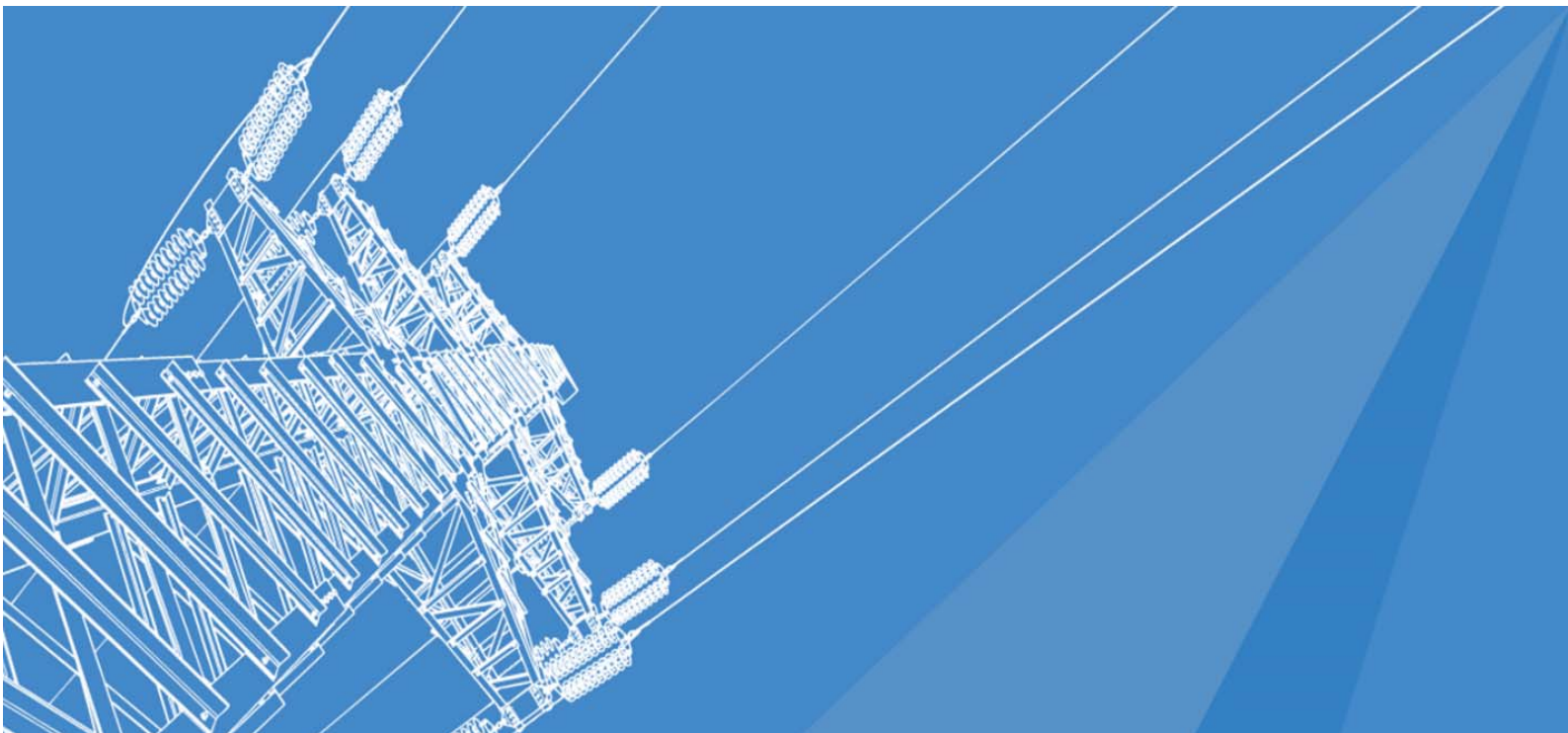
Tyumenenergo JSC 2018 Annual Report, pre-approved by the Board of Directors of Tyumenenergo JSC
on the___ day of ____, 2019 and
approved by decision of the sole shareholder
of Tyumenenergo JSC, Rosseti PJSC
on the ___ day of _____ , 2019
Management Board Meeting Minutes No. _____

_____
A.K. Melikhov
Director General
Tyumenenergo JSC

TYUMENENERGO JSC 2018 ANNUAL REPORT



CONTENTS

INTRODUCTION 6

Report info

COMPANY PORTRAIT AND BRIEF HISTORY 9

2016-2018 KEY PERFORMANCE INDICATORS 9

EFFICIENCY FOCUS: MILESTONE EVENTS OF 2018 11

SPEECH OF THE CHAIRMAN OF THE BOARD VALENTIN EFIMOVICH MEZHEVICH AND DIRECTOR GENERAL ALEKSANDR KONSTANTINOVICH MELIKHOV 14

1. BUSINESS MODEL AND DEVELOPMENT STRATEGY 15

1.1. COMPANY'S INDUSTRIAL AND REGIONAL POSITIONS AND MARKET SHARE 15

1.1.1. GEOGRAPHIC FOOTPRINT OF TYUMENENERGO JSC 17

1.1.2. ENERGY CONSUMPTION STRUCTURE 18

1.2. COMPANY STRUCTURE 21

1.3. BUSINESS MODEL 22

1.4. STRATEGY AND PRIORITY CONCERNS 24

1.5. RISK MANAGEMENT 28

2. PRODUCTION RESULTS 35

2.1. PRODUCTIONS CAPACITY 35

2.2. TECHNICAL STATUS OF GRIDS 36

2.3. POWER TRANSMISSION 40

2.4. TECHNOLOGICAL CONNECTION 43

2.5. TARIFF POLICY 49

2.5.1. GENERAL INFORMATION 49

2.5.2. POWER TRANSMISSION SERVICE TARIFFS 51

2.5.3. TECHNOLOGICAL CONNECTION FEES 54

2.6. CUSTOMER RELATIONS 58

2.7. GRID COMPLEX DEVELOPMENT IN THE REGIONS OF TYUMENENERGO JSC OPERATION 64

2.8. CONSOLIDATION OF POWER GRID ASSETS 65

2.9. PROCUREMENTS 68

3. ENSURING RELIABILITY AND QUALITY 78

3.1. REPAIRS AND OPERATION 78

3.2. ENERGY EFFICIENCY AND SAVING 80

3.3. INTEGRATED MANAGEMENT SYSTEM 84

3.4. SAFETY PRACTICES 86

3.5. EMERGENCY PREVENTION 87

3.6. PRODUCT CONFORMITY TO REGULATORY REQUIREMENTS 88

3.7. INFORMATION TECHNOLOGY AND COMMUNICATION 89

3.8. OPERATIONAL AND TECHNOLOGICAL MANAGEMENT 92

4. INVESTMENT AND INNOVATIONS 94

4.1. INVESTMENT ACTIVITIES 94

4.2. CAPITAL CONSTRUCTION QUALITY CONTROL 103

4.3. R&D AND INNOVATIVE DEVELOPMENT 104

4.4. TECHNICAL POLICY 108

4.5. TECHNOLOGY DEVELOPMENT AND IMPLEMENTATION OF NEW EQUIPMENT 109

5. FINANCIAL AND ECONOMIC PERFORMANCE 112

5.1. ANALYSIS OF FINANCIAL AND ECONOMIC INDICATORS 112

5.2. OPERATIONAL EFFICIENCY ENHANCEMENT AND COST REDUCTION PROGRAM 119

5.3. PROFIT DISTRIBUTION* 120

6. CORPORATE GOVERNANCE 121

6.1. CORPORATE GOVERNANCE SYSTEM 121

6.2. GOVERNANCE AND CONTROL BODIES 123

6.2.1. GENERAL SHAREHOLDERS MEETING 124

6.2.2. BOARD OF DIRECTORS 125

6.3. COMMITTEES OF THE BOARD OF DIRECTORS 132

6.3.1. AUDIT COMMITTEE OF THE BOARD OF DIRECTORS 132

6.3.2. RELIABILITY COMMITTEE OF THE BOARD OF DIRECTORS 138

6.3.3. COMMITTEE FOR TECHNOLOGICAL CONNECTION TO POWER GRIDS 142

6.3.4. STRATEGY AND DEVELOPMENT COMMITTEE OF THE BOARD OF DIRECTORS 143
6.3.5. PERSONNEL AND REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS 147

6.4. SOLE EXECUTIVE BODY — DIRECTOR GENERAL 149

6.5. CORPORATE SECRETARY 150

6.6. AUDIT COMMISSION 150

6.7. AUDITOR 153

6.8. INTERNAL CONTROL SYSTEM 157

6.9. ETHICS AND ANTI-CORRUPTION PRACTICES 159

7. SHARE CAPITAL 164

7.1. SHARE CAPITAL 164

7.2. BOND ISSUES 165

7.3. DIVIDEND POLICY 166

7.4. MAJOR deals 168

8. HR AND SOCIAL POLICY 169

8.1. HEADCOUNT AND PERSONNEL STRUCTURE 169

8.2. PERSONNEL TRAINING AND DEVELOPMENT. TALENT POOL 171

8.3. YOUTH POLICY 174

8.4. WORKING CONDITIONS AND REMUNERATION (INCLUDING KPIs) 175

8.5. OCCUPATIONAL HEALTH AND SAFETY 177

9. SOCIAL POLICY 182

9.1. EFFECT ON THE PRESENCE REGIONS 182

9.2. SOCIAL RESPONSIBILITY 183

9.3. CHARITY 185

10. ENVIRONMENTAL POLICY 186

10.1. COMPLIANCE WITH ENVIRONMENTAL REQUIREMENTS 186

10.2. DISCHARGE AND WASTE 190

10.3. ENERGY CONSUMPTION 194

10.4. TRANSPORTATION 195

11 CORPORATE COMMUNICATIONS 196

REFERENCE 204

APPENDICES 206

1. 2018 ACCOUNTING REPORT (RAS) + AUDIT REPORT 206

2. SHARES OF TYUMENENERGO JSC IN AUTHORIZED CAPITALS AND VOTING OF OTHER COMPANIES, AS OF DECEMBER 31, 2018 206

3. TYUMENENERGO JSC'S NON-CORE ASSET DISPOSAL IN 2018 206

4. KEY REGULATORY ACTS 206

5. TARIFF RATES 206

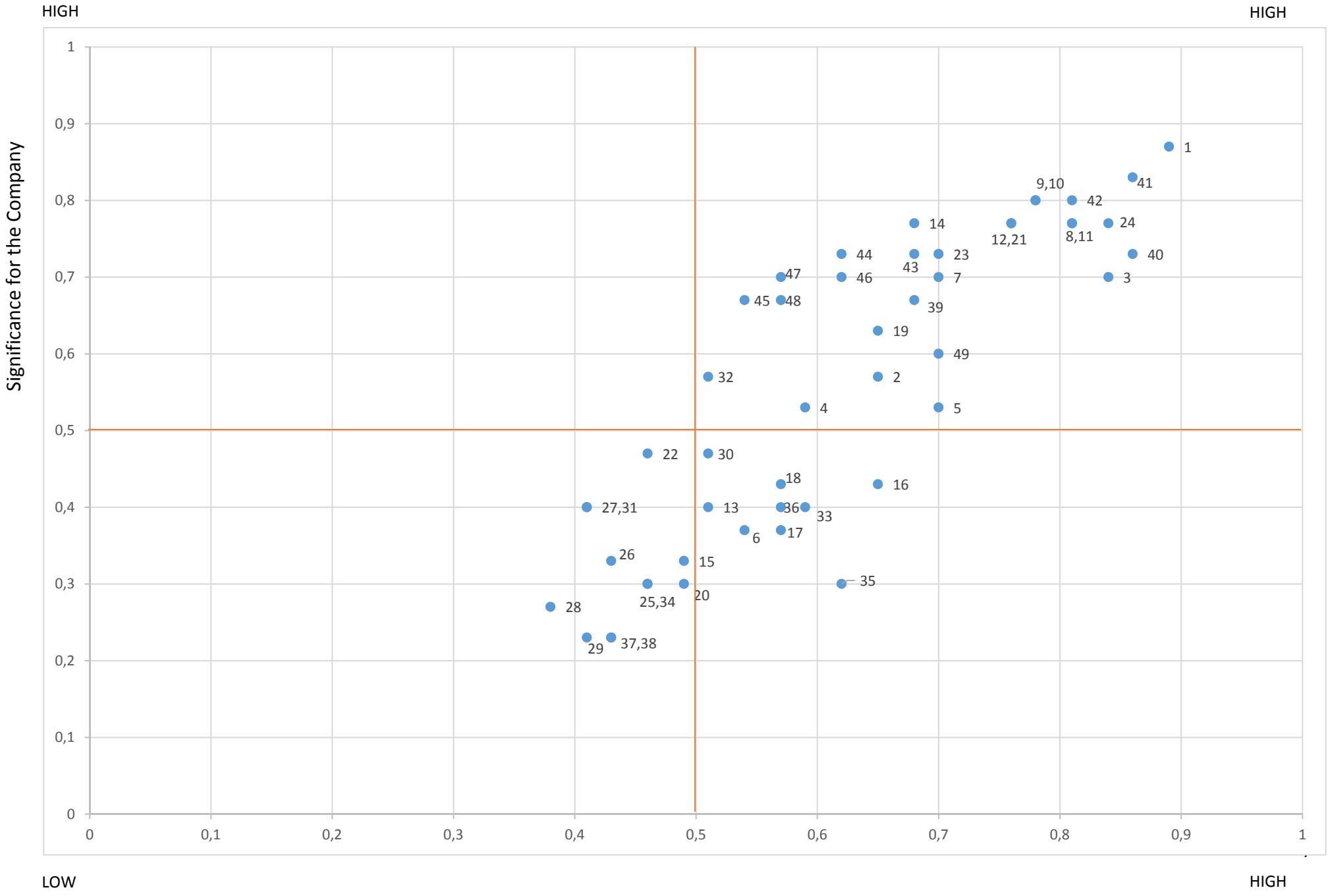
6. 2018 DEALS WITH WHICH TYUMENENERGO JSC IS CONCERNED 206

7. INTERNAL CONTROL SYSTEM FUNCTIONS 206

INTRODUCTION

REPORT INFO

Significant Activities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Significance for the Company
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9,10
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42
14
12,21
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24
44
23
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3
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48
39
19
49
32
2
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5
22
30
18
16
27,31
13
36
33
6
17
26
15
35
25,34
20
28
29
37,38
LOW
HIGH
Significance for the Stakeholders

Economy	
1.	GRI 201: Economic Performance
2.	GRI 202: Market Presence
3.	GRI 203: Indirect Economic Impacts
4.	GRI 204: Procurement Practices
5.	GRI 205: Anti-Corruption
6.	GRI 206: Non-Competition
7.	Tariff Policy*
8.	Production Results*
9.	Investment Activities*
10.	Ensuring Reliability and Safety*
11.	Innovation*
12.	Process Optimization and Operating Efficiency Enhancement*
Environment	
13.	GRI 301: Materials
14.	GRI 302: Energy
15.	GRI 303: Water
16.	GRI 304: Biodiversity
17.	GRI 305: Emissions
18.	GRI 306: Effluents and Waste
19.	GRI 307: Environmental Compliance
20.	GRI 308: Environmental Assessment of Suppliers
Social	
21.	GRI 401: Employment
22.	GRI 402: Personnel and Management Relations
23.	GRI 403: Occupational Health and Safety
24.	GRI 404: Training and Education
25.	GRI 405: Diversity and Equal Opportunities
26.	GRI 406: Non-Discrimination
27.	GRI 407: Freedom of Association and Collective Bargaining
28.	GRI 408: Child Labor
29.	GRI 409: Forced or Compulsory Labor
30.	GRI 410: Safety Practices
31.	GRI 411: Rights of Indigenous Peoples and Ethnic Minorities
32.	GRI 412: Observation of Human Rights
33.	GRI 413: Local Communities
34.	GRI 414: Assessment of Suppliers' Impact on the Company
35.	GRI 415: Governmental Policy
36.	GRI 416: Consumer Health and Safety
37.	GRI 417: Product and Service Labeling
38.	GRI 418: Consumer Privacy
39.	GRI 419: Compliance with Social Law
Other Aspects	
40.	Strategy*
41.	Priority Activity Goals*
42.	Development Prospects*
43.	Organizational Management Model*
44.	Governance Bodies*
45.	Internal Control and Audit*
46.	Risk Management*
47.	Equity*
48.	Dividend Policy*
49.	Corporate Communications*

* Indicators significant for the Company's activities.

COMPANY PORTRAIT AND BRIEF HISTORY

Tyumenenergo Company was founded May 3, 1979, by Order of the USSR Ministry of Energy and Electrification, through merging five energy companies based in Tyumen Oblast:

– Tyumen Electric Grids (now Tyumen-based local production unit of Tyumen Distribution Grids), founded March 1, 1964;

– Ishim Electric Grids (now Ishim-based local production unit of Tyumen Distribution Grids), founded January 3, 1968;

– Surgut Electric Grids, founded October 5, 1970;

– Tobolsk Electric Grids (now Tobolsk-based local production unit of Tyumen Distribution Grids), founded July 1, 1978;

– and Nizhnevartovsk Power Grid Company, founded February 13, 1979.

This was the beginning of Tyumenenergo JSC, a company whose establishment was an imperative of the time, dictated by the need to develop oil and gas fields, to transport oil and gas to European Russia, to quickly improve and expand the fuel and energy sector in Western Siberia.

In March 1993, pursuant to the state privatization program, Tyumenenergo Public Joint-Stock Energy and Electrification Company was founded as the legal successor of the *Tyumenenergo* Tyumen Production Association of Energy and Electrification.

Until 2005, Tyumenenergo JSC had been a vertically-integrated company concerned with the production, transmission, and distribution of electric power. After the industrial reform of March 2005, generating and distribution enterprises were separated from the Company, whereas Tyumenenergo JSC itself became a distribution grid company.

Since 2007 and to this day, Tyumenenergo JSC is an interregional distribution grid company acting in three of Russia's constituent entities: Tyumen Oblast, the Khanty-Mansi Autonomous Okrug — Yugra, Yamalo-Nenets Autonomous Okrug. The company serves an area exceeding 1.4 million sq. km, which is home to about 3.6 million people.

Today, Tyumenenergo JSC's nine branches have 647 35-to-220 kV substations and 6,899 6-10/0.4 kV substations with a total transformer power of 29,396 MVA; the length of power lines the Company services totals 51,286 km. The annual delivered electricity output is 56.21 billion kWh. As of December 31, 2019, the Company holds 69.1% of the power transmission market.

2016-2018 KEY PERFORMANCE INDICATORS

Indicator	Unit	2016	2017	2018	2018/2017 Deviation	
					abs	%
Financial Performance (RAS)						
Revenue from Sales of Products (Services)	million rubles	57,390	57,893	58,607	714	1
Net Profit	million rubles	2,301	23	-2,068	-2,091	>100
EBITDA*	million rubles	11,560	9,386	7,374	-2,012	-21
Effect of Reducing per-unit Operating Expenses	%	-11.1	-7.1	-3.7	-	3.4
*Target Reduction of per-unit Operating Expenses***	*%*	*-3*	*-3*	*-2*	-	-
Net Assets	million rubles	123,902	125,503	128,740	3,237	3
Loan Portfolio	million rubles	4,001	2,834	5,725	2,891	102
Total Debt to EBITDA		0.35	0.30	0.78	0.48	160
EBITDA	%	23.79	40.15	36.22	-3.93	-10
Financial Performance (IFRS)						

Revenue from Sales of Products (Services)	million rubles	57,268	57,896	58,829	933	2
Operating Expenses	million rubles	52,369	55,422	57,255	1,833	3
Profit for the Reporting Period	million rubles	4,442	1,878	750	-1,128	-60
Loan Portfolio	million rubles	4,001	2,834	5,791	2,957	104
Operating Performance						
Power Released to Grid	million kWh	71,373.6	65,022.0	57,853.8	-7,168.3	-11.02
Power Released from the Grid	million kWh	69,560.2	63,322.1	56,213.6	-7,108.5	-11.23
Power Losses	million kWh	1813.4	1,699.9	1,640.2	-59.8	-3.52
Losses	%	2.54	2.61	2.84*	0.23	0
Investment Performance						
Capital Investment Disbursement	million rubles, VAT excluded	7,188.598	10,492.405	11,582.019	1,090	10.38
Capital Investment Financing	million rubles, VAT included	8,980.612	12,275.755	11,951.857	-324	-2.64
Fixed Assets Put into Operation	million rubles, VAT excluded	8,699.149	6,983.631	9,443.054	2459	35.22
Transformer Power Put into Operation	MVA	336.776	281.236	195.270	-86	-30.57
Power Lines Put into Operation	km	619.674	504.601	720.268	215	42.74

**EBITDA stands for earnings before interest, taxes, depreciation, and amortization.*

*** Pursuant to Order No. 2303n-P13 of the Government of the Russian Federation dd. April 16, 2015.*

EFFICIENCY FOCUS: MILESTONE EVENTS OF 2018

JANUARY

Tyumenenergo JSC was awarded the business and politics prize of the 11th Interregional Award *2017 Results in the Urals and Siberia* for the memorandum for opening Russia's first Energy Innovation Center in Surgut (the award in this category is given for the most literal, efficient, and promising strategy for development in the Ural Federal District).

FEBRUARY

Mikhail Rodin, Insulation and Surge Protection Service of Uray Electric Grids (Tyumenenergo JSC's subsidiary), received the laureate diploma of the All-Russian Contest *Engineer of the Year*, in the category *Production Safety Systems and Technology* by the Engineering of the Youth, with the certificate of a professional engineer of Russia (the awarding ceremony took place on February 22, 2018 in Moscow).

MARCH

Second place in the professional competition between drivers of Rosseti PJSC's subsidiaries (Nizhny Novgorod).

Tyumenenergo JSC's volleyball team won silver medals in Rosseti PJSC's Spartakiad (Saint Petersburg).

APRIL

First place in the category "Occupational Health and Safety of Employees" of the All-Russian Contest "Best Socially-Minded Power Company 2018" organized by the Ministry of Energy of the Russian Federation. The awarding ceremony took place on April 27, 2018 within the Russian International Energy Forum (Saint Petersburg).

Laureate diploma of the International Contest for Scientific, Scientific and Technical, and Innovative Fuel Energy and Mining Advancements; the competition was organized by the Ministry of Energy of the Russian Federation. The awarding ceremony took place on April 25, 2018 within the Russian International Energy Forum (Saint Petersburg). Four employees were awarded the laureate diplomas of the 1st, 2nd, and 3rd Premiums.

MAY

In Tyumen Oblast, Yugra, and YNAO, local programs for development of the power industry for the next 5 years were approved. Tyumenenergo JSC will provide power to oil-and-gas mining facilities of Yamal and Yugra and continue forming the competitive infrastructure of Tyumen Oblast. Namely, processing plants, industrial parks, and new residential districts will be provided with additional facilities.

JUNE

Tyumenenergo JSC became the winner in three categories: "Reliable Power Supply", "Efficient Energy Saving", and "Innovative Project of the Year" of the 8th All-Russian Contest "Russia's Best Electric Grids" (organized by EnergoNews, June 15, 2018).

Tyumenenergo JSC started implementing the pilot project of the digital power grid management model: geographically dispersed, dispatch stations of subsidiaries will form an integrated automated dispatch and control system to manage all the Company's grids of all voltages.

JULY

Tyumenenergo JSC participates in the All-Russian Exercises on interaction between Rosseti PJSC's subsidiaries on emergency containment in the power grid complex of the Republic of Dagestan.

AUGUST

Tyumenenergo JSC won the All-Russian professional competition between 110-kV OPL maintenance teams of Rosseti's subsidiary in Nizhnevartovsk. Ildar Valiakhmetov, member of the Team Tyumenenergo, was declared the best engineer of the competition.

5th labor season of student construction teams working at Tyumenenergo JSC's facilities was finished in three subsidiaries: Tyumen Distribution Grids, Surgut Electric Grids, and Nizhnevartovsk Electric Grids. Around 80 students of partner universities were involved.

Tyumenenergo JSC's employees were among the winners of Rosseti PJSC's corporate professional competition *Young Professionals* which was organized in conformity to the methodology WorldSkills in Krasnodar. In the category Relay Protection and Automation Equipment Maintenance and Repairs, the first place was taken by Aleksandr Trusov, an engineer of Nizhnevartovsk Electric Grids.

Credit rating agency RAEX (Expert RA) gave Tyumenenergo JSC the credit rating ruAA for the first time ever.

SEPTEMBER

On September 5, the Company launched the power grid complex for connection of the Salekhard Power Region to the Unified National Power Grids. The complex comprised two Nadym-Salekhard 220-kV single-circuit power lines (700 km in total length), Salekhard 220/110 kV substation (250 (2x125) MVA), and Polyarnik and Severnoye Siyaniye 110-kV substations (80 (2x40) MVA each) with feed lines. The ceremonial launch was attended by Acting Governor of Tyumen Oblast Aleksandr Moor, Acting Governor of the Yamalo-Nenets Autonomous Okrug Dmitry Artyukhov, and Tyumenenergo JSC Director General.

Vladimir Abramov, a relay protection and automation engineer of Energocomplex, was awarded the winner diploma of the competition among workers of the KhMAO-Yugra's enterprises *First Aid to Injured at Production Plants* (September 13, 2018, Khanty-Mansiysk).

On September 22, the exercise on preparedness for containment of emergency and prevention of mass outage of power facilities caused by harmful natural disasters, started in Tyumen.

OCTOBER

Project Forming the Efficient and Reliable Power Grid Complex in the Arctic Region with the Use of Tyumenenergo JSC's Innovations (authors: S.Yu. Savchuk, I.I. Bogach, S.V. Burov, K.D. Zhuravlyov) was awarded the 1st Premium of the International Contest for Scientific, Scientific and Technical, and Innovative Arctic and Continent Exploration Advancements.

On October 4, the KhMAO-Yugra's first agreement between Tyumenenergo JSC and Lyceum No. 3 on organizing a power engineering class in Surgut.

2nd place in the city photo contest on occupational safety Labor in Focus among Surgut's industrial enterprises.

On October 18, 2018, Tyumenenergo JSC Director General A.K. Melikhov assumed the office.

Acknowledgment of the KhMAO-Yugra Government for operation and great contribution to development of the housing and public services and energy-saving policy in the Khanty-Mansi Autonomous Okrug-Yugra, and cultivation of the energy-saving lifestyle and care for natural resources.

3rd place in the regional stage of the 4th All-Russian Competition of Mass Media, Press Services Fuel and Energy Companies, and Regional Administrations called MediaTEK, in the category Local Printed Mass Media, Online Mass Media, and Information Agencies, nomination Modern Production and Development of the Fuel and Energy Industry for the project Power Engineers at the Cutting Edge (Tyumenenergo's appendix to Russian Grids (Rossiyskiye Seti) monthly newspaper).

In October, Tyumenenergo JSC jointed the project Bright Country implemented in Rosseti Group. The portal светлаястрана.рф started working for power consumers in Tyumen Oblast, the KhMAO-Yugra, and YNAO on October 25.

NOVEMBER

Tyumenenergo JSC's subsidiary Tyumen Distribution Grids took the second place in the category *Development of the Talent Pool in Production Organizations* of the Regional Stage of the All-Russian Competition *Russian High-Social-Efficiency Organization*.'

Tyumenenergo JSC won the Izotov Cup in the category *Best Set of Regulatory Mentorship Documents among Russian Enterprises and Organizations*.

At Tyumenenergo JSC's facilities in Surgut, the research-to-practice conference *Systems and Organization of Continuous Status Monitoring of Main Electric Equipment and Power Lines: Methodology, Devices, and Regulations. General Problems of Power Equipment Diagnostics* was held, which involved executives of power companies, equipment and diagnostics devices manufacturers, scientists, and leading engineers of the industry specialties.

DECEMBER

Tyumenenergo JSC was awarded the laureate diploma in the category KindSoul of the annual award Seventh Petal for charity activities in the KhMAO-Yugra of the regional charity fund Giving the Good for the contribution to development of charity in the region.

On December 21, the exercise program Tyumen 2018 was finished. For three months, 3,276 hectares of OPL area were cleaned, 495 hectares of clearcut areas were expanded, 83 km of the self-bearing insulated wire were installed, 85 transformer substations were repaired, over 3,000 supports were replaced.

Engineers of Surgut Electric Grids (Tyumenenergo JSC's subsidiary) developed the innovative system allowing for enhancing the reliability of coupling capacitors. In February 2019, the Company obtained the invention patent No. 2680160 "Method for diagnostics and monitoring of the technical status of coupling capacitors under the operating voltage."

JANUARY 2019

Energocomplex (Tyumenenergo JSC's subsidiary) was declared the winner of the corporate occupational safety, HR, and fire safety contest. Also, Kogalym and Nizhnevartovsk Electric Grids were among the best in terms of occupational safety (2nd and 3rd places respectively). In the fire safety category, the second place was taken by Uray Electric Grids, and Surgut Electric Grids also captured the pedestal on the third place.

SPEECH OF THE CHAIRMAN OF THE BOARD VALENTIN EFIMOVICH MEZHEVICH AND DIRECTOR GENERAL ALEKSANDR KONSTANTINOVICH MELIKHOV

Ladies and gentlemen,

In 2018, Tyumenenergo JSC completed its key mission — we have provided all the consumers in our operation area with reliable power supply. The Company has been steadily holding the industry leadership in terms of continuous power grid operation. To achieve such a great level, Tyumenenergo JSC responsibly forms and carries out repair activities, cost of which exceeded 4 billion rubles in 2018. We must note that the overall expenses on repairs has shown no decrease over several years, despite the external economic factors.

Unfortunately, Tyumenenergo JSC's balance was negative as of the year-end due to some objective factors. Specifically, it was related to execution of OPEC+ by Russian oil companies; this regulation reduced mining of hydrocarbons which led to abrupt decrease in power consumption by major users. Beyond that, the search for optimal cost management solutions compelled large northern industrial plants to start generating their own power, which resulted in lower net output of our grids.

Nevertheless, the brilliant proficiency of our staff, its cohesion and dedication, were the defenders that prevented the above factors from reflecting on reliability of the power supply to users in Tyumen Oblast, the Khanty-Mansi Autonomous Orkug — Yugra, and Yamalo-Nenets Autonomous Okrug. To say more, as of the end of 2018, Tyumenenergo JSC improved reliability in 6kV+ grids: in this very segment, the number of technological disturbances shrunk by a third. Also, the positive dynamics was registered for the specific accident rate which reduced by 30%. Average outage duration lost 43% (from 2.44 hours to 1.4 hours).

In 2018, another landmark event took place. Tyumenenergo JSC launched the complex of power grid facilities built for connecting the Salekhard Energy District to the Unified National Power Grids. This gave the development of the Yamalo-Nenets Autonomous Okrug the fresh start. Connection of the energy district which covers the capital of the YNAO, and where the bulk of Russian gas is mined, was the momentous event of Russia's modern times. The complex comprised two Nadym-Salekhard 220-kV single-circuit power lines (700 km in total length), Salekhard 220/110 kV substation (250 (2x125) MVA), and Polyarnik and Severnoye Siyaniye 110-kV substations (80 (2x40) MVA each) with feed lines. Now the region has received the boost of rigidness and reliability, as well as great potential for development of new production plants.

Speaking of today's objectives, the Company's team now needs to help Tyumenenergo out of the unstable financial status and get it back to profitability and financial firmness. For that, specialists analyze all business processes, and experts seeking new ways to improve the executive schemes and power facility operation systems. The resolutions to be made will significantly reduce costs and adjust the cost aspect of the Company's business.

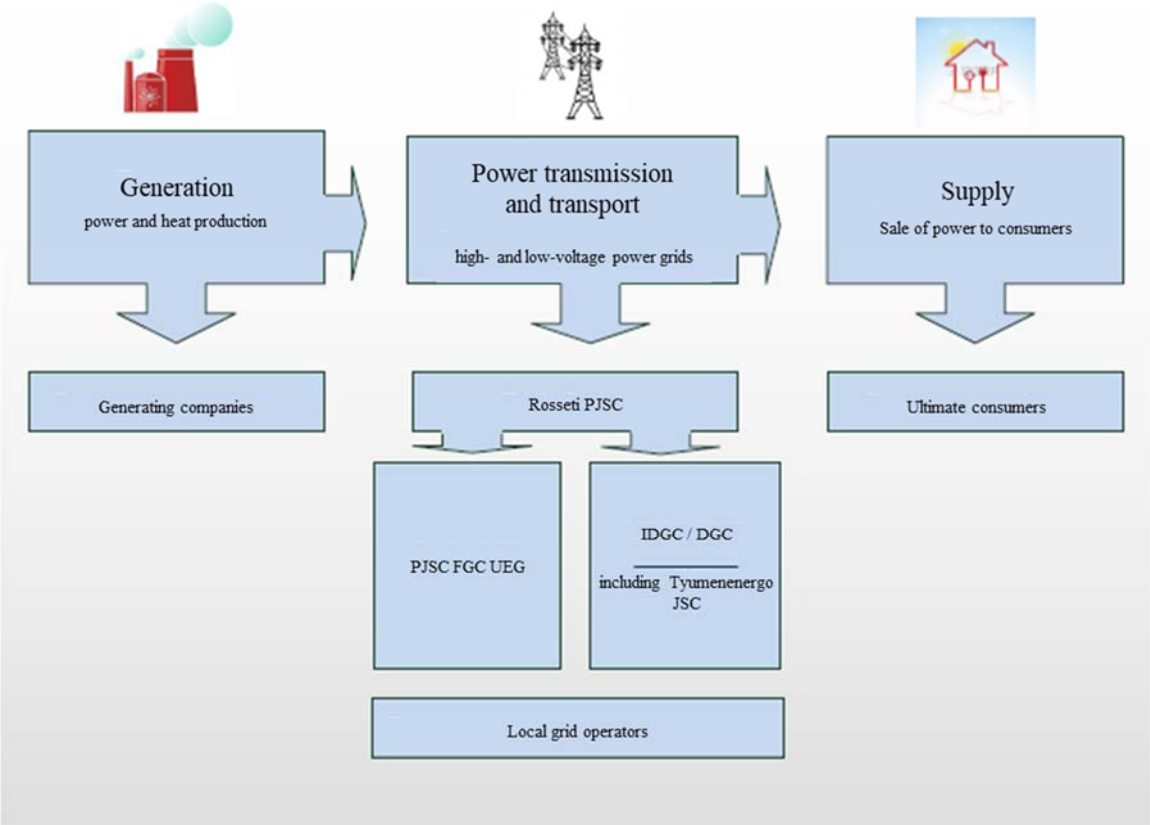
Rosseti PJSC has set the level for implementing the digital-based intelligent control systems. The Approved 2030 Digital Transformation Concept will let implement the cutting-edge corporate and technological workflow management algorithms aimed at enhancing quality and accessibility of services. This will ensure capitalization gaining and high-grade execution of the Company's social function amid the market and economic conditions. It is proper cost management, competent specialists, and elaborate youth polity which will let the Company take another step in its growth and development. Young engineers need to be innovation pioneers and lead the seniors. This is the only possible way of digitalization: young people's proactiveness, seniors' wisdom and experience, and a dependable approach to financial activities.

1. BUSINESS MODEL AND DEVELOPMENT STRATEGY

1.1. COMPANY'S INDUSTRIAL AND REGIONAL POSITIONS AND MARKET SHARE

The modern power complex of Russia has a three-component structure: power generation, transmission, and sale. Rosseti PJSC is involved in power transmission and transport. Being the country's largest grid company, Rosseti PJSC combines a main-line grid complex, interregional distribution grid companies (including Tyumenenergo JSC), and regional distribution grid companies.

Structure of the Power Industry in Russia



Rosseti PJSC is the sole shareholder of Tyumenenergo JSC.

Among all the grid companies belonging to the Tyumen Power System located in three of Russia's constituent entities (the Yamalo-Nenets Autonomous Okrug, Khanty-Mansi Autonomous Okrug — Yugra, and Tyumen Oblast), Tyumenenergo JSC takes the lead in terms of power transmission to end users; being the largest grid company of the Ural Federal District.

Today, grid companies are divided into three levels based on technological, administrative, and territorial attributes:

Level 1. The Federal grid company owning 220 kV + main power transmission lines which form the Unified National Power Grid (UNPG). This company operates across Russia and has branches in all the state regions.

Level 2. Interregional distribution grid companies established as a result of reforming Energo JSC. Tyumenenergo JSC belongs to this level. These companies own 110-0.4 kV grids and provide power transmission and technological connection services in the territories where they are based.

Level 3. Local grid operators mostly owning 0.4-to-10 kV grids. Most often, these companies were established in the framework of wholesale resellers created as municipal enterprises, each serving consumers within a single municipal entity; some companies were based on the grids formerly operated by industrial enterprises.

Tyumenenergo JSC comprises nine branches in three of Russia's constituent entities, namely:

– Northern and Noyabrsk Electric Grids in the YNAO;

– Kogalym, Nizhnevartovsk, Surgut, Nefteyugansk, and Uray Electric Grids, as well as Energocomplex in the KhMAO-Yugra;

– Tyumen Distribution Grids in Tyumen Oblast, comprising four local production units: Tyumen, Tobolsk, Ishim, and Yuzhnoye.

Tyumenenergo JSC contributes to the growing industrial potential of Russia's most important region while improving the energy security of the country in general, enhancing the quality and safety of its power transmission and distribution services in accordance with the global standards, while also continuously and steadily improving and developing the grid complex in Tyumen Oblast, the KhMAO-Yugra, and YNAO. Systematic efforts in grid renovation and commissioning new facilities is still a relevant task and Tyumenenergo JSC's priority.

Today, more than 50 local grid operators operate in Tyumen Oblast beside Tyumenenergo JSC; these operators provide such services as power transmission technological connection within their localities or serve specific industrial enterprises. Such grid operators mostly have no direct access to the UNPG and supply power of low-to-medium voltage (0.4 to 10 kV); they are connected to Tyumenenergo JSC's grid as the latter has higher voltage.

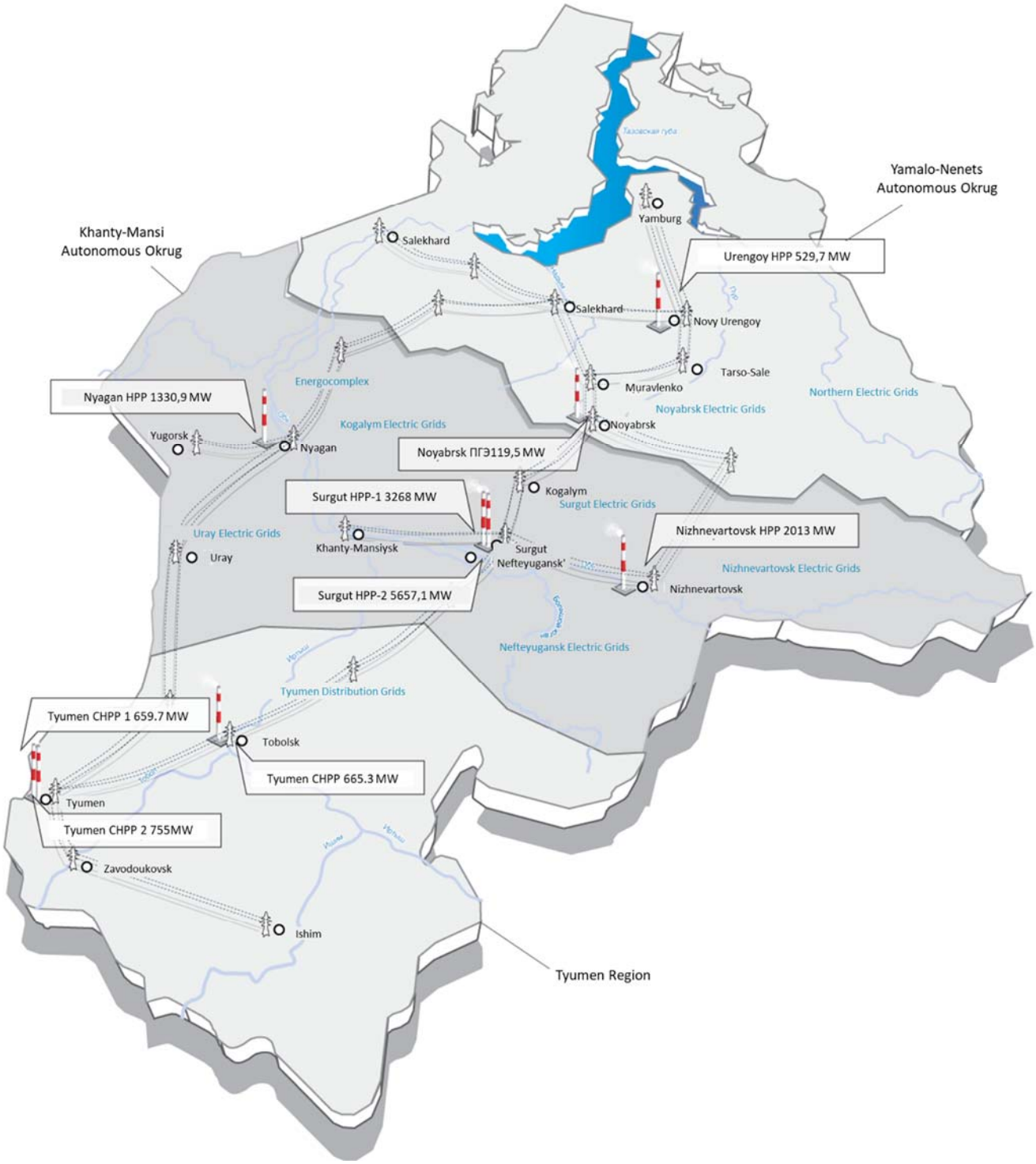
Tyumenenergo Regional Market Share in 2018*

Local Grid Operator (LGO) Name	Required Gross Revenue, rubles	Power Supply Network, c.u.	Transformer Power, MVA	Power Line Length, km	Market Share, %
Tyumenenergo JSC	49,206,523	226,618	29,184	43,035	69.10
STS Corporation LLC	12,860,921	140,422	7,462	17,546	18.05
SC “Yugorsk Electric”	2,660,154	29,652	-	5,568	3.74
Gazpromenergo PJSC	2,599,924	26,780	3,875	8,952	3.65
Varyeganenergoneft PJSC	711,569	20,847	1,234	2,219	1.00
Municipal Unitary Enterprise "SRES" Surgut Region	534,533	8,434	414	927	0.75
Municipal Enterprise “KhMGES” Khanty-Mansiysk	470,751	12,545	471	5,281	0.66
Other Local Grid Operators	2,164,482	61,024	28,153	50,694	3.05

** The calculation uses the Tyumenenergo JSC required amount of gross revenue (RGR) net of paid losses, as well as the RGR of the grid operators net of paid losses; the RGR values used in calculations are equal to the RGR values accounted when approving the region-specific uniform power transmission tariff and reflected in the corresponding Decree of Approval of Uniform Power Transmission Tariff as approved by an executive body of the Russian Federation's entity responsible for the state regulation of tariffs in 2018..*

Given that the energy service market is boosting now, and the emergence of competition seems quite possible, Tyumenenergo JSC prioritizes the expansion of its grid; expansion efforts include the development and enhancement of the technological connection procedures for the power receivers of Tyumenenergo JSC's grid users (consumers).

1.1.1. GEOGRAPHIC FOOTPRINT OF TYUMENENERGO JSC

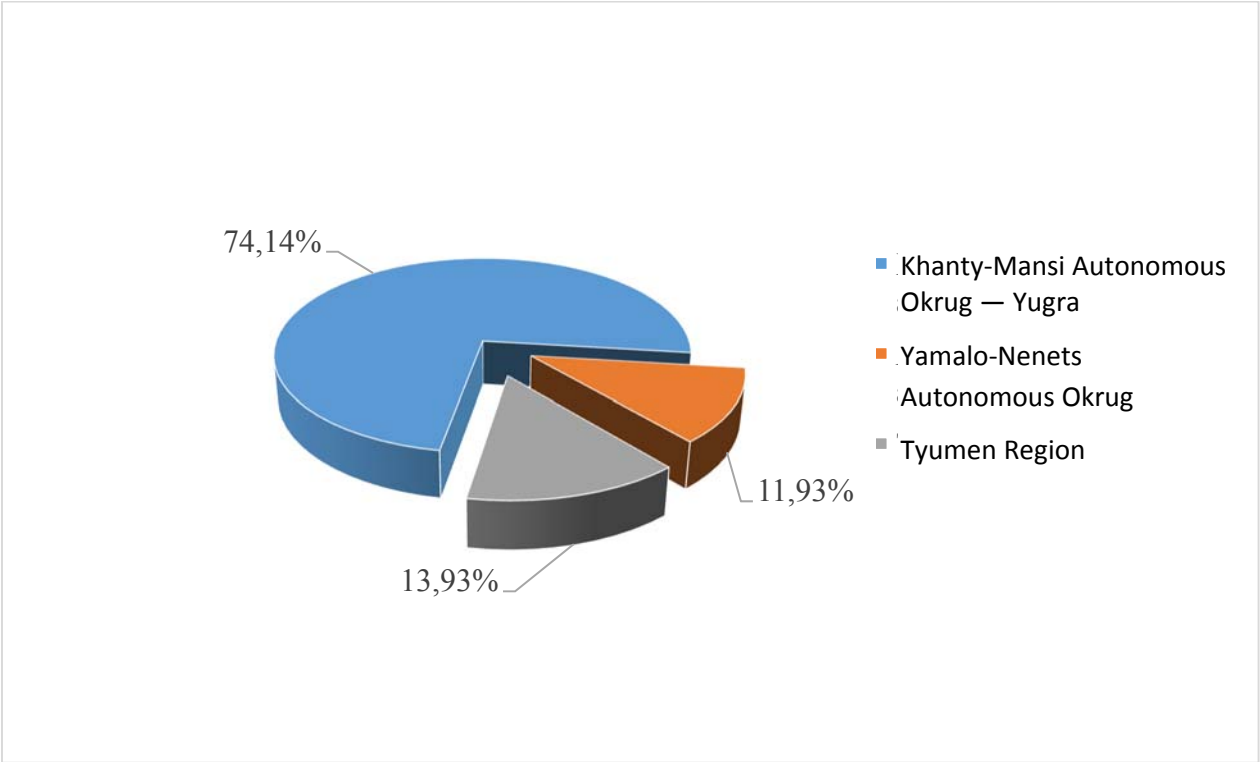


1.1.2. ENERGY CONSUMPTION STRUCTURE

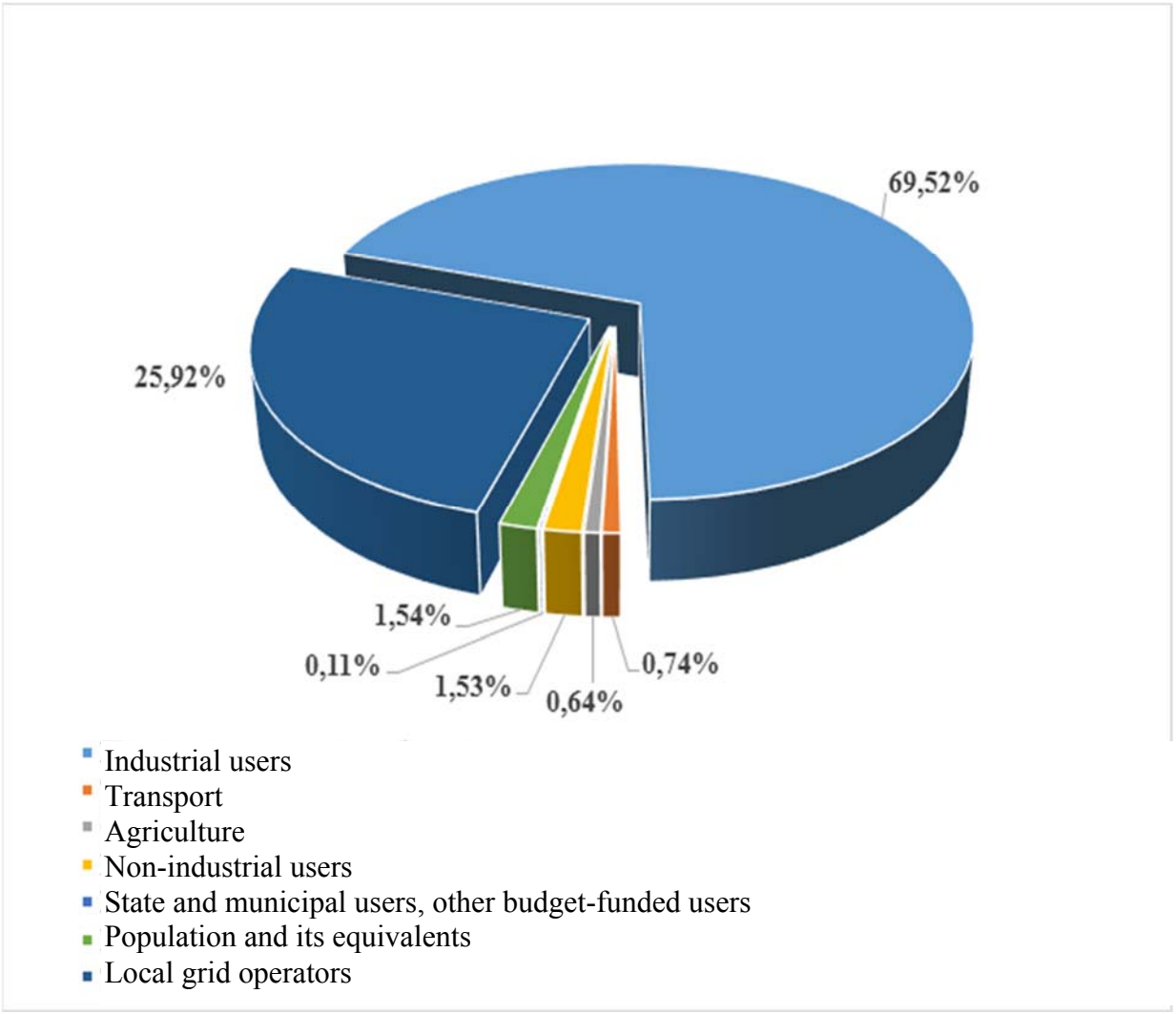
Tyumenenergo JSC provides power delivery services in the three major oil-and-gas regions of Russia: the KhMAO-Yugra, YNAO, and Tyumen Oblast.

