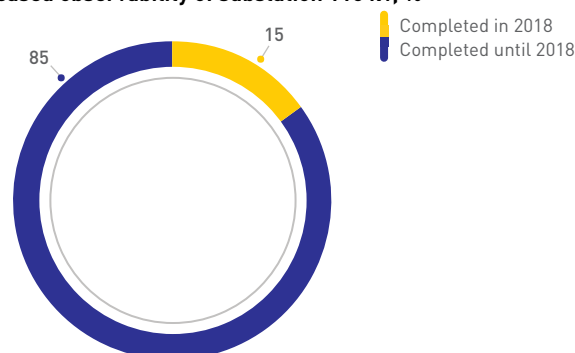
Works on the collection and transmission of the minimum required the amount of telecommunication information at 34 110 kV substations, and 3 35 kV substations were carried out as a part of the execution of the schedule to increase the observability and controllability of power grid facilities with a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

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

FOL construction



Increased observability of substation 110 kV, %



PROCUREMENT ACTIVITIES OF THE COMPANY

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

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

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

PRINCIPLES OF ORGANIZATION OF PROCUREMENT

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

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

Procurement methods used by the Company, in descending order of priority:

- Tender, auction.
- Request for proposals, request for prices.
- Simple purchase, small purchase.
- Purchase from a single supplier (performer, contractor).

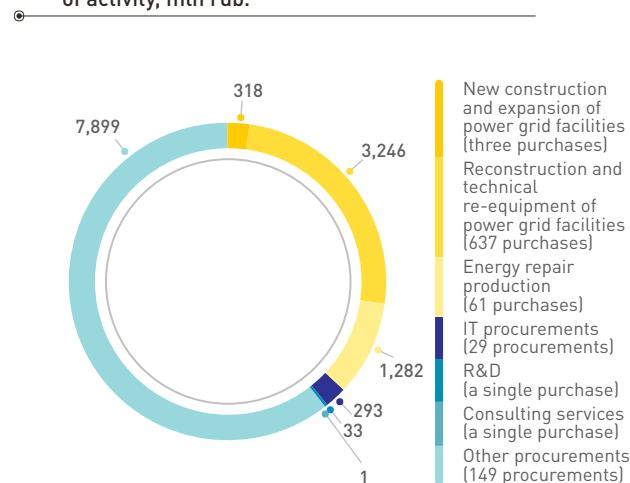
MAIN RESULTS OF THE COMPANY'S PROCUREMENT ACTIVITIES IN 2018

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

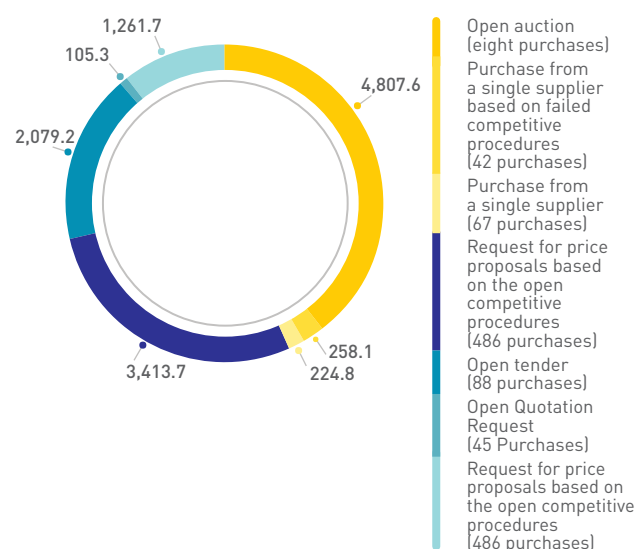
The economic effect for 595.2 million rubles was obtained in the reporting year as a result of regulated purchases by the Company, which is 5% of the planned annual amount of expenses for the purchase of goods, works and services.

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

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



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



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

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

subsidiaries and affiliates of PJSC Rosseti.

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

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

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

PERFECTION OF PROCUREMENT ACTIVITIES

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

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