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).

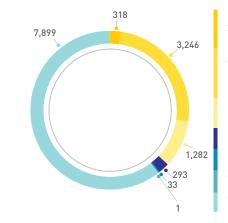
MAIN RESULTS OF THE COMPANY'S PROCUREMENT ACTIVITIES IN 2018

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.



New construction and expansion of power grid facilities Ithree purchases!
Reconstruction and technical re-equipment of power grid facilities (637 purchases)
Energy repair production (61 purchases)
IT procurements (29 procurements)
R&D (a single purchase)
Consulting services (a single purchase)
Other procurements (149 procurements)