Power Consumption by Region

Productive supply to grid in 2018	56,213.57 million kWh	
Khanty-Mansi Autonomous Okrug – Yugra	41,674.26 million kWh	74.14%
Tyumen Oblast	7,830.22 million kWh	13.93%
Yamalo-Nenets Autonomous Okrug	6,709.09 million kWh	11.93%

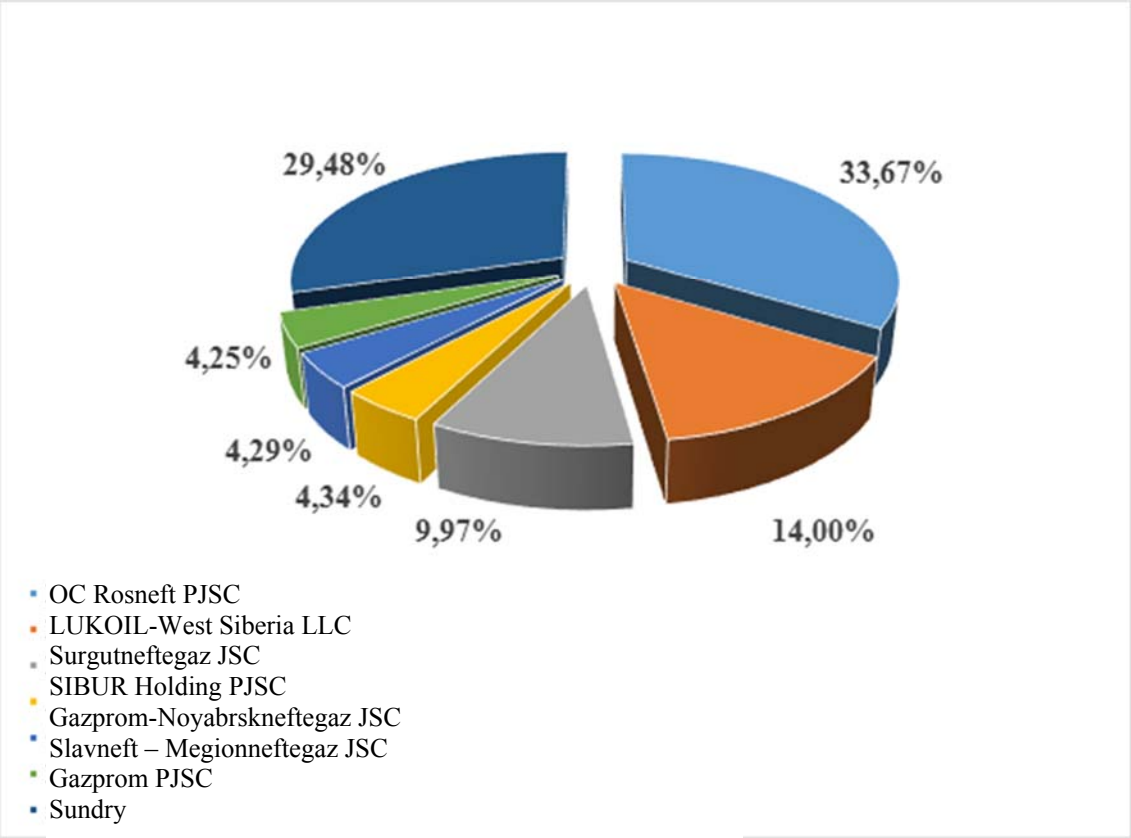


Power Consumption by User



Major Industrial Users

OC Rosneft PJSC	18,926.76 million kWh	33.67%
LUKOIL PJSC	7,868.79 million kWh	14.00%
Surgutneftegas OJSC	5,606.03 million kWh	9.97%
Gazpromneft-Noyabrskneftegaz JSC	2,437.31 million kWh	4.34%
Slavneft-Megionneftegaz OJSC	2,413.16 million kWh	4.29%
Gazprom PJSC	2,389.08 million kWh	4.25%
Other	16,572.44 million kWh	29.48%

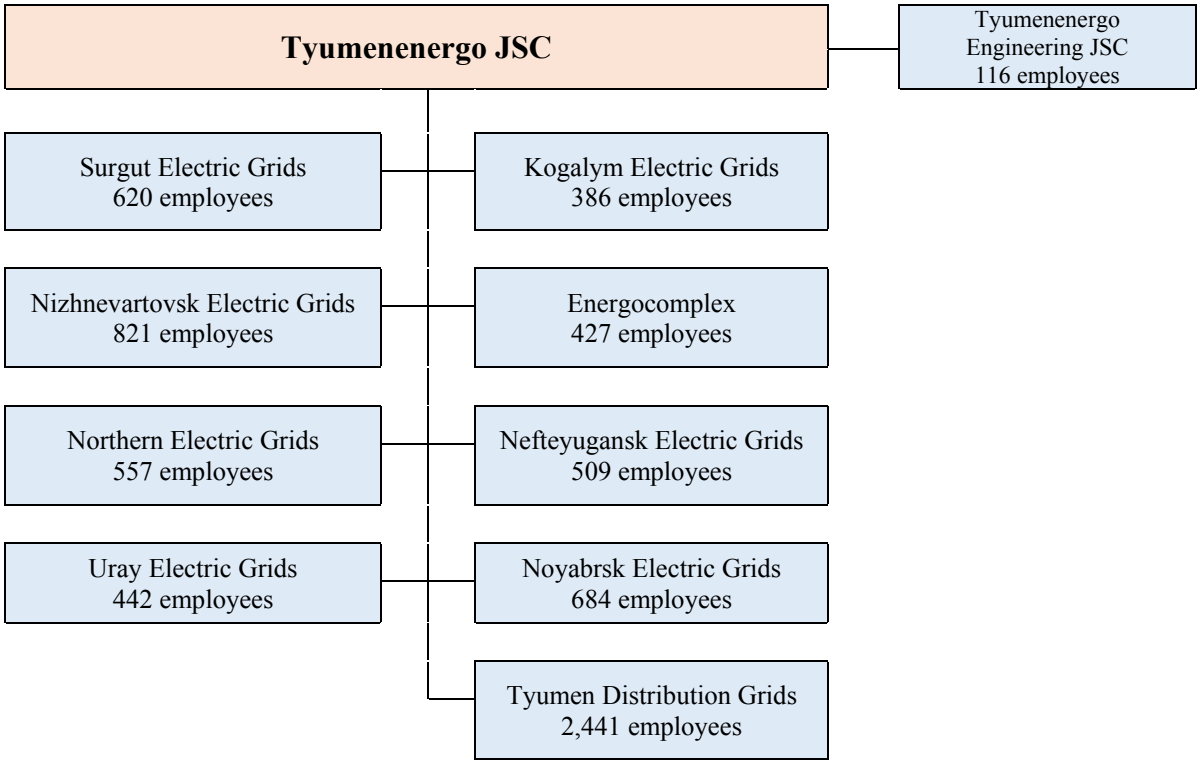


2018 Tyumenenergo JSC Power Balance Sheet

<table>
<tr><td>Generation</td><td>7,229.2 million kWh</td><td rowspan="5">Supply to Grid 57,853.8 million kWh</td><td rowspan="5">Supply from Grid to Users and Related RGOs 56,213.6 million kWh</td><td>Agriculture</td><td>359.7 million kWh</td></tr>
<tr><td>FGC 500</td><td>12,469.6 million kWh</td><td>Major Cities</td><td>7,295.0 million kWh</td></tr>
<tr><td>FGC 220</td><td>36,525.9 million kWh</td><td>Other Users</td><td>5,781.6 million kWh</td></tr>
<tr><td>Related Grid Companies</td><td>- 278.9 million kWh</td><td rowspan="2">Major Industrial Users</td><td rowspan="2">42,777.3 million kWh</td></tr>
<tr><td>Isolated Generation Plants</td><td>1,908.0 million kWh</td></tr>
<tr><td colspan="6">Power Loss
1,640.2 million kWh (2.84 %)</td></tr>
</table>

1.2. COMPANY STRUCTURE

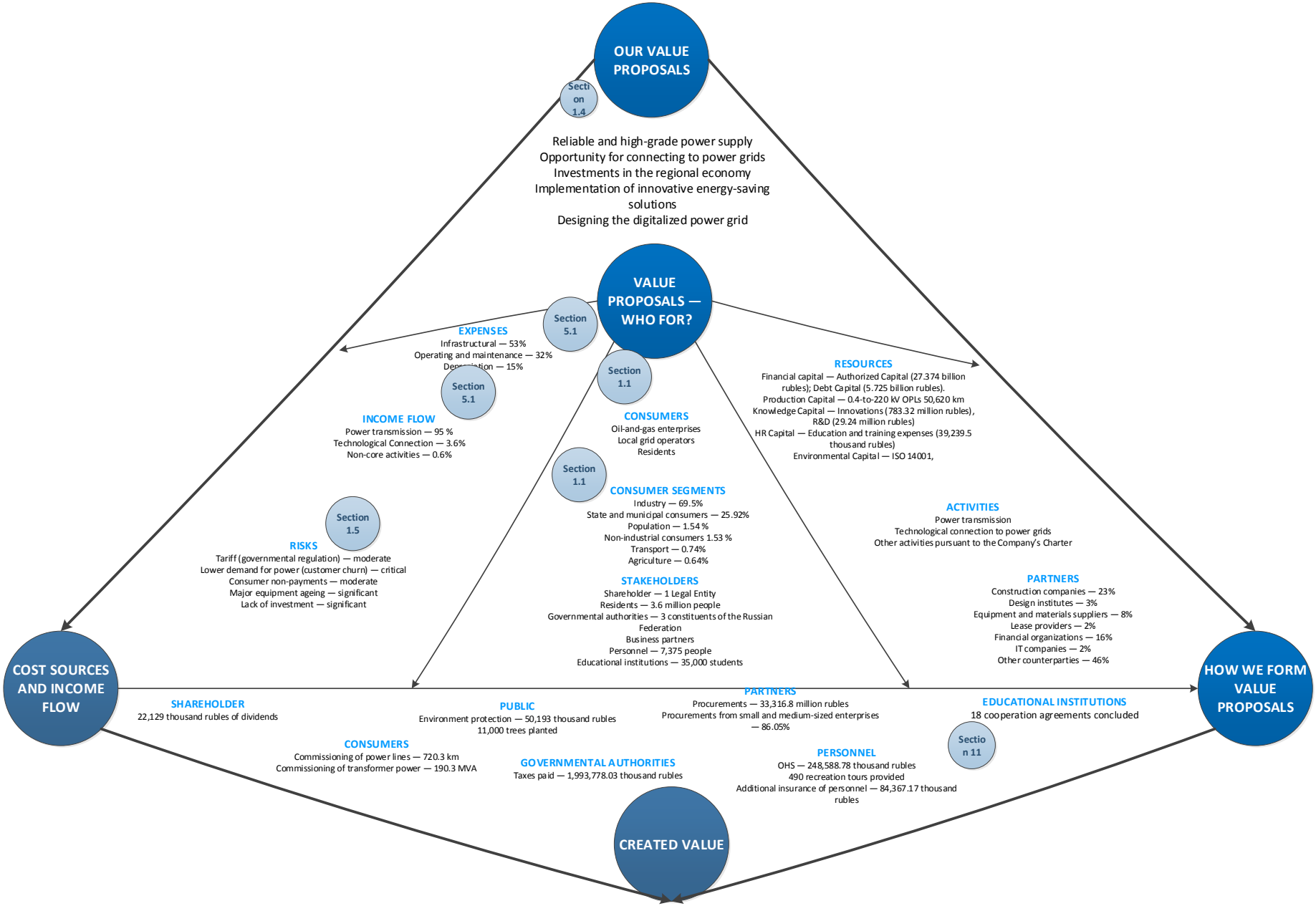
In 2018, Tyumenenergo JSC headcount came to 7,375 employees, including 488 members of the Company's executive bodies



Over the reporting period, neither of Tyumenenergo JSC branches has experienced major changes.

1.3. BUSINESS MODEL

Over the reporting period, Tyumenenergo JSC has experienced no significant changes in its supply chain.


OUR VALUE PROPOSALS
Section 1.4
Reliable and high-grade power supply
Opportunity for connecting to power grids
Investments in the regional economy
Implementation of innovative energy-saving solutions
Designing the digitalized power grid
VALUE PROPOSALS — WHO FOR?
Section 5.1
EXPENSES
Infrastructural — 53%
Operating and maintenance — 32%
Depreciation — 15%
Section 5.1
INCOME FLOW
Power transmission — 95 %
Technological Connection — 3.6%
Non-core activities — 0.6%
Section 1.1
CONSUMERS
Oil-and-gas enterprises
Local grid operators
Residents
Section 1.1
CONSUMER SEGMENTS
Industry — 69.5%
State and municipal consumers — 25.92%
Population — 1.54 %
Non-industrial consumers 1.53 %
Transport — 0.74%
Agriculture — 0.64%
Section 1.5
RISKS
Tariff (governmental regulation) — moderate
Lower demand for power (customer churn) — critical
Consumer non-payments — moderate
Major equipment ageing — significant
Lack of investment — significant
STAKEHOLDERS
Shareholder — 1 Legal Entity
Residents — 3.6 million people
Governmental authorities — 3 constituents of the Russian Federation
Business partners
Personnel — 7,375 people
Educational institutions — 35,000 students
RESOURCES
Financial capital — Authorized Capital (27.374 billion rubles); Debt Capital (5.725 billion rubles).
Production Capital — 0.4-to-220 kV OPLs 50,620 km
Knowledge Capital — Innovations (783.32 million rubles), R&D (29.24 million rubles)
HR Capital — Education and training expenses (39,239.5 thousand rubles)
Environmental Capital — ISO 14001,
ACTIVITIES
Power transmission
Technological connection to power grids
Other activities pursuant to the Company's Charter
PARTNERS
Construction companies — 23%
Design institutes — 3%
Equipment and materials suppliers — 8%
Lease providers — 2%
Financial organizations — 16%
IT companies — 2%
Other counterparties — 46%
COST SOURCES AND INCOME FLOW
HOW WE FORM VALUE PROPOSALS
SHAREHOLDER
22,129 thousand rubles of dividends
PUBLIC
Environment protection — 50,193 thousand rubles
11,000 trees planted
PARTNERS
Procurements — 33,316.8 million rubles
Procurements from small and medium-sized enterprises — 86.05%
EDUCATIONAL INSTITUTIONS
18 cooperation agreements concluded
Section 11
CONSUMERS
Commissioning of power lines — 720.3 km
Commissioning of transformer power — 190.3 MVA
GOVERNMENTAL AUTHORITIES
Taxes paid — 1,993,778.03 thousand rubles
PERSONNEL
OHS — 248,588.78 thousand rubles
490 recreation tours provided
Additional insurance of personnel — 84,367.17 thousand rubles
CREATED VALUE

1.4. STRATEGY AND PRIORITY CONCERNS

The Company's priorities and targets are set in the Grid Complex Development Strategy of the Russian Federation, as approved by Decree no. 511-p of the Government of the Russian Federation dd. April 3, 2013 "On the Approval of the Grid Complex Development Strategy of the Russian Federation".

As of today, strategic governance of the industry is based on the 2030 Energy Strategy of Russia, as approved by Decree no. 1715-p of the Government of the Russian Federation dd. November 13, 2009 "On the 2030 Energy Strategy of Russia"; this Strategy is to maximize the efficiency of using natural energy sources and energy sector potential to ensure stable economic growth, to improve the state-wide quality of life, and to strengthen economic positions in foreign trade.

In the long term, Tyumenenergo JSC is to carry out all its activities in strict compliance with the Strategy.

Mission

The Company provides reliable, high-quality, and safe power transmission and distribution services to every customer, being guided by the industry's best standards.

The Company guarantees an opportunity for the regional economy to grow freely while building and developing the efficient, resource-saving, and safe grid complex.

The Company leads public energy and housing utility services toward innovative development, energy efficiency, and energy saving.

The Company cares about each and every employee by ensuring conditions for proper work and professional growth.

PRIORITIES[1]

<table>
<tr><th colspan="3">1. BETTER RELIABILITY AND QUALITY OF POWER SUPPLY TO TYUMEN POWER SYSTEM USERS</th></tr>
<tr><td colspan="3">1.1. RECONSTRUCTION AND TECHNICAL RE-EQUIPMENT</td></tr>
<tr><td>What was achieved in 2018</td><td colspan="2">Below is the list of the most significant activities carried out at Tyumenenergo JSC's facilities in 2018 for the purpose of ensuring reliable power supply to cities, settlements, and industrial users:
Substation Equipment
129 outdated 35-to-110 kV oil circuit breakers, isolators, and short-circuiters were replaced with new SF6 and vacuum ones
1,458 pcs of porcelain insulation in 35-to-110 kV rods and supports were replaced with new polymer-porcelain insulation
90 oil-filled power transformer bushings were replaced with solid-insulation bushings
154 6-to-10 kV oil circuit breakers were replaced with vacuum circuit breakers
Power Line Equipment
Foundations were replaced for 104 supports
31.05 km of ground wire were replaced
1,017 sets of spiral reinforcements and multi-frequency vibration absorbers were installed on wires/ground wires</td></tr>
<tr><td>What is planned for future</td><td colspan="2">In 2019, the Company plans the following significant activities:
35-to-110 kV Power Lines
<table><tr><th>Emergency point, bottleneck</th><th>Interventions for 2019</th></tr><tr><td>Reduction of accidents caused by galloping of wires and wind</td><td>16 additional supports to be installed</td></tr><tr><td>Ground wire wearing due to numerous lightning strokes, galloping of wires, and vibration wear</td><td>491.5 km of ground wire to be replaced</td></tr></table></td></tr>
</table>

[1] *The Priority Report of Tyumenenergo JSC's Board of Directors can be found in Section 6.2.2 of this Annual Report.*

<table>
<tr><td></td><td>
<table>
<tr><td rowspan="2">Vibration wear of wires</td><td>1,001 sets of spiral reinforcements and multi-frequency vibration absorbers to be installed on wires/ground wires</td></tr>
<tr><td>297.18 km of wires to be replaced</td></tr>
</table>
Besides, to address the "bottlenecks" in specific types of substation equipment, the following activities are planned:
– 1,214 pcs of support and rod insulation to be replaced on 35-to-110 kV lines;
– 87 bushings of power transformers to be replaced.
</td></tr>
<tr><td colspan="2">1.2. REPAIR PROGRAM</td></tr>
<tr><td>What was achieved in 2018</td><td>2018 M&R program was carried out at 99%. Related financing totaled 4,523.4 million rubles, 2,381.5 million of which were spent on repairs.
The autumn and winter periods were completed routinely.</td></tr>
<tr><td>What is planned for future</td><td>In 2018, M&R financing is planned to total 4,425.6 million rubles, 2,291.6 million of which are to be spent on repairs.</td></tr>
<tr><td colspan="2">2. IMPLEMENTATION OF INNOVATIVE SOLUTIONS AND ENERGY EFFICIENCY ENHANCEMENT</td></tr>
<tr><td colspan="2">2.1. ENERGY EFFICIENCY AND ENERGY SAVING</td></tr>
<tr><td>What was achieved in 2018</td><td>– Mandatory energy inspection was conducted; based on the results, the energy sheet and report were formed in compliance with requirement stipulated in Order No. 400 of the Ministry of Energy of the Russian Federation dd. June 30, 2014;
– adjusting measures were taken based on the energy analysis of Tyumenenergo JSC's activities; measures to reduce the in-house power expenditures were developed and carried out; five measures were developed and included in the amended Energy Saving Programs for 2018–2022, aimed at reducing the costs of heating the branch offices and facilities from the Company's own heat supply sources; measures to reduce engine fuel consumption by vehicles were executed.</td></tr>
<tr><td>What is planned for future</td><td>– further fulfillment of energy service contracts aimed at energy saving and improved energy efficiency of using energy resources;
– carrying out the inspection audit of the Company to ensure the conformity of the EnMS to ISO:50001;
– developing the automated energy saving management system (AESMS). The AESMS will be integrated into the SAP ERP system to account the planned and the actual consumption of fuel and energy resources in real time to enable quality planning of energy consumption while detecting the highest-consumption facilities.</td></tr>
<tr><td colspan="2">2.2. INNOVATIVE DEVELOPMENT</td></tr>
<tr><td>What was achieved in 2018</td><td>All KPIs of the 2018 Innovative Development Program were completed:
– financing of the Innovative Development Program in 2018 (from the Company’s own sources) totaled 790 million rubles, including:
– 107 million rubles were spent on the transition to digital substations of various voltage classes (35-to-110 (220) kV);
– 584 million rubles were spent on the transition to digital active-adaptive grids with a distributed smart automation and control system;
– 28 million rubles were spent on the transition to comprehensive business process efficiency and automation of control systems;
– 39 million rubles were spent on new technologies and materials in power engineering;
– 30 million rubles were spent on improving the systems for the development and implementation of innovative products and technologies, including R&D;
– 2 million rubles were spent on HR development and educational partnership.</td></tr>
<tr><td>What is planned for future</td><td>– Execution of the 2019 Innovative Development Program;
– Implementation of cutting-edge innovative equipment and new efficient innovative industrial advancements;
– Commercialization of R&D products;
– Pilot operation, reproduction, and implementation of R&D products;
– Cooperation with higher-education institutions, small and medium-size enterprises, research and production associations, research and design institutions to carry out joint projects in research, design, development, and technology. These projects are aimed to improving energy efficiency, optimizing operational costs, and reducing losses.</td></tr>
<tr><td colspan="2">3. DIGITALIZATION OF GRID FACILITIES</td></tr>
</table>

3.1. DIGITALIZATION OF GRID FACILITIES	
What was achieved in 2018	Relay protection and automation: In 2017–2018, the R&D on "Complex of Main Digital Protection with Central Redundancy for 110/35/10(6) kV Substations with the Pilot Project Implementation" was carried out by NPP Bresler LLC by Tyumenenergo JSC's order. The purpose of this work was development of the new high-efficiency reliable digital relay protection system for 110/35/10(6) kV substations with the pilot project implementation. Generally, the protection system has to ensure execution of all relay-protection functions — both during autonomous operation and within the fully-digitalized substation control system. Pursuant to the project statement of the Aganskaya 110/35/6 kV substation of Nizhnevartovsk Electric Grids (Tyumenenergo JSC's subsidiary), the following was carried out: – Supply and installation of main protection within the digital protection complex with central redundancy; – Pre-commissioning of main protection within the digital protection complex with central redundancy for 110/35/10(6) kV substations; – Testing and adjustment of the development prototype of main protection within the digital protection complex with central redundancy; – Production and supply of protection with central redundancy and supplementary disconnection blocks, pursuant to the design documentation; – Installation of the development prototype of main protection within the digital protection complex with central redundancy for 110/35/10(6) kV substations; – Pre-commissioning of the development prototype of main protection within the digital protection complex with central redundancy; – Acceptance trials of the development prototype of main protection within the digital protection complex with central redundancy; – Commissioning of the development prototype of main protection within the digital protection complex with central redundancy. The digital protection complex with central redundancy for 110/35/10(6) kV substations consists of individual elements and centralized redundant protection. The protection complex of separate substation elements with the main scheme 4H, 5H, 5AH consists of transformer protection, outgoing circuit protection, input protection, and bus-section breaker protection. Department for Corporate and Technological Automated Control Systems: The following activities were carried out: 1. Reconstruction of the telemetry system with the programmed electromagnetic blocking. Pursuant to Tyumenenergo JSC's 2018–2022 Investment Program, the Company continued to equip its facilities with telemetry devices. The corresponding measures were taken as a part of the approved Data Reporting System Program, in accordance with the local development programs. The total number of telemetry-equipped facilities was increased to 582. The share of telemetry-equipped facilities in the 35-kV+ voltage class came to 90%. 2. Modernization of the main communication and data transfer line. The total length of main fiber-optic communication lines (FOCL) gained 10.6% and amounted to 3,650 km. Development of main FOCL enabled the Company to form a reliable data transfer ring. 3. Reconstruction of communications and data transfer systems. The activities took place at 47 facilities, pursuant to the approved Data Reporting System Program, and in accordance with the local communications and data transfer development programs.
What is planned for future	Relay Protection and Automation: 1. Automated Energy-Saving Management System (AESMS). Currently, data for the Energy Saving and Energy Efficiency Enhancement Program are collected and energy analysis of the Company is conducted based on the SAP ERP reporting and quarterly reports submitted by the Company's subsidiaries. Specialists have to manually account executed energy-saving measures and energy-saving potential recommended in the energy sheet. Considering the Company's subsidiaries have various structural subdivisions responsible for energy-saving and energy efficiency enhancement, development of the AESMS is to ensure reduction of labor efforts and improve the overall performance. The AESMS will be integrated into the SAP ERP system

	to account the planned and the actual consumption of fuel and energy resources in real time to enable quality planning of energy consumption while detecting the highest-consumption facilities. The AESMS will enable the company to: – Manage the collection of relevance of data regarding the power grid facilities, to plan and supervise energy-saving and energy efficiency-related measures; – Form Tyumenenergo JSC's energy sheet; – Form the energy-saving program and supervise the execution thereof; – Forecast and evaluate the effect of energy-saving measures; – Form the internal and external reporting regarding energy-saving and energy efficiency.\ 2. Development and formation of the Tyumenenergo JSC's Power Grid Control Complex has the following goals and objectives: – Enhancing the manageability of power facilities by means of implementing the equipment shutdown modules guided by the intelligent switch sheet; – Enhancing the productivity by means of shutting down the equipment before the maintenance team arrives; – Reducing personnel transportation costs thanks to automated (unmanned) reading of COMTRADE files and superposition of the damage place on the geoinformation plate; – Reducing the outage durations, decreasing the SAIDI index — both by means of the remote installation of redundant power supply circuits; – Ensuring energy system reliability by means of automated limitation schedules; – Automated submission of the grid operation parameters to the production asset management system for further repairs assessment by status; – Remote workplaces enable connection with mobile devices or from redundant workplaces; – Reduction of technological connection terms by virtue of workflow optimization and implementation of the GIS and forecasted consumption modules; – Enhancement of the dispatch productivity by virtue of forming various-type reports. 3. Knowledge base. Electronic archive. Electronic archive is the single place for storing the Company's documentation. Establishment of the consistent context-based information environment and integration thereof into the continuous updating of numerous input-data sources. Electronic archive functions: – Metadata search (document details, text); – Document categorization formation and updating; – Reception and registration of documents for short- and long-term storage; – Document exchange between the Company's information system and external information systems; – Ensuring relevance and consistency of information; – Single document storage. Advantages of using the electronic archive: – Up to 80% of funds saved on document storage; – Up to 60% of time saving when approving documents and forming reports; – Up to 90% lower risk of document loss. Department of Corporate and Technological Automated Control Systems: 1. Modernization of the dispatch hardware and software of dispatch communication and group of 12 subsidiaries, and Grid Control Center of the executive board. 2. Reconstruction of substations with replacement of the equipment operating in conformity to the digital standard IEC 61850: Ochimkinskaya, Khora, Bystrinskaya, Vykatnaya, Batovo, Maslovo.

As long as Tyumenenergo JSC reaches its priority goals, it is able to provide every consumer in the regions of the Company's footprint with high-quality power by means of reliable operations and timely development (including the consumers in the new markets), efficient and safe power complex that makes use of innovative solutions, and transition to a new power system organization type; it will involve all the players, including the consumers, in creating the next-generation power

system and will contribute to the sustainable development of the regional economy and to better life of the locals.

1.5. RISK MANAGEMENT

The Company uses a Risk Management System (hereinafter "the RMS") designed to ensure sustainable and continuous Company operation and development by virtue of the timely identification, assessment, and efficient management of risks threatening the efficient business operations and reputation of the Company, the health of its employees, the environment, and the property interests of the Company's shareholders and investors.

To develop the Company's RMS, the Board of Directors has approved a Risk Management Policy, see Minutes No. 06/16 of the Tyumenenergo JSC Board of Directors Meeting dd. March 21, 2016.

RMS Participants

Below are the main participants of the risk management process:

- Board of Directors;
- Authorized Committee of the Board of Directors;
- Director General;
- risk owners;
- risk management officers;
- Internal Control, Risk and Quality Management Department;
- Internal Audit Service.

Key Functions of RMS Participants

Participant	Key RMS Functions
Board of Directors	— approves the internal documents of the Company that determine the organization and functioning of the Company's Risk Management System; — analyzes the Company's Director General's reports on the organization, functioning, and efficiency of the Risk Management System, assesses the functioning of the system, and drafts recommendations on the enhancement thereof.
Strategy and Development Committee of the Board of Directors	Controls the efficiency of risk management procedures, assesses the efficiency of risk management measures and RMS improvements.
Director General	— specifies the risk data format and completeness requirements; — directs and plans the RMS development and enhancement; — analyzes the risk portfolio and develops the Strategy of Response Actions, and measures for redistribution of the resources related to the risk-specific management.
Risk owners	Risk owners are responsible for: • timely identification and assessment of risks; • selecting a risk response method; • timely development and arrangement of risk management actions; • regular risk monitoring.
Risk management officers	Risk management officers are responsible for the timely identification and/or minimization of risks, as well as for the timely and complete implementation of risk management measures.
Internal Control, Risk and Quality Management Department	Coordinates the risk management processes in general.
Internal Audit Service	Carries out an internal independent assessment of the RMS efficiency and offers recommendations on how to improve it.

Primary Risk Factors

Risk significance is the combination of the risk occurrence probability and the magnitude of its effects on the Company in monetary or other terms. Risk significance is assessed based on the existing risk data sheets or expert findings, guided by the following reference scale:

Significance	
Critical	
Significant	
Moderate	

Risk Significance Assessment

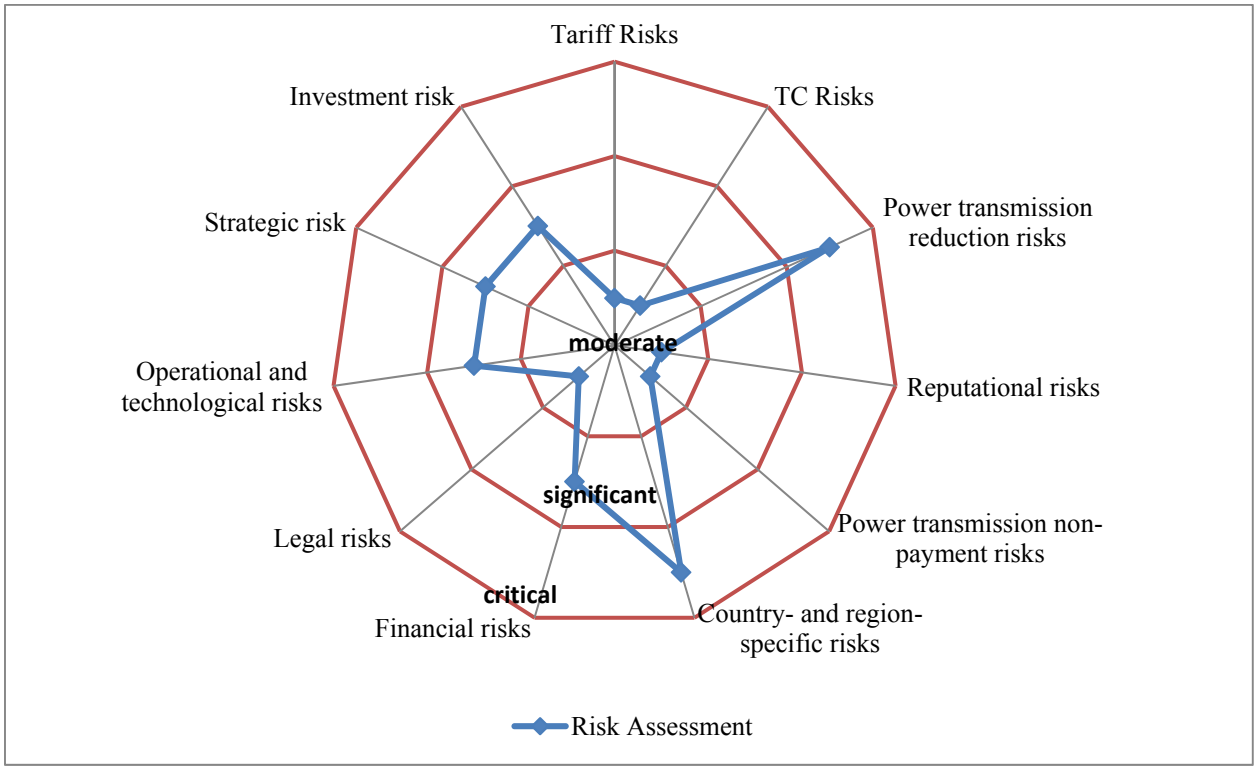
No.	Risk	Description	Ramification Minimization Measures	Risk Significance Assessment and Dynamics
Industrial Risks				
1	Tariff risks	The governmental tariff policy is currently aimed at suppressing the growth of power transmission service tariffs, which may lead to limitation of tariff sources for investment and operating activities, incomplete consideration of loss recovery costs, loan interest repayments, income shortfalls, uncompensated costs of previous periods. Additionally, pursuant to current law, power transmission tariffs may be reduced by the government during the entire regulation period, which may negatively affect the required gross revenue of the Company.	1. Preparing and submitting materials to the Russian regional executive bodies responsible for the state regulation of tariffs — these materials are to prove the necessary tariff rates and the value of the Company's required gross revenue in the tariff, whereby the reduction of revenues from the regulated activities must be taken into account. 2. Carrying out a balanced policy to improve investment and operating efficiency so as to reduce expenditures and optimize planning of the financial source structure.	No changes
2	Power transmission service volume reduction	This risk is due to the possible decrease in demands for power and optimization of external power supply schemes used by major consumers.	1. Cooperating with power transmission service users to harmonize the planned transmission volumes, including the declared capacities, which must be stated in the corresponding power transmission service agreements and further submitted to the state tariff regulation bodies. 2. Monitoring and forecasting power consumption, improving the accuracy and reliability of power demand planning. 3. Carrying out the energy saving and energy efficiency improvement programs, including programs to reduce power losses and programs for the long-term development of metering systems. 4. Analyzing the approved regional power engineering Development Schemes and	No changes

			Programs to identify plans to construct new generation facilities.	
3	Technological connection service risks	These risks are due to: 1. Possible deficit of financing for technological connection agreements. 2. Applicants' default on their respective technological connection agreements. 3. Applicants' non-use of capacities gained by such technological connection. These factors might reduce the Company's revenue from such technological connections.	1. Monitoring and timely adjustment of the investment programs; any changes must be taken into account in the business plans for the following year. 2. Monitoring the applications and forecasting the technological connection demand (including the geography of growth) so as to predict the number of applications and the grid company's liabilities for the following year. 3. Improving the consumers' confidence in Tyumenenergo JSC by better explaining the entire technological connection process, which can be done through publishing the necessary information on the official website, developing an awareness-raising methodology, and establishing a Customer Service Center.	No changes
4	Risk associated with non-payment for power transmission services on the part of service users (i.e. the emergence of contestable and non-contestable overdue receivables)	The mechanisms in place that are aimed at incentivizing timely payments for power transmission services are not sufficient; coupled with macroeconomic factors (the ever-lowering purchasing power of consumers), this factor causes a risk.	1. Resolving any emerging disputes with the consumers, reducing the contested and overdue receivables, cooperating with the federal authorities on the optimization of retail market rules. 2. Forming a judicial practice and creating positive precedents. 3. Carrying out the Board of Directors-approved Program for the Long-Term Development of Power Metering Systems in the retail market of distribution grid power.	No changes
Country- and Region-Specific Risks				
5	Risks related to the political and economic situation in the country or region	These risks are due to the lower economic activity in the Russian regions of the Company's footprint and increased costs of credit, which might in their turn be related to the volatility of external conditions, international sanctions, lower credit ratings, and greater inflation loads. These factors might reduce the Company's revenue and shareholder value.	1. Implementing a set of measures to optimize the share of loans in the total capital structure. 2. Attracting long-term loans at fixed interest rates. 3. Improving operational efficiency and investment-related expenses of the Company. 4. Including a Force Majeure article in the Company's agreements with counterparties to reduce the Company's financial losses in case of force majeure.	No changes
6	Risks related to possible conflicts and their manifestations, strikes, and emergencies	These risks are due to possible unlawful interference with the Company's activities, which includes terror attacks (including those by international terrorist cells and the nationalists in some countries). Such acts might have a negative impact on the Company's activities.	1. Physical security measures and procurement of technological means to ensure the security of the Company's facilities 2. Arrangement and supervision of information security measures: - enforcement of commercial and professional secrecy; - compliance with the personal data processing requirements; - taking measures to prevent leaks of confidential information via technical channels.	

7	Risks related to the state or regional geography, including higher probability of natural disasters and possible interruption of transport communications	These risks are due to natural and climatic disasters (hurricanes, heavy rains, floods, snow blockages, icing, power outages due to fires, explosions, etc.). These might disrupt power supply and transport communications in the region.	1. Climate- and geography-specific facility design. 2. Insuring the distribution grid facilities against natural disasters. 3. Managing the reserves of raw materials, supplies, and fuel necessary for the Company's primary activities. 4. Including a Force Majeure article in the Company's agreements with counterparties to reduce the Company's financial losses in case of force majeure.	No changes
Financial Risks				
8	Risks related to changes in exchange rates	Negative impact on the financial and business performance of the Company due to changes in currency exchange rates.	1. Import substitution policies. 2. Long-term agreements that do not involve any rise in procurement prices.	No changes
9	Risks related to changes in interest rates	Possible increase in the Company's credit costs associated with investment program financing.	1. Raising long-term loans at fixed interest rates. 2. Planning the financial and business activities with due consideration of interest-rate risks. 3. Monitoring the debt capital market and using such sources of loan funds that are economically viable in terms of interest rate and terms. 4. Early repayment of debts to avoid commissions and penalties under the existing loan agreements and tariff restrictions.	No changes
10	Risks related to inflation	The impact of consumer price index increase on the interest expenditures, costs, profitability, and thus, on the Company's financial status and ability to perform its obligations.	1. Planning the financial and business activities of the Company with due consideration of the inflation. 2. Considering inflation-related risks when drafting the tariff proposal. 3. Optimization of costs as a part of the Cost Management Program.	No changes
Legal Risks				
11	Legal risks	These risks are related to changes in legislation, judicial practice regarding the Company's activities, and/or balance of interest with other power industry entities.	1. Monitoring of the regulations 2. Improvement of the ICS. 3. Preventing, current, and follow-up control of the Company's compliance with the legislation and the local regulations. 4. Monitoring of the effective legislation and judicial practices. 5. Ensuring the compliance of the TC process with the effective legislation. 6. Monitoring and adjusting the Investment Programs to control the performance timings. 7. Monitoring of the applications and forecasting the technological connection demand (including the geography of growth) so as to predict the number of applications and the grid company's liabilities for the coming year. 8. Controlling the technological connection agreement and specifications	No changes
12	Compliance risk	These risks are related to the sanctions of regulatory bodies, imposed on the grounds of the Company's noncompliance with the legislation, local regulations, and other mandatory regulations.		

			drafting timings. 9. Implementing software to efficiently control the technological connection performance timings	
Business Reputation Risk				
13	Reputation risk	This risk is related to the possible default on obligations to customers and counterparties.	1. Considering reputation when making decisions; early measures on forming public opinion. 2. Media planning for the year. 3. Regular media monitoring. 4. Targeted PR programs to create a positive public image (for the target audience) with respect to crucial and potentially negative topics. 5. Proactivity/activity in the information field, information saturation and transparency.	No changes
Strategic Risk				
14	Strategic risk	Risk of non-fulfillment of the Company's strategic goals and objectives due to the potential changes in the Company's internal and external situation.	1. Collection and update of source data on the long-term loads of consumers in Tyumen Oblast, the Khanty-Mansi Autonomous Okrug — Yugra, and Yamalo-Nenets Autonomous Okrug with subsequent adjustment (update) of measures in the comprehensive long-term development programs for 35 kV+ power grids in these regions through to 2022; taking an active part in drafting power engineering Development Schemes and Programs for Tyumen Oblast, the Khanty-Mansi Autonomous Okrug — Yugra, and the Yamalo-Nenets Autonomous Okrug through to 2022. 2. Updating data on 35 kV+ power centers owned by Tyumenenergo JSC and LGOs (with which it has entered into information-exchange agreements) on the Interactive Power Center Load Visualization Map of Tyumenenergo JSC. 3. Decreasing the equipment aging and improving the reliability and quality of power supply to the existing consumers. 4. Mandatory energy inspections of Tyumenenergo JSC.	No changes
Risks Related to the Company's Activities				
15	Operational and technological risk	1. Less reliable power supply to the consumers due to natural and technogenic disasters, which might result in the failure of power grid equipment. 2. High share of equipment with expired service life.	1. Outage analysis based on the automated system data; detection of shortcomings. 2. Renovation of the grid and the implementation of reliability enhancement programs to improve the conditions of the grid. 3. Repairing facilities on an as-needed basis with due consideration of risks and outage data.	No changes

		3. Failure to comply with the regulatory technical requirements regarding the maximum permissible values of power grid equipment operating parameters.	4. HR-related measures: training and retraining. 5. Population-wide awareness-raising and drafting PR programs to reduce injury occurrence rates, to promote an energy-saving lifestyle, and to popularize power engineering jobs. 6. Carrying out emergency response trainings, including specialized trainings on Blackout Schedule implementations. 7. Developing and updating special provisions on the technological cooperation with related electric power entities (REPE). 8. Taking measures to improve the reliability of the grid equipment.	
16	Investment risk	1. Reduction in the Company's Investment Program financing due to deterioration in its financial and economic situation, which results in lower tariff revenues in case such Investment Programs are not carried out in full. 2. Untimely commissioning of Investment-Program facilities due to the non-performance or untimely performance of the contractors' and suppliers' obligations.	1. Drafting the Investment Programs with due consideration of the following key performance criteria: – making the grid infrastructure more available; – reducing the wear of, and modernizing the grid facilities; – commissioned capacities must be subject to maximum load. 2. Monitoring the implementation of the Investment Program and its financing; analyzing reasons of deviation of the actual Investment Program figures fro 3. m the planned figures. 3. Taking measures to improve the quality of project implementation and the efficiency of investments into the existing grids; reducing the specific construction costs; maximizing the load of commissioned capacities; developing and implementing a system for the comparative analysis of specific construction, installation, and material costs.	No changes



As a part of reporting on the Company's business plans, the Board of Directors discusses the risk identification, assessment, and management questions on a quarterly basis.

To improve the risk management actions, the Company has approved plans to manage the key operational risks and the operational risks of the primary and secondary business processes for 2018 (Order No. 18 of Tyumenenergo JSC dd. January 17, 2019).

The Risk Management System is integral to the decision-making process at Tyumenenergo JSC.

4. PRODUCTION RESULTS

2.1. PRODUCTIONS CAPACITY

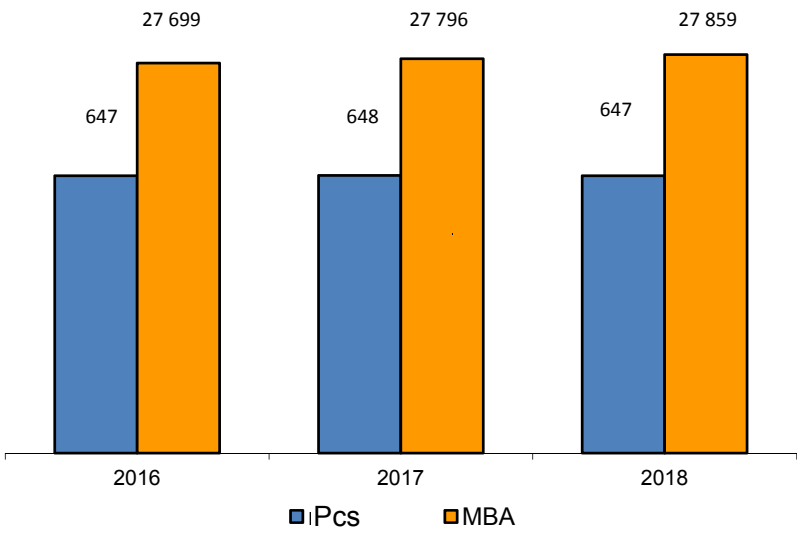
To date, Tyumenenergo JSC's overhead power lines have a total length of 50,620.3 km (including 713 km of leased lines), cables lines total 2,640.3 km (including 120.7 km of leased lines).

The Company has the following operating assets:

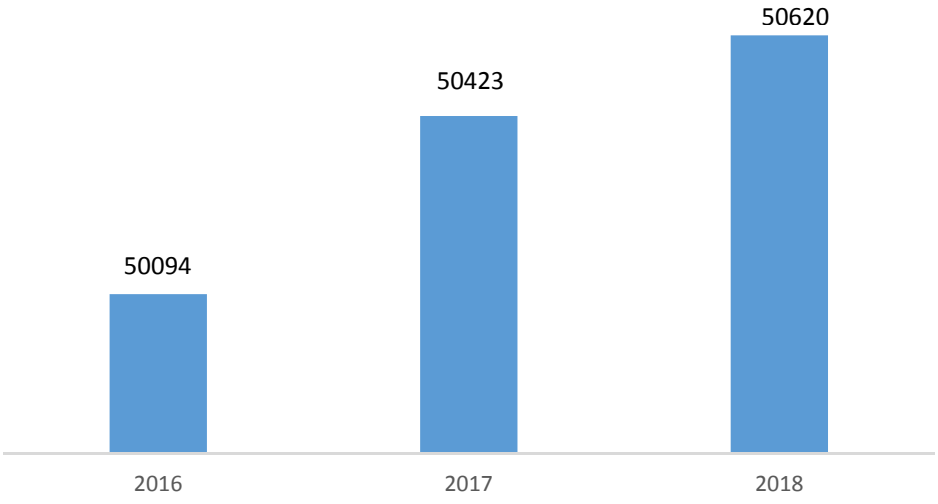
- 647 35-to-220 kV substations with an installed transformer power of 27,859.4 MVA, including 2 leased 35-to-110 kV substations with an installed transformer power of 22.5 MVA;
- 6,900 10(6)/0.4 kV transformer substations with an installed transformer power of 1,538.71 MVA, including 1,220 leased transformer substations with an installed transformer power of 315.59 MVA.

The charts below present data on the numbers and capacities of 35-to-220 kV substations and on the length of the 0.4-to-220 kV OPL, leased property included.

35-to-220 kV Substation Number and Power Dynamics



0.4-to-220 kV OPL Length Dynamics (Circuit Length), km



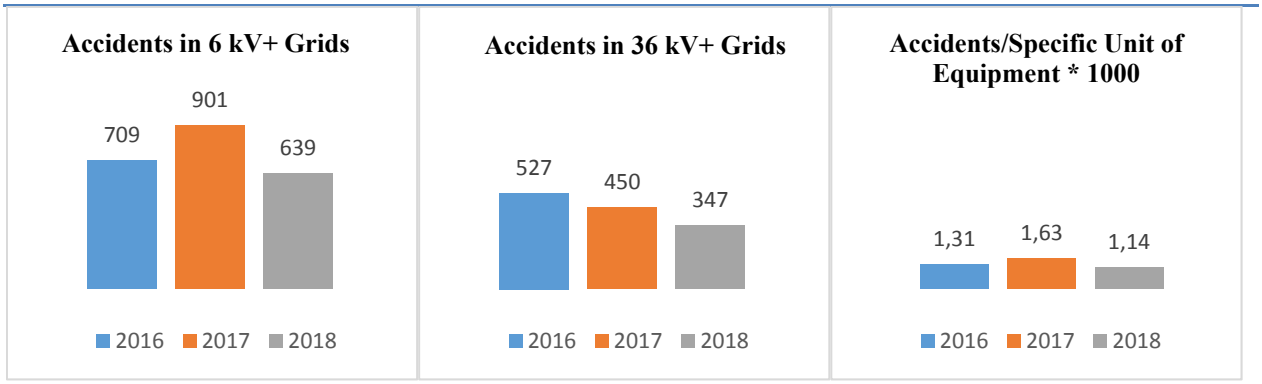
2.2. TECHNICAL STATUS OF GRIDS

The Board of Directors has approved the Production Assessment Management System (hereinafter "PAMS") Development Plan (Minutes No. 07/18 dd. May 11, 2018).

As a part of the PAMS Development Plan the Company has implemented the Technical Status Index (hereinafter TSI) to evaluate the equipment status pursuant to the Rosseti PJSC's TSI evaluation methodology and methodology for evaluation of the technical status of the main process equipment and power lines of power stations and grids and determination of the optimal type, composition, and cost of technical effect on the equipment (equipment groups), approved by Order No. 676 of the Ministry of Energy of the Russian Federation dd. July 26, 2017.

When scheduling the operating measures, Tyumenenergo JSC branches are guided by the prioritized equipment lists (calculated equipment status indices and computed failure consequences taken into account) contained in the PAMS operating as a part of the SAP ERP system; they also refer to (i) the specified periodicity of overhauls, medium and current repairs per the yearly and multi-year grid equipment maintenance and repair schedules; (ii) the technical status of the equipment; (iii) the preventive test results; (iv) the need to comply with the requirements of the supervisory authorities; and (v) the measures taken to investigate technological disturbances.

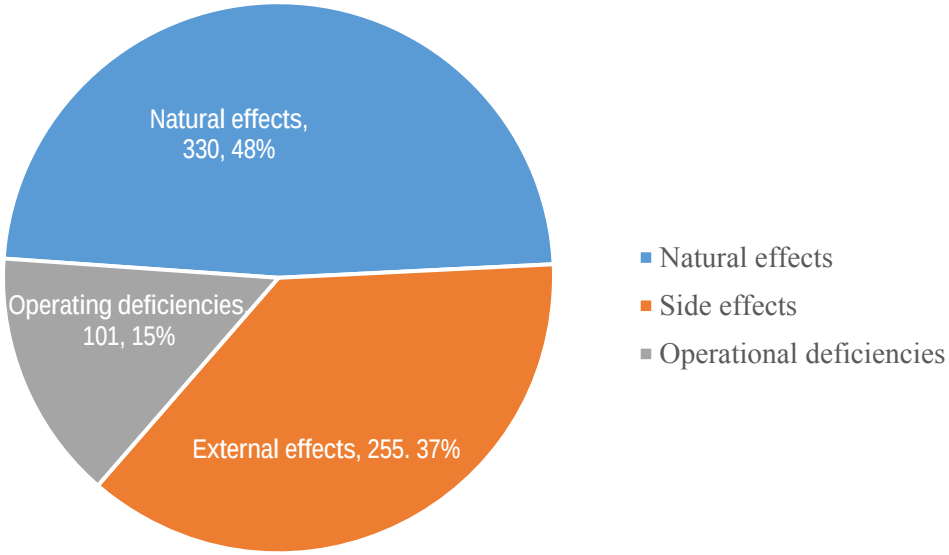
Accident Rate

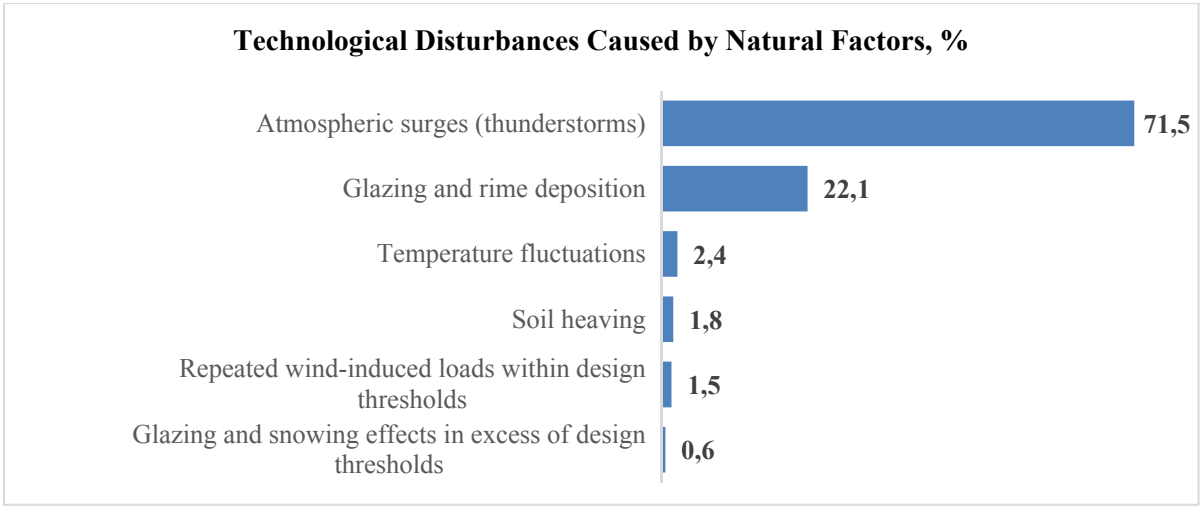


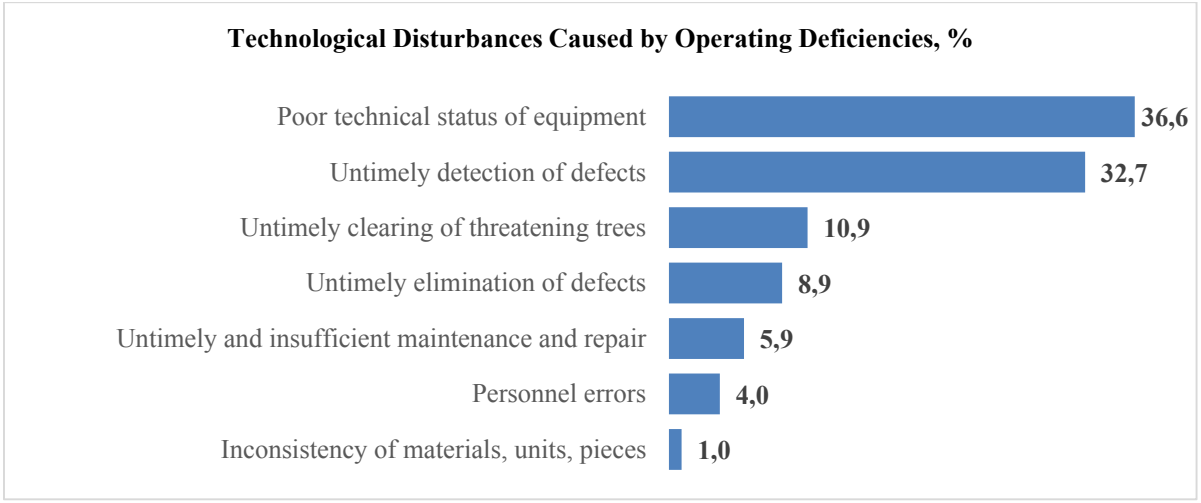
Primary Causes of Accidents in 2018

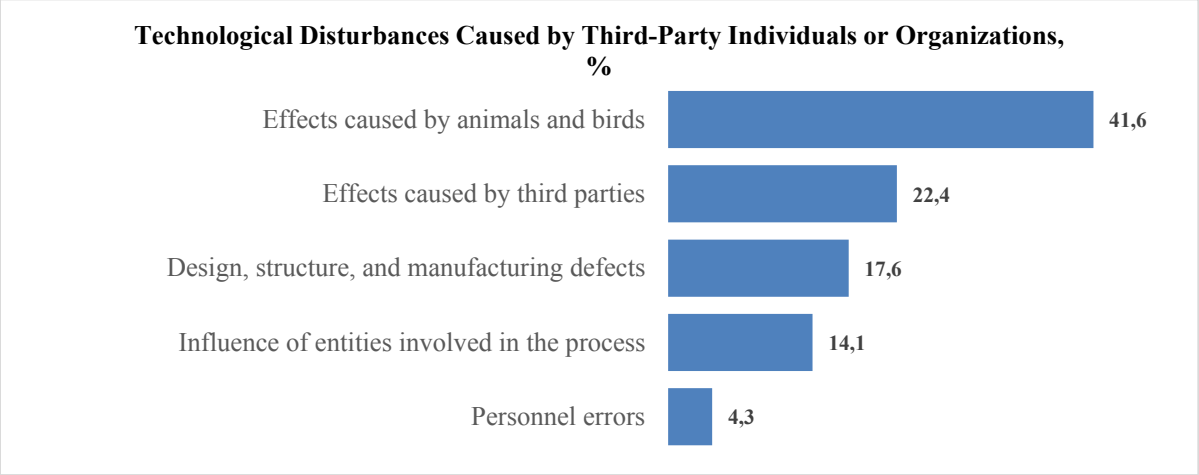
Over the reporting period, most technological disturbances were caused by acts of nature typical for the Siberian climate, such as the frost heaving of foundations, elevated vibration and "galloping" of wires, the thunderstorm-caused outages due to the back-flashover of insulation strings caused by poorly conductive soils, frosting and its discharge, sharp changes in the weather, squally winds, extreme cold, etc. All these factors lead to occurrences such as emergency sites and "bottlenecks".

A 2018–2022 Program to Clear and Widen the OPL Clearcuts (hereinafter "the Long-Term Program") has been prepared to decrease the number of trees falling on the OPL wires. This Program includes the scope of cleaning the existing OPL clearcuts (6,312 ha in total). The 2018 Plan (1,853.5 ha) was successfully realized.


Natural effects, 330, 48%
Operating deficiencies 101, 15%
External effects, 255. 37%
Natural effects
Side effects
Operational deficiencies


Technological Disturbances Caused by Natural Factors, %
Atmospheric surges (thunderstorms) 71,5
Glazing and rime deposition 22,1
Temperature fluctuations 2,4
Soil heaving 1,8
Repeated wind-induced loads within design thresholds 1,5
Glazing and snowing effects in excess of design thresholds 0,6


Technological Disturbances Caused by Operating Deficiencies, %
Poor technical status of equipment 36,6
Untimely detection of defects 32,7
Untimely clearing of threatening trees 10,9
Untimely elimination of defects 8,9
Untimely and insufficient maintenance and repair 5,9
Personnel errors 4,0
Inconsistency of materials, units, pieces 1,0



Reliability Improvement Measures. Essence and Efficiency

In order to improve the quality, reliability, and sustainability of power grids and equipment, the following measures were taken in 2018:

– 1,458 porcelain insulation rods, constituting parts of the disconnecting devices and bus supports, were replaced with polymer-porcelain insulation made as per GOST R 52034-2003;

– 90 oil-filled power transformer bushings replaced with solid-insulation bushings;

– 22 substation ground loops were repaired;

– 1,017 sets of spiral reinforcement and multifrequency vibration absorbers on 110-kV OPLs;

– Widening of the existing OPL clearcuts to the standard buffer zone width (1,853.5 ha).

All the planned measures aimed at improving the quality, reliability, and sustainability of power grids and equipment, were taken in full.

The replacement of rod-and-support insulation in 2018–2017 minimized damage to disconnecting devices caused by destruction of rod-and-support insulation. Thanks to the replacement of 110 kV transformer bushings, no bushing-related damage was caused to power transformers in 2018.

Repair of ground loops reduces equipment damage from lightning surges. In 2017, no substation equipment was damaged by lightning surges.

Installation of spiral reinforcements since 1999 and of multi-frequency vibration absorbers since 2002 has so far drastically reduced the occurrence of wire and lightning wire damage and breakages caused by fatigue fractures conditioned by vibrations, as those are reliably controlled by spiral reinforcements; virtually no damage has been caused since then by these factors.

The widening of the existing 110 kV OPL clearcuts to the standard buffer zone width reduced the rates of technological disturbances caused by wind-induced fall of forest trees and branches; for comparison, there were 92 such cases in 2012, 25 in 2013, 15 in 2014, 4 in 2015, 3 in 2016, 2 in 2017, and 3 in 2018.

To exclude any wind-caused OPL outages that might have been caused by moving the polymer insulators too close to the support structure (concerning insulators installed in violation of the requirements stipulated in Clause 2.5.125 of PMS-7), the Company has prepared and is carrying out a target program for 2017–2022 to replace polymer insulation with glass-insulation strings. 3,128 strings were replaced in 110 OPLs in 2018. To reduce the rate of accidents caused by lightning surges, the Company has prepared and is carrying out a target program for 2017–2022 to equip OPLs with surge protectors (SP). In 2018, the Company installed 3,879 SPs. Besides, to improve the lightning resistance of the OPLs, lightning wires are replaced and additional earthing rods are installed as a part of overhauls to normalize the OPL support ground-loop resistance.

Reaching the Reliability Objectives

Power transmission service reliability and quality targets are specified for Tyumenenergo JSC by Decision No. 59 of the Regional Energy Commission (hereinafter REC) of Tyumen Oblast, the KhMAO, and YNAO dd. December 28, 2017. The REC-specified service reliability and quality objectives have been fully achieved and by the Company. Actual 2018 performance indicators are as follows:

- average power outage duration (Пsaidi) came to 0.2681;
- average power outage frequency (Пsaifi) came to 0.2659.

2.3. POWER TRANSMISSION

In 2017, the Federal Grid Company, the power producers, and the related grid companies supplied to Tyumenenergo JSC's grid a total of 57,853.8 million kWh. The end users and the local grid operations received 56,213.6 million kWh from the grid. Power losses came to 1,640.2 million kWh or 2.84% of the power supplied to Tyumenenergo JSC's grid.

Supply to Grid, million kWh	Supply from Grid to the Users and Related LGOs Within the Balance/Operational Responsibility Boundaries, million kWh	Losses	
		million kWh	%
57,853.8	56,213.6	1,640.2	2.84

Supply from the grid to the users and related LGOs within the balance/operational responsibility boundaries came to 56,213.6 million kWh, which is 7,108.5 or 11.2% less than in 2017 (63,322.1 million kWh).

Power Transmission Service Dynamics in 2017–2018

Power Transmission Service Volume						
2017		2018		Change		
million kWh	million rubles	million kWh	million rubles	million kWh	million rubles	%
55,705.5	56,665.4	48,492.9	56,149.1	–7,212.6	–516.3	–12.9

As a result of Tyumenenergo JSC's operations in 2017, transmitted power came to 48,492.9 million kWh, which is 7,212.6 million kWh or 12.9% less than in 2017 (55,705.5 million kWh).

Below are the factors that contributed to such reduction in 2018:

- productive supply reduced due to termination (since H2 2017) of the grid facility lease agreements concluded between Tyumenenergo JSC and FGC UES PJSC, see Federal Law No. 308-Fz dd. October 30, 2013, Sections 8-9;
- major oil-and-gas companies reduced their hydrocarbon production pursuant to an OPEC decision, which decreased the oil-and-gas transportation volume.

Actual Power Losses in 2017-2018

Power Losses					
2017 Actual Value		2018 Actual Value		Change*	
million kWh	%	million kWh	%	million kWh*	%
1,699.9	2.61	1,640.2	2.84	–59.7	0.23

** Calculated as the difference between the 2018 and 2017 values.*

By the end of 2018, Tyumenenergo JSC supplied 7,168.3 million kWh less power to its grid and supplied 7,108.5 million kWh less power from its grid (within the DGC), compared to 2017. Given the reduction in power losses caused by lower supply to the grid and by various physical processes observed in power transmission (i.e. a reduction in load losses), the actual power losses in 2018 came to 59.7 million kWh lower than in 2016. The relative loss level increased by 0.23% against 2017. Such relative increase in power losses was caused by the following factors:

- termination (since H2 2017) of power consumer agreements with users connected to last-mile power facilities;

– Gazpromneft-NNG JSC switching from the Tyumenenergo JSC substation to FGC UES PJSC and with direct agreement with the latter;
– major oil-and-gas companies reduced their hydrocarbon production pursuant to an OPEC decision, which decreased the oil-and-gas transportation volume.

Power Loss Reduction Measures

Tyumenenergo JSC has prepared and is implementing a Power Loss Reduction Program for its grids. By virtue of taking comprehensive measures under the existing programs, power losses in Tyumenenergo JSC's grids were reduced by 116.1 million kWh in 2018. The factors that contributed to such improvements are:

– organizational measures which reduced losses by 13.4 million kWh;

– Program for Long-Term Development of Power Metering Systems in the retail power market, which reduced Tyumenenergo JSC's losses by 87.0 million kWh;

– Technical Re-Equipment and Modernization Program, which reduced losses by 15.7 million kWh.

Structure and Dynamics of the Company's Power Transmission Service Revenue and Expenditures

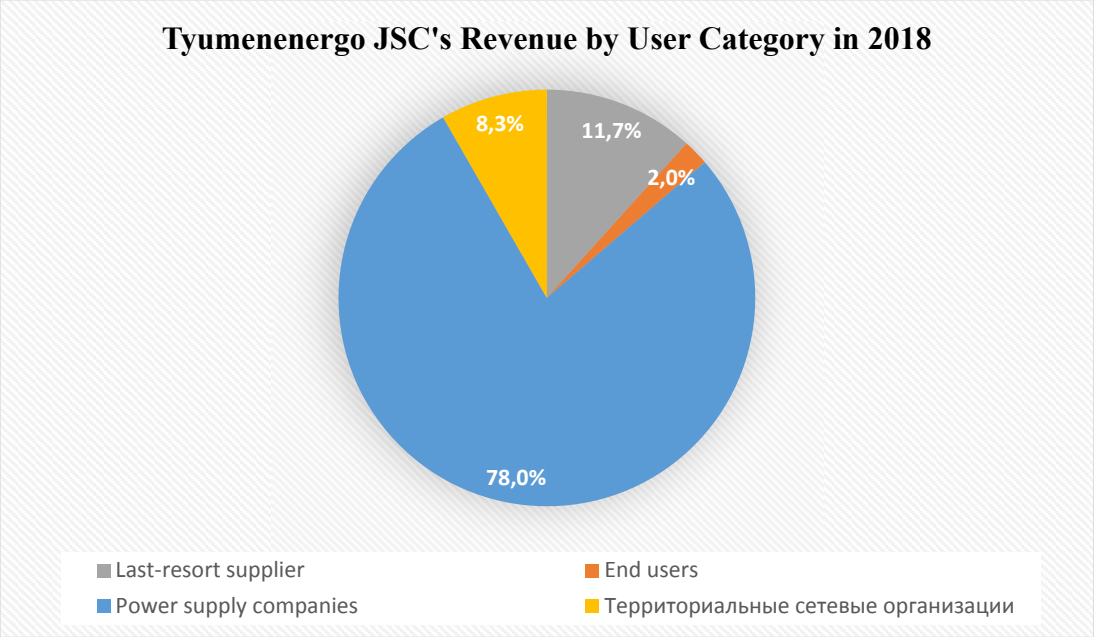
One of the major power transmission service users in Tyumen Oblast is Gazprom Energosbyt Tyumen JSC, which is a last-resort supplier. The share of Gazprom Energosbyt Tyumen JSC in the power transmission service revenue amounts to 11.7%. Over the reporting period, the users of Gazprom Energosbyt Tyumen JSC received 5,431.5 million kWh, which totaled 6,589.7 million rubles.

The share of power supply companies amounted to 78.0%. With the total transmitted power of 35,289.1 million kWh, the cost of service totaled 43,744.5 million rubles. The users include companies purchasing power on the wholesale power market (hereinafter "the WPM") and on the retail power market (hereinafter "the RPM").

WPM Entities	RPM Entities
Unified Power Supply Company JSC (for OC Rosneft PJSC)	MagnitEnergo LLC (for Tander CJSC)
Rusenergoresurs LLC (for Transfneft-Siberia JSC)	
RUSENERGOSBYT LLC (RZhD JSC)	
RN-Energo LLC (for RN-Purneftegaz LLC, RN-Yuganskneftegaz LLC, and Tomskneft Eastern Oil Company JSC)	
Surgutenergosbyt LLC (for Surgutneftegas JSC)	
Lukoil-Energoservis LLC (for LUKOIL-West Siberia JSC)	
Mezhregionenergosbyt JSC (for Gazprom PJSC)	
TEK-Energo LLC (for LUKOIL-AIK CJSC, Yugra Forestry Holding JSC, and Tyumenvodokanal LLC)	
Suburenergomanagement JSC (for SiburTyumenGaz JSC and NOVATEK LLC)	
Vostok JSC (for EnergoGazNoyabrsk JSC)	
Belkam Contract LLC (for OC RussNeft PJSC)	
Transneftenergo LLC (Transneft-Siberia JSC)	

End users accounted for 2.0% of the Company's revenue. With a total transmitted power of 922.7 million kWh, the cost service totaled 1,148.1 million rubles. Key users of this category are:	**Local grid operators accounted for 8.8% of the Company's revenue. With a total transmitted power of 6,849.6 million kWh, the cost of service totaled 4,666.8 million rubles. Key users of this category are:**
GazpromDobychaYamburg LLC	Gazpromenergo LLC
Surgutneftegas JSC	Varyeganenergoneft JSC

RN-Yuganskneftegaz LLC	Surgut City Electric Grids LLC
Lenta LLC	Lukoil-Energoseti LLC
Sibur Tobolsk LLC	Urengoygorelektroset JSC
	Energo-Gaz-Noyabrsk JSC



The revenue for Tyumenenergo JSC-provided power transmission services totaled 56,149.1 million rubles in 2018. The actual revenue reduction was 0.9% or 516.3 million rubles against the 2017 actual value.

2.4. TECHNOLOGICAL CONNECTION

The technological connection of the user power receivers to Tyumenenergo JSC's grid is carried out in full compliance with the effective legislation of the Russian Federation.

Tyumenenergo JSC's users are served physically by means of their personal contact with the Company's employees at the Customer Service Centers.

Such physical servicing is organized across the territory of Tyumenenergo JSC's footprint (Southern Tyumen Oblast, the KhMAO–Yugra, and YNAO) at the Customer Service Centers and Custumer Service Points located at the nine offices of the Company in Tyumen, Surgut, Nizhnevartovsk, Nefteyugansk, Kogalym, Noyabrsk, Novy Urenguy, Uray, and Nyagan. For more details on Tyumenenergo JSC's Customer Service Center, see “Cooperation with Customers”.

The Personal Account Service has been in operation since January 2014 and is available at http://www.lkk.te.ru; it can be used to apply for technological connection and to monitor the application status or pay for technological connection online. In 2018, the Tyumenenergo JSC’s Personal Account with integrated with the legal document exchange system for the purpose of establishing the consolidated electronic workflow regarding technological connection, in the electronic form and with the use of the electronic signature. Also, the Personal Account was integrated with the Power Grid Services Portal (hereinafter “the Portal”) available at http://портал-тп.рф, which ensures automated registering of customer requests in the SAP ERP which are received by Tyumenenergo JSC via the Portal.

Over the 12 months of 2018, Tyumenenergo JSC concluded 5,119 technological connection agreements for the total power of 544 MW. Over the same period, Tyumenenergo JSC received 5,968 technological connection applications for the total power of 692 MW.

Compared to the same period of 2017, the number of applications gained 15%, and the power increased by almost 4%.

According to the Payment Calculation Guidelines as approved by Order No. 1135/17 of the Federal Antimonopoly Service of the Russian Federation dd. August 29, 2017, Tyumenenergo JSC calculated and the Regional Energy Commission of Tyumen Oblast, the KhMAO, and YNAO has approved (by Directive No. 53-tp dd. December 27, 2018) the uniform tariff schemes, rates per unit of maximum power, as well as formulas for calculating fees for the technological connection of the applicant power receivers to Tyumenenergo JSC's grids.

Connection of New Users

OC Rosneft PJSC

9New Substations for RN-Yuganskneftegaz LLC

As a part of the agreements with OC Rosneft PJSC, Tyumenenergo JSC undertakes to construct 9 new110 kv substations from 2019 to 2021 (4 as a part of the technological connection, 5 sponsored by equity funds) with 110 OPLs and two 110 kv User Stations (US) to supply 243.9 MW to OC Rosneft PJSC.

For the purpose of realizing these goals, Tyumenenergo JSC and RN-Yuganskneftegaz LLC have entered into 9 technological connection agreements for the total amount of 4.69 billion rubles (VAT included).

Novy Urengoy License Area (Rospan)

To supply power to the facilities in the Novy Urengoy License Area with a maximum power of 7 MW, Tyumenenergo JSC and ROSPAN INTERNATIONAL JSC have entered into the technological connection agreement No. T6/17/0008-DTP dd. October 10, 2017 (589 million rubles, VAT included), under which Tyumenenergo JSC is to construct a 110/6 kV substation (2 x 10 MVA) using the 110-4N circuitry, as well as two single-circuit 110 kv OPLs with an expected total length of 11 km, using the AC-150 wire; those OPLs will go from the Urengoy to Limbya-Yakha OPL to the newly constructed 110 kV substation.

Kondinskaya Deposit Group

OC Rosneft PJSC has launched its oil cluster in the Khanty-Mansiysk District at the Kondinskaya Deposit Group, which consists of Erginskoye, Zapadno-Erginskoye, Kondinskoye, Novoendyrskoye, and Chaprovskoye Deposits. The five deposits of the Kondinsky District that the Group comprises, have an estimated reserve of 259 million tons.

To supply power to future facilities of OC Rosneft PJSC companies (81.3 MW in total), Tyumenenergo JSC undertakes to construct three new 100 kV substations with 110 kV OPLs and two 110 kV User Stations from 2019 to 2021.

For the purpose of realizing these goals, Tyumenenergo JSC, OC Kondaneft JSC (RN-Endyrneftegaz LLC), and RN-Yugansknegtegaz LLC have entered into 4 technological connection agreements for the total amount of 4.4 billion rubles (VAT included).

Mayskoye Deposit Gas Refinery

To connect the Mayskoye Deposit Gas Refinery with its total power of 20 MW, Tyumenenergo JSC and RN-YuganskGazPererabotka have entered into the technological connection agreement (public offer No. T3/17/0014-DTP filed December 18, 2017; 521 million rubles, VAT included), under which Tyumenenergo JSC undertakes to:

1. Construct 110/10 kV substations for the Maysky Gas Refinery, with a total transformer power of 2 x 25 MVA.
2. Construct a 110 kv dual-circuit OPL of approximately 2.5 km, using the AC-120 wire, branching from the 110 kV Krater to Sredniy Balyk-1, 2 OPLs (between the 220 kV Sredniy Balyk substation and 110 kV Promyslovaya substation) to the newly constructed Maysky Gas Refiner 110/10 kV substation.

Ust-Balyk Deposit (Yuganskaya-2 110 kV substation)

To supply power to future facilities of the Ust-Balyk Deposit (max power of 38.9 MW), OC Rosneft PJSC (RN-Yuganskneftegaz LLC), the technological connection agreement for 1.295 billion rubles (VAT included) has been concluded, under which Tyumenenergo JSC undertakes to construct the new 110 kV substation (2 x 40 MVA) with the 110 kv dual-circuit OPL (of approximately 26 km) and 110 kV US with two 1-dimensional 110 kV cells near the Losinka 110 kV substation.

GAZPROM PJSC

Urengoy Pumping Station

Tyumenenergo JSC and Gazprom Invest LLC have entered into the technological connection agreement (No. 22/40-13 dd. February 20, 2014 for 1.473 billion rubles, VAT included) to connect a max. 40 MW 110 kV substation, under which Tyumenenergo JSC has constructed two single-circuit 110 kV OPL sections from Limbya Yakha to Urengoy Pumping Station-1, 2 (2 x 67 km).

The 110 kV user substation (USS) shall be launched as the applicant completes its own procedures in Q2 2019.

Urengoy — Pur-Pe Oil Condensate Line

Tyumenenergo JSC and Gazprom Invest LLC have entered into the technological connection agreement (No. 22/39-13 dd. February 20, 2014 for 823.5 million rubles, VAT included) to connect a 110 kV USS, under which Tyumenenergo JSC has constructed 110 kV OPL sections from Kirpichnaya to USS-1 (40 km) and from Kirpichnaya to USS-2 (20 km).

The 110 kV user substation (USS) shall be launched as the applicant completes its own procedures in Q3 2019.

BCS of the Yety-Purovskoye Deposit

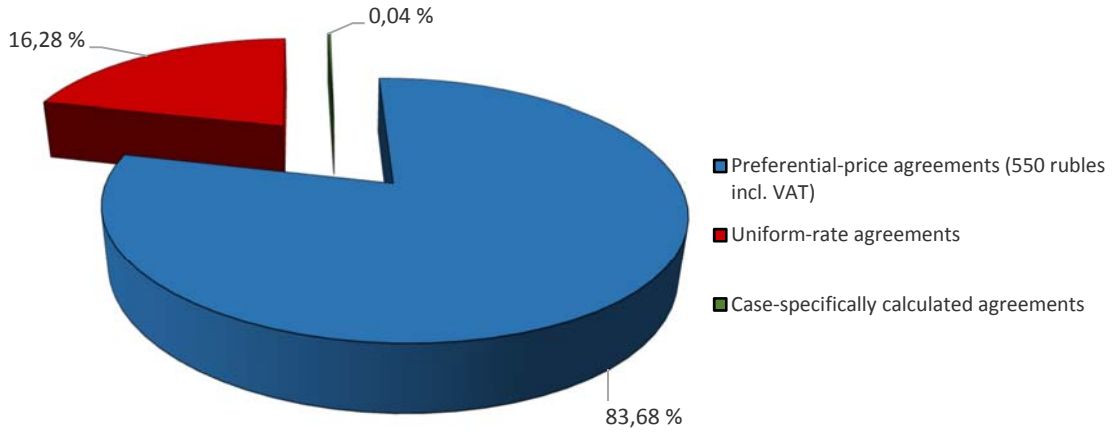
To connect the Booster Compressor Station (BCS) of the Yety Purovskoye Gas Deposit with its maximum power of 35 MW, Tyumenenergo JSC and Gazprom dobycha Noyabrsk LLC have

entered into the technological connection agreement (No. T5/15/0015-DTP dd. February 21, 2017 for 1,478 million rubles, VAT included), under which Tyumenenergo JSC undertakes to construct a 110/10 kV SS (2 x 40 MVA) with two single-circuit 110 kV OPLs (of approximately 60 km each) and 110 kV US at the Severny Switching Station (SwS), whereby the SwS is to be expanded by adding two more 110 kV cells.

As of today, the Company has entered into technological connection agreements which will cover about 600 MW of the additional power that users in the oil-and-gas industry demand, to ensure stable operations of the existing and newly developed oil and gas fields. These actions help keep the power transmission volume high and mitigate the consequences of terminating the last-mile agreements.

Over the 12 months of 2018, Tyumenenergo JSC entered into 5,119 technological connection agreements for the total power of 544 MW.

Contract Distribution by Tariff Type



Technological Connection Demand

Over the 12 months of 2018, Tyumenenergo JSC received 5,968 technological connection application for the total power of 692 MW.

Compared to the same period of 2017, the number of applications gained 15%, and the power increased by almost 4%.

Technological Connection Demand and Met Demand

Power Ranges by Voltage	Up to 15 kW	15 kW to 150 kW	150 kW to 670 kW	670+ kW	Power Generation Facilities	Total
2016						
Technological Connection Applications	5,240	237	71	97	0	5,645
Total power, kW	*70,506*	*15,000*	*25,806*	*581,598*	*0*	*692,910*
Technological Agreements Concluded	4,787	154	42	77	0	5,060
Total power, kW	*64,047*	*9,537*	*13,385*	*359,220*	*0*	*446,189*
2017						

Technological Connection Applications	4,718	293	62	100	0	5,173
Total power, kW	*62,420*	*17,868*	*20,399*	*566,521*	*0*	*667,207*
Technological Agreements Concluded	4,393	191	34	79	0	4697
Total power, kW	*58,132*	*11,547*	*11,113.5*	*506,716.6*	*0*	*587,509*
2018						
Technological Connection Applications	5,331	428	84	125	0	5,968
Total power, kW	70,294	26,953	28,578	566,623	0	692,448
Technological Agreements Concluded	4,764	257	33	64	0	5,119
Total power, kW	*62,935*	*16,439*	*11,308*	*413,416*	*0*	*544,098*

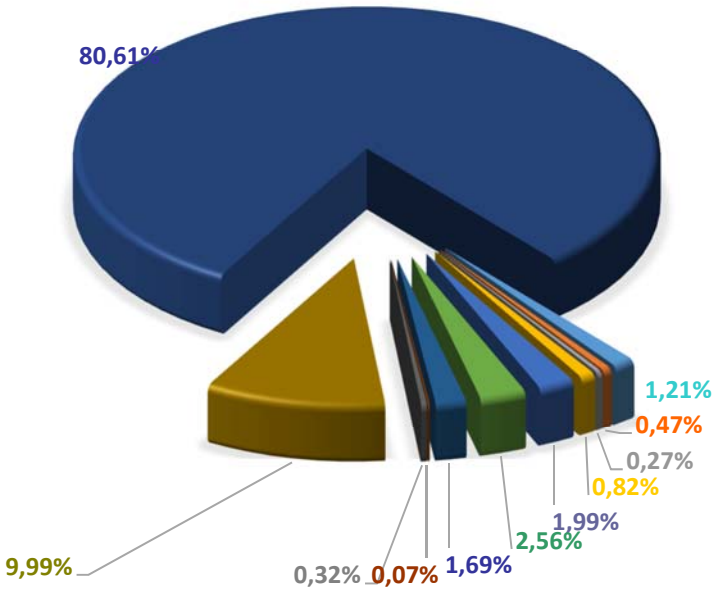
Technological Connection Fulfilled

Over the 12 months of 2018, the Company fully completed the technological connection under 4,412 agreements for the total power of 359 MW.

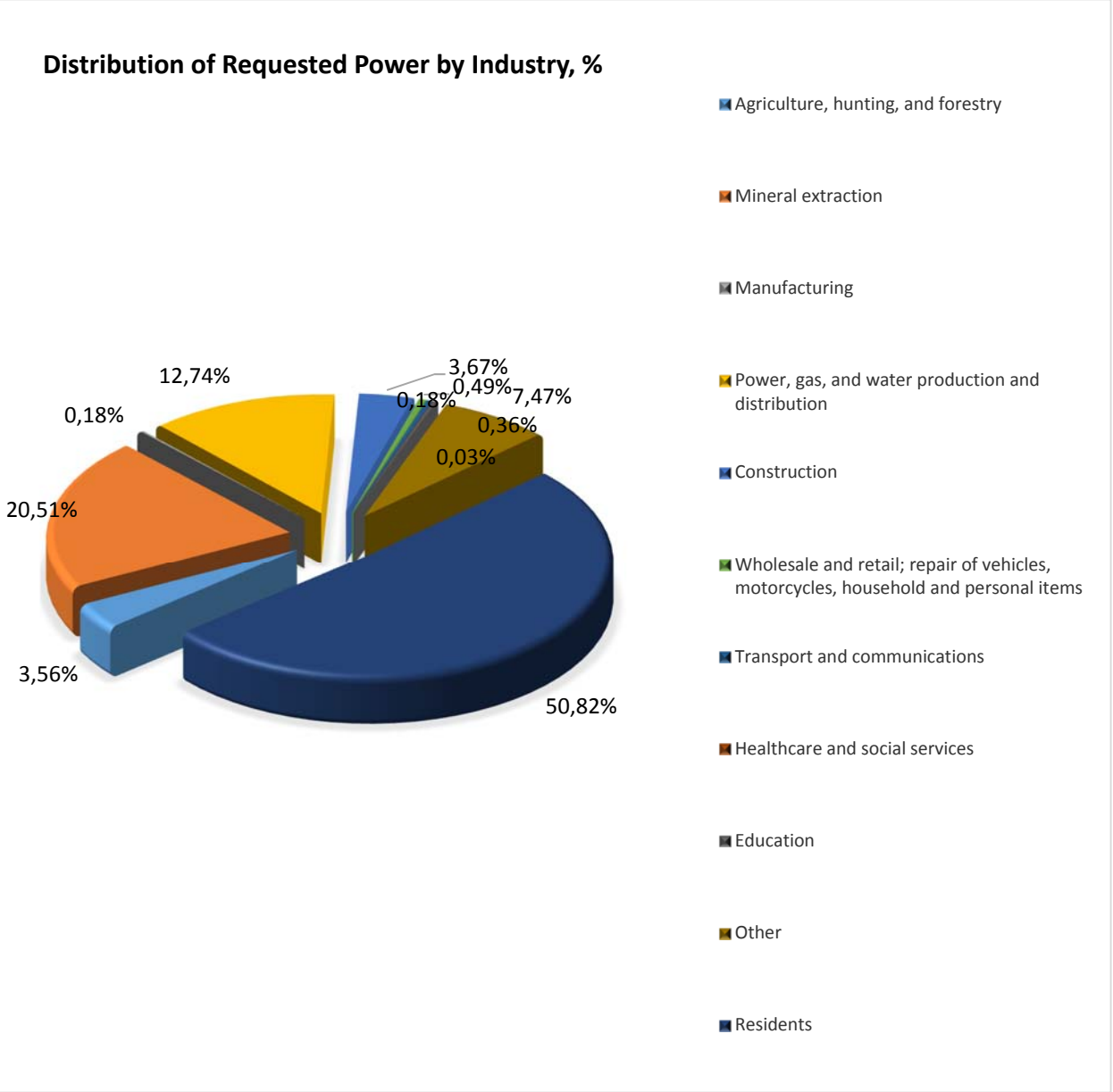
Power Ranges by Voltage	**Connection Statistics**					
	2016		**2017**		**2018**	
	TC Applications Fulfilled	**Total Power, kW**	**TC Applications Fulfilled**	**Total Power, kW**	**TC Applications Fulfilled**	**Total Power, kW**
Up to 15 kW, total	4,676	60,954	5,598	72,469	4,117	54,352
Including individuals	4,475	59,351	5,345	70,896	3,807	51,537
15 to 150 kW	197	13,882	177	8,690	192	11,401
150 to 670 kW	44	13,882	45	13,213	28	8,574
670+ kW	99	429,721	74	440,427	75	284,558
Total	**5,019**	**610,105**	**5,895**	**534,799**	**4,412**	**358,885**

Realization of the Overdue Technological Connection Agreement Termination Schedule helped reduce the number of overdue agreements to 760 agreements, which amounts to 100% of the annual plan.

Distribution of Application by Industry, %



- Agriculture, hunting, and forestry
- Mineral extraction
- Manufacturing
- Power, gas, and water production and distribution
- Construction
- Wholesale and retail; repair of vehicles, motorcycles, household and personal items
- Transport and communications
- Education
- Healthcare and social services
- Other
- Population



Financial and Economic Performance of Technological Connections in 2018

Indicator	Thousand RUB, VAT excluded
TC Revenue	2,109,955
TC Costs	160,949
TC Gross Profit	1,949,006
TC Net Profit	1,968,358
Advance Payments Received	2,130,310

2.5. TARIFF POLICY

2.5.1. GENERAL INFORMATION

The Company's Tariff Policy is mainly based on the timely protection of its power transmission and technological connection service rates, which keeps the Company financially stable and helps it develop to ensure reliable and high-quality power supply.

One of the Tyumenenergo JSC management's priorities consists in cooperating with the regional and federal executive bodies of the Russian Federation, including the Federal Antimonopoly Service, the Ministry of Energy, the Regional Energy Commission of Tyumen Oblast, the KhMAO-Yugra, and YNAO, the Regional Tariff Service of the KhMAO-Yugra, the YNAO Department of Tariff Policies, Energy, and Public Utilities, the Tariff and Pricing Policy Department of Tyumen Oblast; such cooperation helps establish economically viable prices (tariffs) of the Company's regulated services. Over the entire Tariff Campaign, the Company's specialists are monitoring the changes in the regulatory framework, in the wholesale and retail power market participants, as well as in the buyers included in, or excluded from the consolidated (forecast) power generation and supply balance of the FAS of Russia.

Tyumenenergo JSC is primarily concerned with such regulated activities as provision of power transmission and technological connection services. The Company operates within the territory of three constituents of the Russian Federation, namely Tyumen Oblast, the Khanty-Mansi Autonomous Okrug — Yugra, and Yamalo-Nenets Autonomous Okrug. Pursuant to the agreement between the governmental authorities of Tyumen Oblast, the Khanty-Mansi Autonomous Okrug — Yugra, and Yamalo-Nenets Autonomous Okrug, the Regional Energy Commission performs the uniform power tariff regulation (within the centralized power supply area) in Tyumen Oblast, the Khanty-Mansi Autonomous Okrug — Yugra, and Yamalo-Nenets Autonomous Okrug.

Regulated power transmission and technological connection activities, as well as tariff regulations on the same, are regulated by the following regulatory legal acts:

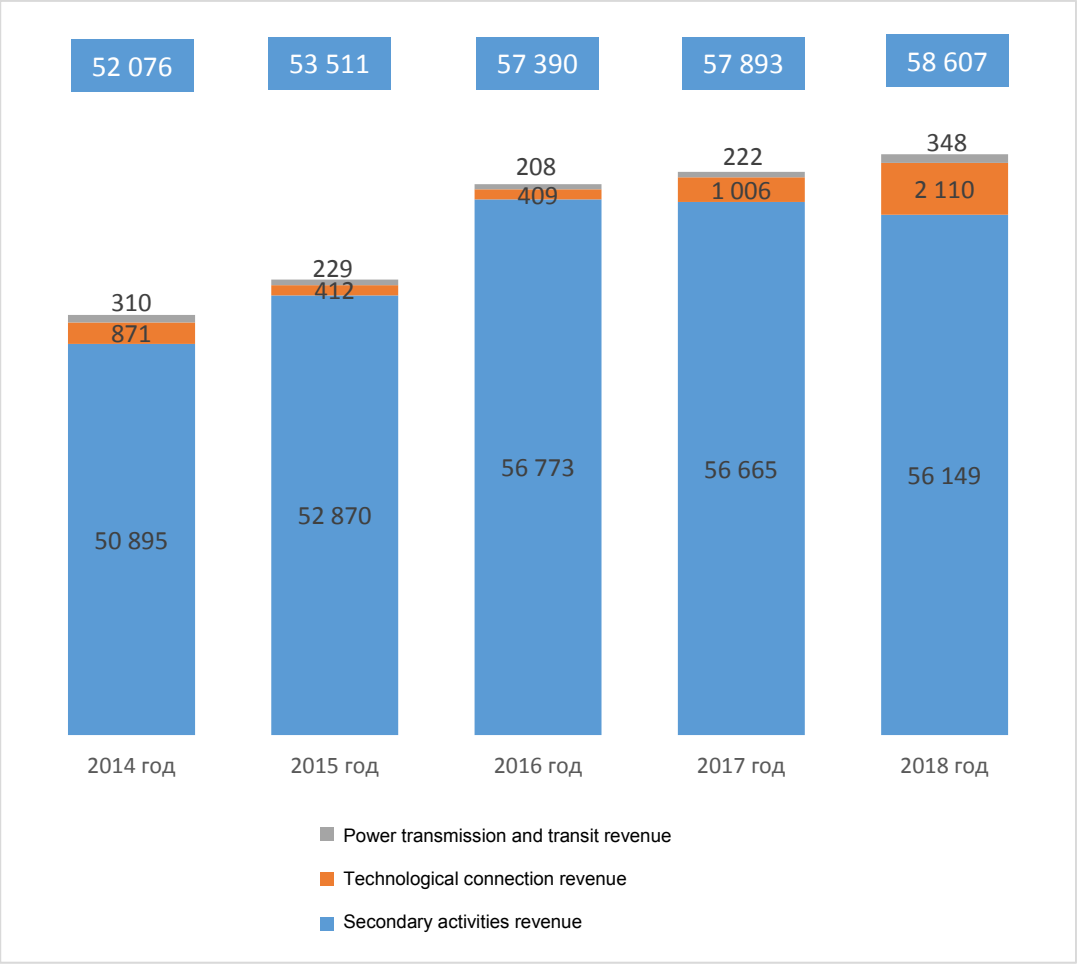
- Federal Law Mo. 35-FZ dd. March 26, 2003 “On Power Engineering”
- Decree No. 861 of the Russian Government dd. December 27, 2004 "On the approval of: Rules of non-discriminatory access to, and provision of, power transmission services; Rules of non-discriminatory access to, and provision of, operational dispatch services in power engineering; Rules of non-discriminatory access to, and provision of, wholesale-market trade system administration services; and Rules of technological connection of user power receivers, power generation facilities, and power grid facilities belonging to grid operators and other parties";
- Decree No. 1178 of the Russian Government dd. December 12, 2011 "On the Pricing of Regulated Power Engineering Tariffs";
- Decree No. 442 of the Russian Government dd. May 4, 2012 "On the Operations of Retail Power Markets, Complete and/or Partial Restrictions on Power Consumption";
- Decree No. 184 of the Russian Government dd. February 28, 2015 "On the Recognition of Grid Facility Owners as Local Grid Operators";
- Guidelines on Calculating the Regulated Tariffs and Prices of Electric (Thermal) Energy in the Retail (User) Market, as approved by Order No. 20-e/2 of the FTS of Russia dd. August 6, 2004;
- Guidelines on Calculating the Power Transmission Service Tariffs Established by Long-Term Indexing of the Required Gross Revenue, as approved by Order No. 98-e of the FTS of Russia dd. February 17, 2012;
- Guidelines on determining the basic level of operating controllable costs of local grid operators, required for performing the regulated activities, and the performance of operating controllable costs calculated based on the analogs; the Guidelines are approved by Order No. 421-e of the FTS of Russia dd. March 18, 2015;

– Technological Connection Payment Calculation Guidelines, as approved by Order No. 1135/17 of the FAS of Russia dd. August 29, 2017;

– Guidelines on Calculating the Reduction in Technological Connection Revenues, as approved by Order No. 215-e/1 of the FTS of Russia dd. September 11, 2014.

Revenue from regulated activities is predominant in the total product revenue structure. In 2017, revenue from the power transmission services accounted for 95.8 of the Company's total product revenue, which was 2% less than in the previous year due to the increase in technological connection revenue against 2017; at the same time, revenue from technological connection services accounted for 3.6% of the Company's total product revenue.

Revenue Structure by Activity in 2014–2018, million rubles



2.5.2. POWER TRANSMISSION SERVICE TARIFFS

Tyumenenergo JSC uses a tariff regulation method based on the long-term indexing of the required gross revenue. The year 2018 was the first year of the second long-term regulation period. The long-term regulation parameters are set by Decision No. 59 of the Regional Energy Commission of Tyumen Oblast, the KhMAO-Yugra, and YNAO dd. December 28, 2017.

The long-term regulation parameters comprise the following:

- Basic level of controllable costs amounting to 16,026.36 rubles;
- Operating costs performance index: 2%;
- Elasticity of controllable costs by asset number: 0.75%;
- Power losses: 2.98%;
- Average power outage duration: 0.4560;
- Average power outage frequency: 0.2061;
- Technological connection quality: 1.0313.

Pursuant to the Guidelines on Calculating the Power Transmission Service Tariffs Established by Long-Term Indexing of the Required Gross Revenue, as approved by Order No. 98-e of the FTS of Russia dd. February 17, 2012, the required gross revenue of a regulated organization includes:

- "controllable costs", calculated on the basis of the regulatory body-specified baseline level of such expenses, with account of user price indices, changes in assets, and the efficiency of such controllable costs;
- "uncontrollable costs", which include depreciation, all kinds of taxes, insurance deductions from the payroll, regulatory service charges and fees, credit and loan costs, etc.;
- costs of financing capital investments from the profits, including expenditures on repaying the credits and loans raised earlier to finance Investment programs, which may not exceed 12% of the required gross revenue;
- adjustments made due to the deviations of the following parameters from the values used in tariff regulations: actual inflation rate, actual uncontrollable costs, actual productive supply, losses, and prices of power, actual implementation of the Investment program, and actual service reliability and quality.

Tyumenenergo JSC's 2018 RGR, with due account for payments for FGC UES PJSC services, as approved in the amount of 48,206.52 million rubles.

Tyumen Oblast uses a contractual "down-top" uniform tariff model, under which supply companies pay for the power transmission services at uniform rates; such payments are received by grid companies to whose grids the power receivers of the end users are connected. Thus, the Company's product revenue from power transmission partially consists of the revenue from the power transmitted to the end users — this value is based on the tariff rates paid by the supply companies); the rest of the revenue is based on the power transmission tariffs established for other local grid operators. Product revenue from power transmission is what covers Tyumenenergo JSC's expenditures on paying for the services of FGC UES PJSC and on buying power to compensate losses occurring at last-resort suppliers[2]; the Company has to pay for LGO services as well as to maintain and develop its own grid complex (internal RGR) to ensure reliability and quality of power supply to users while meeting the prospective demands for power.

Uniform power transmission service tariffs for 2018 were approved by Decree No. 52 of the Regional Energy Commission of Tyumen Oblast, the KhMAO-Yugra, and YNAO dd. December 28, 2017 (editions No. 1 dd. February 27, 2018; No. 4 dd. June 7, 2018). Individual power transmission service tariffs for 2018 were approved by Decree No. 53 of the Regional Energy

[2] LGOs can have compensations at individual tariffs by Tyumenenergo JSC if their RGR is not fully compensated by the product revenue generated by the power supply companies when supplying power to the end users at the uniform tariffs.

Commission of Tyumen Oblast, the KhMAO-Yugra, and YNAO dd. December 28, 2017 (editions No. 2 dd. February 27, 2018; No. 20 dd. August 7, 2018).

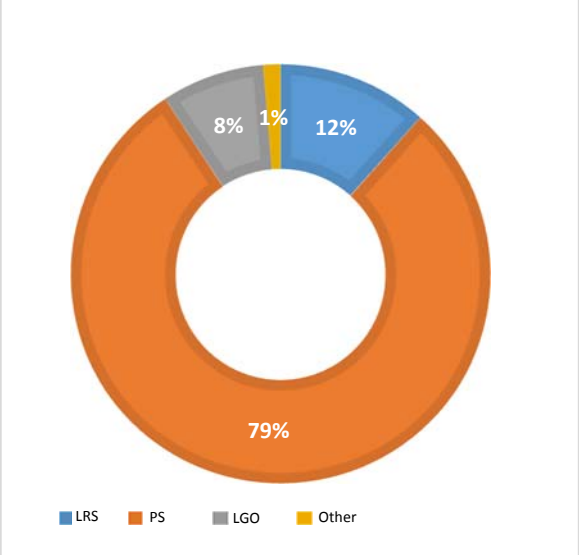
Uniform tariff rates for H1 2018 do not exceed the rates for H2 2017; the rates for the H2 2018 were 5.8% higher.

Power transmission tariffs for residents and resident-equivalent consumers have been approved by the REC with the following categorization: residents and resident-equivalent consumers not granted a reduction factor; residents and resident-equivalent consumers granted a reduction factor of 0.7.

The sales premiums of the last-resort power suppliers that supply power in the retail market, whose customers include grid operators purchasing power to compensate power losses, are set by Order No. 54 of the Regional Energy Commission of Tyumen Oblast, the KhMAO-Yugra, and YNAO dd. December 28, 2018 (editions No. 10 dd. March 30, 2018; No. 19 dd. August 7, 2018).

The figure below presents Tyumenenergo JSC's 2018 revenue from power transmission by user category.

Tyumenenergo JSC's 2018 Power Transmission Revenue Structure by Consumer Category



Uniform-tariff revenue gained from power supply companies and their consumers who purchase power in the retail power market has the largest share of the power transmission revenue (79%). The remaining revenue is gained from last-resort suppliers (12%): Gazprom energosbyt Tyumen JSC (formerly Tyumen Power Supply Company JSC), PSC Vostok JSC; as well as from LGOs using individual tariffs (8%) and other uniform-tariff consumers (1%).

Changes in the Average Power Transmission Tariffs of Tyumenenergo JSC

Parameter	2014	2015	2016	2017	2018
Average Tariff, kopecks/kWh	73.36	78.31	83.32	94.28	105.39
Gain, %	-1.6	6.7	6.4	13.1	11.8

In 2018, the average power transmission tariff (calculated as the ratio of Tyumenenergo JSC's gross revenue from power transmission under the approved tariffs to power supply from the grid) was 11.8% higher than in 2017. This change is due to the increase in the uniform and individual power transmission tariffs since July 1, 2018, and increase in the Company's RGR against 2017.

Tyumenenergo JSC Power Transmission RGR Dynamics

million rubles

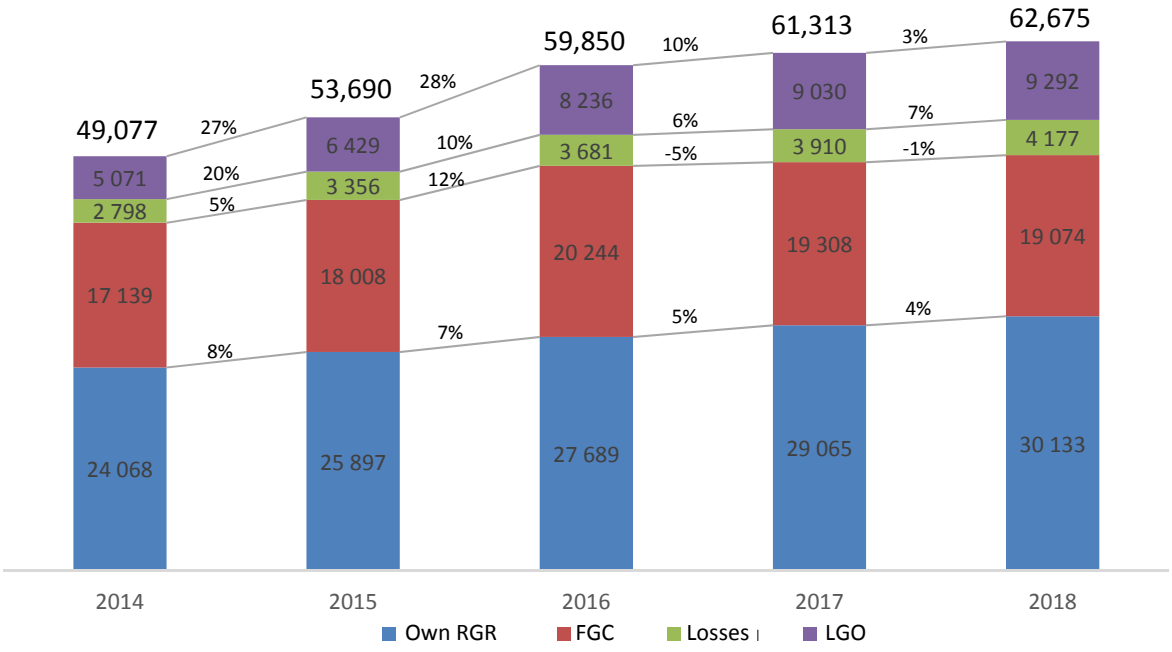
Parameter	2014	2015	2016	2017	2018
Total Gross Revenue from Power Transmission, including	49,077	53,690	59,850	61,313	62,675
Internal RGR	24,068	25,897	27,689	29,065	30,133

Power transmission RGR was 1,362 million or 2.2% higher in 2018 than in 2017. Such an advance of the gross revenue from power transmission implies an increase in the tariff-stipulated payments for the power transmission services provided by FGC UES PJSC and other local grid operators, an increase in the costs of purchasing power to compensate power losses in grids, as well as in the costs of maintaining the grid equipment to ensure necessary quality and reliability of power supply, as well as further development of the grid.

The chart below shows the dynamics of power transmission RGR components for Tyumenenergo JSC.

million rubles

Tyumenenergo JSC Power Transmission RGR Structure Dynamics

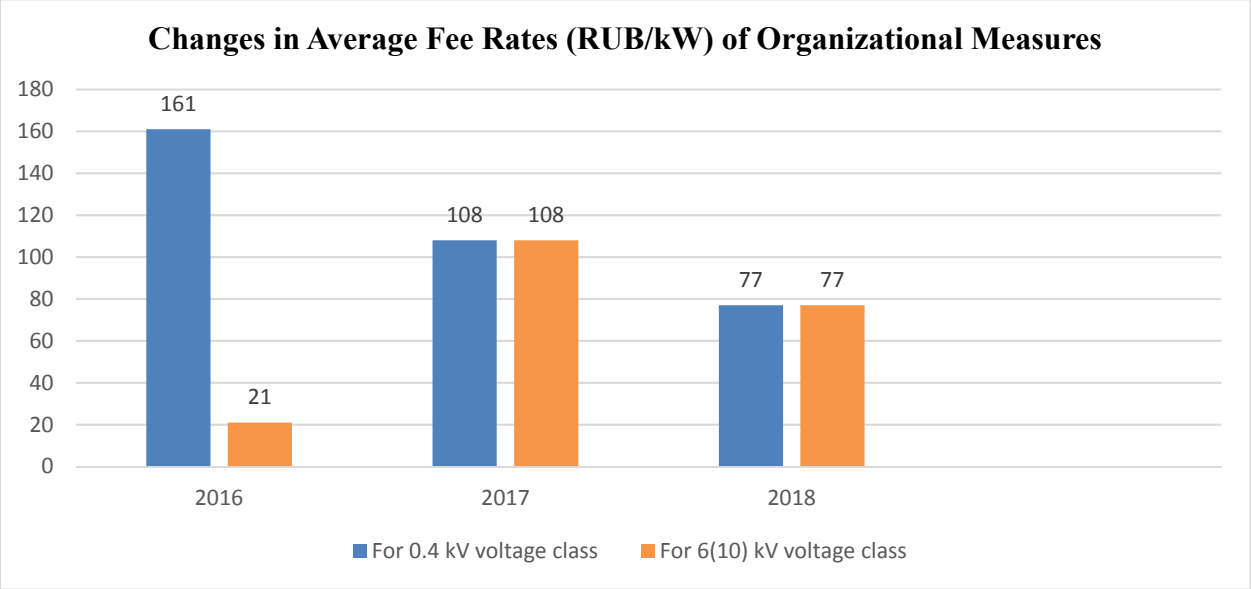


2.5.3. TECHNOLOGICAL CONNECTION FEES

Technological connection fees are calculated for the connection of the newly-commissioned devices, or previously commissioned devices the maximum power of which is to increase; they are also calculated for the previously commissioned devices that have their power supply, connection points, or related production activities altered without changing the maximum power but causing a change in the external power supply circuitry.

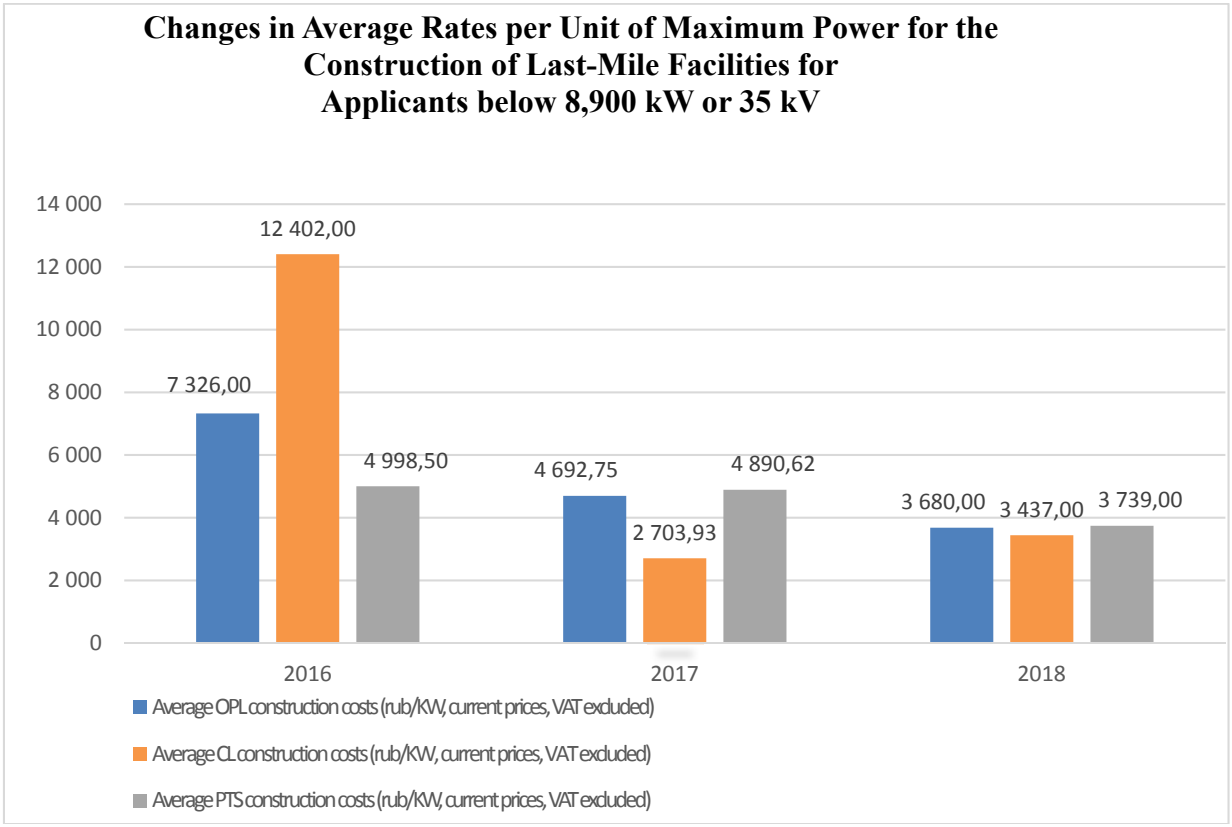
Technological connection fees can be calculated on the basis of the approved standard rates or rates per unit of maximum power; otherwise, such calculations can be case-specific. The rates are selected by the applicant when entering into a technological connection contract.

According to the Payment Calculation Guidelines as approved by the Order No. 1135/17 of the FTS of Russia dd. August 29, 2017, the Regional Energy Commission of Tyumen Oblast, the KhMAO-Yugra, and YNAO has set (Decree No. 50-tp dd. December 28, 2017) uniform tariff schemes, rates per unit of maximum power, as well as formulas for calculating fees for the technological connection of the applicant power receivers to Tyumenenergo JSC's grids. These rates are approved uniformly for all the local grid operators that provide technological connection services in Tyumen Oblast.



For 2018, the uniform C1 rate (organizational measures: preparing and issuing the technical specifications to an applicant and grid operator's supervision of the applicant's compliance with the technical specifications) was set for Tyumen Oblast, the KhMAO-Yugra, and YNAO at the same level for urban settlement territories and for territories beyond urban settlements, in the amount of 8,333 rubles per connection (VAT excluded).

If it was necessary to construct a 0.4-to-10 KV and 35-to-110 kV last mile, the costs were included in the technological connection fees at the approved rates (see Appendix 5).



Rates per unit of maximum power, charged for the construction of OPLs and CLs were set:

– to equal the 0.4 kV rates for the preferential consumers of Tyumenenergo JSC using up to 150 kW of power in 2016 (only applicable if the distance from the applicant's land to grid

facilities of the applicant-requested voltage class (up to 20 kV), belonging to a grid operator which had received the application, was at max. 300 m in urban locations or 500 m in rural locations);

– to equal the 0.4-to-6(10) kV rates for applicants of all local grid operators using up to 150 kW of power in 2017 (only applicable if the distance from the applicant's land to grid facilities of the applicant-requested voltage class (up to 20 kV), belonging to a grid operator which had received the application, was at max. 300 m in urban locations or 500 m in rural locations);

– to equal the 0.4-to-6(10) kv rates for applicants of all local grid operators using over 150 kW of power in 2018.

Rates per unit of maximum power, charged for the construction of package transformer substations (PTS) were set:

– for preferential consumers using no more than 150 kW of power in 2016;

– for the applicants of all the local grid operators providing technological connection services in Tyumen Oblast, the KhMAO-Yugra, and YNAO with connected power of up to 150 kW, in 2017;

– for the applicants of all the local grid operators providing technological connection services in Tyumen Oblast the KhMAO-Yugra, and YNAO with connected power of over 150 kW, in 2018.

Over the course of 2018, according to the materials submitted by Tyumenenergo JSC, the Regional Energy Commission of Tyumen Oblast, the KhMAO, and YNAO made nine decisions to set a specific technological connection fee; these fees totaled 4,181.663 million rubles (VAT excluded) for the total power of 171.28 MW.

For applicants applying for the maximum power of no more than 15 kW inclusive (including already connected capacities), Decisions No. 49 of the Regional Energy Commission of Tyumen Oblast, the KhMAO, and YNAO dd. December 14, 2017 dd set the technological connection fee amounting to 550 RUB, VAT included.

Decree No. 50-tp dd. December 28, 2017 set a shortfall of revenue for this category of applicants that amounts to 144.01357 million rubles (VAT excluded) and is included in the power transmission tariffs.

New Technological Connection Fee Calculation Guidelines came into force October 31, 2017, approved by Order No. 1135/7 of the FAS of Russia dd. August 29, 2017 No. 1135/7. Those determine the new procedure for calculating rates per unit of maximum capacity, uniform rates, and the recommendations for calculating case-specific fees. For 2018, fees for the technological connection to the local grid operators have been calculated and set by the Regional Energy Commission of Tyumen Oblast, the KhMAO, and YNAO in accordance with the new Guidelines; the rates are uniform for Tyumen Oblast.

In 2018, Tyumenenergo JSC performed its duties under 4,421 technological connection agreements, including:

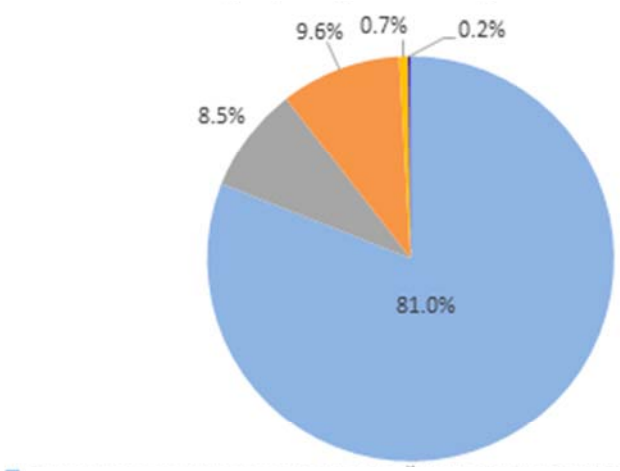
– 3,573 agreements (81%) made with applicants to connect the maximum power of 15 W, charged a reduced fee of 550 rubles;

– 425 agreements (9.6%) using a uniform rate;

– 377 agreements (8.5%) using a per-unit of maximum power rate;

– 9 agreements (0.2%) using specifically calculated fees.

Contracts by Tariff Type, %



- agreements made with applicants to connect the maximum power of 15 W, charged a reduced fee of 550 rubles;
- agreements using a er-unit of maximum power rate;
- agreements using a uniform rate;
- other agreements
- agreements using specifically calculated fees.

2.6. CUSTOMER RELATIONS

Tyumenenergo JSC's customer relations policy consists in pursuing a customer-oriented approach in its activities. The main purpose of the customer-oriented approach is to ensure the consumers' loyalty by high-quality service and short- and long-term satisfaction.

Such customer-oriented approach of Tyumenenergo JSC is achieved by creating and operating a customer service system based on the following principles:

Customers need to be sufficiently aware of the Company and its services. Tyumenenergo JSC provides complete and trustworthy information on its customer relations to the public in the form of mass-media publications, on its corporate website and information stands.

Territorial accessibility and comfortable personal-visit service. The personal-visit service infrastructure makes the Company accessible in a large territory; customers are serviced by personal contact with the Company's employees at the Customer Service Centers (hereinafter "the CSC") and customer service points.

Personal-visit services are provided across the entire area of Tyumenenergo JSC's operation: Southern Tyumen Oblast, the KhMAO-Yugra, and YNAO, at all of its offices.

The Tyumen Distribution Grid branch provides personal-visit service at its CSC; the other branches of the Company, located in Surgut, Nizhnevartovsk, Nefteyugansk, Kogalym, Noyabrsk, Novy Urengoy, Uray, and Nyagan, use customer service points instead.

Accessibility and efficiency of remote and interactive services. The Company provides customer support via the Call Center. As of today, the Call Center uses the toll-free hotline number for all requests and questions regarding the company's activities: +7 (800) 200-55-02.

This numbers and related info can be found on the homepage of Tyumenenergo JSC; this information is regularly updated and published in mass media operating within the area of the Company’s responsibility.

Tyumenenergo JSC's Call Center provides automatic notifications on technological connections by means of automatic calls and SMS notifications; in particular, it informs the customers on: overdue activities under technological connection contracts, readiness of technological connection contracts, overdue obligations under technological connection contracts, as well as the expiry of specifications and readiness to perform the technological connection activities. Besides, the Company has developed a software suit to control and register scheduled and emergency outages that enables Tyumenenergo JSC's hotline to quickly exchange outage data between hotline operators and field-operations control centers of the Company's branches.

The corporate website has a *Report Outage* button that enables consumers to quickly inform us on outages and get a hotline reply on reasons of the latter and estimated power supply restoration time.

The website also offers the Personal Account Service. Users are able to submit their applications for technological connection online by filling out online forms and attaching document scans thereto. Besides, one can use the website to ask a question to an expert, to report something, to complain, to review the Company's activities, and to share their opinion on the Company by filling out a questionnaire.

The website also offers the so-called Online Reception, where everyone can ask their questions to the specialists of the Company or make a complaint; this service enables the Company to advise quickly or to solve any user problem.

The Company website shows the visual map of 110 kV power center loads.

Users can also find the technological connection fee calculator. These fees are indicative only, as final calculations are made only after submitting an application for technological connection — while preparing the relevant contract.

The corporate website also offers customers an interactive survey to let them share their opinion on the quality of the Company's services. This service enables us to get regular feedback and to improve customer satisfaction.

Customers can freely choose any of the communication channels: personal-visit service (by personal visit to the CSC), or remote service (by phone, fax, mail, Internet, or email communication) — depending on their preferences and the situation.

Competent service. Tyumenenergo JSC ensures that customer service specialists are competent and properly qualified.

Customer service business process transparency and unbiased review of customer complaints. The customer service business processes are fully transparent to ensure the controllability of customer service procedures. Tyumenenergo JSC seeks to ensure objective, unbiased, and timely review of complaints; thus, it provides an opportunity to appeal against the Company's decisions; customers are made fully aware of the appealing procedures in accordance with the sufficient-information principle.

The year of 2018 follows the trends of the previous years. More than 22,900, or over the half of all customer questions concern the technological connection matters.

The Call Center is still the most important communication channel for the Company. Compared to 2017, the Call Center received almost 2 times as many questions. Such an increase may be due to the switch to 24-hour operation.

The Personal Account interface was remade to become more accessible and convenient; as a result, the number of technological connection applications made via the Personal Account almost doubled compared to 2017.

Yet another steady trend in the very low number of complaints. As of the end of 2019, only 0.025% of customer service cases were complaints.

Most requests were filed with Tyumen Distribution Grids, which received 156,684 requests (95%), which is due to the population density and consumer population structure. This region is dominated by individuals as well as small and medium-sized enterprises.

All the requests are registered by the IS-U *Power Data Management for Contacts* module of Tyumenenergo JSC's SAP ERP automated management system.

Specifics of Requests Received by Tyumenenergo JSC in 2018

Parameter	Requests	
	2017	2018
Total Requests Received by Tyumenenergo JSC	99,164	164,774
I. Requests by Category	**99,164**	**164,774**
1.1. Complaint	62	41
1.2. Reference Information or Consultation Request	6,901	9,267
1.3. Service Application	6,042	8,140
1.4. Document Submission or Issuance	17,058	14,275
1.5. Reporting	37,518	122,702
On Emergency Outages	26,713	120,343
1.6. Payments	511	344
1.7. Consumer Feedback	3	0
1.8. Service Quality Suggestions from Customers	0	3
1.9. Other	31,069	10,002
II. Requests by Communication Channel	**99,164**	**164,774**
2.1. Visits to CSC or Service Points	19,922	17,591
2.2. Call Center	66,736	132,746
2.2.1. Hot line (issues related to power supply)	42,072	122,507
2.3. Written Requests through the Office	2,568	1,886
2.4. Internal Reception/Personal Account/online consultation/e-mail	6,964	9,938
2.5. Other	2,974	2,613
III. Requests by Reason (Matter)	**99,164**	**164,774**
3.1. Technological Connection	27,153	22,962
3.2. Power Transmission	4,056	2,278
3.3. Power Outages	37,813	123,322
3.4. Grid Facility Maintenance	48	12
3.5. Power Metering	2,131	1,503
3.6. Additional Services	278	145
3.7. Service Quality	6,115	4,996
3.8. Contacts	235	21
3.9. Other	21,335	9,535

In 2018, Tyumenenergo JSC received 41 complaints from the customers. Most of them concerned power quality and technological connection, including 4 complaints that required relevant measures. These corrective measures concerning these 4 complaints were taken in full.

Complaint-handling procedures used by the Company are described in the Complaint Handling Regulations of Tyumenenergo JSC, approved by Order No. 173 of Tyumenenergo JSC dd. April 03, 2018; these Regulations contain standard requirements for handling of complaints concerning Tyumenenergo JSC and received by the Company via personal-visit or remote service channels from customers, regulatory authorities, Russian regional executive bodies and local self-governments, including State Tariff Regulation authorities, the Federal Antimonopoly Service and its local branches; the document defines how structural units and branches of the Company should cooperate to handle such complaints, regulates the timeframes for complaint handling and corrective measures.

Specifics of Complaints Received by Tyumenenergo JSC

Parameter	Complaints (Total)	
	2017	2018
I. Complaints by Matter	**62**	**41**
1.1. Technological Connection	10	3
1.2. Power Transmission	36	30
1.3. Power Outages (Excluding Outage Reports)	15	5
1.4. Grid Facility Maintenance	0	0
1.5. Power Metering	0	1
1.6. Additional Services	0	0
1.7. Service Quality	1	0
1.8. Contacts	0	0
1.9. Power Supply	0	0
1.10. Other	0	2

Consumer relations are regulated by the Customer Service Quality Standards of Tyumenenergo JSC (hereinafter "the CSQS") as approved by Meeting Minutes of the Tyumenenergo JSC No. 11/15 Board of Directors dd. June 29, 2015. The CSQS specify requirements for arranging centralized customer service, for personal-visit and remote customer service business processes, for customer service etiquette, for customer service quality assessment and analysis. Tyumenenergo JSC's customers and other stakeholders are made aware of the CSQS by publishing the latter on the Company's website, by placement at the customer service points, and in other ways to make the document accessible.

Since the CSQS came into force, Tyumenenergo JSC has developed the Customer Service Quality Standard Implementation Plan, see Order of Tyumenenergo JSC dd. October 15, 2015 No. 439. Ensuring the compliance of the personal-visit customer service system with the CSQS requirements is one of the steps as per this Plan. To that end, the Company has analyzed the existing CSC in terms of their categorization and location optimality as per the CSQS. The Customer Service Center at the Tyumen Distribution Grids office was relocated and had its infrastructure improved to better comply with the Tyumenenergo JSC CSQS requirements. The Customer Service Center was thus moved to a business center in Tyumen. After this, customer service area was nearly doubled. The customer floor, lounge hall equipped with seats, electronic table, and electronic line system, were arranged.

The CSC office opened a playroom for children and two more scanner-equipped workstations with Internet access for our customers to be able to submit their technological connection applications with the Personal Account Service.

In 2018, a data display was installed to broadcast relevant information regarding customer services and the Company’s activities.

To improve the quality of customer services and to better solve the issues of power supply and power transmission, as well to coordinate our customer relations, all of the Company's branches conduct annual survey of their consumers. This helps us obtain "first-hand" information that can be used to design and carry out corrective measures for a better quality of service.

Surveyed are legal entities which receive the questionnaires by mail. In 2018, the Company surveyed 3,765 customers (71% of the total number of legal entities served by Tyumenenergo JSC).

Survey Results by Year

Year	Customers that Received Questionnaires	Customers Surveyed	Satisfied Customers	Quality Satisfaction Rate	Quality Satisfaction Dynamics
2017	3,635	3,441	3,387	98.43%	

2018	3,909	3,765	3,660	97.2%	-1.23%

The respondents spoke well about quality of our services: 97% were satisfied with the service quality in general, which is a better figure than it was in the previous year. Surveying also revealed customer awareness of the self-services: 84% of them knew about the Personal Account Service, and almost 82% knew about the Call Center, the hotlines, and the helpline. Most of our customers (86% of the respondents) received timely outage notices and knew where to get help in various situations.

Besides, pursuant to Order No. 1256 of the Ministry of Energy of Russia dd. November 29, 2016 (edited June 21, 2017) "On approval of the Guidelines for Assessing the Reliability and Quality of Goods and Services designed for the management of the unified national grid and local grid operators", one of the vital components of the generalized service reliability and quality level is the complex parameter of compliance with the Uniform Standards for Quality of Services Provided by Grid Operators to Power Users approved by Order No. 186 of the Ministry of Energy of Russia dd. April 15, 2014.

According to 2018 results, the quality level is considered reached, based on the Company's compliance with Order No. 186 of the Ministry of Energy and requirements regarding timely, full, and reliable disclosure of information pursuant to Appendices 1 and 7 to Order No. 186 of the Ministry of Energy of Russia dd. April 15, 2014.

To reach the required level of compliance with the Uniform Standards for Quality of Services Provided by Grid Operators to Power Users, the Company took the following measures in 2018:

Call center improvements including:

– The interface for transmission of data related to applicant auto-informing regarding technological connection agreements to the SAP ERP was designed and commissioned;

– Software package for accounting and managing scheduled and emergency outages for Tyumenenergo JSC's hotline was designed and commissioned; this system allows for immediate exchange of outage-related information between hotline operators and dispatch services of the Company's branches;

– Scheduled configuration of statistical reporting on applications received by the Call center was performed;

– A new contact channel, *Bright Country* portal, was introduced.

In2018, there appeared an opportunity for signing technological connection contracts between Tyumenenergo JSC and an applicant digitally (with further sending an electronic copy to the applicant); power supply contracts can also be issued electronically (signed digitally via the authorization center of the e-document operator); the Personal Account Service can be used for such digital issuance as well. The Personal Account now allows to pay for the technological connection services without any extra charges or fees.

The following Personal Account services were updated, including:

– more information on request processing/performing status (including complaints and TC applications) is now provided;

– supervision of handling of complaints that require corrective measures;

– integration of the Personal Account and the E-Document (SVOYuZ ED) systems used by Tyumenenergo JSC to manage technological connection-related electronic documents, to provide power transmission services, and to enter into power supply contracts remotely by using electronic signatures

– integration of the Personal Account and the Portal so as to automatically register customers' requests submitted to Tyumenenergo JSC via the Portal in the Company's SAP ERP;

– notifying customers on application status by email and SMS;

– functions for making electronic offers;

– Personal Account authorization by SMS code;

– Personal Account service was transferred a new tech platform to ensure comfortable use on mobile devices (tablets and smartphones);

– design of all Personal Account services is brought in line with the updated design of the Company's website;

– to create video tutorials on how Personal Account works;

– The Power Outages service of the Personal Account displays information on the scheduled and emergency outages. Power outage data are shown for the grid facilities to which a consumer is connected. Besides, it can be used to request information on or report a power outage.

As a part of the Road Map to Improve Access to Power Infrastructure as approved by Decree No. 1144-p of the Government of the Russian Federation dd. June 30, 2012, and pursuant to the 2019 Plan for Enhancing Accessibility of Power Grids approved by Order No. 210 of Rosseti PJSC dd. December 20, 2018, the Company plans to take the following measures:

– To increase customer awareness, interactive services and the Portal are to be promoted; seminar conferences with business persons and representatives of the executive authorities of the constituent of the Russian Federation are to be held;

– To increase the number of technological connection applications received through the Portal Personal Account or the Personal Account by 0.1% of the total number of application, the Company plans to arrange public meetups with current and prospect applicants to discuss access to power grids, including possibility of electronic submission of technological connection applications, consulting of applicants at service centers on electronic application submission through the Personal Account or Portal, creation of automated customer workplaces at service centers or installation or self-service kiosks;

– To enhance the quality of performance of measures related to applicant’s obligations, the Company plans to offer the customers an additional commercial service on performing measures related to applicant’s obligations within the framework of the technological connection;

– To reduce the number of actions during the technological connection, the Company plans to formalize the interaction with power supply organizations, thereby relieving the applicants from visiting a power supply organization when concluding a power supply agreement concurrently with the technological connection;

– To harmonize technical solutions and reduce the term of developing the technological connection FEED, the Company plans to develop standard technical solutions for the technological connection of small and medium-sized enterprises (SMEs) to power grids, which exclude excessive construction of power grids, design and issuance of the internal regulative document stipulating a specific supervision of obligations related to the technological connection of SMEs and approving the use of the designed standard technical solutions for technological connection of SMEs.

Pursuant to Order No. 240 of Rosseti PJSC dd. December 29, 2018, Rosseti PJSC plans to develop the Uniform Contact Center in order to enhance the efficiency of processing customers’ applications received by phone or on Internet, harmonize the development of information systems, optimize the resources, and transfer all Rosseti PJSC’s subsidiaries (including Tyumenenergo JSC) to the uniform federal number of the customer service center. The implementation is scheduled for 2023.

Besides, on October 1, 2018, Tyumenenergo JSC joined Rosseti PJSC’s *Bright Country* project — a portal for receiving feedback of power users.

2.7. GRID COMPLEX DEVELOPMENT IN THE REGIONS OF TYUMENENERGO JSC OPERATION

Tyumenenergo JSC is a member of the coordinatory bodies established to develop the Development Schemes and Programs (DS&P) for three Russian regions (Tyumen Oblast, the Khanty-Mansi Autonomous Okrug — Yugra, and the Yamalo-Nenets Autonomous Okrug) and is actively involved in developing the DS&P for these regions.

In 2018, three DS&P of Tyumen Oblast, the Khanty-Mansi Autonomous Okrug — Yugra, and the Yamalo-Nenets Autonomous Okrug were approved:

- DS&P for Tyumen Oblast was approved by Order No. 39-r of the Government of Tyumen Oblast dd. April 28, 2018;
- DS&P for the KhMAO-Yugra was approved by Order No. 189-rp of the Governor of the KhMAO-Yugra dd. April 28, 2018;
- DS&P for the YNAO was approved by Decree No. 48-PG of the Governor of the YNAO dd. April 28, 2018.

All this helped approve the amendments to Tyumenenergo JSC's investment program approved by Order No. 12@ of the Ministry of Energy of Russia dd. November 8, 2017 (Order No. 23@ of the Ministry of Energy of Russia "On approving the amendments to the investment policy" dd. December 14, 2018).

In 2018, Comprehensive Programs for 2019–2023 Development of the KhMAO-Yugra, YNAO, and Tyumen Oblast in 2019–2023 were developed, agreed upon with Tyumen RDC (a branch of SO UES), and then approved by Order No. 148 of Tyumenenergo JSC dd. December 24, 2018; these Programs substantiate the measures Tyumenenergo JSC has proposed for integrating into the regional DS&P for the next 5 years and help synchronize the measure schedules for main-line and distribution grids.

In December 2018, the approved Comprehensive Programs for 2019–2023 Development of the KhMAO-Yugra, YNAO, and Tyumen Oblast were submitted to Governments of these constituents for further consideration when developing DS&P for 2020–2024.

In 2019, Tyumenenergo JSC continues to collect and update the input data on prospect loads of power users in the KhMAO-Yugra, YNAO, and Tyumen Oblast, with further updating of measures within the Comprehensive Programs for 2024 Development of 35+ kV Power Grids in Corresponding Constituents of Russia; also, the Company actively participates in development of Roadmaps and Programs for 2024 Development of the Power Industry in the KhMAO-Yugra, YNAO, and Tyumen Oblast.

2.8. CONSOLIDATION OF POWER GRID ASSETS

For the purpose of consolidating power grid assets, Tyumenenergo JSC:

– monitors data on power grid assets and ownerless grid facilities, including those belonging to municipal entities or regional government bodies in Tyumen Oblast, the KhMAO-Yugra, and YNAO, so as to identify power grid assets subject to consolidation;

– cooperates with the local self-governments and other owners on power grid asset consolidation;

– makes up the inventory of all the power grid assets found in the Company-served territories and involved in the transmission and distribution of power so as to identify their legal owners, classify such assets, and list them;

– identifies how such power grid assets could be transferred (including lease, transfer of ownership, entitlement to operation, etc.).

For the purpose of consolidating power grid assets, Tyumenenergo JSC's corporate website offers an interactive Personal Account Service.

To transfer a power grid facility, a customer (applicant) can submit an electronic application via the Personal Account or at any Customer Service Center of Tyumenenergo JSC provided that the customer has the required documents.

The Company's branches take the following steps to inform potential customers in the regions served by Tyumenenergo JSC on how to use the Grid Facility Transfer section of the Company's website:

– placing grid property consolidation guidelines and FAQ on the CSC info stands;

– arranging round-table conferences with public organizations and business communities.

Before 2016, 74 LGOs had been involved in power transmission and technological connection services in Tyumen Oblast. In 2016, there were considerably fewer (-26%) such organizations as Decree No. 184 of the Government of the Russian Federation dd. February 28, 2015 "On the Recognition of Grid Facility Owners as Local Grid Operators" came into force, which was why it was found some LGOs had not met the criteria to be recognized as LGOs.

Prior to losing the LGO status, these companies combined their LGO power transmission activities with their primary production activities. As they stopped providing power transmission services, they started using their grid property to supply power to their own production facilities, which rendered it non-subject to consolidation. Besides, after losing the LGO status, power transmission services to consumers connected to such companies are paid by the power supply companies to the Company (these payments for mediated connection to the Tyumenenergo JSC grids are done via persons who do not provide power transmission services).

As a result, these LGOs had not been given any power transmission tariffs from 2016 on, and that fact forced them to leave the market. 48 LGOs still operate in the Company-served territories in 2018.

Pursuant to the Rosseti Group's Roadmap for Consolidating Power Grid Assets Belonging to LGOs and Other Parties, approved by Order No. 151 of Rosseti PJSC dd. December 4, 2017 "On approval of the Roadmap for Consolidating Power Grid Assets Belonging to LGOs and Other Parties", Tyumenenergo JSC has formed the 2018 list of projects for consolidation of power assets (updated and approved on a quarterly basis).

This list provides rating in terms of economic efficiency of power grid assets consolidation, describes funding sources, and preferable consolidation methods.

In 2018, Tyumenenergo JSC's key activities regarding consolidation of power grid assets were power grid equipment rent (conclusion of new rent agreements or prolongation of the existing).

In 2018, the Company consolidated 8,258.2 c.u. of grid property, or 3.7% of the total equipment of facilities that Tyumenenergo JSC uses to provide power transmission services.

Power Grid Asset Consolidation Figures

Measures Taken	2016 Power Grid Assets Consolidated			2017 Power Grid Assets Consolidated			2018 Power Grid Assets Consolidated		
	MVA	km	c.u.	MVA	km	c.u.	MVA	km	c.u.
TOTAL	**353**	**2,759**	**8,357**	**353**	**2,775**	**8,175**	**364**	**2,761**	**8,258**
Grid Facilities Acquired	0	0	0	0	0	0	0	0	0
Grid Facilities Leased	333	2,759	8,051	333	2,769	7,853	342	2,731	7,853
Other (permanent ownership and use rights)	0	0	0	0	0	0	0	0	0
Other (temporary ownership and use rights)	20	0	306	20	6	322	22	30	405

Pursuant to Decree No. 52 of the REC of the KhMAO-Yugra, YNAO, and Tyumen Oblast dd. December 28, 2017 "On the Establishment of Uniform Tariffs on Power Transmission Services in the Grids of Tyumen Oblast, the Khanty-Mansi Autonomous Okrug — Yugra, and the Yamalo-Nenets Autonomous Okrug", the total RGR of 48 LGOs in 2018 (net of paid losses, including payments for FGC UES PJSC's services), within Tyumenenergo JSC's area of responsibility, came to 71,209 million rubles, including:

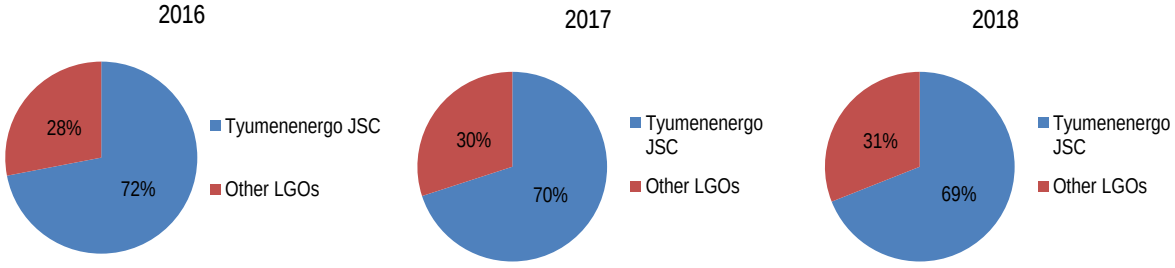
– 49,207 million rubles (69 %) — Tyumenenergo JSC's RGR

– 22,002 million rubles (31 %) — uncontrollable RGR of Rosseti PJSC's subsidiaries, including:

- 18 % – STS Corporation LLC Group (SUENKO PJSC, Surgut Electric Grids LLC, Gorelektroset JSC, Energo-Gaz-Noyabrsk JSC, YuTEK-Regional Grids JSC, RSK Yamala JSC);
- 4 % – YuERSK JSC, YuTEK-Pokachi JSC;
- 6 % – power grid companies of the fuel and energy complex (Surgutneftegas PJSC, GazpromTransgazSurgut LLC, etc.);
- 3 % – other LGOs (municipal unitary enterprises, federal state unitary enterprises, etc.).

The greatest share of RGR within Tyumenenergo JSC's responsibility area is held by STS Corporation LLC Group which is not interested in transferring the management of their power grid assets to Tyumenenergo JSC on any grounds, and neither are fuel and energy companies.

Tyumenenergo JSC's Share in RGR of Served Regions



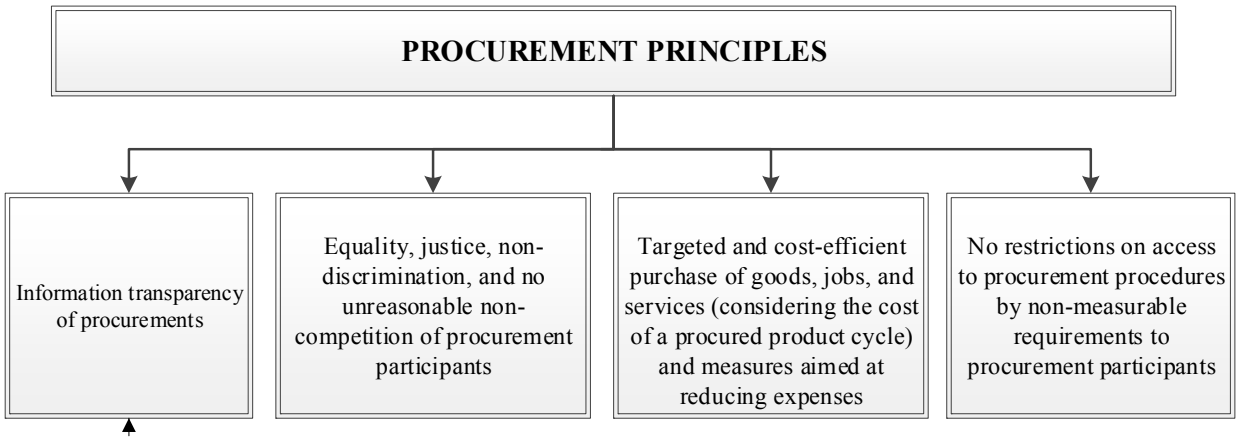
The share of the power transmission market within Tyumenenergo JSC's responsibility area is decreasing due to the presence of LGOs in Tyumen Oblast, whose RGRs are calculated with the

use of the invested capital profitability method RAB. Long-term LGO data regulation parameters are approved by the FTS of Russia and imply annual growth of RGR within a long-term regulation period with the significant excess of the growth pace determined by the forecast of the socioeconomic development of Russia.

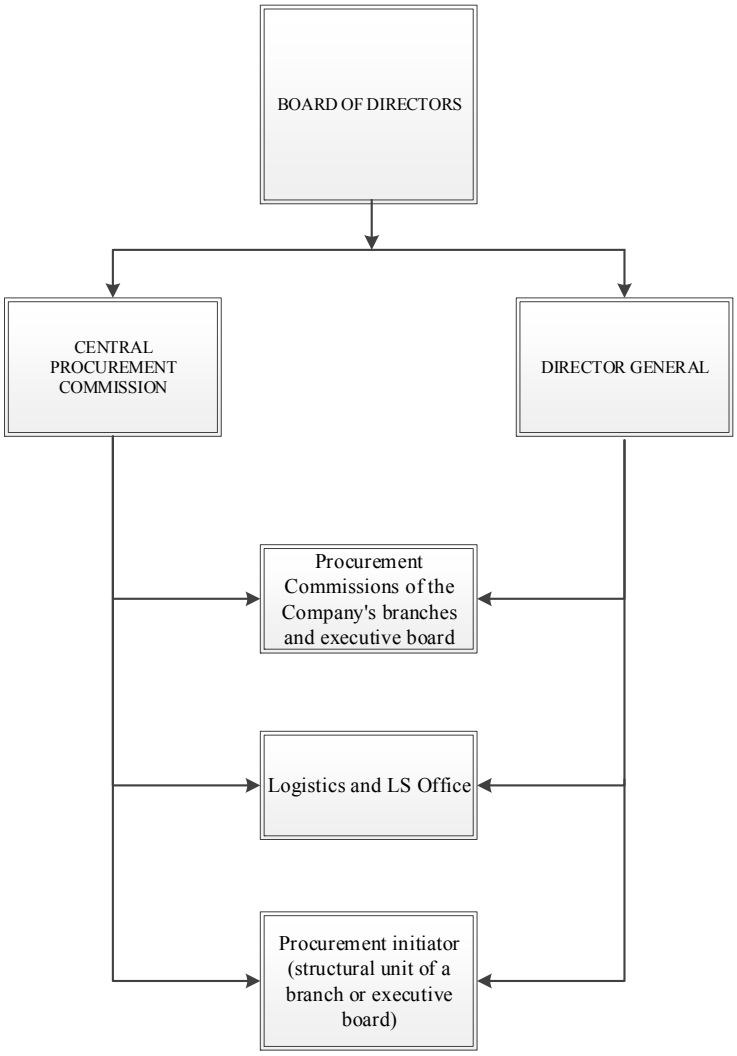
2.9. PROCUREMENTS

Procurement Regulation Essence and Principles

In 2018, Tyumenenergo JSC procurements were regulated by the Uniform Procurement Standard of Rosseti PJSC (the Procurement Regulation) as approved by the Board of Directors of Tyumenenergo JSC (Minutes No. 22/15 dd. December 22, 2015 (No. 239 in the August 19, 2016 edition of the Rosseti PJSC Central Procurement Commission Minutes; No. 244 in the edition dd. November 8, 2016, No. 247 in the edition dd. December 16, 2016, No. 265 in the edition dd. May 19, 2017, No. 269 in the edition dd. May 31, 2017, No. 324 in the edition dd. October 5, 2018); the Standard was used by the Company as an internal document. The Uniform Standard was developed further to the Rosseti PJSC Procurement Policy and is compliant with Federal Law No. 223-FZ dd. July 18, 2011 "On the Procurement of Goods, Jobs, and Services by Specific Types of Legal Entities". The Procurement Regulation formalizes procurement procedures regardless of their costs.



Procurement Management System of the Company



The Procurement Regulation stipulates the following procurement methods: tender, auction, proposal request, quotation request, simple procurement, small procurement, procurement from a single supplier, and procurement by participation in the seller-arranged procedures.

The Procurement Regulation stipulates the following procurement formats and special procedures:

- open and closed;
- digital or paper-based;
- with or without bidding;
- with prequalification or without it;
- with an option for alternative proposals or without it;
- single-, double-, or multi-stage procurement;
- with postqualification or without it;
- special procurement procedures for sophisticated products;
- with an option to choose multiple bid winners for a single lot (if the procurement method is other than tendering);
- procurement with a right to enter into a framework agreement with one or more procurement parties.

To comply with Federal Law 223-FZ dd. July 18, 2011, Tyumenenergo JSC publishes the following information in the Unified Procurement Information System (www.zakupki.gov.ru) as well as on its corporate website (www.te.ru):

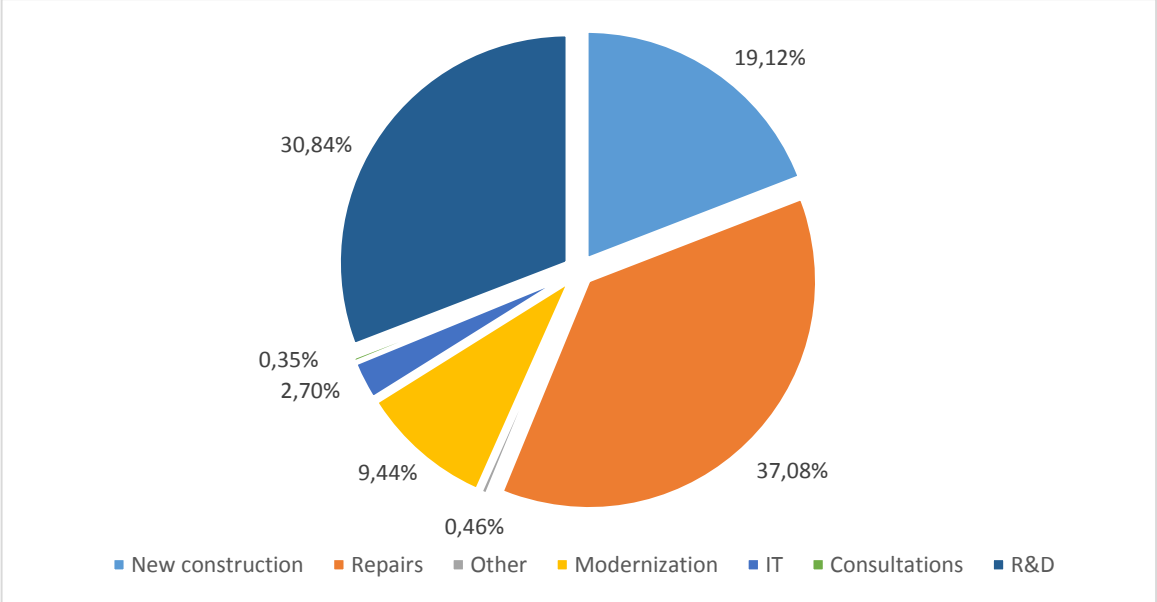
- Goods, Jobs, and Services Procurement Regulation;

- Goods, Jobs, and Services Procurement Plan;
- Innovative and High-Tech Product Procurement Plan;
- procurement details;
- details on the number and total cost of the agreements the Company has entered into as a result of procuring goods, works, and services before July 1, 2018;
- details on the number and total cost of the agreements the customer has entered into as a result of procuring goods, works, and services, including details on the total cost of the agreements which are not listed on the register of agreements pursuant to Section 3 of Article 4.1 of this Federal Law;
- details on the number and total cost of the agreements the Company has entered into as a result of procuring from a single supplier (contractor);
- details on the number and total cost of the agreements the Company has entered into as a result of procuring from small and medium-sized enterprises, specifying the number and total cost of the agreements regarding the procurement of innovative and high-tech products from such enterprises by specific customers from the Russian Government's list before July 1, 2018;
- details on the number and total cost of the agreements the customer has entered into with a single supplier (contractor) as a result of an aborted competitive procurement;
- annual report on the procurement of goods, jobs, and services by specific types of legal persons from small and medium-sized enterprises;
- annual report on the procurement of innovative and high-tech products (suppliers including small and medium-sized enterprises).

Main Figures of the Procurement Plan

The Company's Procurement Plan for 2018 was approved at the meeting of the Tyumenenergo JSC Board of Directors on December 26, 2017 (Minutes No. 32/17) and stipulates 296 procurements for a total of 18,783.6 million rubles, VAT included. Over the reporting period, the Plan was subject to adjustments pursuant to Section 6.2.6 of the Procurement Regulation.

Procurements by Activity

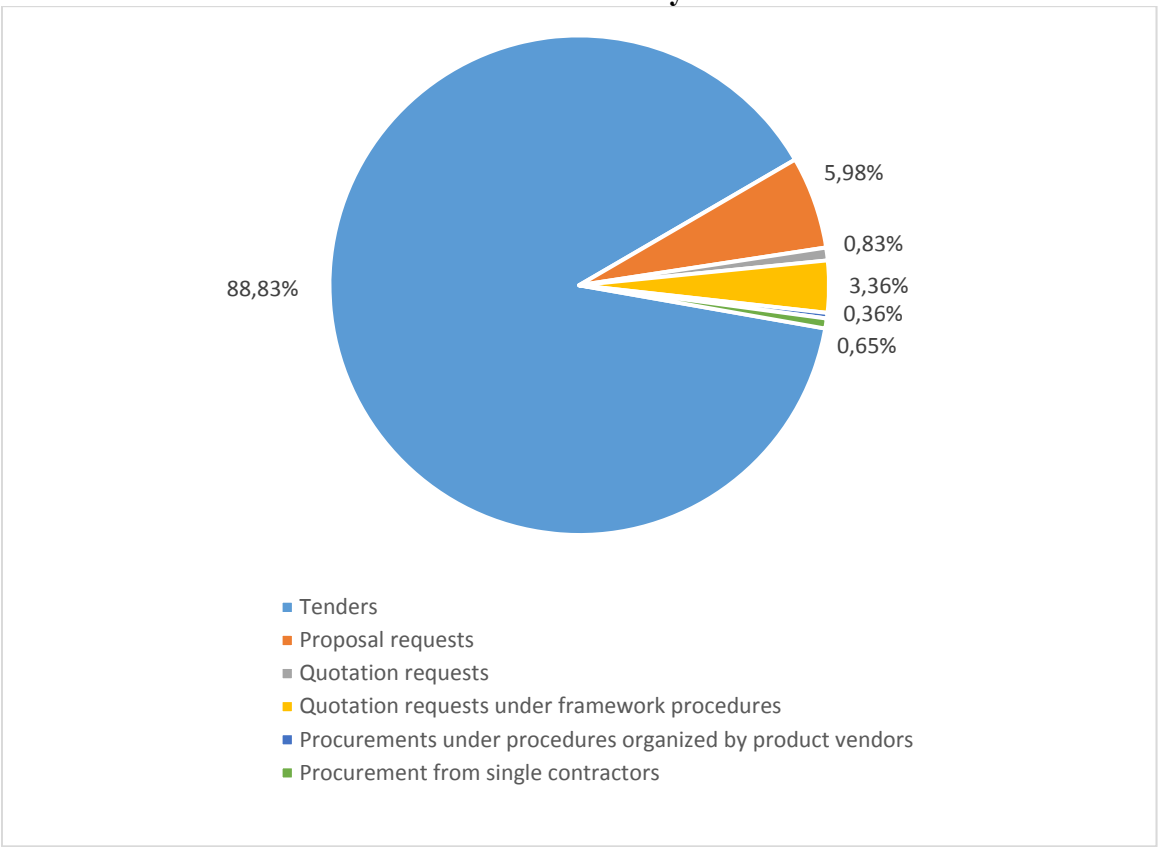


In 2018, procurements totaled 20,463.43 million rubles, VAT included. Open procedures accounted for 20,330.97 million rubles (VAT included) or 99.35% of those. Procurements from a single source totaled 132.46 million rubles (VAT included) or 0.65%. Besides, 161 procurements from a single supplier were made in 2018 pursuant to Section 5.11.1.10 (rental of movable and immovable property for the main production and business activities) and Section 5.11.1.11 (procurement of water supply, gas supply, power supply, heat supply, connection to engineering grids under at regulated tariffs/prices, and/or procurement of power transmission (transit) over related grids, as well as procurement of sundry goods, jobs, and services at legally regulated tariffs/prices) of the Procurement Regulation, which totaled 12,853.35 million rubles, VAT included.

100% of competitive procurements in 2018 were carried out using the e-commerce tools.

The efficiency of these procedures amounted to 808.9 million rubles (VAT included) or 3.84 of the stated value of competitive procurements.

Procurements by Method



Products for the needs of Tyumenenergo JSC were procured in 2018 by properly trained specialists of Tyumenenergo JSC as well as by the Procurement Department of Rosseti PJSC on behalf of Tyumenenergo JSC under Agreement No. 4301 on the Arrangement and Development of the Unified Energy System of Russia in Its Distribution Complex Aspect dd. January 31, 2019, and by CTZ JSC under Agreement No. 17/1 dd. November 6, 2015 "On arranging the procurement of the main power equipment for Tyumenenergo JSC".

Procurements from Small and Medium-Sized Enterprises

The Company has its own Program for Partnership with Small and Medium-Sized Enterprises, the purpose of which is to contribute to the state's Small and Medium-Sized Enterprise Development Policy by means of procurements.

The Tyumenenergo JSC Program for Partnership with Small and Medium-Sized Enterprises specifies a set of measures to be taken to form and support a stratum of reliable, qualified, and responsible suppliers (contractors) among small and medium-sized enterprises. The Partnership Program sets specific requirements to such enterprises and specifies rules and conditions for connection.

By Order No. 123 dd. March 12, 2018, Tyumenenergo JSC joined the Program for Partnership between Rosseti Group and small and medium-sized enterprises (SME), approved by Order No. 32 of Rosseti PJSC dd. February 14, 2018. The updated Program for Partnership changed the procedure for connecting the SMEs to the program. Applications and required documents need to be submitted in the electronic form at www.etp.rosseti.ru. To submit a connection application, an enterprise has to sign up with the electronic trade platform. From now on, Rosseti Group keeps the Uniform Register of the Program for Partnership participants that is published on Rosseti's electronic trade platform. The official website of Rosseti PJSC has the link to the Uniform Register of the Program for Partnership Participants.

Tyumenenergo JSC is on the list of legal persons, approved by Order No. 475-p of the Government of the Russian Federation dd. March 21, 2016, which are obliged to procure innovative and high-tech products from suppliers including small and medium-sized enterprises. Pursuant to Sections 8 and 9 of the Regulation of Small and Medium-Sized Enterprise Involvement in the Procurement of Goods, Jobs, and Services by Specific Types of Legal Persons, as approved by Decree No. 1352 of the Government of the Russian Federation dd. December 11, 2014, Tyumenenergo JSC has approved a List of Goods, Jobs, and Services (including innovative and high-tech products) which shall be procured from small and medium-sized enterprises (hereinafter, "the List"); the List is based on the All-Russian Classification of Products by Economic Activity (OKPD 2) OK 034-2014 (КПЕС 2008). Pursuant to Section 10 of the Regulation of Small and Medium-Sized Enterprise Involvement in the Procurement of Goods, Jobs, and Services by Specific Types of Legal Persons, the List has been published on the Tyumenenergo JSC corporate website as well as in the unified procurement information system.

According to the Annual Report on the Procurement of Goods, Jobs, and Services from Small and Medium-Sized Enterprises for 2018, which Tyumenenergo JSC published on the official website of the Unified Procurement Information System, the annual cost of SME contracts totaled:

– 13,205.9 million rubles (VAT included), or 87.77% of the cost of contracts completed in 2018 (excluding the procurements that are to be excluded from such calculations pursuant to Section 7 of the Regulation of Small and Medium-Sized Enterprise Involvement in the Procurement of Goods, Jobs, and Services by Specific Types of Legal Persons, and of the Annual Cost of Such Procurements and Its Calculation, as approved by Decree No. 1352 of the Government of the Russian Federation dd. December 11, 2014);

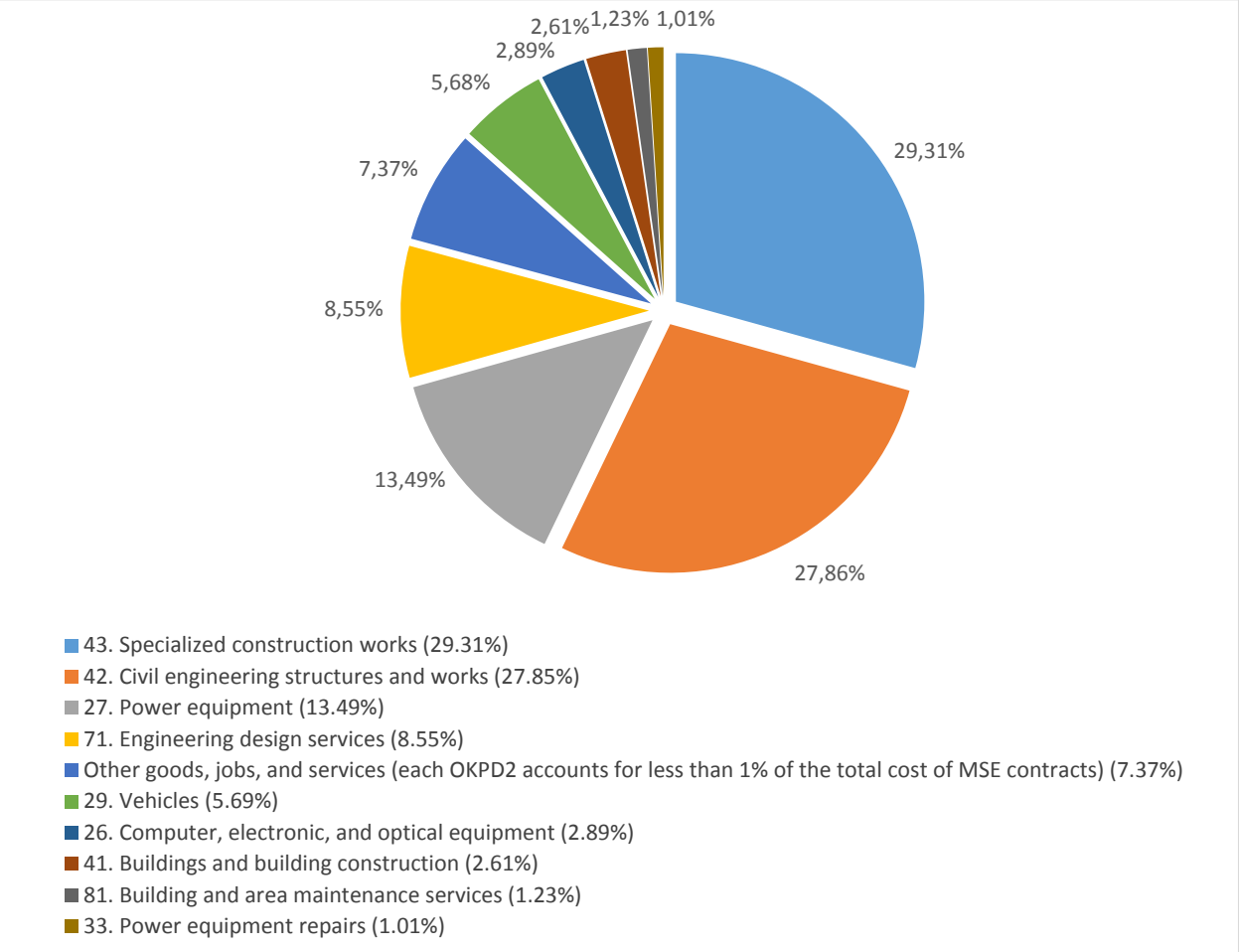
– procurements from small and medium-sized enterprises exclusively totaled 8,770.7 million rubles (VAT included), or 58,29% of the total procurements completed in 2018 (excluding the procurements that are to be excluded from such calculations pursuant to Section 7 of the Regulation of Small and Medium-Sized Enterprise Involvement in the Procurement of Goods, Jobs, and Services by Specific Types of Legal Persons, and of the annual cost of Such Procurements and Its Calculation, as approved by Decree No. 1352 of the Government of the Russian Federation dd. December 11, 2014).

According to the Annual Report on the Procurement of Goods, Jobs, and Services from Small and Medium-Sized Enterprises, Tyumenenergo JSC paid to small and medium-sized enterprises in 2017–2018 a total of:

– 12,543.7 million of rubles (VAT included), or 74.42% of the total payments made in 2018 (excluding the procurements that are to be excluded from such calculations pursuant to Section 7 of the Regulation of Small and Medium-Sized Enterprise Involvement in the Procurement of Goods, Jobs, and Services by Specific Types of Legal Persons, and of the Annual Cost of Such Procurements and Its Calculation, as approved by Decree No. 1352 of the Government of the Russian Federation dd. December 11, 2014);

– payments for procurements from small and medium-sized enterprises exclusively totaled 9,748.8 million rubles (VAT included), or 57,84% of the total costs of procurements completed in 2017 (excluding the procurement payments that are to be excluded from such calculations pursuant to Section 7 of the Regulation of Small and Medium-Sized Enterprise Involvement in the Procurement of Goods, Jobs, and Services by Specific Types of Legal Persons, and of the Annual Cost of Such Procurements and Its Calculation, as approved by Decree No. 1352 of the Government of the Russian Federation dd. December 11, 2014)

Procurements from Small and Medium-Sized Enterprises by OKPD2 Codes



Details on the Procurement of Innovative and High-Tech Products

In accordance with Order No. 475-r of the Government of the Russian Federation dd. March 21, 2016, Tyumenenergo JSC is on the List of Legal Persons Obliged to Procure Innovative and High-Tech Products from suppliers including small and medium-sized enterprises.

Based on the criteria of recognizing goods, jobs, and services as innovative and/or high-tech products to prepare the procurement plan for such products, which criteria are approved by Order No. 126 of the Russian Ministry of Energy dd. December 25, 2015, Tyumenenergo JSC has developed and approved the List of Goods, Jobs, and Services Recognizable as Innovative and High-Tech Products.

According to the 2018 Annual Report on the Procurement of Innovative and High-Tech Products from suppliers including small and medium-sized enterprises, which Tyumenenergo JSC has published on the official website of the Unified Procurement Information System, the annual cost of procured innovative and high-tech products totaled:

– 130.6 million rubles, which is 114.9% higher than the same value for 2017. The share of innovative and high-tech products in the total annual goods, jobs, and services procurement contracts the Company has entered into in 2018, amounted to 0.56%;

– 114.0 million rubles were spent on such procurement from small and medium-sized enterprises, which is 88.7% higher than the same value for 2017. Thus, the share of innovative and high-tech products procured from SMEs in the total annual goods, jobs, and services procurement contracts the Company has entered into in 2018, amounted to 0.68

Share of Payments to Local Suppliers in Significant Regions of the Company's Operation

Tyumenenergo JSC serves a territory of more than 1.4 million sq. km, which comprises Tyumen Oblast, the Khanty-Mansi Autonomous Okrug — Yugra, and the Yamalo-Nenets Autonomous Okrug, with a total population of 3.5 million people.

Companies registered in these three Russian constituent entities served by Tyumenenergo VAT ("local suppliers") won 660 of the Company's procurement contracts for a total of 19,278.6 million rubles (VAT included), which is 57.86% of the total procurements made in 2018.

Total Number of Legal Actions Against the Companies Due to Anti-Corruption and Breach of Antitrust Laws. Outcomes of Such Actions

In 2018, parties involved in procurements arranged by Tyumenenergo JSC filed two complaints with the Federal Antimonopoly Service of Russia, whereby they complained against the procurement commissions of Tyumenenergo JSC. However, the Federal Antimonopoly Service of Russia considered these complaints ungrounded.

Thus, no complaints considered by the FAS of Russia resulted in binding regulations or Administrative Code-stipulated fines imposed on the Company.

Registry of Complaints Filed by the Parties Involved in Tyumenenergo JSC's Procurements with the Federal Antimonopoly Service of Russia in 2018

No.	Complainant	Procurement Subject	Complaint Subject	Resolution	Document Date and No.
1	Energiya LLC	Open single-phase non-prequalification tender to a contract to perform works on modernizing the 10 kv OPL of Volosnaya of the Ishim local production unit of Tyumenenergo JSC's subsidiary "Tyumen Distribution Grids" (1047934) (Note No. 31806661405)	Improper behavior of the procurement organizer and customer, specifically incompliance with law and Procurement Policy (including violation of the procurement procedure)	Complaint considered ungrounded	Resolution No. T18/107-223 of the FAS Directorate in Tyumen Oblast dd. September 21, 2018
2	Energiya LLC	Open single-phase non-prequalification tender to a contract to perform works on modernizing the 10 kv OPL of Partizan of the Ishim local production unit of Tyumenenergo JSC's subsidiary "Tyumen Distribution Grids" (1047948) (Note No. 31806662066)	Improper behavior of the procurement organizer and customer, specifically incompliance with law and Procurement Policy (including violation of the procurement procedure)	Complaint considered ungrounded	Resolution No. T18/107-223 of the FAS Directorate in Tyumen Oblast dd. September 21, 2018
3	Energiya LLC	Open single-phase non-prequalification tender to a contract to perform works on modernizing the 10 kv OPL of Voskhod of the Ishim local production unit of Tyumenenergo JSC's subsidiary "Tyumen Distribution Grids" (1047957) (Note No. 31806661768)	Improper behavior of the procurement organizer and customer, specifically incompliance with law and Procurement Policy (including violation of the procurement procedure)	Complaint considered ungrounded	Resolution No. T18/107-223 of the FAS Directorate in Tyumen Oblast dd. September 21, 2018

No.	Complainant	Procurement Subject	Complaint Subject	Resolution	Document Date and No.
4	Moselektroshchit LLC	Open single-phase non-prequalification tender to a contract to supply the main power equipment for modernizing the Sukhoy Bor 110/35/6 kV substation with replacement of 110/35/6 kV equipment and finishing the 110-4N scheme of Tyumenenergo JSC's subsidiary Uray Electric Grids (53722) (Note No. 31806448260)	Improper behavior of the procurement organizer and customer, specifically incompliance with law and Procurement Policy (including violation of the procurement procedure)	Complaint considered grounded as far as CTZ JSC (procurement organizer) is concerned	Resolution No. 1448-j of the FAS Directorate in the KhMAO dd. October 19, 2018
5	Elkom+ LLC	Open single-phase non-prequalification tender to a contract to perform works to modernize the VHF radio communication system of Tyumenenergo JSC' subsidiary Nizhnevartovsk Electric Grids (Note No. 31806651553)	Procurement parties were required to provide documents not stipulated by the procurement documentation	Complaint considered ungrounded	Resolution No. 1576-j of the FAS Directorate in the KhMAO dd. November 9, 2018
6	PersonalResurs LLC	Open single-phase non-prequalification tender to a contract to perform works on sanitary maintenance of buildings, structures, and adjacent areas for Tyumenenergo JSC' Information Agency (Note No. 31807141837)	Procurement documentation stipulated improper requirements which imposed limitations on procurement participation and implied pre-emptive participation rights for some parties	Complaint considered ungrounded	Resolution No. 02/NI-6608 of the FAS Directorate in the KhMAO dd. November 30, 2018
7	Bely Kvadrat LLC	Open single-phase non-prequalification tender to a contract to perform works on sanitary maintenance of buildings, structures, and adjacent areas for Tyumenenergo JSC' Information Agency (Note No. 31807141837)	Procurement documentation stipulated improper requirements which imposed limitations on procurement participation and implied pre-emptive participation rights for some parties	Complaint considered ungrounded	Resolution No. 2011-j of the FAS Directorate in the KhMAO dd. December 27, 2018
8	K. Yu. Kholodilin (self-employed)	Open request for proposals to contract to supply dermatologic protective equipment for Tyumenenergo JSC's subsidiary Uray Electric Grids (Note No. 31807124580)	Legality of the request for product supply prices and legality of merging lots of such goods	Complaint considered ungrounded	Resolution No. 2066-j of the FAS Directorate in the KhMAO dd. January 14, 2019

Share of New Suppliers Assessed as per Labor Relations Criteria

Procurement parties were not assessed on the basis of labor relations criteria.

Suppliers Whose Rights to Freedom of Associations and Collective Bargaining Might Be Violated or Put at a Significant Risk. Actions Taken to Protect Such Rights

Tyumenenergo JSC does not take any measures to examine its suppliers for any violation and risk-exposure of rights to freedom of association and collective bargaining.

Significant Actual and Potential Negative Impact on Observation of Human Rights in the Supply Chain. Actions Taken

Tyumenenergo JSC does not take any measures to examine its suppliers for any actual or potential negative impact on observation of human rights.

Suppliers Having Negative Environmental Impact. Actions Taken

Tyumenenergo JSC does not take any measures to examine its suppliers for any negative environmental impact.

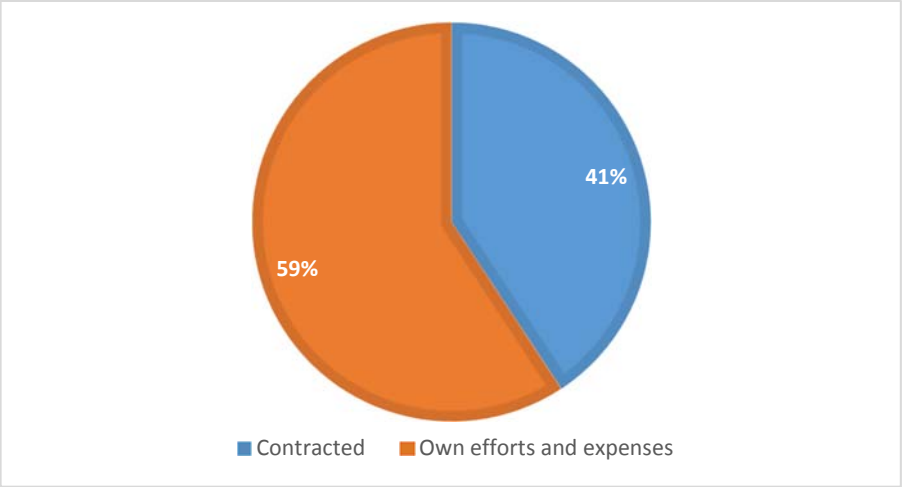
3. ENSURING RELIABILITY AND QUALITY

3.1. REPAIRS AND OPERATION

To ensure fail-safe power supply to our customers, it is important to keep the existing equipment fully operational. Accident-free power supply is enabled by strict compliance with repair and maintenance deadlines and regulations, by timely diagnosis and assignment of repair scopes and deadlines.

In 2018, the Company's M&R Program was carried out in full. Actual M&R spending on the fixed production assets totaled 4,532.4 million rubles in 2018 for the Company in general. Jobs performed without contracting totaled 2,680.5 million rubles; contracted jobs totaled 1,842.9 million rubles.

Maintenance and Repair Costs



Repair of Basic Power Equipment of Tyumenenergo JSC's Substations and OPLs in 2018, million rubles

No	Equipment Type	Actual Spending in 2018		
		Total	Including	
			Repairs Without Contracting	Contracted Repairs
1	PL Repairs	1,020.732	258.658	762.074
2	Substation Equipment Repairs	651.959	297.527	354.432
3	Buildings and Structures	332.612	44.541	288.071
4	Other Assets	2,518.071	2,079.763	438.308
	Total	4,523.375	2,680.490	1,842.885

Repair of Basic Power Equipment of Tyumenenergo JSC's Substations and OPLs in 2018, units of equipment

No	Equipment Type	Units	Plan	Actual
1	35-to-110 kV Power Transformer Repairs	pcs.	73	77
2	Circuit Breaker Repairs	pcs.	218	220
3	Disconnecting Device Repairs	pcs.	314	315
4	0.4-to-110 kV Overhead Power Line Repairs	km	2,367	2,397
5	Route Clearing	ha	6,312	7,635
6	Route Clearing	pcs.	110	136

Analysis of M&R Expenditures in 2017–2019, million rubles

No.	Type	2017 Actual	2018 Actual	2019 Plan
1	Repairs Without Contracting	2,310.5	2,680.5	2,513.8
2	Contracted Repairs	1,828.0	1,842.9	1,911.8
	Total	4,138.5	4,523.4	4,425.6

M&R Budgeting in 2017–2019 by Expenditure Type, million rubles

3.2. ENERGY EFFICIENCY AND SAVING

Energy saving and efficiency improvement measures of Tyumenenergo JSC in 2018 were taken in accordance with (i) Federal Law No. 261-FZ dd. November 23, 2009 "On Energy Saving and Improving Energy Efficiency and on Amendments to Certain Legislative Acts of the Russian Federation"; (ii) Decree No. 340 of the Government of the Russian Federation dd. May 15, 2010 "On the Procedure of Establishing the Energy Saving and Energy Efficiency Improvement Requirements to Companies Involved in Regulated Activities"; (iii) Decree No. 977 of the Government of the Russian Federation dd. December 1, 2008 "On the Investment Programs of Power Engineering Actors" (No. 484 in the edition dd. June 30, 2010; or No. 1178 in the edition dd. December 29, 2011 of Government's decrees); (iv) Decrees of the Russian regional executive bodies involved in the state regulation of tariffs for power transmission companies; and (v) Tyumenenergo JSC's Energy Saving and Energy Efficiency Improvement Program for 2018–2022 as approved by the Board of Directors of Tyumenenergo JSC, decision dd. October 12, 2017 (Minutes No. 27/17 dd. October 16, 2017).

To carry out this Program, the Executive Board of Tyumenenergo JSC and its branches followed Order No. 561 of Rosseti PJSC dd. September 9, 2013 On Energy Saving and Energy Efficiency Improvement Measures at Rosseti PJSC, and thus assigned managers responsible for controlling the implementation of the program; working groups were further created to analyze such implementation.

Tyumenenergo JSC in general and its branches underwent the energy inspection. As per the results of this inspection, relevant corrective measures, aimed at reducing the substation's power consumption, were developed and implemented; also, the measures aimed at reducing the expenditures related to heating the subsidiaries by means of the in-house heat supply sources, were developed and integrated into the updated Program.

To implement the Energy Saving Program, Tyumenenergo JSC complies with its Order No. 103 dd. March 5, 2015. In terms of energy saving and energy efficiency improvements, the target indicators under the Program are:

– reduced power losses in power transmission and distribution over grids;
– use of energy resources for production and economic needs;
– using state-of-the-art meters in the retail market pursuant to the Program for Long-Term Development of Power Meter Systems;
– equipping the facilities with energy-saving LED-based lighting devices.

Planned and Actual Reporting-Year Target Values

No.	Targets	Units	2018	
			Plan	Actual
1	Overall Power Losses	million kWh	1,851.09	1,640.20
		%	2.95	2.84
2	Power Used for Substation Operations	million kWh	85.24	89.12
		% of p/p 1	4.60	5.43
3	Total Energy Resources Used for Office and Production Facility Operations, Including:	thousand TOE	17.77	16.25
3.1	Electric Power	million kWh	75.50	63.40
3.2	Thermal Energy (Building Heating Systems)	GCal	41,000.00	39,419.15
3.3	Natural Gas (Including LNG)	thousand cu.m	2,050.00	2,098.20
3.4	Other Types of Fuel and Energy Resources (Oil)	thousand tons	0.34	0.41
4	Cold Water Consumption for Internal Needs	thousand cu.m	67.50	60.59
5	Total Fuel Consumed by Vehicles and Special Equipment	thousand TOE	6.10	5.62

6	Modern Meters Installed	pcs.	15,491	23,752
7	Energy-Saving LED-Based Lighting Devices Installed	%	30	59.49

As a result of the comprehensive measures taken in 2018:

— power losses in Tyumenenergo JSC grids were reduced by 116.1 million kWh or 381.07 million rubles;

— 0.26 thousand TOE or 8.4 million rubles were saved thanks to the reduced use of fuel and energy resources for production and in-house needs of Tyumenenergo JSC;

— smart metering devices made up for 64.27% of meters in total;

— LED lights made up for 59.49% of lamps in total.

The Energy Saving Program thus helped save 14.18 thousand TOE or 389.47 million rubles in 2018.

The Energy Saving Program comprises sections and subprograms (measures) with "direct effects" as well as related measures which fall into multiple categories: measures to reduce power transmission and distribution losses; and measures to reduce the use of energy resources for production and in-house needs.

Direct-effect measures are selected by the following criteria:

– reduction of energy use and power losses must account for 80% of the measure-related economic effect;

–simple payback period may not exceed 10 years.

Organizational measures aimed at grid power loss reduction are to keep the existing power loss level from increasing and do not affect the Company's power balance figures.

The table below details the planned and actual savings resulting from "direct-effect" measures taken in 2018.

Planned and Actual Savings Resulting from Taking Direct-Effect Measures

No.	Measures Taken	Scope of Measures		Amount of Savings, million kWh	Amount of Savings, thousand TOE	Amount of Savings, million rubles	Amount of Savings, million kWh	Amount of Savings, thousand TOE	Amount of Savings, million rubles
		2018 Plan	2018 Actual	2018 Plan			2018 Actual		
1	Power Loss Reduction Measures	1,567	2,284	7.221	0.867	16.612	13.398	1.608	35.535
2	Measures to Reduce Energy Resource and Water Use for In- House Needs of Offices and Production Facilities	1,674	2,103	0.564	0.068	1.772	0.849	0.102	2.963
			Total:	7.785	0.934	18.384	14.247	1.710	38.498

There are additional measures aimed at optimizing consumption related to production and in-house needs, or at reducing power losses in general; these additional measures have a positive effect but do not meet the "target measure" criteria. These include:

- Technical Re-Equipment and Modernization Program;
- Program for Long-Term Development of Power Metering Devices;
- other programs and measures.

The table below details the planned and actual savings resulting from the Technical Re-Equipment and Modernization Program and affecting the 2018 energy efficiency indicators.

Planned and Actual Savings Resulting from Taking Additional-Effect Measures

No.	Measures Taken	Unit	Scope of Measures		Amount of Savings, million kWh	Amount of Savings, thousand TOE	Amount of Savings, million rubles	Amount of Savings, million kWh	Amount of Savings, thousand TOE	Amount of Savings, million rubles
			Plan	Actual	Plan			Actual		
1	**Technical Re-Equipment, Modernization, and New Construction, including**				24.333	2.920	55.974	15.706	1.885	36.470
1.1	Modernization of 110 kV OPLs	km	114	0	4.344	0.521	9.992	0.000	0.000	0.000
1.2	Modernization of 10–0.4 kV OPLs	km	447	218	11.087	1.330	25.503	8.215	0.986	19.091
1.3	Modernization of 110 kV Substations	pcs.	78	32	8.903	1.068	20.479	7.491	0.899	17.378

The Program for Long-Term Development of Power Metering Devices includes the following measures:

– installation of metering devices on the boundaries of balance and operational responsibility;

– organization of remote data acquisition with the use of metering devices.

In 2018, 23,753 metering devices were installed; the effect of the measures amounted to 86.96 million kWh or 309 million rubles.

Other programs and measures.

Heat-saving measures: weatherization of walls, gateways, windows, basements; installation of reflections fields behind the heating devices; destruction of decorative structures closing the heating devices; cleaning the heating devices from stains; light-tone painting of the heating devices, etc.

As a result of taking these measures in 2018, 848 sq. m of buildings and rooms were weatherized, which saved 92.5 Gcal or 0.128 million rubles.

Energy Management System

Pursuant to the Company's Order No. 102 dd. March 4, 2015, to supervise the measures on evaluating, developing of Tyumenenergo JSC's Energy Management System (hereinafter "the EnMS") and maintaining its conformity to ISO 50001:2011, the managers responsible for operation of the EnMS were assigned, selected from executives and managers of the Company's subsidiaries.

In compliance with the Company's Order No. 77r dd. July 2, 2018, the internal audit of the EnMS of Tyumenenergo JSC's subsidiaries Northern Electric Grids, Noyabrsk Electric Grids, Uray Electric Grids, and Energocomplex, was carried out in the previous reporting period. The internal audit covered subsidiaries' branches, with due account for scope and domain of the EMS.

The results of the internal EnMS audit are presented in reports. During the internal EnMS audit, 5 noncritical unconformities to ISO 50001 were discovered.

For all unconformities discovered during the internal EnMS audit, the corresponding corrective measures were developed, with specification of responsible persons and realization deadlines. All the corrective measures were timely realized, and results thereof are being examined within the framework of the internal EnMS audit.

Results of the internal EnMS audit are generally consistent with the performance of the EnMS and its operation, including compliance with legal requirements and improving energy efficiency indicators.

Pursuant the Integrated Management System policy, Tyumenenergo JSC performs measures to reduce the in-house fuel and energy resource consumption. The baseline consumption level is the one registered in the first mandatory energy inspection year. The target is to reduce such consumption by 15% compared to 2012.

The annual realization of the comprehensive energy-saving measures produced the following energy-efficiency results:

Indicator	Unit	2012	2018	Absolute Deviation
Technological Power Losses	million kWh	1,808.81	1,640.20	–168.61
Power Consumption for SS Operations	million kWh	97.34	89.12	–8.22
Power Consumption for Buildings and Structures	million kWh	86.65	63.40	–23.25
Thermal Energy Consumption for Buildings and Structures	Gcal	35,127.68	39,419.15	4,291.47
Gasoline Consumption of Vehicles	thousand l	2,478.33	1,816.24	–662.09
Diesel Consumption of Vehicles	thousand l	2,227.10	2,563.42	336.32
Water Consumption	thousand cu. m	105.35	60.59	–44.76

Compared to 2012, the reduction in the use of fuel and energy resource for the production and in-house needs of Tyumenenergo JSC totaled:

Indicator	2012 thousand T.O.E.	2018 thousand T.O.E.	Deviation	
			Absolute	%
Total Energy Resources Used for Office and Production Facility Operations	19.23	16.25	–2.98	-15.50

3.3. INTEGRATED MANAGEMENT SYSTEM

Introduced in 2008, Tyumenenergo JSC's Integrated Management System (IMS) is successfully operating and developing to the present day.

The Company's IMS comprises four management systems, namely:

- Quality Management System (QMS);
- Environmental Management System (EMS);
- Energy Management System (EnMS);
- Occupational Safety and Health Management System (OCHMS).

The QMS is a component of the Company's general management system and is in place to carry out continuous improvements in the quality of services pursuant to regulative documents and the customers' needs and expectations; it is there to satisfy all the concerned parties including the Company's employees, shareholders, investors, and partners.

The EMS is a part of the Company's general management system and comprises an organizational structure, activity planning, responsibility assignment, practical tasks, as well as procedures, processes, and resources for preparing, implementing of environmental policies, goals, and objectives, as well as for evaluating the progress and improvement thereof.

The EnMS is a part of the Company's general management system that enables continuous research that provides data on the distribution and consumption of energy resources by the Company, as well as on optimizing the use of such resources for production and non-production needs.

The OSHMS is part of the Company's general management system used for risk management and improvements in such areas as occupational safety and health.

The Company's management systems conform to the international standards, namely:

- ISO 9001 (GOST R ISO 9001) – Quality Management Systme;
- ISO 14001 (GOST R ISO 14001) – Environmental Management System;
- ISO 50001 (GOST R ISO 50001) – Energy Management System;
- OHSAS 18001 (GOST R 54934) – Occupational Safety and Health Management System.

Certificates

No.	Division/Branches	Management System / Certificate Validity Period				Certification Body
		ISO 9001	ISO 50001	ISO 14001	OHSAS 18001	
1	Executive Board	November 5, 2020	December 15, 2020	November 5, 2020	January 4, 2021	DQS-Russia
2	Tyumen Distribution Grids					
3	Kogalym Electric Grids					
4	Nefteyugansk Electric Grids					
5	Nizhnevartovsk Electric Grids					
6	Noyabrsk Electric Grids					
7	Northern Electric Grids					
8	Surgut Electric Grids					
9	Uray Electric Grids					
10	Energocomplex					

Tyumenenergo JSC' Obligations Concerning the IMS

Tyumenenergo JSC undertakes to:

1. Comply with legal and other Russian and international requirements regarding the IMS, timely and to a good quality.
2. Show the commitment of the executive board to efficient operation of the IMS.

3. Determine and ensure accessibility of information and resources required for efficient operation of the IMS.
4. Identify hazards and evaluate professional risks at workplaces; develop relevant corrective measures.
5. Apply state-of-the-art technology and equipment, and methods of workplace management.
6. Ensure environmental protection.
7. Take energy efficiency and energy-saving measures.
8. Continuously analyze and improve the IMS' performance.

Key Parties of the Company's IMS:

– Director General
– IMS Officer — First Deputy Director General, Chief Engineer;
– Risk & Quality Management and Internal Control Department (QMS);
– Environmental & Occupational Safety and Production Control Department (EMS);
– Innovations and Energy Efficiency Division of the Development and Innovation Department (EnMS);
– Occupational Safety and Production Control (OSHMS);
– other structural units of the Company involved in the operation of management systems;
– officers responsible for the corresponding management systems in the Company's subsidiaries.

In 2018, the Company carried out 18 management system audits, including:

– 4 external (executive board, Surgut Electric Grids, Uray Electric Grids, Energocomplex);
– 9 internal (Tyumen Distribution Grids, Kogalym Electric Grids, Nefteyugansk Electric Grids, Nizhnevartovsk Electric Grids, Noyabrsk Electric Grids, Northern Electric Grids, Surgut Electric Grids, Uray Electric Grids, Energocomplex).

Operation of the management systems brought the following results:

a) improved power supply reliability and quality, see Section 2.2 Te*chnical Status of Grids* for details;
b) improved occupational safety and health in production activities and ever lower accident rates with a total compliance with occupational safety and environmental protection legislation, see Section 8.3 *Occupational Safety* and Health for details;
c) greater energy efficiency, see Section 3.2 *Energy Saving and Energy Efficiency* for details;
d) environmental safety, see Section 10 *Environmental Policy* for details;
e) better technological connection service quality, see Section 2.4 *Technological Connection* for details.

In general, management systems demonstrated good results over the past year, which is confirmed by the first supervision audit of ISO 9001, ISO 14001, ISO 50001, OHSAS 18001 carried out by the outside auditor DQS-Russia in October 2018.

3.4. SAFETY PRACTICES

Economic Security and Anti-Corruption Measures

The Economic Security Department of Tyumenenergo JSC acts to detect and minimize the possibility of risks that could cause economic or reputational damage to the Company, including risks of illegal actions by legal entities and individuals.

In 2018, the Department carried out 391 financial and economic audits within the Company and at its power facilities; 247 of those audits involved the Internal Audit Service and the relevant units. In total, they revealed 161 cases of illegal actions on the part of the Company's personnel and third-party legal entities and individuals that harmed the Company's interests. 93 perpetrators were identified, disciplinary actions were taken against 82 of the Company's employees, and 11 employees were dismissed. 14 cases of economic damage to the Company were submitted to law enforcers. For 5 cases, perpetrators were identified and brought to justice pursuant to Articles 159 and 327 of the Criminal Code of the Russian Federation; 9 more cases are under procedural check now. One of the priorities of the Company consists in collecting its receivables, both on the Company's own, as well as in cooperation with the Company's interested departments. The related actions include the following:

— control over the generation and status of receivables;

— carrying out a set of measures to recollect the receivables by locating the debtors, their assets, accounts, etc.;

— cooperation with the Directorate of the Federal Bailiff Service, filing complaints with law enforcers and further interaction with them.

Pursuant to the Regulations on Overdue Receivables for Power Transmission Services, as approved by the Company's Order No. 363 dd. June 29, 2017, the Security Department took or was involved in taking 160 actions to collect overdue receivables for a total of 130 million rubles in 2018.

Information Security and Protection of Facilities

The following information security-related measures were taken in 2018:

— protection of the corporate information system which comprises over 4.7 thousand automated workplaces (AWP);

— operation of 12 information-security software/software+hardware systems;

— prevention of information-security incidents;

— ensuring the security of personal data processing in 14 information systems;

— ensuring the protection of trade secrets in 6 information systems.

With regard to information security, 1,759 technological infrastructure facilities and branch user AWPs were checked for compliance with information-security regulations.

The following facility protection-related measures were taken in 2018:

— 99 facilities were timely and appropriately equipped with security equipment provided by the Company's investment and repair programs;

— physical security services were established for 234 facilities;

— 65 counter-terrorism training sessions were carried out, 45 of which involved the Federal Security Service, EMERCOM, and National Guard of Russia;

— 21 on-site inspections of branches were carried, during which 180 power grid facilities were examined.

3.5. EMERGENCY PREVENTION

No emergencies occurred in Tyumenenergo JSC's grid complex facility service areas in 2018.

In 2018, Tyumenenergo JSC took the following actions to reduce the timings of rescue and recovery operations:

- developing and approving the schedule of emergency power supply restrictions for the Company's operation area (the KhMAO-Yugra, YNAO, and Southern Tyumen Oblast);
- carrying out 11 counter-emergency exercises for personnel, which simulated autumn and winter conditions;
- completing the tasks of the SO UES JSC Branch of the Tyumen RDC relating to AUFLS (automatic under-frequency load shedding), SLSAE (special load-shedding automatic equipment), and emergency electrical energy (power) supply restriction schedules;
- AUFLS amounted to 69.2% (the goal was 60%);
- electrical energy supply limitation schedules accounted for the 25% of the power consumption figures of Tyumenenergo JSC;
- power supply limitation schedules and temporary outage schedules accounted for 20%.

Pursuant to Order No. 309 of Tyumenenergo JSC dd. June 15, 2018 "On Preparing for the Autumn and Winter Period of 2018–2019", the Company revised the lists and quantities of its equipment and material emergency backup. The backup reserves are 100% ready.

Pursuant to the Regulations on Backups for Massive Power Outages (regarding outages which might take place in Tyumenenergo JSC-served settlements), the branches routinely checked their diesel generators for being fully functional. Backup power sources for the branch-specific areas were recognized ready for use, which was stated in relevant certificates.

41 Cooperation and Actions for Emergency Prevention and Post-Emergency Recovery Agreements were made with various contractors, including airlines. These contracts involve the contractors' resources: a total manpower of 940 people, and a total of 672 units of equipment.

72 Cooperation and Actions for Emergency Prevention and Post-Emergency Recovery Agreements were entered into by the Tyumenenergo JSC branches and municipal administrations, Rosgidromet offices, Civil Defense and Emergency departments in cities, rural districts, and municipalities; as well as by related companies (MPTL, IDGC) and power consumers' companies.

To prevent and eliminate consequence management of complex technological disturbances (accidents), Tyumenenergo JSC has formed 151 emergency crews consisting of 758 persons in total. Those include 13 mobile teams that can travel over 1,000 km and consists of 88 persons; they are equipped with 57 off-road vehicles and special machinery as well as all the necessary tools and equipment.

Tyumenenergo JSC's resources were not involved in assisting other Rosseti PJSC subsidiaries in post-emergency recovery.

Causative analysis of technological disturbances helps Tyumenenergo JSC identify "bottlenecks" at power grid facilities and plan future actions. Based on the emergency outage statistics, the Company plans a series of measures for 2019 that are aimed at improving the reliability and stability of grids and power equipment.

The Call Center, via the 24-hour hotline, informs the customers on technological disturbances and projected power supply restoration timings.

The Company-provided protection of personnel and facilities from natural and technogenic emergencies is reliable and compliant with regulative documents.

3.6. PRODUCT CONFORMITY TO REGULATORY REQUIREMENTS

To provide consumers with requirements-compliant power, the Company regularly measures and analyzes the quality of the power it supplies for compliance with regulative documents.

In 2018, the Company received 27 power quality-related complaints from users. All of those were timely addressed. In 26 cases the fact of power quality unconformity to the requirements was not confirmed. For one complaint, corrective measures were taken within the reporting period.

No cases of unconformity that resulted in a fine or a fee were registered in 2018.

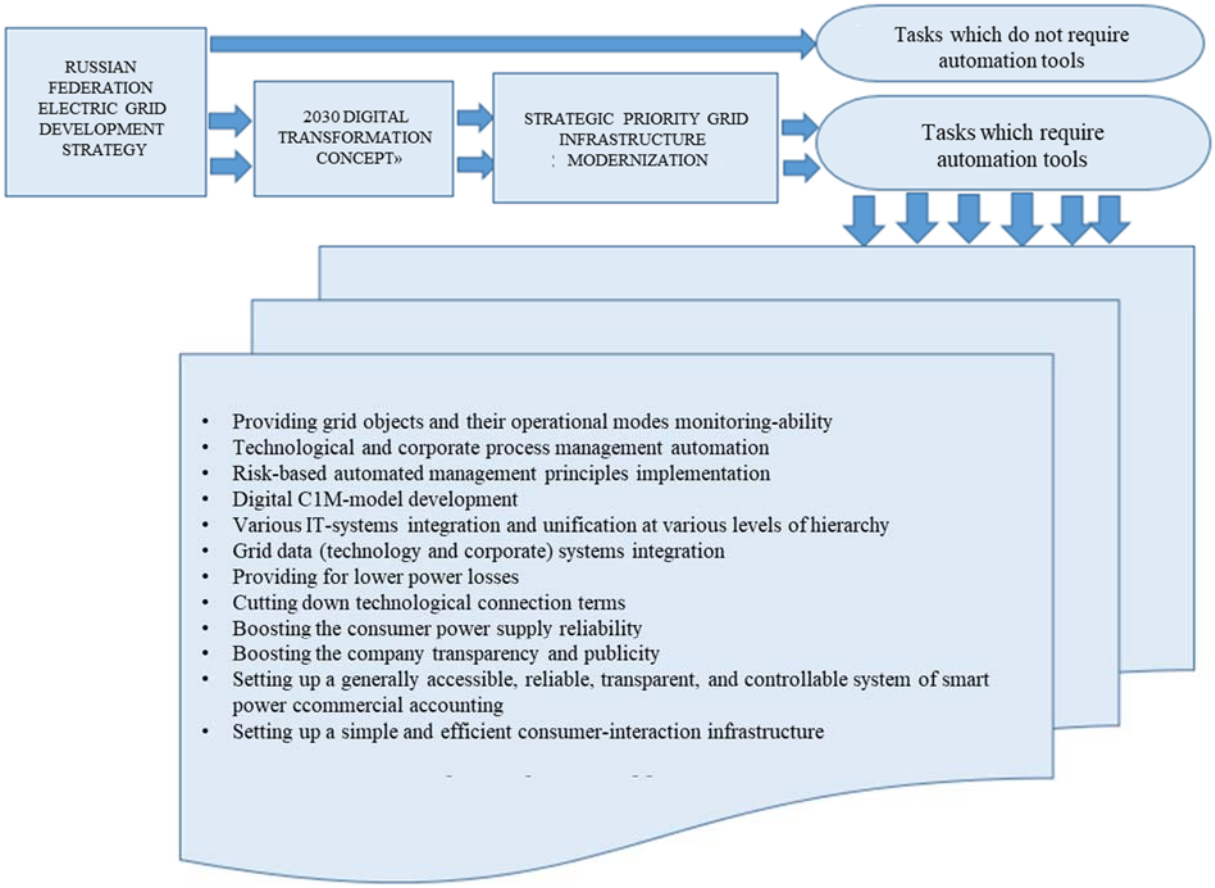
3.7. INFORMATION TECHNOLOGY AND COMMUNICATION

Tyumenenergo JSC is a modern power company which develops following its key missions, legal and regulatory documents, the Strategy for Development of Russian Power Grid Complex, and Digital Transformation 2030 Concept, including:

- Adaptivity to new tasks and challenges;
- Enhancement of power supply reliability;
- Improvement of the Company's general performance;
- Increasing the power grid infrastructure accessibility;
- Development of the personnel potential and new competences;
- Diversification by virtue of introducing additional services.

These commitments, including those concerning Digitalization of the Power Grids, can be fulfilled with the use (sometimes with the compulsory use) of automation.

ITT Strategy and Tyumenenergo JSC's Tasks



Tyumenenergo JSC's ITT Development Results of 2018

Business Process Automation

Developing the Personal Account automated information system which provides interactive customer relation services:

- enabling electronic document management for technological connection and power supply contracts to be concluded electronically by means of digital signature;
- integrating the Personal Account and Portal;

- notifying customers on request status by email and SMS;
- implementing functions for making offers in an electronic format;
- implementing Personal Account authorization by SMS code;

Developing Tyumenenergo JSC's Production Asset Management System:

- automating M&R reporting;
- automating the technical condition evaluation and reporting for renovated facilities, which will contribute to preparing the TRE&M Program;
- integrating the Tyumenenergo JSC PAMS with Rosseti PJSC's Unified Automated Information Management System;
- automating the procedures for arranging and carrying out efficiency and maturity evaluations regarding the production asset management system;
- automating the standard test/measurement protocols by tested facility, equipment group and type.

Introducing the service to exchange legally relevant electronic documents for the purpose of organizing the electronic workflow between the Company and counterparts, with the use of the electronic signature, within concluding the technology connection agreement ensuring retail-market power sales and rendering of power transmission services.

Introducing the information security subsystem of the Automated Executive Workflow System for the purpose of (1) eliminating any possibility of an unauthorized access to documents having the restricted-access information, (2) protecting against an unauthorized access to data stored on the Automate Executive Workflow System's servers, and (3) protecting data against any stealing or corruption.

Telecommunications, APCS

Reconstruction of the telemetry system with implementation of the electromagnetic blocking

Pursuant to Tyumenenergo JSC's 2018-2023 Investment Program, the Company continued to equip its facilities with telemetry devices. The corresponding measures were taken as a part of the approved Data Reporting System Program and in compliance with the local development programs of the Company.

Modernization of the highway communication and data transmission channel

The total length of the highway fiber-optic communication lines (FOCL) increased by 10.6% and came to 3,650 km. Development of highway FOCLs enabled the Company to establish a reliable ring-shape data transmission network.

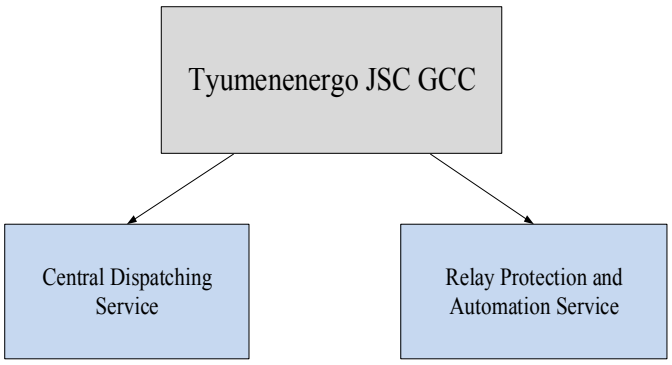
Reconstruction of communication and data transmission systems

The corresponding measures were taken as a part of the approved Data Reporting System program and in compliance with the local communication and data transmission development programs of the Company.

3.8. OPERATIONAL AND TECHNOLOGICAL MANAGEMENT

To centralize operational and technological management, the Company operates a Grid Control Center tasked to coordinate all the structural units responsible for the Company's operational and technological management.

Organizational Structure of the Tyumenenergo JSC GCC:



Distribution Grid Complex Operational and Technological Management System: uses the basic operational and technological management target model No. 4, which is a three-level model approved by Minutes No. 13/15 dd. July 31, 2015 of the Board of Directors meeting:

— Level 1 is the Grid Control Center, which is part of the Tyumenenergo JSC Executive Office and has non-operational functions;

— Level 2 consists of twelve branch-based operational dispatching services that are responsible for the operational and technological management in branch-specific areas;

— Level 3 consists of operational dispatching groups (ODG/DDG) functioning in specific power distribution zones/districts.

The Grid Control Center performs non-operational functions aimed at addressing the challenges of:

- optimizing business processes of operational process control;
- planning and optimizing operation modes of power grid facilities;
- improving the quality of maintenance planning and management within the power grid facilities;
- coordinating all the structural units of the operation and technological control of the Company;
- coordinating the implementation of organizational and technical activities in the course of operation of power grids in the high alert mode (HAM), the special operating mode (SOM), the high-risk mode (HRM);
- interacting with the regional headquarters for provision of power supply to the Yamalo-Nenets Autonomous Okrug, the Khanty-Mansi Autonomous Okrug – Yugra, and Tyumen Oblast.

Operational and dispatching services/groups (district dispatching groups) of Tyumenenergo JSC branches are responsible for the operational and technological management in accordance with the dispatched-facility PL, equipment, and device lists as distributed by management approach within the branch-specific areas of operation. Operational personnel perform 24/7 real-time operational functions to control the Company's grid complex, to carry out emergency (technological disturbance) recovery operations, and to prepare the grid complex for repairs.

For the purpose of forming the single approach to organizing the operational and technological management, Tyumenenergo JSC brings the existing structure in line with the Concept for Development of the Operational, Technological, and Situational Management

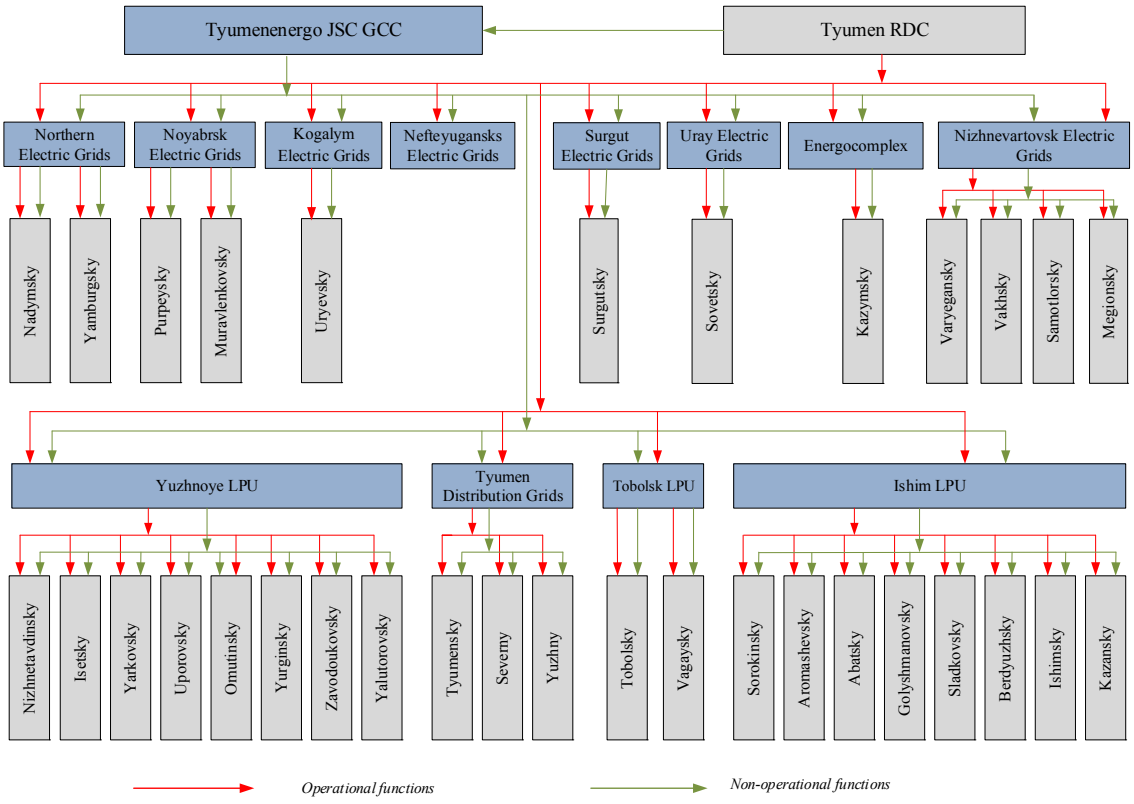
(hereinafter “the Concept”) in the Power Grid Complex approved by the Board of Directors of Rosseti PJSC (Minutes No. 755pr dd. August 24, 2018).

The Concept for Development of the Operational and Technological Management (OTM) and Situational Management (SM) is aimed at optimizing and enhancing the efficiency of the corresponding business processes through forming and implementing the uniform development strategy and technical policy regarding OTM and SM in the power grid complex, with the use of the digital power grid management technology.

The Concept stipulates the cornerstone principles for forming and supporting the operation of OTM and SM in the power grid complex, as well as goals, functions, and the structure of OTM and SM in the power grid complex for all levels of OTM.

Tyumenenergo JSC seeks to establish the target structure of OTM and SM pursuant to the Concept, following the designed 2019–2026 Schedule of Measures determined with due respect to the extent of equipment with channels for communication and transmission of telemetry data from Tyumenenergo JSC’s GCC.

Structure of Tyumenenergo JSC’s Operational and Technological Management



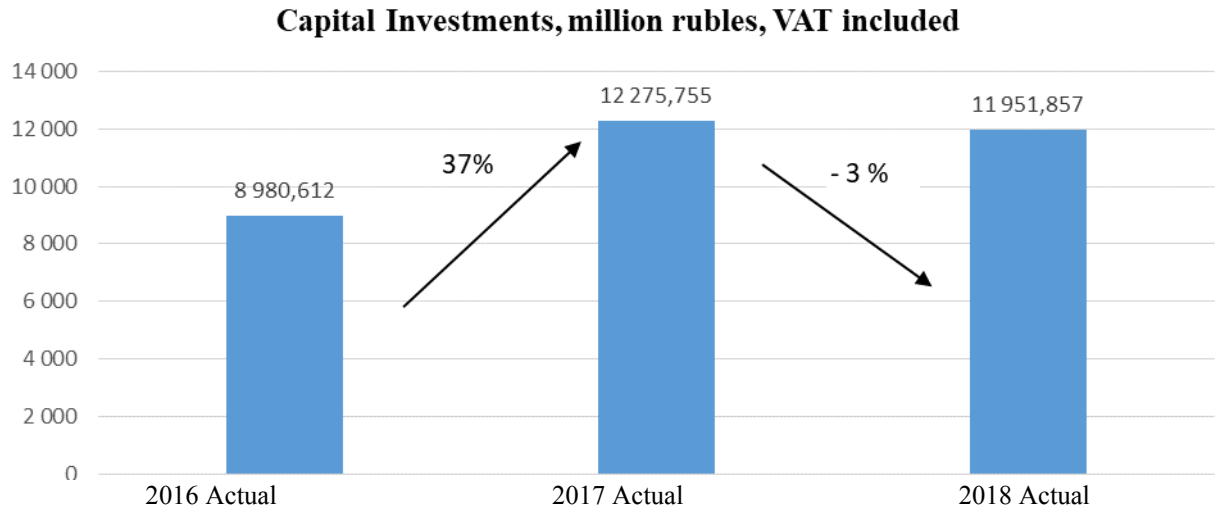
4. INVESTMENT AND INNOVATIONS

4.1. INVESTMENT ACTIVITIES

Investment Activity Indicators

The table below presents the main indicators of implementing Tyumenenergo JSC's 2018 Investment Program approved by Order No. 23@ of the Ministry of Energy of Russia dd. December 14, 2018 "On approval of amendments to Tyumenenergo JSC's Investment Program approved by Order No. 12@ of the Ministry of Energy of Russia dd. November 8, 2017":

2018						
Disbursement	**New Fixed Assets Commissioned**	**Funding**	**Power Commissioning**		**Power Increase**	
million rubles, VAT excluded	million rubles, VAT excluded	million rubles, VAT included	MVA	km	MVA	km
11,582.019	9,443.054	11,951.857	195.270	720.268	112.272	472.774



General analysis of the Company's investment activities reveals that capital investments was 37% higher in 2017 than in 2016, but 3% lower in 2018 than in 2017. This investment dynamics reflects the actual implementation of the Tyumenenergo JSC Long-Term Investment Program, the plans under which are annually adjusted according to the Company's financial capacities as well as to Russia's economic situation.

Areas and Structure of Capital Investments

In 2018, Tyumenenergo JSC invested into the fixed assets in the form of investments including expenditures for new construction, expansion, modernization and re-equipment of the existing facilities, purchase of equipment and other fixed expenditures.

Construction of new grid facilities and modernization of the fixed assets of Tyumenenergo JSC is aimed at the sustainable development of three Russian regions: YNAO, the KhMAO-Yugra, and Tyumen Oblast, for which the Company is responsible. Modernization projects do improve the reliability of power supply and Tyumenenergo JSC is recognized as a reliable business partner by its customers.

The table below shows the key areas of the Company's investment activities in 2018:

Key Areas of Capital Investments, million rubles	2018 Actual
Investment Program, including	**11,951.857**
New Construction, including:	***3,599.804***
Technological Connection	1,721.576
Technical Re-Equipment and Modernization, including:	***8,352.053***
Technological Connection	50.154
Long-Term Financial Investments	
Acquisition of Fixed Assets	***0***
For Reference:	
Technological Connection	1,771.730

Investment-program activities are to improve the reliability of power supply to the existing consumers as well as to eliminate power deficit.

Priority facilities commissioned in 2018 (pursuant to the 2018 Investment Program):

– Limbya Yaha Urengoyskaya Pumping Station 1,2 Circuit 110 kV OPL. Fixed assets commissioned totaled 1,121.065million rubles. Power balance increase amounted to 135.105 km. Technological connection performed as per the agreement No. 22/40-13 dd. January 20, 2014 on technological connection of power receivers, concerning construction of 110 kV OPLs from Limbya Yaha to Gazprom PJSC's newly constructed 110/10 kV substation (2 x 40 MVA);

– Iskonnaya – Limbya Yaha 1,2 110 kV OPL. Fixed assets commissioned totaled 262.989 million rubles. Power balance increase amounted to 18.018 km. Mutual obligations of IDGC and FGC regarding removal of limitations across the UNPG (technological connection agreement No. 580/TP-M8 dd. July 30, 2013 regarding technological connection of power receivers of Tyumenenergo JSC's power grid facilities to FGC UES PJSC's power grids); measures were taken concerning 2015–2019 Power Engineering Development Schemes and Programs (of the Yamalo-Nenets Autonomous Okrug) approved by Decree No. 390-P of the Government of the YNAO dd. May 16, 2014, regarding construction of the Iskonnaya – Limbya-Yaha 1,2 110 kV OPL simultaneously with the commissioning of the Iskonnaya 220 kV substation for higher reliability of power supply to users of the Urengoy power district.

Also, the following facilities were commissioned in 2018:

– 110 kV OPL branching from the Sredny Balyk Ugutsky 110 kV OPL at the Vstrechnaya 110/35/6 kV substation (new construction of the 2x6 km OPL). Fixed assets commissioned totaled 174.330 million rubles. Power balance increase amounted to 20.006 km. As a result, technological connection of RN-Yuganskneftegaz LLC's 6-35 kV power grid facilities was performed to provide power supply to oil mining facilities of the Vstrechnoye deposit;

– Modernization of the Yanvarskaya 110/35/6 kV substation (110 kV outdoor switchgear, 35 kV outdoor switchgear, APCS, SCS, RPA equipment replacement). Fixed assets commissioned totaled 171.386 million rubles. Efficiency of operation, technical maintenance and repairs, as well as power supply reliability was enhanced. Failure and emergency outage probability was reduced. Environmental and fire safety of the substation were improved; operating costs reduced;

– Modernization of the KNS-11 110/35/6 kV substation (110 kV outdoor switchgear, 35 kV outdoor switchgear, APCS, SCS, RPA equipment replacement). Fixed assets commissioned totaled 244.381 million rubles. Efficiency of operation, technical maintenance and repairs, as well as power supply reliability was enhanced. Failure and emergency outage probability was reduced. Environmental and fire safety of the substation were improved; operating costs reduced;

–

– Modernization of the KNS-12 110/35/6 kV substation (110 kV outdoor switchgear, 35 kV outdoor switchgear, APCS, SCS, RPA equipment replacement). Fixed assets commissioned totaled 206.838 million rubles. Efficiency of operation, technical maintenance and repairs, as well as power supply reliability was enhanced. Failure and emergency outage probability was reduced. Environmental and fire safety of the substation were improved; operating costs reduced;

– Modernization of the Opornaya 110 kV substation (replacement of 16 MVA transformers with 40 MVA transformers). Fixed assets commissioned totaled 233.108 million rubles and 80 MVA. The project allowed for further net power supply increase by virtue of increasing the overall power of transformers; reliability of power supply to housing and social facilities, and residents of the city of Novy Urengoy was enhanced;

– «Реконструкция ПС 110/35/10 кВ Упорово (установка второго трансформатора 1х10 МВА, выключателей, разъединителей, ограничителей перенапряжения)». Ввод основных фондов составил 194,620 млн рублей и 10 МВА. В результате реализации мероприятия создан кольцевой режим работы с ПС Буньково, повышена надёжность и качество электроснабжения потребителей, реализована возможность подключения дополнительных потребителей;

– Modernization of the Bunkovo 110/25/10 kV substation (installation of the second 1x6.3 MVA transformer, switches, disconnecting units, and surge protectors). Fixed assets commissioned totaled 315.716 million rubles and 5.3 MVA. The project helped ensure reliable power supply to the Uporovo regional center and establish second-line supply to the Goryunovo 110/10 kV substation. Installation of the second 6.3 MVA substation allowed for 100% redundancy of power supply to users residing in 8 settlements in the region (1,600 people) and social-importance facilities (school, nurseries, boilers); also, the project allowed for redundant power supply of users of the Tyutrino 110/10 kV substation and Korkino 35/10 kV substation on the 10 kV main. Reliability and quality of power supply were enhanced; it was made possible to connect additional users;

– Modernization of 0.4-to-10-kV grid-complex distribution grids for preferential consumers. As a result of modernizing the 0.4-to-10-kV grid-complex distribution grids for preferential consumers served by the Tyumen, Tobolsk, Ishim, and Yuzhnoye production units, the Company commissioned 72.033 km and 4.804 MVA of power;

– Construction of 0.4-to-10-kV grid-complex distribution grids for preferential consumers. As a result of constructing 0.4-to-10-kV grid-complex distribution grids for preferential consumers served by the Tyumen, Tobolsk, Ishim, and Yuzhnoye production units, the Company commissioned 166.883 km and 13.281 MVA of power.

Tyumenenergo JSC Capital Investment Funding Structure

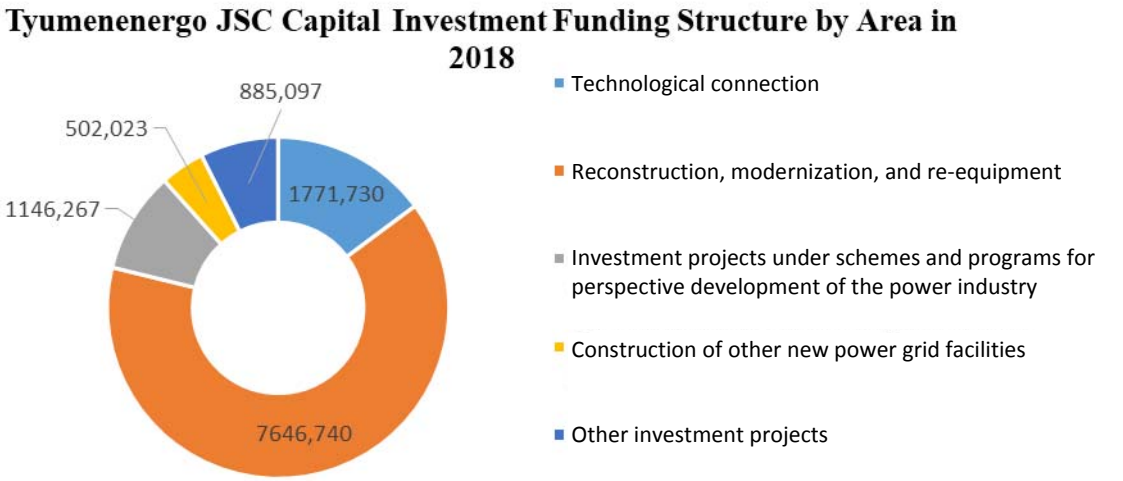
million rubles, VAT included

Tyumenenergo JSC	2016 Actual	2017 Actual	2018 Actual
Total	**8,980.612**	**12,275.755**	**11,951.857**
Technological Connection	1,359.691	3,515.167	1,771.730
Reconstruction, Modernization, and Re-Equipment	5,159.401	6,952.801	7,646.740
Investment Projects Under Long-Term Power Engineering Development Schemes and Programs	850.718	447.189	1,146.267
Construction of Other New Grid Facilities	805.208	806.913	502.023
Purchase of Power Grid Assets, Land Plots, and Other Facilities	2.569	0.000	0.000

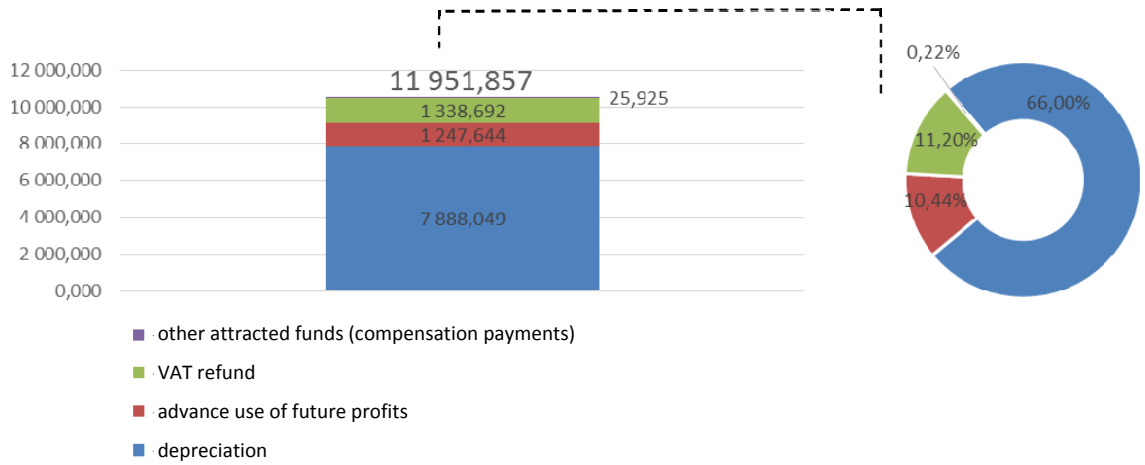
Other Investment Projects	803.025	553.684	885.097

The indicators regarding funding of the 2018 Investment Program were adjusted and approved by Order No. 23@ of the Ministry of Energy of Russia dd. December 14, 2018 "On approval of amendments to Tyumenenergo JSC's Investment Program approved by Order No. 12@ of the Ministry of Energy of Russia dd. November 8, 2017".

Actual funding in 2018 totaled 11,951.857 million rubles, including 3,599.804 million rubles (30%) for new construction, 8,352.053 million rubles (70%) for technical re-equipment.



Investment Program Funding by Source, million rubles (VAT included)



Pursuant to Order No. 23@ of the Ministry of Energy of Russia dd. December 14, 2018, the Company planned multiple sources of a total 14,200.144 million rubles of financing for 2018, including: 11,599.955 million would be drawn from the Company's own funds, including 8,659.838 million rubles from depreciation, 1,485.365 million from the advance use of technological connection profits, 1,454.752 million from VAT refunds; 2,600.189 million rubles would be drawn from raised funds including 2,573.271 million rubles of loans and 26.918 million rubles of compensatory payments.

The actual expenditures totaled 11,951.857 million rubles, including: 10,474.386 million drawn from the Company's own funds, including 7,888.049 million rubles from depreciation, 1,247.644 million from the advance use of technological connection profits, 1,338.692 million from VAT refunds; 1,477.471 million rubles from raised funds including 1,451.546 million rubles of loans and 25.925 million rubles of compensatory payments.

Due to reasonably high liquidity in 2018, the Company decided to reallocate the funding sources toward drawing own funds (depreciation) and reducing loan amounts.

The source “technological connection profits” was not used in full because RN-Yuganskneftegaz LLC failed to fulfill its obligations regarding adjusting DED and obtaining positive resolution of the state examination of FEED and DED validity examination.

In 2018, no measures planned our carried out under Tyumenenergo JSC’s Investment Program were funded from the federal budget.

2018 Investment Program Results

Results of the 2018 Investment Program, pursuant to Order No. 177 of the Ministry of Energy of Russia dd. March 14, 2016:

Evaluation of changes in the share of the net power supply*, %	Evaluation of the average power outage duration	Evaluation of changes in the average frequency of power outages	Total technological connections made under the investment program, pcs	Maximum capacity of connected power consumers, MW
X	-0.0097	-0.0040	740	35.69

** Evaluation of changes in the share of the net power supply is calculated pursuant to Clause 18 of Order No. 177 of the Ministry of Energy of Russia dd. March 14, 2016. This indicator is calculated for investment projects including measures on including power meters into the data collection and transmission system.*

For reference, the table shows the share of the total power transmitted across Tyumenenergo JSC's grids which is accounted in ACPMS (with due respect to data transmitted from users' ACPMS).

	Total Net Supply, million kWh	Net Supply as Metered by the Data Reporting System Meters, million kWh	Share, %	Share Change, %
2014	71,535.03	64,244.06	89.81%	
2015	69,734.63	62,704.49	89.92%	0.11%
2016	69,560.16	62,644.29	90.06%	0.14%
2017	63,322.09	57,473.15	90.76%	0.71%
2018	56,213.57	51,126.24	90.95%	0.19%

The transformer substation load is calculated pursuant to Clause 13 of Order No. 177 of the Ministry of Energy of Russia dd. March 14, 2016. This indicator is calculated for investment projects including measures on construction or modernization (which is to result in increase in the sum of rated power of transformers installed at a corresponding substation).

For reference, the table shows the load of Tyumenenergo JSC's power supply centers, as a percentage of the rated power Sactual/Srated:

Indicator/Year	2014	2015	2016	2017	2018
Transformers Load (as a percentage of the rated power) Sactual/Srated:	33	30	29	26	26

Long-Term Investment Program

The Company's 2018–2022 Investment Program was approved by Order No. 23@ of the Ministry of Energy of Russia dd. December 14, 2018 "On approval of amendments to Tyumenenergo JSC's Investment Program approved by Order No. 12@ of the Ministry of Energy of Russia dd. November 8, 2017".

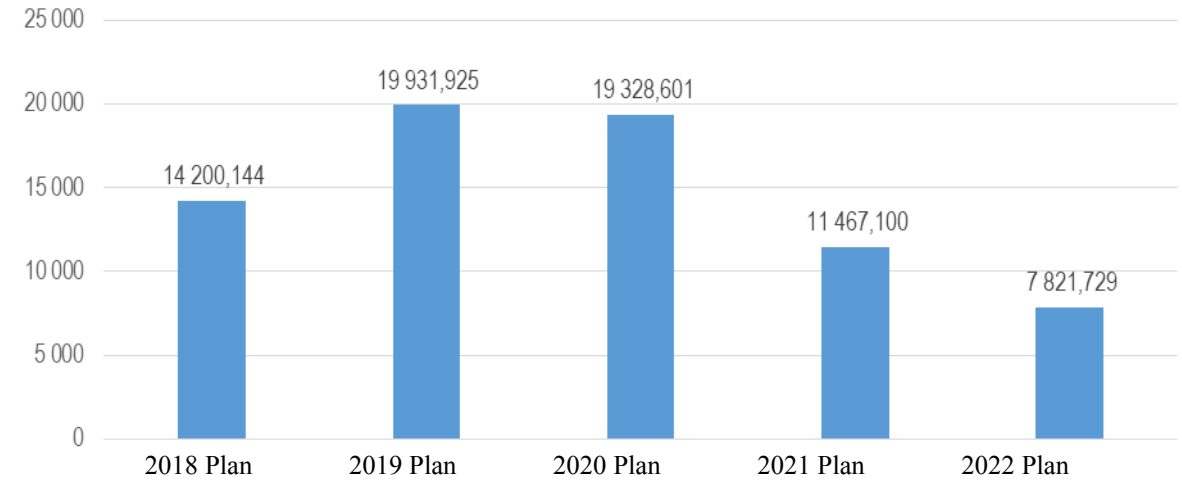
The Investment Program for 2018–2022 was prepared in accordance with the Tyumenenergo JSC Investment Program Scenarios for 2018–2022 with due account for the current situation in the Russian economy as well as the Company's financial capacities. When preparing the Investment Program for 2018–2022, the Company prioritized reduction in equipment aging. One

of the key problems to solve is to make possible the connection of new consumer loads as well as to improve the quality and reliability of power supply to the existing consumers.

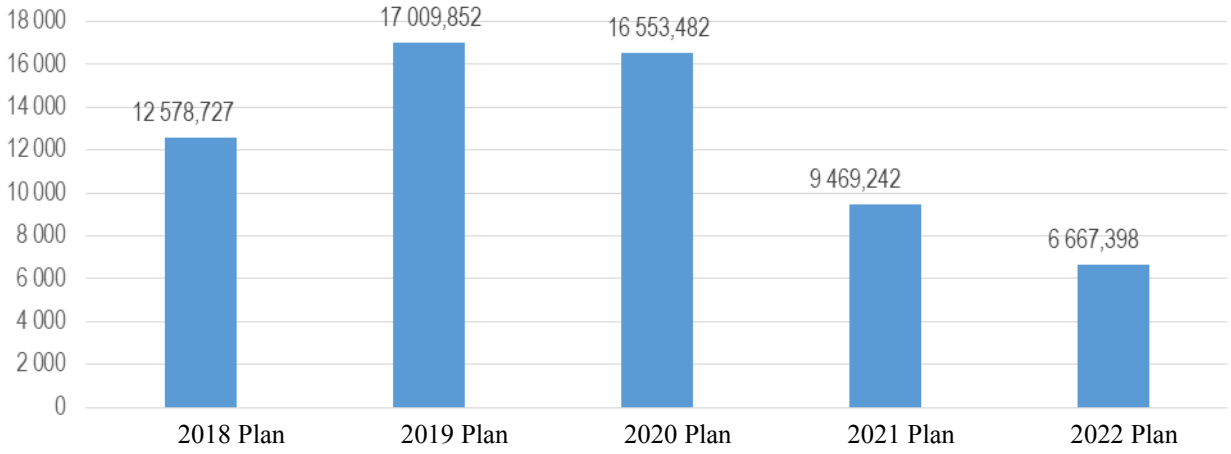
Due to the change in the Company's operating conditions which was cause by the fall of the service volume, the Company decided to restore its profitability through making amendments to the Investment Program that would help optimize costs not supported by own funding sources (loan load reduction).

The histogram below shows the funding of the Company's capital investments in 2018–2022, pursuant to the Investment Program approved by Order No. 23@ of the Ministry of Energy of Russia dd. December 14, 2018.

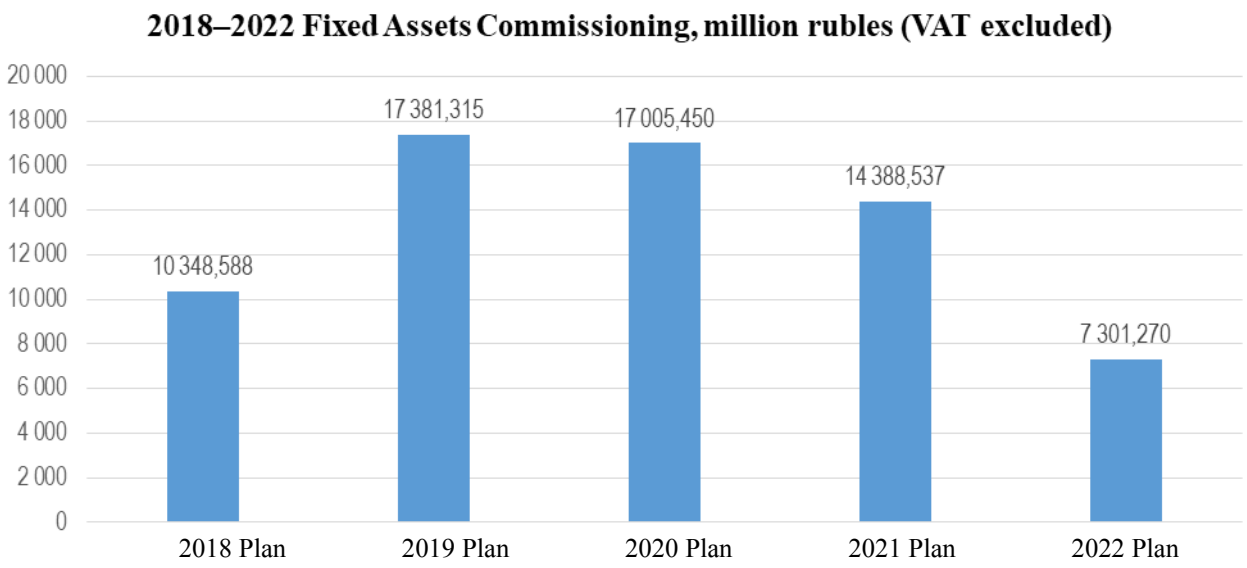
2018–2022 Funding, million rubles (VAT included)

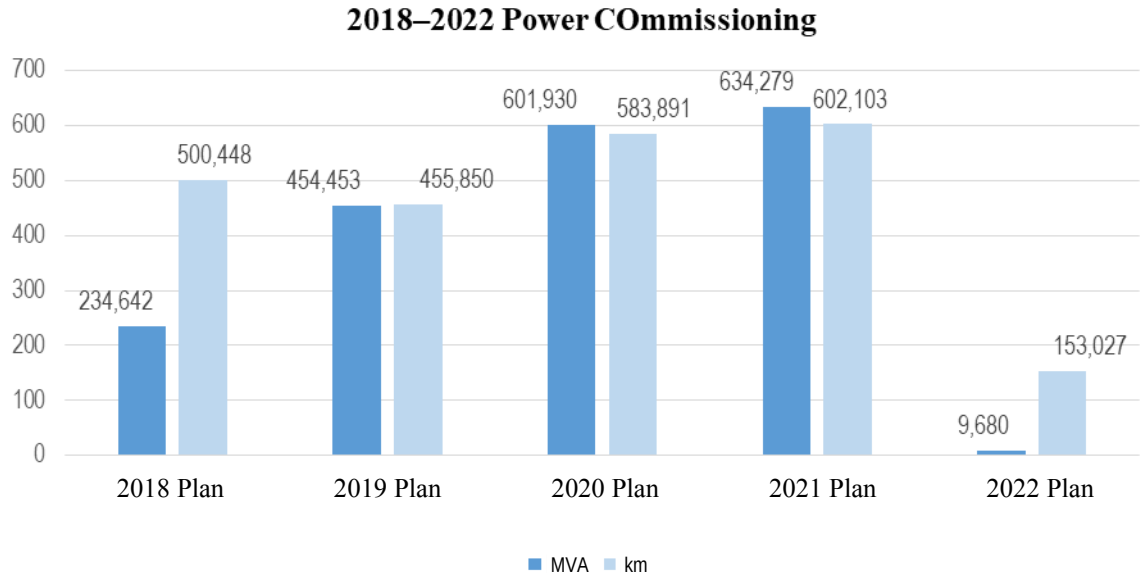


2018–2022 Disbursement, million rubles (VAT excluded)



The histograms below show the Tyumenenergo JSC fixed assets planned for commissioning in 2018–2022, in monetary and physical terms.





For 2018–2022, Tyumenenergo JSC has planned a total of 62,278.701 of capital investments.

The financing for the Tyumenenergo JSC Investment Program planned for 2018–2022 totals 72,749.500 million rubles (VAT included).

For 2018–2022, the Company plans to commission fixed assets for 66,425.159 million rubles, with the total transformer capacity of 1934,984 MVA, and a total 2,295.318 km of power lines.

Total reduction of funding against the 2018–2022 Investment Program amendments project submitted to Rosseti PJSC on February 20, 2019, amounted to:

million rubles (VAT included)

	2018 Actual for Planned Projects	2019	2020	2021	2022	2018–2022 TOTAL
Approved Plan (Order No. 23@ of the Ministry of Energy of Russia dd. December 14, 2018)	14,200	19,931	19,329	11,467	7,822	72,749

Investment Program Amendments Project	11,900	13,232	13,786	14,657	8,346	61,921
Deviation	-2,300	-6,699	-5,543	3,190	522	-10,830

4.2. CAPITAL CONSTRUCTION QUALITY CONTROL

Pursuant to Order No. 468 of the Government of the Russian Federation dd. June 21, 2010 "On the Construction Control in Capital Construction, Reconstruction, and Overhauls", the Company performs construction control to check construction, reconstruction, and overhaul works for compliance with the project documentation, technical regulations, the town-planning plans of the land plot, and the results of engineering surveys.

In 2018, independent construction control covered 43.4% of the capital construction projects under the Company's Investment Program.

Key Construction Investment Projects in 2018

Ямало-Ненецкий автономный округ

1. ВЛ 110 кВ ПС Исконная – ПП Лимбя-Яха. Исполнение взаимных обязательств МРСК-ФСК на снятие ограничений по сети ЕНЭС.
2. ВЛ 110 кВ «Лимбя-Яха – НПС Уренгойская-1,2 цепь» Технологическое присоединение энергопринимающих устройств ПАО «Газпром».

Ямало-Ненецкий автономный округ 1. ВЛ 110 кВ ПС Исконная – ПП Лимбя-Яха. Исполнение взаимных обязательств МРСК-ФСК на снятие ограничений по сети ЕНЭС. 2. ВЛ 110 кВ «Лимбя-Яха – НПС Уренгойская-1,2 цепь» Технологическое присоединение энергопринимающих устройств ПАО «Газпром».	**Yamalo-Nenets Autonomous Okrug** 1. Iskonnaya Substation— Limbya Yaha SS 110 kV OPL. Mutual obligations of the IDGC, RGC on removing the limitations across the UNPG. 2. Limbya-Yaha — Urengoyskaya 1,2 circuit pumping station 110 kV OPL. Technological connection of Gazprom PJSC's power receivers.

4.3. R&D AND INNOVATIVE DEVELOPMENT

Key Goals and Objectives of the Company to be Achieved by the Innovative Development Program. Economic, Technological, and Socioeconomic Targets

Tyumenenergo JSC is an advanced energy company that seeks innovation-driven growth. Tyumenenergo JSC's Innovative Development Program aims at creating a set of methods, technologies, and tools to improve the reliability and quality of power supply. To that end, the Company seeks to use state-of-the-art hardware and technology to maximize the reliability of its grids as well as the efficiency and safety of its processes.

The Innovative Development Program specifies what has to be done for the innovative development of the Company's grid complex. Tyumenenergo JSC's Innovative Development Program for 2016–2020 with an outlook for 2025 (hereinafter "the Program") was approved by Resolution of the Board of Directors on March 31, 2017 (Minutes No. 10/17 dd. March 31, 2017), being an internal document of Tyumenenergo JSC that was prepared as a part of the Innovative Development, Energy Saving and Energy Efficiency Promotion Policy of PJSC Rosseti as approved by the Company's Board of Directors, Minutes No. 08/14 dd. June 24, 2014 (hereinafter "the Policy"); the Program is the main tool for implementing the Policy.

The Program includes measures aimed at creating a new value by improving the existing production and technology system as well as the Company's business processes, by implementing new technologies, by developing the science and engineering potential, creating an appropriate infrastructure and talent pool.

The Program is aimed at creating grids of a new technological structure with a whole new level of reliability, efficiency, availability, controllability, and customer focus of the grid complex managed.

A grid of a new technological structure is a power system that features the following:

- automated grid control based on distributed (multi-agent) control principles;
- real-time parametric self-diagnostics of the power system, its individual facilities and equipment units to improve the system-wide and consumer-specific reliability, to reduce operating costs, etc.;
- flexible self-reconfiguration of the grid as a response to changes in parameters and topology, including accident prevention / post-emergency self-recovery;
- provision of specialized services to various consumer categories; these services must be classified by timing, scope, power quality and pricing (including such services as electric vehicle charging, etc.).

To that end, the Program defines the following main problems to solve:

- reaching the global-average values of power supply reliability, safety, quality, efficiency, and availability by implementing new equipment, technology, and practices;
- improving the Company's customer focus by enhancing the existing services and creating new ones, including high-tech services;

- developing, testing, and enabling an appropriate environment for the mass implementation of innovative equipment and practices with due account for integrated efficiency factors and principles of controlling facility and system life-cycle;
- enhancing the cooperation with the agents in the industrial innovative ecosystem, such as small and medium-sized enterprises, universities, R&D institutions, premier manufacturers in Russia and abroad, etc.;
- enhancing the innovation activity management system and creating an intellectual property management system;
- optimizing the Company's activities on a new technological and methodological basis; creating a talent pool of employees qualified to meeting objectives regarding the Company's innovation-driven growth;
- reducing the negative environmental impact of the grid complex facilities.
- Ожидаемые эффекты от реализации Программы:

- achieving production parameter values to match those of comparable state-of-the-art grid companies;
- closing the technical and technological gap between the Company and comparable state-of-the-art grid companies;
- establishing the foundation for smart distribution grids;
- improving energy efficiency, which includes a decrease in power transmission losses.

In 2018, work under the Innovative Development Program was done in the following areas:

- transition to digital substations of various voltage classes (from 35 to 110/220 kV);
- transition to digital active-adaptive grids with a distributed intelligent automation and control system;
- transition to integrated efficiency of business processes and management system automation;
- applying new technologies and materials in power engineering;
- advancing the system for the development and implementation of innovative products and technologies, including R&D products;
- development of the talent pool and educational partnerships.

Financing of the Program from the Company's own sources totaled 783.4 million rubles (with 772.0 million rubles planned) in 2018.

In 2018, the Innovative Development Program was completed at 101.5%.

Key Areas of R&D, Pilot Testing, Design, and Technology Efforts Taken Under Tyumenenergo JSC's R&D Plan

One of the main components of the Innovative Development Program is the R&D, Pilot Testing, Design, and Technology Effort Plan (the R&D Plan) adjusted as a part of the Mid-Term Innovative Development Plan for 2018–2020 approved as a part of the Tyumenenergo JSC Annual Innovative Development Report for 2017.

The Company's business plant stipulates a single source of R&D financing: using its own research funds under the Operating Activities item. R&D costs are included in controllable costs.

The R&D Plan is based on the actual grid complex problems and promising R&D-enabled innovations, for which the Company takes action to develop breakthrough technologies to create fundamentally new developments, technologies, and methods; another direction consists in applied research to improve the existing technologies.

The R&D Plan is prepared to cover the following R&D areas:

- transition to digital substations of various voltage classes (from 35 to 110/220 kV);

- transition to digital active-adaptive grids with a distributed intelligent automation and control system;
- transition to integrated efficiency of business processes and management system automation;
- using new technologies and materials in power engineering.

The main purpose of the R&D Plan is to ensure sustainable innovative development of the grid complex by creating technologies and components for power grids of a new technological structure with a whole new level of reliability, efficiency, availability, controllability, and customer focus.

Pursuant to the R&D Plan, Tyumenenergo JSC carried out work under four agreements in 2018, two of which are now complete, whereas work under two others will be continued in 2019.

Tyumenenergo JSC R&D Progress in 2018:

- R&D plan totaled 29.24 million rubles (VAT excluded);
- R&D actual values totaled 29.24 million rubles (VAT excluded).

Key R&D Activities in the Reporting Period and Technical REsults

R&D Project 1 (complete): Research and Development of a Standard Methodology for Evaluating the Efficiency of Innovative Projects in the Light of the Industrial Specifics of Power Engineering. Within the R&D, the standard methodology for evaluating the efficiency of innovative projects was developed and approved by Decree No.440r of Rosseti PJSC dd. October 1, 2018; 14 projects were calculated.

This Methodology will help enhance the efficiency of the current organizational, methodological, and operating activities within the implementation of Tyumenenergo JSC's Innovative Development Program.

R&D Project 2 (complete): Core Digital Protection Complex with Centralized Redundancy for 110/35/10(6)-kV Substations (with a Pilot Project). Within the R&D, a prototype of a digital protection complex with centralized redundancy was developed and commissioned at the Aganskaya 110/35/6 kV substation of Tyumenenergo JSC's subsidiary Nizhnevartovsk Electric Grids.

Implementation of results of this R&D project will allow for: enhancing the reliability of power supply to grid users by virtue of using the brand-new 110/35/10(6) kV substation protection redundancy; reducing expenses on purchasing redundant protection complexes; reducing maintenance costs by virtue of automated diagnosing and redundancy of certain protective devices temporarily put out of operation; carrying out all functions of main protection in the digital protection complex — both during stable operation of main protection installed on certain elements of the managed grid, and in case of a failure of a main protection component; increasing the reliability of voltage and current circuits by virtue of transitioning to digital data transmission; automating commissioning and acceleration of redundant protection in case of putting main protection out of operation, without switches with plates, test sets, or other manual-control elements.

R&D Project 3 (in progress, Phase 1 complete): Developing the Line Hardware and High-Voltage Insulators for 10-220 kV Overhead Power Lines Constructed in Far North. Within the Phase 1 of this R&D project, design and process documentation for prototypes of line hardware and insulators was developed; prototypes of line hardware and insulators were manufactured and tested.

Implementation of this R&D project will help reduce the number of cases of hardware wire damages, reduce the number of cases of hardware and insulator failures, reduce the duration and frequency of OPL emergency outages, and extend the lifetime of hardware and insulators.

R&D 4 (in progress, Phase 1 complete): Development of a Mini/Microgrid Prototype. Within the Phase 1 of this R&D project, technical specifications for the software and hardware complex of Minigrid and Microgrid were developed.

Implementation of this project will help significantly transform the capabilities of a power grid regarding ensuring reliable and high-grade power supply to users, organize the efficient interaction between user and generators — this interaction will be aimed at reducing costs across the power grid infrastructure, creating mechanisms of balanced development of the grid, and eventually reducing users' expenses on power supply.

List of IP Titles (Patents, Certificates) Related to R&D Results

In 2018 the Company obtained the utility patent No. 181501 dd. July 17, 2018 "Anti-heaving stilt".

Payments Received in 2018 Under License Agreements

In 2018, the following payments under license agreements were received:

1. Under agreement No. 26/15-01 (TOR 110-IZN) dd. April 1, 2015 for the invention panent No. 2480882 dd. April 27, 2013 "Surge protectors against OPL and CL single-phase earth faults in 6-to-35 kV distribution grids (for sales of TOR 110-IZN devices in 2017).

2. Under license agreement No. LD-26/14 dd. April 14, 2014 (for sales of composite supports):

- Utility patent No. 131777 dd. August 27, 2013 "Compound composite support";
- Utility patent No. 131015 dd. August 10, 2013 "Combined basement for the power line composite support".

4.4. TECHNICAL POLICY

Technical Policy and Regulatory and Engineering Provisions

Pursuant to Resolution of the Board of Directors of Tyumenenergo JSC (Minutes No. 13/17 dd. April 6, 2017), the Regulation on the Uniform Technical Policy in Rosseti PJSC's Grid Complex was approved and put into effect by Tyumenenergo JSC's Order No. 274 dd. May 2, 2017 as the Company's internal document. The text of the Regulation is published on Tyumenenergo JSC's website.

The Regulation on the Uniform Technical Policy in Rosseti PJSC's Grid Complex stipulates the system of connected technical specifications supplementing the existing regulatory documents, emphasizes the most advanced technical solutions, sets the limits of using technical solutions, equipment, and technology aimed at enhancing the technical level of power transmission, transformation and distribution, as well as management, operation, and development of the power grid complex.

The implementation of the Regulation is supervised by specialized structural units of Tyumenenergo JSC's Executive Offices and branches, in compliance with their respective functions, and with the examination of the following:

- Schemes and programs of developing the UNPG and power industry of the KhMAO, YMAO, and Tyumen Oblast);
- Power station delivery schemes;
- Schemes of enterprises' external power supply;
- New construction design statements (expansion, modernization, technical re-equipment) of Tyumenenergo JSC's power grid complex facilities;
- FEED and engineering documentation on new construction, modernization, and technical re-equipment of substations and power lines;
- Tender documentation for planning and surveying and construction works, and supply of equipment for Tyumenenergo JSC's power grid complex;
- Technical and commercial proposals of tender parties for the right to supply equipment, technology, and materials to Tyumenenergo JSC's power grid complex;
- Operating activities and repairs.

All the details regarding key and most important projects of 2018 that involved innovative, cutting-edge, and advance technical solutions, technology, materials, and equipment, all complying with the Technical Policy (and the Innovative Development Policy), are provided in Section 4.5.

4.5. TECHNOLOGY DEVELOPMENT AND IMPLEMENTATION OF NEW EQUIPMENT

Tyumenenergo JSC prioritizes equipment reliability in its reconstruction, modernization, and technical re-equipment efforts, where the crucial method consists in using newer and better equipment.

In 2018, Tyumenenergo JSC implemented five new technologies mainly aimed at improving the power supply reliability, the controllability and the informativeness of the grid complex.

Implementation of Surge Protectors Against Single-Phase Earth Fault for Overhead and Cable Lines of 6-to-35 kV Distribution Grids (TOR 110-IZN)

In 2018, Tyumenenergo JSC's branches commissioned 51 TOR 110-IZN anti-SPEF terminals:

- 25 at the Eva-Yaha 110/10-10-kV SS of Northern Electric Grids;
- 10 at the Khvoynaya 110/10-kV SS of Uray Electric Grids;
- 12 at the Khugor 110/10-kV SS of Energocomplex;
- 4 at the Vidnaya 110/35/6-kV SS of Kogalym Electric Grids.

TOR 110-IZN is a device designed for selective alarm or shutdown in case of stable or unstable earth faults in overhead or cable power lines of 6-to-35-kV grids, and functions regardless of how the neutral works.

Manufacture: Relematika LLC.

What makes this device unique is that the relay protection equipment does not use any pre-configured setpoints; instead, it reacts to the transient response in case of single-phase earth fault and controls wave propagation by the instantaneous-power sign.

A SPEF always causes an industrial-frequency zero-sequence voltage 3U0 to emerge, which is what is used to pick up the device trigger. For substations that lack voltage transformers, microprocessor devices provide centralized anti-SPEF protection with signal exchange functionality.

The economic effect of implementing surge protectors against single-phase earth faults:

- reduced power outage (undersupply) durations;
- reduced operating costs of locating SPEF;
- faster elimination of SPEF;
- lower or no chance of a SPEF becoming a dual-phase earth fault;
- lower CL insulation wear.

Implementation of TOR-120 Relay Protection Devices with no Operating Current Source

10 TOP-120 relay protection devices with no operating current source were implemented at Tyumenenergo JSC's subsidiary Tyumen Distribution Grids at the Vagay 110/10 kV substation.

Manufacturer: Relematika LLC.

TOP-120 RPA kit is intended for use at power stations and substations and can be installed in complete 6 -to-35-kV switchgears, where it is used for protection, automation, control, and signaling. The main feature of this device is that it can be operated at SS that do not have operating current sources; the circuit breakers are shut down by deshunting (the device and the circuit-breaker circuits are powered from the current circuits when the connection point short-circuits).

The device is intended for use as the main or backup protector for various connections; it can be used as a standalone device or in combination with other RPA devices using different components.

TOP-120 contains microprocessor components to ensure consistent performance and high measurement accuracy, as well as to be able to run various automation, control, and protection algorithms.

Each device can function as a combined power supply (powered from the current circuits of the protected connection) and a deshunting relay for emergency circuit-breaker shutdown, which enables a user:

- to use fewer equipment items;
- to improve operation reliability and uptime by reducing the secondary commutation circuits, which, if damaged, can cause a protection failure;
- to ensure normal operation of protection in case of a current outage.

Besides, the device is capable of running various communication protocols, which enables integration with the SS monitoring system and the APCS. RS-485 ports are used to transmit data regarding the device and facility status. as well as event logs and emergency oscilloscope readings.

The device is used to protect sectionalized circuit breakers, cable or overhead power lines, lines connected to 10/6-kV or 6 to 10/0.4-kV auxiliary transformers, whereby it can fully protect 6-to-10-kV connections.

Complex Implementation of Innovative Solutions for New Construction of the Iskonnaya – Limbya-Yaha 1,2 110 kV OPL at Tyumenenergo JSC's Subsidiary Northern Electric Grids

The project includes performing construction works and implementation of the ASVP 197/55 steel-aluminum non-insulated wire and open-profile cruciform metal stilts.

The implementation of the ASVP wire will help reduce the number of emergencies on OPLs and decrease the expenses on OPL maintenance by virtue of resistance to lightning surge and thermal effect of a short-circuit current, resistance to eolian vibration and wire galloping, and higher mechanical robustness.

The implementation of open-profile cruciform metal slits helps reduce the material costs by virtue of selecting the rational schemes and parameters of OPL support basements, and reduce the expenses on OPL operation, eliminate the necessity for repairing support basements or reconstruction of supports due to cold-caused heaving of basements.

In 2018, Tyumenenergo JSC's subsidiary Northern Electric Grids installed 384 open-profile cruciform stilts and 61 km of the ASVP 197/55 wire.

Tyumenenergo JSC's Key Project

No.	Branches	Facility	Key Technical Parameters	Implementation Effect
1	Tyumenenergo JSC's Subsidiary Tyumen Distribution Grids	Creation of power metering systems with automated data collection and load management with the single data center.	Automating the power metering system with the opportunity of integrating into the single management system; with remote load management and network status display.	Provision of all power market parties with reliable and legitimate information on actual transfer of power required for operation of retail and wholesale power markets.

2	Tyumenenergo JSC	Development of the integrated workflow management system	Integration of the Production Asset Management System (PAMS) with the Accidents Software. Certification of production warehouses and emergency backup storages. Certification of production facilities and structures. Certification of vehicles. Development the functionality for creating OPL and SS electronic passports. Development of the electronic defect logging functionality. Development of the functionality for calculating maintenance scope in conventional and bulking units.	The functionality of the integrated workflow management system will help integrally evaluate the equipment status, schedule repairs and maintenance — all this will lead to significant reduction in labor efforts for scheduling and calculating costs of repairs, and forming the annual procurements program.
3	Tyumenenergo JSC	Phased digitalization of data collection and processing; control and automation systems for future construction of digital substations	Transition to digital substation of various voltage classes (from 35 to 110/220 kV)	Accounting and management of 110 kV power facilities. Enhancement of manageability and observability of power facilities. Improvement of the work hazard level, reduction of accidents at automated substations. Reduction of M&R costs by virture of scheduling repairs based on monitoring and diagnostics. Extension of the equipment lifetime by virtue of reducing the number of management errors and accounting the equipment monitoring and diagnostics results.

5. FINANCIAL AND ECONOMIC PERFORMANCE

5.1. ANALYSIS OF FINANCIAL AND ECONOMIC INDICATORS

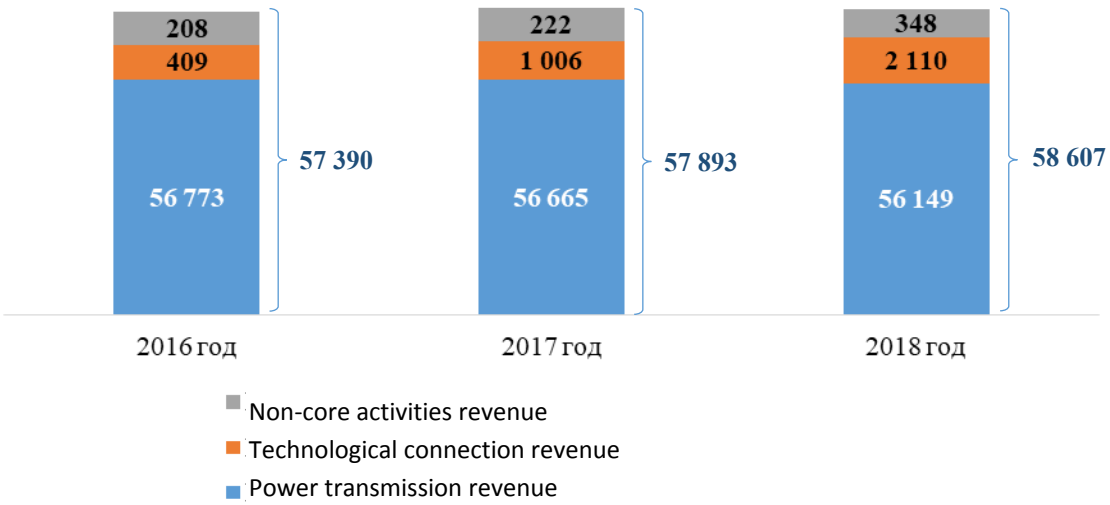
This section of the Annual Report details the Company's assets, liabilities, and financial-economic indicator analysis for 2016–2018.

Revenue

The 2018 revenue of Tyumenenergo JSC totaled 58,607 million rubles, which is 714 million rubles or 1% higher than in 2017.

Most of that revenue (96%) came from power transmission services.

2018 Revenue Mix, million rubles



Changes in Revenues by Activity:

– 2018 power transmission revenue totaled 56,149 million rubles, which is 516 million rubles or 1% lower than in 2017. This revenue drop was due to the following factors: lower power consumption of major oil and gas enterprises, higher power production of gas-turbine power plants of users, and low utility load of residents and resident-equivalent consumers due to higher temperature in winter of 2018 compared to 2017 (average temperature was higher by 4.3 °C);

– as of the end of 2018, revenue from technological connection to Tyumenenergo JSC grids totaled 2,110 million rubles, which is 1,104 million rubles or 110% higher than in 2017;

– revenue from non-core activities totaled 348 million rubles, which is 126 million or 57% higher than in 2017.

Cost of Products and Services

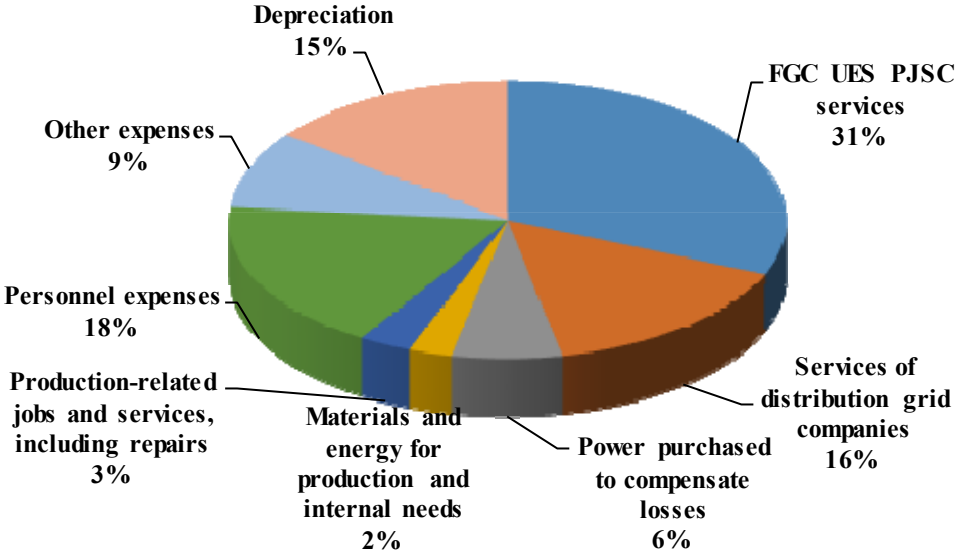
The cost of Tyumenenergo JSC's sold goods, jobs, and services totaled 59,274 million rubles in 2018, which is 2,477 million rubles or 4% higher than in 2017. The cost increase in 2018 was mainly due to an increase in infrastructure payments, depreciation, and property tax.

The table below presents the dynamics of cost components.

million rubles

No.	Cost Items	2016	2017	2018	2018/2017 Deviation	
					Abs.	%
1.	**Infrastructure Costs:**	**28,387**	**30,560**	**31,550**	**990**	**3%**
1.1	FGC UES PJSC services	17,200	18,001	18,536	535	3%
1.2	Services of distributed grid companies	8,206	9,078	9,212	134	1%
1.3	Power purchased to compensate losses	2,981	3,481	3,802	321	9%
2.	**In-House Costs**	**17,905**	**18,076**	**19,016**	**940**	**5%**
2.1	Materials and power for production and internal needs	1,258	1,300	1,482	182	14%
2.2	Production-related works and services, including repairs	1,826	1,697	1,799	102	6%
2.3	Personnel expenses	10,520	10,308	10,495	187	2%
2.4	Other expenses	4,301	4,771	5,240	469	10%
2.4.1	Taxes and duties	1,453	1,822	2,288	466	26%
3.	**Depreciation**	**7,884**	**8,161**	**8,708**	**547**	**7%**
	TOTAL COST	**54,176**	**56,797**	**59,274**	**2,477**	**4%**

2018 Cost Mix



Key Cost Change Factors:

– infrastructure costs increased due to higher wholesale prices of power (power purchased to compensate losses), higher costs of FGC UES PJSC services and distributed grid companies, caused by termination of the load-loss elimination mechanism on August 1, 2017;

– depreciation growth was due to the revaluation of fixed assets as of December 31, 2017;

– other costs increased mostly due to higher property tax which increased pursuant to Article 380 of Chapter 31 of the Tax Code of the Russian Federation due to the gradual termination of the tax privilege.

Financial Performance

million rubles

No.	Name	2016	2017	2018	2018/2017 Deviation	
					Abs.	%
1.	**Revenue from Sales of Products (Services), including:**	**57,390**	**57,893**	**58,607**	**714**	**1%**
1.1	Revenue from power transmission	56,773	56,665	56,149	-516	-1%
1.2	Revenue from technological connections	409	1,006	2,110	1,104	>100%
1.3	Revenue from non-core activities	208	222	348	126	57%
2.	**Cost of Products (Services)**	**54,176**	**56,797**	**59,274**	**2,477**	**4%**
3.	Gross profit	3,214	1,096	-667	-1,763	>100%
4.	Administrative expenses	10	12	13	1	8%
5.	Sales profit (loss)	3,204	1,084	-680	-1,764	>100%
6.	Interest receivable	768	333	88	-245	-74%
7.	Interest payable	43	234	204	-30	-13%
8.	Revenue from stakes in other organizations	3	5	5	0	0%
9.	Other revenues, total	1,023	2,492	886	-1,606	-64%
10.	Other expenses, total	1,322	2,689	1,633	-1,056	-39%
11.	**Profit (loss) before tax**	**3,633**	**991**	**-1,538**	**-2,529**	**>100%**
12.	Profit tax and other payment	1,332	968	530	-438	-45%
13.	**Net Profit (Loss)**	**2,301**	**23**	**-2,068**	**-2,091**	**>100%**
14.	**EBITDA***	**11,560**	**9,386**	**7,374**	**-2,012**	**-21%**

**EBITDA = Earnings before interest, taxes, depreciation and amortization*

As of the end of 2018, Tyumenenergo JSC's net profit totaled (-2,068) rubles, which is 2,091 million rubles lower than in 2017. The following factors caused the loss:

– lower revenue from power transmission due to lower power consumption of oil and gas companies and higher power production of gas-turbine power plants of users;

– increased uncontrollable costs mainly due to the growth of infrastructure payments, property tax, and faster depreciation, due to the performed revaluation of fixed assets.

Tyumenenergo JSC's Financial Status and Funding Sources

million rubles

Indicator	December 31, 2016	December 31, 2017	December 31, 2018	2018/2017 Deviation	
				Abs	%
Total Assets	**143,406**	**147,816**	**156,584**	**8,768**	**6**
Value of non-current assets	136,173	142,577	150,744	8,167	6
Value of current assets	7,233	5,239	5,840	601	11
Total Liabilities	**143,406**	**147,816**	**156,584**	**8,768**	**6**
Equity	123,902	125,503	128,740	3,237	3
Long-term liabilities	9,985	14,522	15,680	1,158	8
Short-term liabilities	9,519	7,791	12,164	4,373	56

Assets

As of December 31, 2018, assets totaled 156,584 million rubles (+6% against 2017). Given the specifics of Tyumenenergo JSC, the asset structure is dominated by *non-current, or fixed assets* (96%). As of December 31, 2019, those totaled 150,744 million rubles (+6% against 2017). Such a deviation was caused by a series of objective reasons:

– revaluation of the Company's fixed assets as of December 31, 2018 (Order No. 367 of Tyumenenergo JSC dd. July 25, 2018 "On revaluation of Tyumenenergo JSC's fixed assets"). The Company's general revaluation coefficient amounted to 1.0451 (residual value of fixed assets increased by 5,649 million rubles);

– depreservation of power grid facilities of the Salekhard Power Grid Region in 2018. The bonus depreciation was accounted, which caused a tax loss which led to more than two times as high deferred tax asset as in 2017.

The Company's *current assets* totaled 5,840 million rubles in 2018 (+11% against 2017). Such a growth is mostly due to the following factors:

– growth of *reserves* (+19% against 2017) due to the growth of purchase prices against 2017 and purchase of commodities and materials for execution of the Company's production program;

– growth of *short-term receivables* (+24% against 2017 actual) mostly due to growth of power transmission payments (due to difference of tariff in calculation of the power transmission service cost).

Liabilities

As of the end of 2018, the Company's *equity* totaled 128,740 million rubles (+3% against 2017). This deviation was due to the revaluation of the Company's fixed assets as of December 31, 2018 (full appreciation of the additional capital in 2018 totaled 5,326 million rubles). The Company's authorized capital is fully compliant with the foundation documents and totaled 27,373.9 million rubles as of December 31, 2018.

As of December 31, 2018, long-term liabilities totaled 15,680 rubles (+8% against actual 2017).

For 12 months of 2018, 6,025 million rubles of *long-term loans* were raised, including (as of December 31, 2018) 3,450 million rubles included in the long-term loan debt and 2,275 million rubles included in the short-term loan debt.

A change in the value of deferred tax liabilities (+18% against 2017) was because the depreciation and bonus depreciation exceeded the accounting data due to different terms of effective use of fixed assets.

As of December 31, 2018, short-term liabilities totaled 12,164 million rubles (+56% against 2017). The significant growth of liabilities compared to the previous year was due to a series of objective reasons:

– increase in short-term debts (+24% against 2017, which was due to the reclassification of long-term debts into short-term debts as per Clause 19 of the Accounting Regulations 4/99 "Accounting of an Organization");

– increase in payables (86% against 2017, which was due to the growth of the current payables regarding settlements with suppliers and contractors, caused by the non-fulfillment of the plan for funding the assets subject to the Company's Investment Program);

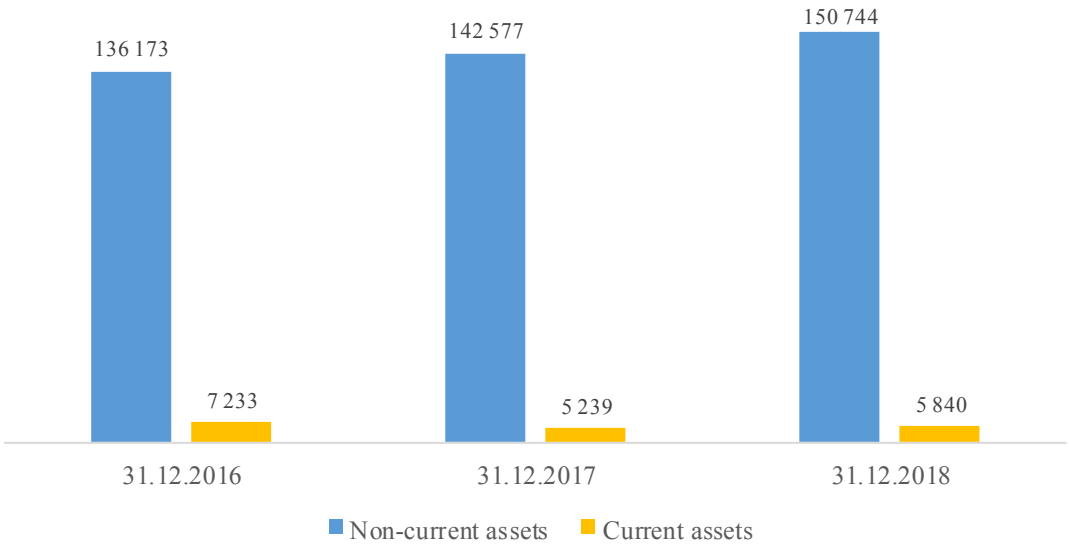
– reallocation of a part of the debts regarding advance payments received under technological connection agreements, from long-term debts to short-term debts.

Net Assets

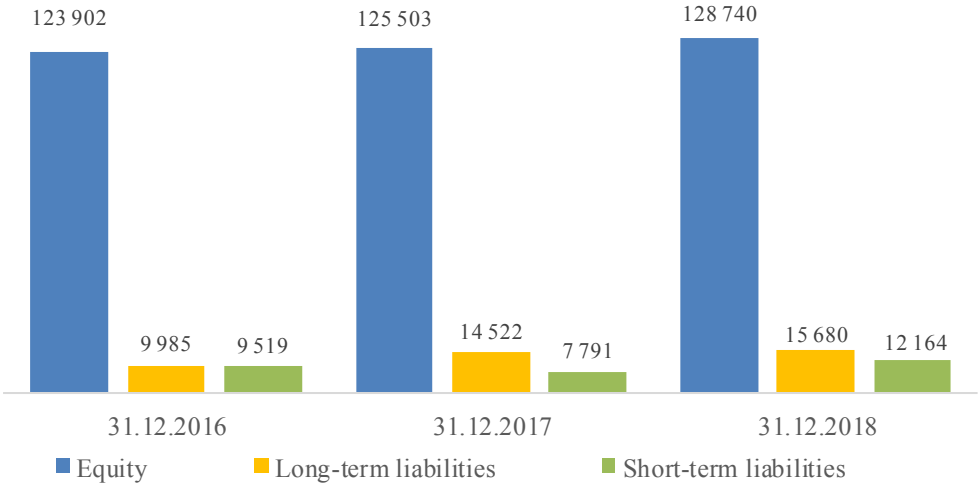
Tyumenenergo JSC's shares are not traded in organized securities markets, which is why the Company calculates ***net assets*** instead of market capitalization.

Net assets **totaled 128.740 million rubles as of December 31, 2018, exceeding the Authorized Capital, which proves the Company's financial stability.**

Assets Structure Dynamics, million rubles



Liabilities Structure Dynamics, million rubles



Analysis of the Company's Receivables and Payables

million rubles

Indicator	Periods			2018/2017 Deviation	
	2016	2017	2018	Abs.	%
Receivables (Line 1230 f. 1), including:	**3,127**	**2,286**	**2,747**	**461**	**20**
Long-term receivables (line 1231 f. 1)	195	213	178	-35	-16
Short-term receivables (line 1232 f. 1)	2,932	2,073	2,569	496	24
Byers and customers	*2,713*	*1,681*	*2,178*	*497*	*30*
Advances paid	*79*	*57*	*52*	*-5*	*-9*
Other receivables	*140*	*335*	*339*	*4*	*1*

The Company's receivables as of December 31, 2018 totaled 2,747 million rubles (+20% against 2017). Most of the receivables (94%) were short-term, the remaining 6% were long-term.

As of December 31, 2018, the share overdue receivables totaled 2.1% (58.6 million rubles were the book value of the overdue receivables minus the doubtful-debt allowance, including 41.7 million rubles which were overdue receivables regarding power transmission) of the total amount of receivables (1.8% or 40.9 million rubles as of December 31, 2018, including 10.7 million rubles for power transmission).

The Company handles its overdue receivables by both pre-trial settlement and in court, observing the terms of claim-making approved at Tyumenenergo JSC.

As a result of the Company's claims to collect overdue receivables for power transmission services, positive court rulings were made under 96 cases for 53.3 million rubles of principal debt and 13.4 million rubles of penalties in 2018. 99% of claimed principal debt and 57% of claimed penalty were sustained.

Over the same period last year, positive court rulings were made in 116 cases respect of claims totaling 164.5 million rubles of the principal debt and in respect of 13.8 million rubles of penalties, while a negative ruling was made in respect of one penalty case for 0.68 million rubles.

In 2018, the Company received, under such court rulings, 53 warrants of executions for 34.448 million rubles, 100% of which were paid. Over the same period last year, the Company received 32 warrants of execution for 47.8 million rubles, 43.3 million or 90% of which were paid. It should be noted that previously-obtained warrants were paid in the reporting period, for the total amount of 11.352 million rubles.

As of December 31, 2018, the actions against overdue receivables had been consistently covering 100% of such receivables.

Over the reporting period 16.6 million rubles were paid (11.9 million rubles in 2017), 13 million rubles were received from the bank (23.1 million rubles in 2017), the Federal Bailiff Service collected 16.2 million rubles (8.4 million rubles in 2017).

Also in 2018, no overdue receivables for power transmission services were written off.

million rubles

Indicator	Periods			2018/2017 Deviation	
	2016	2017	2018	Abs.	%
Payables (line 1520 f. 1 + line 1450 f. 1), including:	**7,876**	**10,968**	**12,338**	**1,370**	**12**
Long-term payables (line 1450 f. 1), including	1,812	6,369	3,775	-2,594	-41
Advance payments for TC received	*1,619*	*6,226*	*3,583*	*-2,643*	*-42*
Short-term payables (line 1520 f. 1), including:	6,064	4,599	8,563	3,964	86

to suppliers and contractors	*3,002*	*2,574*	*3,685*	*1,111*	*43*
Advance payments received	*1,140*	*163*	*2,821*	*2,658*	*>100*
Including advance payments for TC received	*1,076*	*134*	*2,795*	*2,661*	*>100*
Other payables	*1,922*	*1,862*	*2,057*	*195*	*10*

Short- and long-term payables of the Company totaled 12,338 million rubles as of December 31, 2018 (+12% against 2017). Most of the payables (69%) were short-term, and the remaining 31% were long-term.

Overdue payables totaled 0.9% or 104.4 million rubles as of the end of 2018.

To prevent any increase in overdue payables or receivables and control the current payables and receivables, Tyumenenergo JSC established the Payables and Receivables Commission.

In general, the Company monitors payables and receivables in real time by means of the SAP ERP software.

5.2. OPERATIONAL EFFICIENCY ENHANCEMENT AND COST REDUCTION PROGRAM

The Operational Efficiency Increase and Cost Reduction Program (OEICRP) is one of the integral elements of the strategic development plan and contains the series of measures aimed at enhancing the internal performance and ensuring profitability by virtue of optimizing the internal workflow.

Below are the OEICRP priorities:

- controllable and uncontrollable costs of the Company;
- equipment maintenance and repair management;
- working capital management;
- fixed-asset management;
- procurement and supply chain management;
- personnel motivation and remuneration system;
- principles of forming organizational and functional structure and optimizing the headcount;
- energy saving and loss reduction system;
- other enhancements.

Tyumenenergo JSC's 2018–2022 Operational Efficiency Enhancement and Cost Reduction Program was approved by Tyumenenergo JSC's Board of Directors as a part of Tyumenenergo JSC's 2018–2022 Business Plan (Minutes No. 31/17 dd. December 26, 2017).

The Program's priority mission is reduction of specific operating costs by at least 2% each year, pursuant to the Directive No. 2303p-P13 of the Government of the Russian Federation dd. April 16, 2015.

The effect of reducing the specific operating costs amounted to 3.6% in 2018 (target value was 2%).

5.3. PROFIT DISTRIBUTION*

million rubles

		2015 (AGSM 2015)	2016 (AGSM 2016)	2017 (AGSM 2017)
Total Undistributed Net Profit, including		**3,696**	**2,301**	**23**
Reserve fund		185	115	1
Profit for development		275	161	-
Dividends		3,236	2,025	22
Dividend Payment	million rubles	3,236	2,025	22
	% of NP	88	88	95
Dividend per share, rubles		11.8214598	7.39835	0.08084

** Profit distribution pursuant to the resolutions of Annual General Shareholders Meetings (AGSM).*
AGSM 2016 (for 2015) — AGSM Minutes No. 491pr9 dd. June 29, 2016.
AGSM 2017 (for 2016) — AGSM Minutes No. 620pr/3 dd. June 28, 2017.
AGSM 2018 (for 2018) — AGSM Minutes No. 733 pr/1 dd. June 29, 2018.

In accordance with the Charter of the Company, the resolution on the distribution of profits of 2018 will be made on the basis of the AGSM resolution in 2019.

6. CORPORATE GOVERNANCE

6.1. CORPORATE GOVERNANCE SYSTEM

The Company defines corporate governance as a system of relations between the Executive Office, the Board of Directors, the shareholder, and other stakeholders. Corporate governance is a tool that helps set goals and achieve them while also enabling the shareholder and other concerned parties to monitor and control the Company's activities.

Tyumenenergo JSC is a member of the Rosseti Company Group; making up for a significant portion of Rosseti PJSC assets, it understands the importance of voluntary informational disclosure pursuant to the Russian securities-market legislation and accordingly seeks to apply the provisions of the Corporate Governance Code (hereinafter, "the Code") as approved by the Board of Directors of the Bank of Russia March 21, 2014.

The specific corporate-governance feature of Tyumenenergo JSC is that the Company has a sole shareholder, that is Rosseti PJSC that owns 100% of the Company's shares. All the corporate processes of the Company are in accordance with the interests of this shareholder.

Tyumenenergo JSC has a Board of Directors, a collegial governance body responsible for the strategic management of the Company and controlling the Sole Executive Bodyof the Company while also performing other duties per the Company's Charter and the current legislation.

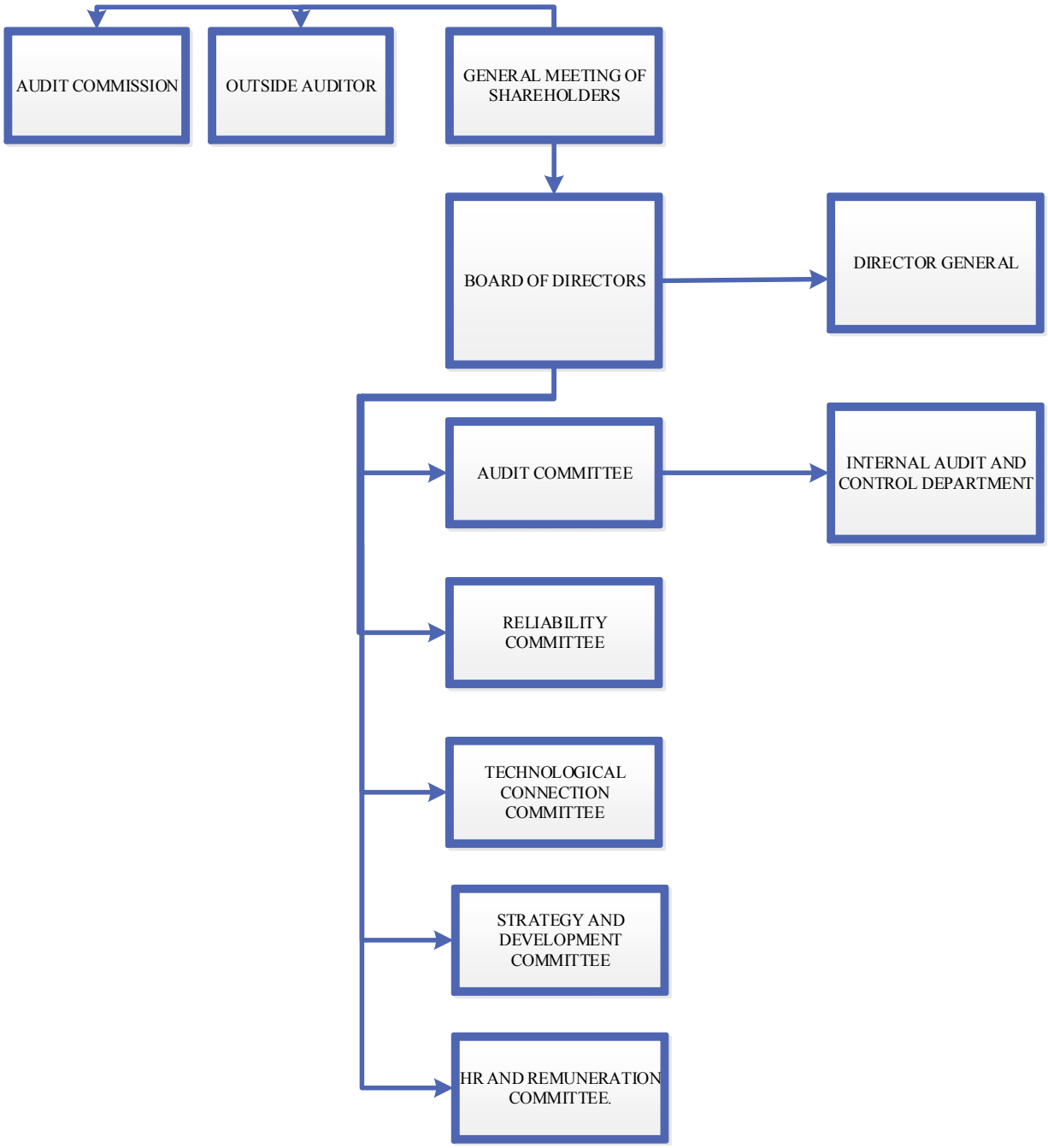
The Corporate Secretary of Tyumenenergo JSC is to ensure efficient Board of Directors work and cooperation with the shareholder.

The remuneration for the members of the Board of Directors is established to match the market situation so as to attract highly-qualified specialists and motivate them to act fairly and efficiently as a part of the Company.

Tyumenenergo JSC has an information policy in place that is aimed at disclosing full, relevant, and accurate information about the Company to all the concerned parties.

The Company does not exclude possible future actions to ensure better compliance with the Code and to enhance its corporate governance.

Tyumenenergo JSC Corporate Governance Structure



Specific structures, procedures, and practices of corporate governance are controlled by the Charter and the internal documents of the Company that can be found in the About the Company section of the website: http://www.te.ru/about/vnutrennie_dokumenty.

6.2. GOVERNANCE AND CONTROL BODIES

According to the Charter of Tyumenenergo JSC, the Company's governance bodies are:
– General Meeting of Shareholders;
– Board of Directors;
– Director General (sole executive body).

The Audit Commission is responsible for control over the financial and economic activities of the Company.

6.2.1. GENERAL SHAREHOLDERS MEETING

In accordance with Clause 11.1 of Article 11 of the Charter of Tyumenenergo JSC, if all the voting shares are held by a single shareholder, all decisions on matters within the competence of the General Shareholders Meeting shall be made by the shareholder or its authorized governance body in writing, and further communicated to the Company.

In respect of Tyumenenergo JSC, pursuant to Subclause 3 of Clause 13.2 of Article 13 of the Charter of Rosseti PJSC, the authorized governance body is a collegial executive body, the Management Board of Rosseti PJSC, which functions as the General Shareholders Meeting of Tyumenenergo JSC.

In June 2018, the Management Border of Rosseti PJSC, acting as the Annual General Shareholders Meeting, made the following decisions:

- to approve the Annual Report and the Annual Financial Statements of the Company for 2017;
- to approve the distribution of the Company's profits for 2017;
- to pay the dividends on ordinary shares of the Company for 2017;
- to re-elect the Board of Directors;
- to re-elect the Audit Commission; to approve the Company's auditor;
- to approve the new revision of the Company's Charter;
- to approve the new revision of the Company's Board of Directors Regulation;
- to approve the Regulation on Bonuses and Compensations to Members of the Company’s Audit Commission.

The competences of the General Shareholders Meeting include various matters as specified in the Federal Law dd. December 26, 1995 No. 208-FZ On Joint-Stock Companies and in Section 10. 10.2 of the Company's Charter. The Charter of Tyumenenergo JSC is available in the About the Company / Internal Documents section of the Company's official website: http://www.te.ru/about/vnutrennie_dokumenty.

Matters within the competence of the General Shareholders Meeting cannot be resolved by the Board of Directors or the Director General of the Company.

The resolutions of the General Shareholders Meeting are also available in the For Shareholders and Investors / Corporate Governance section of the Company's official website: http://www.te.ru/investors/korporativnoe_upravlenie/obshchee_sobranie_akcionerov/resheniya_obshchego_sobraniya_aktsionerov.

6.2.2. BOARD OF DIRECTORS

The Board of Directors is responsible for the general management of the Company's activities, except for matters that the Federal Law dd. December 26, 1996 No. 208-FZ On Joint-Stock Companies and the Company's Charter specifically refer to the competence of the General Shareholders Meeting.

Pursuant to Section 13.13.1 of the Charter of Tyumenenergo JSC, the Company's Board of Directors consists of eleven (11) members.

The procedure for electing the members of the Board of Directors is defined in the Company's Charter and complies with the legislation of the Russian Federation. Persons elected to the Board of Directors can be re-elected for an unlimited number of terms.

Competences of the Board of Directors

The competences of the Board of Directors include various matters as specified in Federal Law No. 208-FZ dd. December 26, 1995 “On Joint-Stock Companies” and in Clause 12.1 of Article 10 of the Company's Charter.

Matters within the competence of the Board of Directors cannot be resolved by the Director General of the Company.

The Board of Directors' operation is regulated by the Board of Directors Regulation of Tyumenenergo JSC as approved by the Resolution of the General Shareholders Meetnig of Tyumenenergo JSC dd. June 29, 2018 (Minutes No. 733pr/1) (hereinafter "the Regulation").

Pursuant to Clause 5.1 of the Regulation, the Board of Directors' meetings are held pursuant to the approved Agenda of the Board of Directors, or as necessary, but at least once a quarter. The Agenda for a corporate year shall be approved at the first meeting of the Board of Directors as re-elected by the Annual General Shareholders Meeting.

The Corporate Secretary of the Board of Directors shall comprehensively inform the Directors and notify them on meetings of the Board of Directors beforehand.

In 2018, the Company and its Board of Directors members did not enter into any transactions, and no member of the Board of Directors was claimed against.

In 2018, the Company did not fund the training of the Board of Directors members either by loan or in any other form.

Composition of the Board of Directors

June 28, 2018 the Management Board of Rosseti PJSC elected the following membership of the Tyumenenergo JSC Board of Directors **(positions specified herein were valid as of the election date):**

No.	Full Name	Brief Bio
1	Dmitry Mikhailovich Andropov Non-Executive Director First elected to the Board of Directors by the General Shareholders Meeting on June 30, 2016	Year of Birth: 1975. Education: Academy of National Economy of the Government of the Russian Federation, qualification of Manager, graduated in 1997. March 2012 – May 2014: Deputy Director General for (HR) Capital; May 2014 – November 2015: Deputy Head of Department of Finance at Rosseti PJSC; June 2018 to present*: member of the Board of Directors of Karachayevo-Cherkesskenergo JSC; May 2018 to present: Kabbalkenergo JSC; November 2015 to present: Rosseti PJSC.

		Title at Primary Workplace: Head of the Credit and Structure Funding Directorate
2	Yuri Vladimirovich Goncharov Non-Executive Director First elected to the Board of Directors by the General Shareholders Meeting on June 30, 2014.	Year of Birth: 1977. Education: Moscow State Mining University, major in Management, graduated in 2000. Moscow Institute of Economics, Politics and Law, major in Legal Studies, graduated in 2014. June 2017: IDGC of Siberia PJSC, Deputy Chairman of the Board of Directors; June 2018 to present: MOESK PJSC, member of the Board of Directors; April 2013 to present: Rosseti PJSC. **Title at Primary Workplace:** Deputy Director General for Corporate Governance
3	Konstantin Sergeevich Guselnikov Independent Director First elected to the Board of Directors by the General Shareholders Meeting on June 28, 2017.	Year of Birth: 1966. Education: 1. Moscow Institute of Technology, qualification of Engineer-Technologist, graduated in 1990. 2. Moscow Institute of International Business, qualification of Operational Commercial Worker, graduated in 1992. 3. Academy of National Economy in Kiel, Germany, qualification of Marketing Specialist, graduated in 1994. July 2014 to present: Innovative Scientific and Production Centre for Textile and Consumer Goods Industry LLC; April 2012 to present: FinInvest Consulting LLC. **Title at Primary Workplace:** Director General
4	Yuri Kazbekovich Zafesov Non-Executive Director First elected to the Board of Directors by the General Shareholders Meeting on June 30, 2013 through June 30, 2014; reelected on June 28, 2017.	Year of Birth: 1975. Education: 1. Moscow State University of Food Industry (MGUPP), qualification of Engineer-Technologist, graduated in 1997. 2. Lomonosov Moscow State University, major in Management, graduated in 1999. 3. Russian Academy of State Service under the President of the Russian Federation, PhD of Economics, thesis defended in 2006. May 2013 to present: part-time Head of the Procurement Department at Rosseti PJSC; June 2018 to present: ESSK UES JSC, member of the Board of Directors; June 2018 to present: IDGC of the Urals PJSC, member of the Board of Directors; June 2018 to present: IDGC of the Central Russia and Volga Region, member of the Board of Directors; 2009 to present: Energostroysnabkomplekt JSC. **Title at Primary Workplace:** Director General
5	Aleksandr Yuryevich Korneev Non-Executive Director First elected to the Board of Directors by the General Shareholders Meeting on June 28, 2017,	Year of Birth: 1980. Education: Moscow Energy Institute, qualification of Engineer majoring in Electric Factory Equipment, graduated in 2003. 2017 to present: SKB VTI JSC, member of the Board of Directors; 2013 to present: Rosseti PJSC.

		Title at Primary Workplace: Director of the Department for Long-Term Grid Development and Technological Connection
6	Marina Aleksandrovna Lavrova Non-Executive Director First elected to the Board of Directors by the General Shareholders Meeting on June 28, 2017.	Year of Birth: 1982. Education: State University of Management, qualification of Manager majoring in Management in the Power Industry, graduated in 2004. 2003 to present: Rosseti PJSC. **Title at Primary Workplace:** Head of the Directorate for Economy of Subsidiaries of the Department of Economic Planning and Budgeting
7	Valentin Yefimovich Mezhevich Chairman of the Board of Directors First elected to the Board of Directors by the General Shareholders Meeting on June 30, 2015.	Year of Birth: 1947. Education: Irkutsk Polytechnic Institute, major in Thermal Power Plants, graduated in 1970. Candidate of Technical Sciences. 2015 to present: IDGC of Volga PJSC, member of the Board of Directors; October 2013 to present: Rosseti PJSC. **Title at Primary Workplace:** member of the Board, Chief Advisor
8	Aleksey Yuryevich Perets Non-Executive Director First elected to the Board of Director by the General Shareholders Meeting on June 29, 2018.	Year of Birth: 1980 Education: Saint Petersburg State University. June 2018 to present: IDGC of the North Caucasus PJSC, Chairman of the Board of Directors; June 2018 to present: TRK PJSC, Chairman of the Board of Directors; June 2018 to present: Engineering Center Real Estate UES PJSC, Chairman of the Board of Directors; June 2018 to present: IDGC of the South PJSC, member of the Board of Directors; 2017 to present: Rosseti PJSC. **Title at Primary Workplace:** Chief Advisor
9	Sergey Yuryevich Savchuk Non-Executive Director First elected to the Board of Directors by the General Shareholders Meeting on June 28, 2017.	Year of Birth: 1977. Education: Academy of the Federal Security Service, major in Jurisprudence, graduated in 1998. 2014–2015: Chairman of the Management Board of Elektoizolyatsiya, a Research Association of the Developers, Manufacturers, and Suppliers of Insulating Devices and Materials, Fittings, and Protective Devices for Power Grids; 2015: Deputy Director for Distribution Grids (0.4 kV to 6 kV to 10 kV), State Unitary Enterprise of the Republic of Crimea Krymenergo; 2015–2016: Acting Deputy Director General for Investments and Acting Deputy Director General of Tyumenenergo JSC; October 2016 to April 2017: Acting Director General of Tyumenenergo JSC; April 2017 to October 2018: Director General of Tyumenenergo JSC;

		June 2018 to present: Chairman of the Board of Directors of Tyumenenergo JSC Engineering **Title at Primary Workplace:** N/A
10	Tatyana Aleksandrovna Selivyorstova Non-Executive Director First elected to the Board of Directors of the Company by the General Shareholders Meeting on June 29, 2018.	Year of Birth: 1972. Education: 1. State Academy (University) of Management, qualification of Manager, graduated in 1995. 2. Russian Presidential Academy of National Economy and Public Administration, occupational retraining in Finance Management, graduated in 1997. June 2014 to present: Tyvaenergo JSC, member of the Board of Directors; June 2016 to present: Ekaterinburg Power Grid Company JSC, member of the Board of Directors; 2008 to present: Rosseti PJSC. **Title at Primary Workplace:** Deputy Head of the Directorate for Securities and Information Disclosure of the Corporate Governance and Shareholder and Investor Relations Department
11	Viktor Korneevich Yavorsky Independent Director First elected to the Board of Directors by the General Shareholders Meeting on June 30, 2015.	Year of birth: 1955. Education: Moscow Energy Institute, major in Automated Control Systems, qualification of System Engineer, graduated in 1981. 2014 to present: Technology Center LLC, Director General; 2014 to present: OSBI-KLASS Audit Company LLC; June 2014 to present: TORI-AUDIT LLC. **Title at Primary Workplace:** Director General

** To present herein means "until December 31, 2018".*

Members of the Board of Directors do not have a share in the authorized capital of Tyumenenergo JSC and do not hold ordinary shares of the Company.

All the members of the Board of Directors have consented to the disclosure of this information in the Company's Annual Report and on the corporate website.

In 2018, before the election of the new composition, the Board of Directors had also included the following persons **(positions specified herein were valid as of the election date, June 28, 2017):**

No.	Full Name	Brief Bio
1	Oleg Leonidovich Bindar	Year of birth: 1978. Education: 1. Moscow State University of Railway Engineering, major in Accounting and Audit; 2. Russian Academy of National Economy and Public Administration under the President of the Russian Federation, major in Jurisprudence. **Primary Workplace:**

		Director of the Equipment Manufacturer Relations Department at Rosseti PJSC.
2	Nikolay Borisovich Piotrovich	Year of birth: 1975. Education: 1. North-Caucasus Academy of State Service under the President of the Russian Federation, major in State and Municipal Administration, qualification of Manager-Economist, graduated in 1997. 2. North-Caucasus Academy of State Service under the President of the Russian Federation, Candidate of Economic Sciences, thesis defended in 1999. 3. Rostov State University, major in Jurisprudence, qualification of Lawyer, graduated in 2000. **Primary Workplace:** N/A

Report of the Board of Directors

In 2018, the Board of Directors held 23 meetings, 20 of which consisted in absentee voting whereas three were held in joint presence. In total, 124 issues were addressed. Meeting Minutes are available at the Company's corporate website:

http://www.te.ru/investors/korporativnoe_upravlenie/sovet_direktorov/resheniya.

Attendance of Members of the Board of Directors in Meetings, from January 1 to December 31, 2018

No.	Full Name	Number of Meetings the Director was Entitled to Attend	Number of Meetings Actually Attended	Activity, %
1	Dmitry Mikhailovich Andropov	23	23	100
2	Oleg Leonidovich Bindar	12	12	100
3	Dmitry Borisovich Gvozdev	23	23	100
4	Yuri Vladimirovich Goncharov	23	23	100
5	Konstantin Sergeevich Guselnikov	23	23	100
6	Yuri Kazbekovich Zafesov	23	23	100
7	Aleksandr Yuryevich Korneev	23	23	100
8	Marina Aleksandrovna Lavrova	23	23	100
9	Valentin Yefimovich Mezhevich	23	23	100
10	Aleksey Yuryevich Perets	11	11	100
11	Nikolay Borisovich Piotrovich	12	12	100
12	Tatyana Aleksandrovna Selivyorstova	11	11	100
13	Sergey Yurievich Savchuk	23	22	96
14	Viktor Korneevich Yavorsky	23	23	100

On average, each member of the Board of Directors was active at 99.7%.

Report of the Board of Directors on Priority Areas

In 2018 the Board of Directors of Tyumenenergo JSC made key decisions regarding key priorities. Section 1 of the Annual Report discloses such key priorities and actions to achieve them. In 2018, the Board of Directors did not determine priority areas.

The Company's Business Plan is an important management tool, a strategic planning component, and a guideline for the action-taking, control, and analysis of interim and final results. Mid-term business planning is based on plans, budgets, reports, KPIs, and target programs; actions taken on them affect production, investment, and repair activities and determine the need for resources required for achieving specific strategic objectives. This is why the Company's Board of Directors pays special attention to the matters of business planning and hence to the implementation of strategic plans.

In 2018, the Board of Directors made the following resolutions:

– On February 13, 2018, the Board approved Tyumenenergo JSC's 2018 Business Plan based on IFRS and RAS, forecasts for 2019–2022 were taken into account;

– On May 15, 2018, the Board reviewed the report on implementing the Investment Program in Q4 2017 and 2017;

– On June 7, 2018, the Board reviewed the report on implementing the IFRS-based 2018 consolidated business plan of the Tyumenenergo Group;

– On June 20, 2018, the Board reviewed the report of Tyumenenergo JSC's Director General on implementing Tyumenenergo JSC's business plan in Q1 2018;

– On July 17, 2018, the Board reviewed the report on implementing the business plan of the Tyumenenergo Group based on IFRS and RAS, in Q1 2018;

– On August 27, 2018, the Board reviewed the report on implementing Tyumenenergo JSC's investment projects included in the priority list, in Q2 2018;

– On December 3, 2018, the Board reviewed the report on implementing Tyumenenergo JSC's investment projects included in the priority list, in Q3 2018. Also, the Board reviewed the report on implementing Tyumenenergo JSC's Investment Program in H1 2018;

– On December 28, 2018, the Board reviewed the report on implementing Tyumenenergo JSC's business plan during 9 months of 2018. Also, the Board reviewed the report on implementing the Investment Program during Q3 and 9 months of 2018.

For specific key priorities, the following resolutions were made:

Key Priority	Resolutions of the Board of Directors
Power supply quality and reliability improvement	– Approval of Updated 2016–2019 Plan for Tyumenenergo JSC's Production Asset Management System Development; – Approval of the Three-Level Target Model of Operating and Technological Management of Tyumenenergo JSC's Power Grid Complex with the Grid Management Center of the Local Grid Organization carrying out operational functions regarding power grid facilities across Tyumenenergo JSC's responsibility area; – Approval of the 2017 Report on the Reliability and Quality Performance; – Approval of the new version of Guidelines for Determining the Power Redundancy at Tyumenenergo JSC's Power Supply Centers.
Digitalization of power grid facilities	– Approval of the Company's IT, Automation, and Telecommunications Policy

In order to implement Rosseti Group's uniform approaches, Tyumenenergo JSC's Board of Directors approved the following internal documents to regulate various areas of activity:

- Regulation on the new version of Tyumenenergo JSC's Dividend Policy;
- Non-State Pensions Program for Q1 2018;
- Regulation on Tyumenenergo JSC's Insurance Coverage;
- Regulation on Compensations for the Personnel and Remuneration Committee;
- 2019 Insurance Coverage Program;
- Tyumenenergo JSC's schedule of measures to reduce the overdue receivables related to power transmission and resolution of disputes effective October 1, 2018;
- 2019 Procurement Plan;
- Payment Procedure;
- Use of Tyumenenergo JSC's Spare Cash;
- Regulation on Adopting Rosseti PJSC's Uniform Procurement Standard.

All the resolutions made by Tyumenenergo JSC's Board of Directors are available at the Company's corporate website: http://www.te.ru/investors/korporativnoe_upravlenie/sovet_direktorov/resheniya.

Remuneration of the Members of the Board of Directors

Amounts of, and procedure for remuneration and compensatory payments for the Tyumenenergo JSC Board of Directors are defined by the new revision of the Regulation on Remuneration and Compensations for the Members of the Tyumenenergo JSC Board of Directors (see Rosseti PJSC's Management Board Meeting Minutes No. 361pr). These documents are disclosed on the Company's corporate website http://www.te.ru/about/vnutrennie_dokumenty as well as on the Internet: http://www.e-disclosure.ru/portal/company.aspx?id=5577.

Pursuant to the Regulation on Compensations for the Members of the Tyumenenergo JSC Board of Directors, such payments shall be made to the members of the Company's Board of Directors on the basis of the work they've done from being elected a member of the Board of Directors until the Board is re-elected. Remuneration shall be paid in a lump sum in Russian rubles within 60 days after holding an AGSM of Tyumenenergo JSC. The amount of remuneration depends on the number of meetings a Director has attended at, and is based on the revenue of the Company for a financial year (calculated on the basis of RAS).

Pursuant to this Regulation, the following bonuses can be provided (in percent of the basic remuneration): 30% for the Chairman of the Board of Directors; 20% for the Chairman of specialized Committees of the Board of Directors; 10% for the members of specialized committees of the Board of Directors.

Compensations and Remuneration Paid to the Members of the Board of Directors in 2018

Rubles, kopecks

No.	Full Name	Expense Compensations	Remuneration (incl. income tax of 13%)	Income Tax (13%)	2018 Remuneration (income tax charged)
1.	Dmitry Mikhailovich Andropov	0	692,307.69	90,000.00	602,307.00
2.	Oleg Leonidovich Bindar	0	641,025.64	83,333.00	557,692.64
3.	Dmitry Borisovich Gvozdev	0	0	0	0
4.	Yuri Vladimirovich Goncharov	0	692,307.69	90,000.00	602,307.00
5.	Konstantin Sergeevich	0	761,538.46	99,000.00	662,538.46
6.	Yuri Kazbekovich Zafesov	0	641,025.64	83,333.00	557,692.64
7.	Aleksandr Yuryevich Korneev	0	692,307.69	90,000.00	602,307.00
8.	Marina Aleksandrovna Lavrova	0	733,333.33	95,333.00	602,307.69
9.	Valentin Yefimovich Mezhevich	0	900,000.00	117,000.00	783,000.00
10.	Aleksey Yuryevich Perets	0			
11.	Nikolay Borisovich Piotrovich	0	761,538.46	99,000.00	662,538.46

12.	Tatyana Aleksandrovna Selivyorstova	0			
13.	Sergey Yuryevich Savchuk	0			
14.	Viktor Korneevich Yavorsky	0	761,538.46	99,000.00	662,538.64
	TOTAL	**0**	**7,276,923.06**	**945,999.00**	**6,330,924.06**

No other payments were made to the members of the Board of Directors in 2018.

Board of Directors' Liability Insurance

The Tyumenenergo JSC Directors and Officials Liability Insurance Contract shall protect the property interest of the Company's shareholders, provide compensation of the possible damages affecting Company and/or the persons insured upon the occurrence of insurable events, as well as protect the property interests of the persons insured from third-party claims.

Persons insured under the contract are the Directors and officials of Tyumenenergo JSC.

"Director" shall mean any individual (including non-residents of the Russian Federation) that has ever been, is, or shall become during the insurance period:

- a member of the Board of Directors, Supervisory Board, or any other similar body of the Company, regardless of its name in any jurisdiction or country;
- a member of the Board of Directors of any of the Company's subsidiaries, elected to the Board of Directors of such subsidiary by the Company's vote(s).

"Official" shall mean any of the persons listed below:

- any individual (including non-residents of the Russian Federation) that has ever been, is, or will be occupied during the insurance period as, or has ever acted, is or will be acting as the sole executive body (Director General) of any company, the Deputy Sole Executive Body (Interim First Deputy Director, or Deputy Director General), or as the Chief Accountant of the Company;
- any other individual (including non-Residents of the Russian Federation) that has ever been, is, or will be entitled to sign documents and (or) give any assurances and (or) make statements on behalf of the Company.

"Director" or "official" shall also mean any individual specified as a potential Director or official in any security listing, issue prospectus, or private-placement memorandum, or any similar document issued by the Company.

*"Company" shall mean the Company and (or) any of its subsidiaries that: (a) had been a subsidiary at any moment before the start of the insurance period but was no longer such a subsidiary at the start of the insurance period, (b) is a subsidiary at the start of the insurance period, or (c) shall become a subsidiary at any moment during the insurance period. In case of insolvency proceedings being initiated in respect of any of the persons above, "company" shall also mean (shall such persons emerge under the applicable law) a debtor in possession, a liquidator, or any equivalent thereof.

The insurance is applicable globally.

The insurance period is from October 1, 2018 to September 30, 2019.

The insurance amount totals 805,000,000 (eight hundred and five million) rubles concerning all insurable events, for all persons insured.

6.3. COMMITTEES OF THE BOARD OF DIRECTORS

6.3.1. AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee of the Board of Directors (hereinafter "the Audit Committee") was established for the preliminary consideration of issues related to the control over the Company's financial and economic activities, see Minutes No. 18/13 dd. October 2, 2013.

The Audit Committee is regulated by the Tyumenenergo JSC Audit Committee of the Board of Directors' Regulation as approved by the Company's Board of Directors March 21, 2016

(Minutes No. 06/16, No. 21/16 in the edition dd. October 21, 2016, No. 07/17 in the edition dd. March 10, 2017).

The Board of Directors appointed four persons the members of the Audit Committee.

On August 27, 2018, the Board of Directors elected the following persons to the Audit Committee (positions specified herein were valid as of the election date):

Full Name	Position and Employer
Svetlana Anatolyevna Kim Chairman of the Audit Committee First elected to the Audit Committee on July 31, 2015	Head of the Audit Activities Directorate, Department for Control and Auditing Activities, Rosseti PJSC
Konstantin Sergeevich Guselnikov Member of the Board of Directors First elected to the Audit Committee on July 18, 2017	Director General of FinInvest Consulting LLC
Marina Aleksandrovna Lavrova Member of the Board of Directors First elected to the Audit Committee on July 18, 2017	Head of the Directorate for Economics in Subsidiaries and Affiliates, at the Department of Economic Planning and Budgeting of Rosseti PJSC

Over 2018, the Audit Committee of the Board of Directors also included the following person **(position specified herein was valid as of the election date, July 18, 2017):**

Full Name	Position and Employer
Nikolay Borisovich Piotrovich Member of the Board of Directors	Deputy Head of the Governance Bodies Directorate, Rosseti PJSC

Attendance of the members of the Audit Committee at Meetings from January 1, 2018 to December 31, 2018

No.	Full Name	Number of Meetings the Member was Entitled to Attend	Number of Meetings Actually Attended	Activity, %
1	Konstantin Sergeevich Guselnikov	14	14	100
4	Svetlana Anatolyevna Kim	14	13	93
5	Marina Aleksandrovna Lavrova	14	14	100
6	Nikolay Borisovich Piotrovich	8	8	100

On average, each member of the Board of Directors was active **at 98 %**.

The Audit Committee is mainly tasked to:

- review the Company's accounting (financial) statements and control development of such documents;
- supervise the risk management, internal control, and corporate governance systems; supervise the external audit and the selection of the auditor;
- arrange and ensure the independence and objectivity of internal audit;
- monitor the system for combating fraud on the part of the Company's employees and third parties.

In 2018, the Audit Committee held 14 meetings, including 6 by personal attendance. In total, 42 matters were reviewed and discussed.

Over 2018, the Company's Board of Directors analyzed, reviewed, and discussed the following issues regarding organization, functioning, and efficiency of the internal control and internal audit system:

– Reviewing the results of the actions taken against the deficiencies and violations identified by Tyumenenergo JSC's Audit Commission by examining the Company's financial and economic activities in 2016, as of December 1, 2017 (Minutes No. 02/18 dd. February 13, 2018);

– Reviewing the report of the Internal Audit Department on performance to plan and results, including self-evaluation of the operation quality in 2017, and performance to plan regarding 2017–2019 development and improvement of the Internal Audit (Minutes No. 06/18) dd. March 28, 2018);

– Reviewing the report of the Internal Audit Department on evaluation of the internal audit system, risk management, and corporate governance system efficiency in 2017 (Minutes No. 07/18 dd. May 11, 2018);

– Reviewing the report of the Company's Director General on management of key operating risks in 2017 (Minutes No. 11/18 dd. June 7, 2018);

– Reviewing the report of the Company's Sole Executive Body on organizing and operation of the Internal Control system and report of the Company's Sole Executive Body on organizing, operation, and efficiency of the risk management system, including information on taking actions on improving the above systems in 2017 (Minutes No. 11/18 dd. June 7, 2018);

– Approval of the 2018 Internal Audit Operation Plan (Minutes No. 14/18 dd. August 15, 2018);

– Approval of the Regulation on Tyumenenergo JSC's Internal Audit Directorate (Minutes No. 14/18 dd. August 15, 2018);

– Approval of the 2019 Internal Audit Subdivision's Operation Plan (Minutes No. 22/18 dd. December 28, 2018).

The Company's Board of Directors reviewed the efficiency of the Company's Internal Control System based on 2018 results (Minutes No.09/19 May 23, 2018dd.). The matter regarding organization and operation of the Internal Control System (ICS) in 2018, including details on taking actions to improve the ICS in 2018, was preliminarily reviewed by the Committee on March 18, 2019 (Minutes No. 03/19 dd. March 20, 2019). The Committee gave the Board of Directors the recommendations for further reviewing at the meeting of the Board of Directors in April 2019. The details of the ICS efficiency evaluation are provided in Section 6.8, Internal Control System.

The Company's Audit Committee of the Board of Directors addressed the following essential matters in 2018:

January 24, 2018, Minutes No. 1/18:

– Preliminary review of the procurement conditions regarding selection of the external auditor for the right to conclude the agreement on the financial audit of the Company.

The resolution was made, corresponding recommendations for the Board of Directors were given.

February 5, 2018, Minutes No. 2/18:

– Preliminary review of the internal audit's report on the results of performing to the 2017 program for disposition of non-core assets and the 2017 plan for sales of non-core activities in 2017;

– Review of the results of the 2017 Anti-Corruption Supervision.

Resolutions were made on all the issues, corresponding recommendations for the Board of Directors were given.

February 16, Minutes No. 3/18:

– Review of the Company's Management's report on performance to plans for corrective measures on deficiencies identified by the Company's Audit Commission, Internal Audit, external regulators, on implementing measures taken as a reaction to informing of potential unfair actions of employees, and results of studies for 2017;

– Preliminary review of the Internal Audit's report on performance to the operation plan and activity results, including the results of self-evaluation of the internal audit's activity quality in 2017; as well as performance to the 2017–2019 plan of measures for developing and improving the internal audit's activity;

– Preliminary review of the internal audit's report on the results of evaluation of the 2017 program for disposition of non-core assets and the 2017 plan for sales of non-core activities in 2017.

Resolutions were made on all the issues, corresponding recommendations for the Board of Directors were given.

March 13, 2018, Minutes No. 4/18:

– Preliminary review of the Director General's report on organization and operation of the ICS in 2017, including the report on implementing measures for improving the ICS in 2017;

– Preliminary review of the Internal Audit's report on evaluation of the ICS, risk management system, and corporate governance system operation efficiency in 2017;

– Review and approval of the Internal Control System section of the Annual Report.

Resolutions were made on all the issues, corresponding recommendations for the Board of Directors were given.

April 12, 2018, Minutes No. 5/18:

– Review of the Company's management's report on non-standard transactions and events, as well as on the reserves made for doubtful debts and estimated liabilities;

– Review of the external auditor's written report on the key issues with the Company's RAS-based accounting (financial) statements and IFRS-based consolidated financial statements for 2017; review of the Management-provided information on essential corrections made on the basis of the external reporting audit;

– Preliminary review of the Company's RAS-based accounting (financial) statements and IFRS-based consolidated financial statements for 2017;

– Review of the efficiency analysis of the external audit of the Company's financial statements for 2017.

Resolutions were made on all the issues, corresponding recommendations for the Board of Directors were given.

May 15, 2018, Minutes No. 6/18:

– Review of the Company's RAS-based interim financial statements for Q1 2018;

– Review of the Internal Audit Subdivision's report on performance to the Q1 2018 operation plan and results of the Internal Audit Subdivision's activities;

– Review of the report on the execution of orders issued by the Company's Audit Committee for the corporate year 2017–2018;

– Approval of the Audit Committee's report on the results of the corporate year 2017–2018;

– Preliminary review of the candidacy of the Company's external auditor to perform the audit of the Company's financial statements for 2018.

Resolutions were made on all the issues, corresponding recommendations for the Board of Directors were given.

June 15, 2018, Minutes No. 7/18:

– Preliminary review of the Regulation on the Structural Subdivision to act as the Company's Internal Audit body;

- Preliminary review of the structure and headcount of the Internal Audit Subdivision;
- Preliminary review of the 2018 Operation Plan of the Internal Audit Subdivision;
- Preliminary review of the 2018 Budget of the Internal Audit Subdivision;
- Preliminary review of the KPIs of the Head of the Internal Audit Subdivision.

Resolutions were made on all the issues, corresponding recommendations for the Board of Directors were given.

July 13, 2018, Minutes No. 8/18:

- Preliminary review of the Audit Committee's budget for the corporate year 2017–2018; preliminary review of the auditor's charge for the audit of the Company's RAS-based accounting statements for 2017, and of the IFRS-based consolidated financial statements for as of December 31, 2018.

The resolution was made, corresponding recommendations for the Board of Directors were given.

August 30, Minutes No. 9/18:

- Election of the Deputy Chairman of the Audit Committee;
- Election of the Secretary of the Audit Committee;
- Involvement of an expert to join the Audit Committee;
- Approval of the Operation Plan of the Audit Committee for the Corporate Year 2018–2019;
- Preliminary review of the Budget of the Audit Committee for the Corporate Year 2018–2019;
- Review of the Internal Audit Subdivision report on performance to the operation plan for 6 months of 2018 and results of the Internal Audit's activity results.

Resolutions were made on all the issues, corresponding recommendations for the Board of Directors were given.

September 25, 2018, Minutes No. 10/18:

- Review of the Audit Committee's interaction with the internal and external auditors;
- Review of the RAS-based interim financial statements of the Company for 6 months 2018;
- Review of the Company's Management's report on execution of the Internal Control Policy;
- Review of the Company's Management's report on performance to plans for corrective measures on deficiencies identified by the Company's Audit Commission, Internal Audit, external regulators, on implementing measures taken as a reaction to informing of potential unfair actions of employees, and results of studies for 6 months of 2018;
- Review of the Company's Management's report on execution of the Anti-Corruption Policy, including the results of the anti-corruption supervision for 6 months of 2018.

Resolutions were made on all the issues, corresponding recommendations for the Board of Directors were given.

October 15, 2018, Minutes No. 11/18:

- Preliminary review of Tyumenenergo JSC's report on the progress of taking actions against the deficiencies identified by the Audit Commission based on the examination of the Company's financial and economic activities in 2017, as of September 30, 2018.

The resolution was made, corresponding recommendations for the Board of Directors were given.

October 30, 2018, Minutes No. 12/18:

– Review of the Project Statement of the Essential Terms of the Contract for independent evaluation of the ICS efficiency.

The resolution was made/

November 19, 2018, Minutes No. 13/18:

– Review of the RAS-based interim financial statements for 9 months of 2018;
– Review of the Internal Audit Directorate's report on performance to the operation plan for 9 months of 2019 and Internal Audit's activity results;
– Preliminary review of the 2019 Internal Audit Directorate's operation plan;
– Preliminary review of the 2019 Budget of the Internal Audit Directorate.

Resolutions were made on all the issues, corresponding recommendations for the Board of Directors were given.

December 20, 2018, Minutes No. 14/18:

– Review of the external auditor's written report on the key issues with the Company's RAS-based accounting (financial) statements and IFRS-based consolidated financial statements for 9 months of 2018; review of the Management-provided information on essential corrections made on the basis of the external reporting audit;
– Review of the essential elements of the Company's Accounting Policy and amendments scheduled for 2019.

Resolutions were made on all the issues.

Compensations for Members of the Audit Committee in 2018

rubles

Indicator	Gross Remuneration	Income Tax Charged	Net Remuneration
Remuneration for the Committee membership	267,021.00	34,714.00	232,307.00

6.3.2. RELIABILITY COMMITTEE OF THE BOARD OF DIRECTORS

On December 2005, the Board of Directors established the Reliability Committee which was called to ensure efficient performance of the Board of Directors on general governance over the Company's activities. The activities of the Committee are regulated by the new version of the Regulation on the Reliability Committee of the Board of Directors approved by the Board of Directors on July 18, 2017 (Minutes No. 21/17).

The Reliability Committee consists of no more than 7 (seven) members.

On August 27, 2018, the Board of Directors formed the 4-member Reliability Committee (positions specified herein were valid as of the election date):

No.	Full Name	Position
1	Farit Gabdulfatovich Shaydullin	Head of the Analytical Department, Situation Analysis Center of Rosseti PJSC
2	Andrey Anatolyevich Bragin	First Deputy Director General, Chief Engineer, Tyumenenergo JSC
3	Tatyana Valeryevna Petrova	Deputy Director General for Economics and Finance, Tyumenenergo JSC
4	Andrey Borisovich Akhtyrsky	Head of the Methodology and Planning Department at the Center for Technical Supervision (a branch of Rosseti PJSC)

Over 2018, the Reliability Committee of the Board of Directors also included the following person **(position specified herein was valid as of the election date, July 18, 2017):**

No.	Full Name	Position
1	Sergey Aleksandrovich Petrov	Deputy Head of the Directorate and Head of the Technical Solutions Division of the Technical Directorate, Operating and Technological Management Department, Rosseti PJSC

The Reliability Committee was mainly tasked with the following: prepare and submit recommendations (opinions) to the Company's Board of Directors related to the following activities of the Board of Directors:

- expertise of production programs, plans for technical re-equipment, reconstruction, new construction and repair of electric grid facilities, analysis of their development and execution in terms of ensuring the requirements for reliability of operation and technical condition of electric grids;
- assessment of the completeness and adequacy of measures based on the accident investigation results in accordance with the Rules of accident cause investigation in electric power industry approved by the Decree of the Government of the Russian Federation dd. October 28, 2009 No. 846, as well as monitoring the execution thereof;
- expertise of the quality of investigations of the causes of technological failures (accidents);
- expertise of the Company's activity in the field of emergency response (ensuring readiness, organization and carrying out emergency recovery operations at electric grid facilities);
- expertise of programs for prevention and reduction of risks of injuries to the Company's personnel and third parties at the Company's electrical facilities, as well as control over their execution;

- monitoring and assessment of the Company's technical services' activities for ensuring reliable operation of power grids and industrial safety;
- expertise of the Company's internal technical control system;
- expertise of the Company's occupational safety and health management system;
- expertise of the environmental policy implementation program;
- expertise of the fire and industrial safety system.

In 2018, the Reliability Committee held 10 meetings in person and in absentia.

Within its authorities, the Reliability Committee approved the following regulatory documents:

- 2018 Tyumenenergo JSC's Power Grids Reliability Enhancement Program;
- Adjusted 2016–2018 Plan for Development of Tyumenenergo JSC's Production Asset Management System;
- Model of the Operational and Technological Management of Tyumenenergo JSC's Distributed Power Grid Complex;
- 2018–2022 Target Production Activity Programs;
- Updated 2018–2026 Program for Renovation of Tyumenenergo JSC's Power Grid Facilities;
- Production programs, plans for technical re-equipment, modernization, and repairs of power grid facilities for 2019;
- 2019–2023 Program for Preventing Falls of OPL Supports;

The following reports were approved:

- Implementation of the Plan for Development of Tyumenenergo JSC's Production Asset Management System in 2017;
- Execution of the Tyumenenergo JSC's Power Grids Reliability Enhancement Program in Q4 2017;
- Execution of the updated 2017–2019 Comprehensive Program for Reduction of the Number of Injuries of Tyumenenergo JSC's Personnel and Third Parties at the Company's Power Grid Facilities in 2017;
- Implementation of the supervised measures and achievement of indicators of reliable and safe operation of Tyumenenergo JSC (reliability certificate) for Q4 2017;
- Achievement of the tariff-regulated service reliability and quality indicators in 2017;
- Execution of Tyumenenergo JSC's Production Program (M&R, technical re-equipment) in Q4 2017;
- Execution of the Program for Reduction of the Number of Failures (Accidents) at Tyumenenergo JSC's Power Grid Facilities in 2017 (Program for Reduction of the Number of Technological Disturbances);
- Implementation of the measures related to the Program for Reliability Enhancement of Power Lines of the Yamburg LGO of Tyumenenergo JSC's subsidiary Northern Electric Grids in 2017 for H1 2018;
- Implementation of the supervised measures and achievement of indicators of reliable and safe operation of Tyumenenergo JSC (reliability certificate) in Q1 2018;
- Results of the autumn-winter period of 2017–2018 and goals regarding preparations for the autumn-winter period of 2018–2019;
- Operation of the Reliability Committee in the corporate year 2017–2018;
- Execution of Tyumenenergo JSC's Production Program (M&R, technical re-equipment) in Q1 and Q3 2018;
- Execution of the Power Grids Reliability Enhancement Program in H1 2018;
- Results of Tyumenenergo JSC's operation during the high-water period of 2018;
- Results of Tyumenenergo JSC's operation during the fire-hazard period of 2018;

– Tyumenenergo JSC's preparedness for the autumn-winter period of 2018–2019;
– Preparedness for organization and conduction of emergency recovery operations during the autumn-winter period of 2018–2019;
– Results of Tyumenenergo JSC's operation during the thunderstorm period of 2018;
– Quality analysis of the failure cause investigation. Completeness of measures taken to follow-up the investigation results.

Attendance of Members of the Reliability Committee at Meetings from January 1 to December 31, 2018

No.	Full Name	Number of Meetings the Member was Entitled to Attend	Number of Meetings Actually Attended	Activity, %
1.	Farit Gabdulhakovich Shaydullin	10	10	100
2.	Andrey Anatolyevich Bragin	10	10	100
3.	Tatyana Valeryevna Petrova	10	8	80
4.	Sergey Aleksandrovich Petrov	6	6	100
5.	Andrey Borisovich Akhtyrsky	10	9	90

On average, each member of the Reliability Committee was active at **94 %**.

Remuneration of Members of the Reliability Committee in 2018

rubles

Indicator	Gross Compensation	Income Tax Charged	Net Compensation
Remuneration for the Committee membership	571,920.00	74,348.00	497,572.00

Planned for 2019:

Analysis and evaluation of the following aspects of the operating activities:

– Execution of the Program for Reduction of the Number of Accidents (Failures) at Tyumenenergo JSC's Power Grid Facilities in 2018 (Program for Reduction of the Number of Technological Disturbances);
– Execution of the Program for Reliability Enhancement of Tyumenenergo JSC's Facilities in 2018 (Rosseti PJSC's standard program);
– Execution of the updated 2017–2019 Comprehensive Program for Reduction of the Number of Injuries of Tyumenenergo JSC's Personnel and Third Parties at the Company's Power Grid Facilities;
– Execution of the Schedule of Measures on implementation of the Production Asset Management System in 2018;
– Execution of Tyumenenergo JSC's Production Program (M&R, technical re-equipment) in 2018, quarter by quarter in 2019;
– Execution of the Program for Reliability Enhancement of Power Lines of the Yamburg LGO of Tyumenenergo JSC's subsidiary Northern Electric Grids in 2018;
– Execution of the Program for Implementation of the Environmental Policy of the Power Grid Complex;
– Results of the autumn-winter period of 2018–2019;
– Execution of the Program for Elimination of Bottlenecks;
– Review of the Company's report on reliability indicators for 2018;
– Achievement of the tariff-regulated service reliability and quality indicators for 2018;
– Execution of production programs, plans for technical re-equipment, reconstruction, new construction and repair of electric grid facilities for 2019;

– Results of specific periods: fire-hazard, thunderstorm, high-water;
– Preparedness for organization and conduction of emergency recovery operations during the autumn-winter period of 2019–2020.

6.3.3. COMMITTEE FOR TECHNOLOGICAL CONNECTION TO POWER GRIDS

The Tyumenenergo JSC Board of Directors Committee for Technological Connection to Power Grids (hereinafter "the TC Committee") is regulated by the relevant Regulation as approved by the Company's Board of Directors July 18, 2017, Minutes No. 21/17. The latest membership of the TC Committee was elected by the same decision, a total of three persons:

No.	Full Name	Position	Committee Member Since
1	Viktor Korneevich Yavorsky	Director General of TORI-AUDIT LLC	July 18, 2017 to present
2	Dmitry Nikolayevich Skripalshchikov	Head of the Long-term Grid Development Directorate, Department for Long-term Grid Development and Technological Connection of Rosseti PJSC	July 18, 2017 to present
3	Davydkin Vladimir Aleksandrovich	Head of the Directorate for Regulation of Technological Connection, Department for Long-term Grid Development and Technological Connection of Rosseti PJSC	July 18, 2017 to present
4	Konstantin Viktorovich Kotikov	Deputy Director General for Development and Sales of Tyumenenergo JSC's Services	August 27, 2018 to present

In 2018, the TC Committee held four meetings in absentia.

In 2018, the TC Committee reviewed and discussed the following matters:

– Review of the report on technological connection to Tyumenenergo JSC's power grids for Q1 2018 pursuant to 2018 Schedule for Execution of Overdue Agreements;

– Review of the report on compliance with current Russian law when conducting technological connection to Tyumenenergo JSC's power grids for Q1 2018;

– Review of the TC Committee's report on the results of the corporate year 2017–2018;

– Review of the report on technological connection to Tyumenenergo JSC's power grids for Q2 2018 pursuant to 2018 Schedule for Execution of Overdue Agreements;

– Review of the report on technological connection to Tyumenenergo JSC's power grids for Q3 2018 pursuant to 2018 Schedule for Execution of Overdue Agreements;

Resolutions were made on all the issues, recommendations for the Board of Directors were given.

6.3.4. STRATEGY AND DEVELOPMENT COMMITTEE OF THE BOARD OF DIRECTORS

On December 8, 2016, the Board of Directors of Tyumenenergo JSC (Minutes No. 24/16 dd. December 9, 2016) decided to establish a Strategy and Development Committee to prepare and submit to the Board of Directors recommendations relating to the following activities:

- determination of the Company's priority areas, strategic goals and main strategic development principles;
- increasing the Company's investment attractiveness, improving investment activities and making informed investment decisions;
- financial planning and formulation of the Company's dividend policy;
- assessment of the Company's performance;
- control over the organization and functioning of the risk management system.

The Strategy and Development Committee is regulated by the Regulation on the Strategy and Development Committee of the Board of Directors of Tyumenenergo JSC as approved by the Company's Board of Directors (Minutes No. 24/16 dd. December 9, 2016).

On August 27, 2018 the Board of Directors elected 7 persons to the Strategy and Development Committee. On December 26, 2018, the Board of Directors changed the composition of the Committee **(positions specified herein were valid as of the election date):**

No.	Full Name	Position and Employer	Committee Member Since
1	Pavel Vladimirovich Grebtsov Chairman of the Strategy and Development Committee	Director of the Tariff Policy Department, Rosseti PJSC	August 27, 2018 to present
2	Dmitry Borisovich Akopyan	Director of the Investment Department, Rosseti PJSC	July 18, 2017 to December 26, 2018
3	Irina Vladimirovna Bogachyova	Deputy Director of the Directorate for Consolidated Planning and Reporting, Rosseti PJSC	December 26, 2018 to present
4	Anna Vladimirovna Burkova	Deputy Head of the Directorate for Strategic Projects of the Strategic Development Department, Rosseti PJSC	August 27, 2018 to present
5	Medvedev Mikhail Vladimirovich	Deputy Director General of Intra Tool Holding Company LLC	August 27, 2018 to present
6	Aleksandr Konstantinovich Melikhov	Director General of Tyumenenergo JSC since October 18, 2018	December 26, 2018 to present
7	Sergey Yuryevich Savchuk	Director General of Tyumenenergo JSC until October 17, 2018	August 27, 2018 to December 26, 2018
8	Nadezhda Vitalyevna Sedykh	Deputy Head of the Directorate, Head of the Consolidated Business Planning Division of the Directorate for Economics in Subsidiaries and Affiliates, Department for Economic Planning and Budgeting of Rosseti PJSC	July 18, 2017 to present
9	Viktor Yuryevich Seleznyov	Head of the Directorate for the Company's Scientific and Technical Development and Supervision of the R&D of the Technological Development Innovations Department, Rosseti PJSC	August 27, 2018 to present

Over 2018, the Strategy and Development Committee included the following persons (positions specified herein were valid as of the election date, July 18, 2017):

No.	Full Name	Position and Employer
1	Evgeny Aleksandrovich Olkhovich	Deputy Director General for Strategic Development, Rosseti PJSC
2	Vladimir Vladimirovich Sofyin	Director of the Technological Development and Innovations Department, Rosseti PJSC
3	Olga Sergeevna Ivanova	Assistant of the Deputy Director General for Strategic Development, Rosseti PJSC

In 2018, the Strategy and Development Committee held 14 meetings, 5 of which were by personal attendance. In total, 30 matters were reviewed and discussed.

Matters concerning investment activities:

– Recommendations for the Board of Directors on "Review of the report on execution of Tyumenenergo JSC's investment program in Q4 2017 and 2017";
– Recommendations for the Board of Directors on "Review of the draft amendments to Tyumenenergo JSC's 2018–2022 investment program";
– Recommendations for the Board of Directors on "Review of the report on execution of Tyumenenergo JSC's investment program in Q1 2018";
– Recommendations for the Board of Directors on "Review of the report on execution of Tyumenenergo JSC's investment program in Q2 and H1 2018";
– Execution of corrective and preventive measures on elimination of deficiencies identified during the technological and price audit of the report on execution of Tyumenenergo JSC's investment program in 2017;
– Recommendations for the Board of Directors on "Review of the report on execution of Tyumenenergo JSC's investment program for 9 months of 2018".

Matters concerning business planning:

– Recommendations for the Board of Directors on "Execution of Tyumenenergo JSC's business plan in 2017";
– Recommendations for the Board of Directors on "Execution of Tyumenenergo Group's IFRS-based consolidated business plan in 2017";
– Recommendations for the Board of Directors on "Review of the report on execution of Tyumenenergo JSC's business plan in Q1 2018";
– Necessity for making amendments to Tyumenenergo JSC's 2018–2022 Business Plan based on the analysis of interim results of execution of the approved business plan for the specified period in Q1 2018;
– Recommendations for the Board of Directors on "Execution of Tyumenenergo Group's RAS-based and IFRS-consolidated business plans in Q1 2018";
– Recommendations for the Board of Directors on "Execution of Tyumenenergo JSC's business plan in H1 2018";
– Recommendations for the Board of Directors on "Execution of Tyumenenergo Group's RAS-based and IFRS-consolidated business plans in H1 2018";
– Recommendations for the Board of Directors on "Execution of Tyumenenergo JSC's business plan for 9 months of 2018";
– Recommendations for the Board of Directors on "Execution of Tyumenenergo Group's RAS-based and IFRS-consolidated business plans for 9 months of 2018".

Matters concerning risk management:

– Recommendations for the Board of Directors on "Review of Director General's report on management of the Company's key operating risks in 2017";

– Recommendations for the Board of Directors on "Review of Director General's report on organization, operation, and efficiency of Tyumenenergo JSC's risk management system in 2017, including the report on executing measures on enhancing the risk management system";

– Review of Director General's report on management of the Company's key operating risks in H1 2018.

Other matters:

– Recommendations for the Board of Directors on "Approval of the Register (Plan for Disposal) of non-core assets of Tyumenenergo JSC as of December 31, 2017";

– Recommendations for the Board of Directors on approval of the new edition of the Register of non-core assets as of December 31, 2017 due to the approval of the new edition of the Program for Disposal of Non-Core assets;

– Recommendations for the Board of Directors on approval of the Register of non-core assets of Tyumenenergo JSC as of March 31, 2018;

– Recommendations for the Board of Directors on approval of the Register of non-core assets of Tyumenenergo JSC as of June 30, 2018

– Recommendations for the Board of Directors on approval of the Register of non-core assets of Tyumenenergo JSC as of September 30, 2018

– Recommendations for the Board of Directors on "Approval of the new edition of Tyumenenergo JSC's Dividend Policy Regulation".

Attendance of Members of the Strategy and Development Committee at Meetings from January 1, 2018 to December 31, 2018

No.	Full Name	Number of Meetings the Member was Entitled to Attend	Number of Meetings Actually Attended	Activity, %
1	Pavel Vladimirovich Grebtsov	5	5	100
2	Dmitry Borisovich Akopyan	14	12	86
3	Irina Vladimirovna Bogachyov	0	0	0
4	Anna Vladimirovna Burkova	5	5	100
5	Olga Sergeenva Ivanova	9	9	100
6	Mikhail Vladimirovich Medvedev	14	14	100
7	Aleksandr Konstantinovich Melikhov	0	0	0
8	Evgeny Aleksandrovich Olkhovich	9	9	100
9	Sergey Yuryevich Savchuk	14	13	93
10	Nadezhda Vitalyevna Sedykh	14	14	100
11	Viktor Yuryevich Seleznyov	5	2	40
12	Vladimir Vladimirovich Sofyin	9	8	89

On average, members of the Strategy and Development Committee were active at **76 %**.

Remuneration of Members of the Strategy and Development Committee in 2018

rubles

Indicators	Gross Remuneration	Income Tax Charged	Net Remuneration

Remuneration for the Committee membership	971,880.00	126,349.00	845,531.00

6.3.5. PERSONNEL AND REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS

On September 21, 2017, the Board of Directors of Tyumenenergo JSC (Minutes No. 25/17 dd. September 21, 2017) established its Personnel and Remuneration Committee consisting of three persons and approved the Regulation on the Personnel and Remuneration Committee of the Company's Board of Directors.

The Committee was mainly established to help the Board of Directors efficiently solve matters within its competence, as well as to prepare the necessary recommendations for the Board of Directors and the Company's executive bodies.

The Committee is tasked to prepare and submit recommendations (opinions) with respect to the following activities:

– preparing recommendations on the remuneration for the Board of Directors members;

– development of principles and criteria for determining the amount of remuneration for the Board of Directors members, members of the collegial executive body and the person performing the functions of Company’s sole executive body;

– elaboration of proposals for determining the material terms of contracts with the Board of Directors members, members of the collegial executive body and the person exercising the functions of Company’s sole executive body;

– defining criteria for nominating members of the Board of Directors, members of the collegial executive body, and to the Company’s sole executive body, as well as preliminary assessment of these nominees;

– regular assessment of the activities of the person performing the functions of Company’s sole executive body, members of the collegial executive body and preparing proposals for the Board of Directors on the possibility of their re-appointment.

On August 27, 2018, the Board of Directors elected 3 persons to the Personnel and Remuneration Committee **(positions specified herein were valid as of the election date):**

No.	Full Name	Position and Employer
1.	Olga Andreevna Sergeeva Chairman of the Personnel and Remuneration Committee	Deputy Director General, Head of the Office of Rosseti PJSC
2.	Dmitry Aleksandrovich Chevkin First elected to the Personnel and Remuneration Committee on September 21, 2017	Director of the Department for HR Policy and Organizational Development, Rosseti PJSC
3.	Nataliya Ilyinichna Erpsher First elected to the Personnel and Remuneration Committee on September 21, 2017	Head of the Organizational Development Directorate, Department for HR Policy and Organizational Development of Rosseti PJSC

Over 2018, the Personnel and Remuneration Committee also included the following person (position specified herein was valid as of the election date, July 18, 2017):

No.	Full Name	Position and Employer
1	Nikolay Nikolayevich Varlamor	Deputy Director General, Head of the Office of Rosseti PJSC

In 2018, the Personnel and Remuneration Committee held 8 meetings. In total, 17 matters were reviewed and discussed.

The matters included the following:

– Preliminary review of the draft organizational structure of Tyumenenergo JSC's executive office;

– Preliminary review of the organizational structure of Tyumen Distribution Grid's executive office;

– Preliminary approval of two candidates for two positions in the Company's executive office (positions are determined by the Board of Directors);

– Recommendations for the Board of Directors on "Approval of target values of Director General's 2018 KPIs";

– Recommendations for the Board of Directors on "Review of the new edition of the Regulation on compensations for members of the Audit Commission";

– Preliminary review of the Regulation on compensations for members of the Personnel and Remuneration Committee;

– Report of the Personnel and Remuneration Committee on the results of H1 2018;

– Recommendations for the Board of Directors on "Approval of Corporate Secretary's report on results";

– Approval of the Operational Plan of the Personnel and Remuneration Committee for the corporate year 2018–2019.

Attendance of Members of the Personnel and Remuneration Committee at Meetings from January 1, 2018 to December 31, 2018

No.	Full Name	Number of Meetings the Member was Entitled to Attend	Number of Meetings Actually Attended	Activity, %
1	Olga Andreenva Sergeeva	2	2	100
4	Dmitry Aleksandrovich Chevkin	8	8	100
5	Nataliya Ilyinichna Erpsher	8	8	100
6	Nikolay Nikolayevich Varlamov	6	6	100

On average, members of the Personnel and Remuneration Committee were active at **100 %**.

Remuneration of Members of the Strategy and Development Committee in 2018

rubles

Indicator	Gross Remuneration	Income Tax Charged	Net Remuneration
Remuneration for the Committee membership	250,008.00	32,502.00	217,506.00

6.4. SOLE EXECUTIVE BODY — DIRECTOR GENERAL

The Company's Director General's competences include all the matters related to managing the Company's ongoing activities except matters within the competence of the General Shareholders Meeting or the Board of Directors.

Director General is elected by the Company's Board of Directors by majority voting (only the directors present at a meeting are eligible to vote).

The terms and conditions of the Director's employment contract, including the term of their office, are determined by the Company's Board of Directors or by the person whom the Board of Directors has authorized to sign such employment contract in accordance with the Company's Charter.

The Board of Directors is entitled to terminate the Director General's office and to establish a new executive body at any time.

Director General's remuneration shall be defined by the Board of Directors. Such remuneration consists of a fixed part and a variable part, whereby the latte depends on the executive body's KPIs and is linked to their personal contribution to the long-term development of the Company in the interest of its shareholders.

The KPIs form a system of financial and non -financial indicators that affect the qualitative or quantitative changes in the results relative to the Company's strategic objective.

On January 1, 2017, the Company's Board of Directors approved a new method for calculating and evaluating the Director General's key performance indicators so that the KPI system would stay up-to-date.

On October 17, 2018, the authorities of Tyumenenergo JSC's Director General, Sergey Yuryevich Savchuk, were terminated prior to the schedule date; the employment agreement was terminated pursuant to Clause 2 or Article 278 of the Labor Code of the Russian Federation.

Tyumenenergo JSC's Board of Directors elected Aleksandr Konstantinovich Melikhov as the Director General from October 18, 2018 through October 17, 2021 (Minutes No. 17/18 dd. October 17, 2018).

Aleksandr Konstantinovich Melikhov was born in 1972 in Rostov-on-Don.

Graduated in 2005 from the Stavropol State University (major in Finance and Credit). In 2006, got a degree in Corporate Management at the Moscow State Pedagogical University.

From June 2011 to December 2015, was the executive director at Rosenergomontazhspetsstroy SPA JSC named after V.A. Bonesko.

From December 2015 to November 2016 was the Advisor of the Director General of Stroytransgas JSC.

From June 2016 to October 2017 was the Director General at SVAROG SPA JSC.

From November 2017 to October 2018 was the Director General at Yamalspetsstroy LLC.

6.5. CORPORATE SECRETARY

The position of the Corporate Secretary was established at the Company in July 2015. The Corporate Secretary is an officer of Rosseti PJSC responsible for the Company's compliance with the Russian legislation, the Charter, and the internal documents that protect the rights and lawful interests of the Company's shareholder, Rosseti PJSC. The Corporate Secretary is functionally subordinate to the Board of Directors of Tyumenenergo JSC

The Corporate Secretary's activities are regulated by the Regulation on the Corporate Secretary of Tyumenenergo JSC approved by the Board of Directors November 11, 2016 (Minutes No. 22/16 dd. November 11, 2016).

Andrey Nikolayevich Shaydurov was elected the Corporate Secretary of Tyumenenergo JSC by the Board of Directors July 12, 2016 (Minutes No. 15/16 dd. July 13, 2016). Born in 1983. Graduated from the Surgut Institute of World Economy and Business Planeta in 2005 majoring in Finances and Credit, qualification of Economist. From March 10, 2015 to December 24, 2015 he studied and completed a retraining course titled Professional Board of Directors Member — Corporate Director, offered by the State University — Higher School of Economics.

From 2007 to present, Mr. Shaduyrov has been working at Tyumenenergo JSC as the Chief Specialist of the Corporate Relations and Reporting Division of the Corporate Policy Directorate. On January 16, 2018, was appointed Deputy Head of the Corporate Policy Directorate. Mr. Shaydurov does not have a share in the Company's Authorized Capital and does not hold any of its ordinary shares.

The Corporate Secretary is mainly tasked to:

- partake in ensuring the Company's cooperation with regulatory bodies, trade organizers, the Registrar, and other professional participants of the securities market;
- immediately inform the Company's Board of Directors on all the identified violations of (i) Russian law, or (ii) any provisions of the Company's internal documents;
- be involved in the Company's relations with its shareholder as well as in the prevention of corporate conflicts while also assisting in the pursuit of all the procedures stipulated by the Russian law or the Company's internal documents that are intended to enforce the rights and lawful interests of the shareholder and to control the due execution thereof;
- be involved in the implementation of the Company's Informational Disclosure Policy while also keeping the Company's corporate documents;
- be involved in the enhancement of the Company's corporate governance systems and practices by submitting relevant proposal to the responsible structural units;
- assist the Board of Directors to enable their ongoing activities;
- arrange the Board of Directors' interaction and cooperation with the Company's executive bodies, the Board of Directors Committees, the Auditor, the Audit Commission, and the structural units of Tyumenenergo JSC.

6.6. AUDIT COMMISSION

Audit Commission

The Audit Commission is a permanent body that monitors the Company's financial and economic activities for compliance with the Russian legislation, the Company's Charter and internal documents.

The Audit Commission shall protect the interests of the Company's shareholder and be held accountable to the General Shareholders Meeting. Pursuant to Clause 19 of Article 19 of the Company's Charter, the Audit Commission consists of 5 members.

From June 28, 2017 to June 28, 2018, the Audit Commission consisted of the following persons (positions specified herein were valid as of the election date, June 28, 2017):

Full Name	Position and Employer
Marina Alekseevna Lelekova Chairman of the Audit Commission	Director of the Department for Control and Auditing Activities, Rosseti PJSC
Oksana Alekseevna Medvedeva Secretary of the Audit Commission	Chief Expert of the Audit Activities Directorate, Department for Control and Auditing Activities, Rosseti PJSC
Anzhelika Aleksandrovna Zadorozhnaya	Head of the Control and Analysis Directorate, Department for Control and Auditing Activities, Rosseti PJSC
Sergey Vladimirovich Malyshev	Senior Expert of the Audit Activities Directorate, Department for Control and Auditing Activities, Rosseti PJSC
Elena Yuryevna Slesareva	Chief Expert of the Internal Audit Directorate, Rosseti PJSC

On June 29, 2018, the Management Board of Rosseti PJSC elected the following members of the Audit Commission for the period from June 29, 2018 to June 28, 2019 (positions specified herein were valid as of the election date):

Full Name	Position and Employer
Sergey Vladimirovich Kiryukhin Chairman of the Audit Commission	Chief Advisor, Rosseti PJSC Year of Birth: 1979. Education: 1. Tula Agricultural College, qualification of Lawyer, graduated in 1997. 2. Tula State University, major in Legal Studies, qualification of Lawyer, graduated in 2002. 3. Oryol Regional State Service Academy, major in State and Municipal Management, qualification of Manager, graduated in 2010. Experience: 2014 to 2015: Head of the Second Investigation Department of the First Investigation Directorate of the Main Investigation Directorate for the Investigative Committee of the Russian Federation. 2015 to 2016: Deputy Head of the Internal Investigations Division of the Main Directorate for Interdepartmental Interaction and Internal Investigations — Head of the Functional Audit of the Investigative Committee of the Russian Federation. 2017: Advisor of the Director General of the All-Russian Research Institute of Labor of the Ministry of Labor of the Russian Federation. 2017 to 2018: Deputy Head of the Control and Analysis Directorate, Head of the Organizational Analysis Directorate of the Federal Environmental, Industrial, and Nuclear Supervision Service of Russia 2018 to present: Chief Advisor at Rosseti PJSC.
Marina Alekseevna Lelekova	Director of the Department for Control and Auditing Activities, Rosseti PJSC Year of Birth: 1961. Education: Far Eastern Institute of Soviet Trade, qualification of Economist, graduated in 1982. Experience: 2013 to present*: Director of the Department for Control and Auditing Activities at Rosseti PJSC
Elena Aleksandrovna Kabizskina	Deputy Head of the Audit Activities Directorate, Department for Control and Auditing Activities, Rosseti PJSC

	Year of Birth: 1964. Education: Far Eastern State Technical Fisheries University, Department of Engineering and Economics, qualification of Engineer-Economist, graduated in 1986. Experience: 2014 to present: Deputy Head of the Audit Activities Directorate, Department for Control and Auditing Activities, Rosseti PJSC
Artyom Nikolaevich Kirillov	Deputy Head of the Audit Activities Directorate, Department for Control and Auditing Activities, Rosseti PJSC Year of Birth: 1984. Education: Moscow Energy Institute (Moscow, Russia), qualification of Electrical Engineer, graduated in 2008. Experience: 2013 to 2015: Rosseti PJSC, Head of the Investment Audit Department 2015 to present: Audit Activities Directorate, Department for Control and Auditing Activities, Rosseti PJSC
Oksana Alekseevna Medvedeva	Chief Expert of the Audit Activities Directorate, Department for Control and Auditing Activities, Rosseti PJSC Year of Birth: 1978. Education: Russian Academy of Entrepreneurship, major in Accounting, degree in Analysis and Audit, graduated in 2005. Experience: 2014 to present*: Chief Expert of the Audit Activities Directorate, Department for Control and Auditing Activities, Rosseti PJSC

** "To present" herein means through December 31, 2018.*

Members of the Audit Commission do not hold any shares of Tyumenenergo JSC. In 2018, they did not make any transactions with the Company. Tyumenenergo JSC did not make any claims against the members of the Audit Commission.

Audit Commission members are remunerated pursuant with the Regulation on Compensations for members of the Audit Commission of Tyumenenergo JSC approved by Tyumenenergo JSC's General Shareholders Meeting on June 29, 2018 (Minutes No. 733 pr/1).

Remuneration of Members of the Audit Commission in 2018

rubles

Indicator	Gross Remuneration	Income Tax Charged	Net Remuneration
Remuneration for the Commission membership	754,146.15	98,039.00	656,107.15

6.7. AUDITOR

Pursuant to Russian law, Tyumenenergo JSC is obliged to carry out annual audit of its financial statements.

Pursuant to Federal Law No. 307-FZ dd. December 30, 2008 “On Audit”, the auditor shall be selected, on the basis of an open-tender procurement procedure, at least every five years. Rosseti PJSC selects the external auditor following the results of the open-tender procedure every three years. According to the results of the open non-prequalification tender to conclude an audit contract for 2018–2020, the winner was Ernst and Young LLC.

On June 29, 2018, the General Shareholders Meeting approved Ernst and Young LLC as the Company’s Auditor.

Auditor Information: Ernst and Young Limited Liability Company. Registered with the Uniform State Register of Legal Entities on October 14, 2002, given the state registration number 1028600587399.

Addrees: 77 Bldg. 1 Sadovnicheskaya Embankment, Moscow, Russia 115035

Ernst and Young LLC is a member of the Russian Union of Auditors. Ernst and Young LLC is listed in the check copy of the register of auditors and audit companies, given the main organizational entry number 11603050648.

On August 15, 2018, the Company's Board of Directors set the remuneration payable to Ernst and Young LLC for auditing the RAS-based accounting statements for 2018 and the IFRS-based consolidated financial statements as of December 31, 2018, at 5,472,928.50 rubles, VAT included.

The Auditor did not provide any non-audit services in 2018.

Related Parties

The Company’s related parties are shareholders, affiliated entities and organizations under common control and at the common property, members of the Board of Directors, and the Company’s senior management. As of December 31, 2018, the Company is controlled by Rosseti PJSC, the ultimate controlling party is the state represented by the Federal Agency for State Property Management which holds the controlling stake of Rosseti PJSC.

The table below presents the list of main legal entities which are the Company’s related parties and with which the Company interacted over 2018:

No.	Full Name of a Legal Entity or Individual	Address of a Legal Entity or Residential Address of an Individual	Reason for Relation	Related Party’s Stake in the Company’s Equity, %	The Company’s Stake in the Related Party’s Equity, %
Parent Company					
1	Rosseti PJSC	Moscow, Russia	Holds more than 50% of all the Company’s votes	100 %	0.0025 %
Subsidiary Companies					
2	Tyumenenergo Engineering JSC	Surgut, the KhMAO-Yugra, Tyumen Oblast, Russia	The Company holds more than 50% of the entity’s equity	–	51 %
Other Related Parties					
3	FGC UES PJSC	Moscow, Russia	The entity belongs to the same group as the Company	–	–
4	Fiber-Optic Line and Overhead Power Line Directorate JSC	Moscow, Russia	The entity belongs to the same group as the Company	–	–

No.	Full Name of a Legal Entity or Individual	Address of a Legal Entity or Residential Address of an Individual	Reason for Relation	Related Party's Stake in the Company's Equity, %	The Company's Stake in the Related Party's Equity, %
5	CTZ JSC	Moscow, Russia	The entity belongs to the same group as the Company	–	–
6	IDGC of the Central Russia and Volga Region PJSC	Nizhny Novgorod, Russia	The entity belongs to the same group as the Company	–	–
7	IDGC of Volga PJSC	Saratov, Russia	The entity belongs to the same group as the Company	–	–
8	IDGC of the Northern Caucasus PJSC	Pyatigorsk, Russia	The entity belongs to the same group as the Company	–	–
9	IDGC of the Central Russia PJSC	Moscow, Russia	The entity belongs to the same group as the Company	–	–
10	IDGC of the South PJSC	Rostov-on-Don, Russia	The entity belongs to the same group as the Company	–	–
11	IDGC of the North-West PJSC	Saint Petersburg, Russia	The entity belongs to the same group as the Company	–	–
12	IDGC of the Urals PJSC	Ekaterinburg, Russia	The entity belongs to the same group as the Company	–	–
13	MOESK PJSC	Moscow, Russia	The entity belongs to the same group as the Company	–	–
14	IDGC of Siberia PJSC	Krasnoyarsk, Krasnoyarsky Krai, Russia	The entity belongs to the same group as the Company	–	–
15	Kubanenergo PJSC	Krasnodar, Russia	The entity belongs to the same group as the Company	–	–
16	TRK PJSC	Tomsk, Russia	The entity belongs to the same group as the Company	–	–
17	Lenenergo PJSC	Saint Petersburg, Russia	The entity belongs to the same group as the Company	–	–
18	Yantarenergo PJSC	Kaliningrad, Russia	The entity belongs to the same group as the Company	–	–
19	Professionalny Non-State Pension Fund	11 Chaplygina Street, Moscow, Russia	Non-state pension fund with which the Company entered into a non-state pension funding agreement	–	–
20	Lukoil Garant Non-State Pension Fund JSC	39 Bldg. 3 Gilyarovskogo Street, Moscow, Russia	Non-state pension fund with which the Company entered into a non-state pension funding agreement	–	–

Transactions Between the Company and Related Parties

Transactions with the related parties involved monetary funds. No doubtful debt reserves were formed for related parties. No receivables from related parties were written off.

The tables below present figures, conditions, terms, and settlement forms of transactions not finished as of December 31, 2018, as well as types and amounts of transactions with the related parties.

2018 Figures, thousand rubles

Related Party	Transaction Type	Amount, VAT included	Balance of Payments	Terms and Conditions or Transaction Completion
Revenue and other Incomes				
Parent Company				
Rosseti PJSC	Services, dividends	1,357	-	-
Subsidiary Companies				
Tyumenenergo Engineering JSC	Services	3,936	1,863	Payment by monetary funds in 2019
Other Related Parties				
FGC UES PJSC	Rental and technological connection services, dividends	5,462	5,514	Payment by monetary funds in 2019
Fiber-Optic Line and Overhead Power Line Directorate JSC	Rental services	103	9	Payment by monetary funds in 2019
IDGC of the Central Russia and Volga Region PJSC	Organization of professional contests	1,000	-	
IDGC of Volga PJSC	Organization of professional contests	1,000	-	
IDGC of the North-West PJSC	Organization of professional contests	1,000	-	
IDGC of the Urals PJSC	Organization of professional contests	1,000	-	
IDGC of the Northern Caucasus PJSC	Organization of professional contests, power grid facility maintenance	97,219	96,219	Payment by monetary funds in 2019
IDGC of Siberia PJSC	Organization of professional contests, power grid facility maintenance	29,191	18,115	Payment by monetary funds in 2019
Kubanenergo PJSC	Organization of professional contests	1,000	-	
TRK PJSC	Organization of professional contests	1,000	-	
Lenenergo PJSC	Organization of professional contests	1,000	-	
MOESK PJSC	Organization of professional contests	1,000	-	
IDGC of the Center of Russia PJSC	Organization of professional contests	1,000	-	
IDGC of the South PJSC	Organization of professional contests	1,000	-	
Yantarenergo JSC	Organization of professional contests	1,000	-	
Procurements and Other Expenses				
Parent Company				

Rosseti PJSC	UES operation organization	197,923	(32,351)	Payment by monetary funds in 2019
	Engineering supervision	45,831	-	-
	Treasury organization	10,345	-	-
	Rental	1,931		
	Dividends (paid)	22,129	-	-
Subsidiary Companies				
Tyumenenergo Engineering JSC	Services, procurement of commodities and materials	613,398	(44,556)	Payment by monetary funds in 2019
Other Related Parties				
FGC UES PJSC	Power transmission, rental, technological connection	21,948,464	(956,370)	Payment by monetary funds in 2019
R&D Center of FGC UES JSC	R&D	2,251	(1,751)	
Fiber-Optic Line and Overhead Power Line Directorate JSC	Capital construction, agent and information services	189,049	(49,542)	Payment by monetary funds in 2019
CTZ JSC	Capital construction, equipment supply	543,055	(58,453)	Payment by monetary funds in 2019
IDGC of the Urals PJSC	Training	978	-	
MOESK PJSC	Organization of professional contests	60	-	

The remuneration paid to members of the Company's Board of Directors in 2018 is detailed in Section 6.2.2. of this Report.

The remuneration paid to the Company's senior management in 2018 totaled 223,040 thousand rubles.

6.8. INTERNAL CONTROL SYSTEM

The Company's Internal Control System (hereinafter, "the ICS") is a component of the Company's general management system, intended to provide reasonable assurance the goals and objectives in the following areas:

– the Company's efficiency and performance, including its financial and operational indicators as well as the security of its assets;

– compliance with the legal requirements applicable to the Company and with the internal policies and procedures, as well as in the course of economic operations and accounting;

– accuracy and timeliness of accounting (financial) statements and other reports.

The ICS is the risk-oriented structure which developed the control procedures based on the discovered risks and set them to reasonably guarantee that every possible risk would be efficiently and timely addressed.

The ICS encompasses all areas of the Company's activities. Control procedures are implemented in all processes at all levels of management.

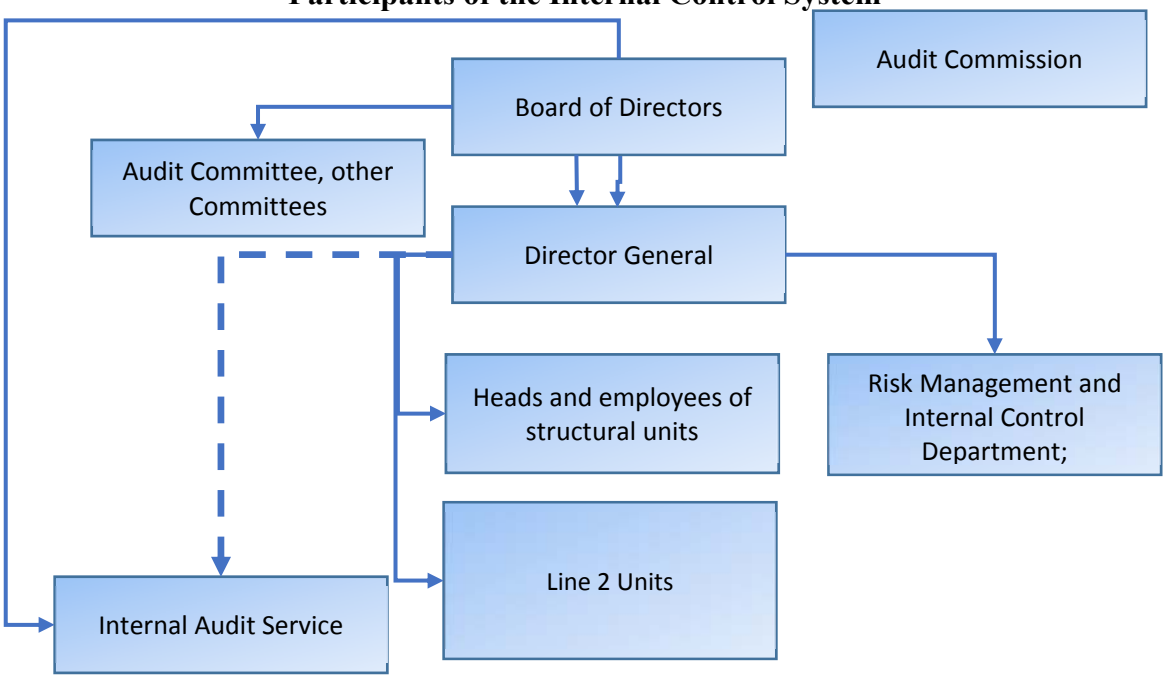
The Company's Internal Control System is based on a three -lines-of-defense model. This model means that the Company's internal control is implemented at three levels, see Figure 1:

– Line 1 comprises governance bodies (the sole and the collegial executive bodies), the Company's units and subdivisions responsible for control within their functional and job duties;

– Line 2 comprises the Company's special control units;

– Line 3 comprises the Internal Audit Unit.

Participants of the Internal Control System



Functions of the ICS Participants

Functions of the ICS Participants are stipulated by the Company's Internal Control Policy approved by the Board of Directors on March 21, 2016 (Minutes No. 06/16), as well as by the regulations specific to structural units and job definitions, and provided in Appendix 7 to the Annual Report.

To ensure implementation and support of the efficient Internal Control System which (a) conforms to the established practices and standards in the field of the internal control, as well as the requirements of regulators, and (b) is aimed at facilitating the fulfilment of the Company's objective, the Internal Control Policy (new edition) was approved by the Board of Directors on March 21, 2016 (Minutes No. 06/16).

The Internal Control Policy specifies the objectives, functioning principles and components of the Company's ICS, primary functions and responsibilities of the ICS participants, as well as the procedure for assessment of the ICS efficiency.

The Company has an Internal Control Policy Compliance Procedure in place that defines the applied aspects of using the norms set by the Internal Control Policy.

The control procedures for the processes and subprocesses of primary and supporting activities, as well as for the Company's management processes, are documented in the control and risk matrices.

To enhance the maturity of the ICS and risk management system, the Company approved the Internal Control System and Risk Management System Improvement Plans (Order No. 233 dd. May 3, 2018). Over the reporting period, all the measures were taken in full and timely.

To guarantee that the ICS is efficient and conforms to the objectively changing requirements and conditions, the Company tasks the internal auditor to assess if the efficiency of the ICS is in desired state and mature enough.

The Company's internal audit conducted the independent internal evaluation of the ICS efficiency based on the results of 2018.

Вопрос эффективности СВК по итогам 2018 года рассмотрен на заседании Совета директоров 22 мая 2019 (протокол № 09/19 от 23.05.2019) с предварительным обсуждением на Комитете по аудиту при Совете директоров 18.03.2019 (протокол № 03/19 от 20.03.2019). Принятое решение: Принять к сведению отчет внутреннего аудитора Общества об оценке эффективности системы внутреннего контроля и системы управления рисками по итогам 2018 года.

Указанными решениями уровень зрелости СВК по итогам 2018 оценён как «Оптимальный», (по итогам 2017 года уровень зрелости СВК был оценён как «между «Умеренный» и «Оптимальный»).

Внешняя независимая оценка системы внутреннего контроля на конец отчетного периода проведена *(оценка проведена коллективным участником (лидер коллективного участника – ООО «Эрнст энд Янг оценка и консультационные услуги», член коллективного участника – ООО «РСМ РУСЬ»))*.

Over 2018, the Company took the following key measures aimed at improving the ICS:

1. The pattern of a risk and control point matrix was changed in order to improve the workflow (business processes) design.
2. Operators of 34 business processes carried out self-evaluations of their control procedures.
3. The Directorate for Internal Control, Risk Management, and Quality Management analyzed the efficiency of design and actual performance of control procedures of 34 business processes.
4. Risk and control point matrices and diagrams of the Company's business processes were reviewed, organizational and executive documentation was updated and approved.
5. Local regulatory acts were updated (supplemented with updated risk and control point matrices, responsibility matrices, and diagrams of corresponding business processes).
6. Additional control procedures were embedded into the reporting to provide reliable and accurate information.
7. It was analyzed whether the goals and objectives stated in regulations on the Company's branches (with due respect to the Company's KPIs) correlate with the goals set in the Company's workflow. The goals of the Company's branches are stipulated in regulations, being connected to each other and risks of the respective fields of activity.

Internal Audit is functionally subordinate to the Company's Board of Directors, which means that the Board of Directors shall control and arrange the activities of the internal audit unit, approve

its budget, Plans and Performance- to-Plan Reports, approve the decisions to appoint, dismiss, and set a remuneration for the Head of Internal Audit.

Internal audit is intended to assist the Board of Directors and the Company's executive bodies to optimize the management of the Company as well as its financial and economic activities by, among other means, a systemic and consistent approach to the analysis and evaluation of the Risk Management System, Internal Control System, and Corporate Governance System as tools for securing reasonable confidence in the accomplishment of the Company's objectives.

Objectives and goals, basic organizational and functional principles of internal audit, functions and powers of internal audit are defined in the Tyumenenergo JSC Internal Audit Policy as approved by the Company's Board of Directors (Minutes No. 06/16 dd. March 21, 2016, or No. 7/17 in the edition dd. March 10, 2017).

As of the end of 2018, 5 persons were involved in the internal audit.

The Company is guided by the following documents formalizing the function of the internal audit:

– Internal Audit Policy approved by the Company's Board of Directors (Minutes No. 7/17 dd. March 10, 2017);

– Regulation on the Model of Professional Competences of Members of the Internal Audit approved by Order No. 374 dd. July 30, 2018;

– Regulation on the Internal Audit Directorate approved by the Company's Board of Directors (Minutes 14/18 dd. August 15, 2018);

– Program for Commitments and Enhancement of the Internal Audit (Minutes No. 27/16 of the Board of Directors dd. December 23, 2016);

– Internal Audit Standards and Practical Application Standards developed in accordance with the International Standards for the Professional Practice of Internal Auditing.

Feedback from the Audit Committee is received by the Head of Internal Audit in various forms as a part of their cooperation with the Audit Committee, which includes the analysis of the Audit Committee's decisions and recommendations on internal-audit matters; surveying the members of the Audit Committee is another feedback channel.

The Audit Committee approved the report of the Internal Audit Directorate on execution of the operation plan and results, including the results of the self-evaluation of the internal audit activities as of the end of 2018, and execution of the 2017–2019 internal audit enhancement and development plan (Minutes No. 02/19 of the Audit Committee dd. February 19, 2019).

6.9. ETHICS AND ANTI-CORRUPTION PRACTICES

The National Anti-Corruption Plan for 2016–2017, approved by Decree No. 147 of the President of the Russian Federation dd. April 1, 2016, defines its main objective as the enforcement of Article 13.3 of Federal Law No. 273-FZ dd. December 25, 2008 “On Combating Corruption”; the clause mandates that legal persons shall elaborate and take action to prevent and combat corruption. At the same time, Article 13.3. of Federal Law No. 273-FZ dd. December 25, 2008 “On Combating Corruption” specifies that Tyumenenergo JSC (hereinafter "the Company") shall be obliged to combat and suppress corruption offenses as well as to prevent any such offense potentially committable by its employees or counterparties.

Clause 13.3.2.1 of the Federal Law dd. December 25, 2008 No. 273-FZ On Combating Corruption stipulates the necessity for creating subdivisions tasked exclusively to prevent corruption and other offenses. Pursuant to the Law, the Company's Management established its Division for Anti-Corruption Compliance Procedures which is a part of the Economic Security and Anti-Corruption Department since Q1 2018. This subdivision is tasked to (a) reveal, identify and subsequently eliminate any possible cause of corruption (corruption prevention), (ii) reveal, prevent, suppress, solve, and investigate all cases of corruption (combat against corruption); (iii)

minimize and (or) mitigate all the consequences of corruption and other offenses. The subdivision consists of two persons, the Head and a 2nd category specialist.

Heads and employees of security divisions and divisions responsible for the prevention of corruption and other offenses are strongly encouraged to take part in trainings, seminars, conferences, and forums on preventing and combating corruption; in relation thereto, and as a part of advanced trainings, the employees of the Division for Anti-Corruption Compliance Procedures completed the advanced training on anti-corruption as a part of the conference “Current Issues Regarding Corruption Prevention and Management in the Power Grid Complex” held at the Saint Petersburg Security Academy in September 2018.

The Company implements the Uniform Anti-Corruption Policy of Rosseti PJSC and its subsidiaries / affiliates as approved by the Company's Board of Directors (Minutes No. 02/17 dd. February 6, 2017) (hereinafter "the Anti-Corruption Policy"), which defines the Rosseti Company Group's uniform approach to ensuring compliance with Article 13.3 of Federal Law No. 273-FZ dd. December 25, 2008 "On Combating Corruption".

Pursuant to Federal Law No. 273-FZ dd. December 25, 2008 "On Combating Corruption" and to the Anti-Corruption Policy, the Company, by Order No. 441 dd. September 11, 2018 "On amendments to Order No. 94 of Tyumenenergo JSC dd. February 13, 2018 "On approval of the 2018 Anti-Corruption Plan", approved the 2018 Anti-Corruption Plan (hereinafter "the Plan"). The approval of the Plan enabled the Company to elaborate a plan of actions related to developing and updating of internal local regulatory documents, to assign persons responsible for anti-corruption measures, as well as to set the deadlines for some of such measures.

In 2018, a number of actions were taken to improve the legal regulation of the Company's anti-corruption measures, and a number of organizational and administrative documents were prepared to combat corruption, as a part of the Program. The regulatory framework was developed and (or) updated in the following areas:

- formulating the procedures for corporate-ethics compliance and settlement of conflicts of interests in the Company;
- arranging the Tyumenenergo JSC Commission for corporate-ethics compliance and settlement of conflicts of interest;
- arranging measures to declare the Company's managers' property, income, and liabilities;
- arranging measures to declare employees' conflicts of interests on an annual basis;
- arranging measures to declare the conflicts of interests on the part of Tyumenenergo JSC job applicants/nominees.

In 2018, the Company's activities were strictly in line with the principles of preventing and combating corruption as proclaimed by the parties to the Anti-Corruption Charter of Russian Business. By accepting the terms of the Charter (Certificate No. 414 dd. July 1, 2015), the Company ensured efficient financial control, rejection of illicitly-gained advantages, open tendering-based procurements, personnel training and control, assistance to law enforcement agencies on all matters relating to anti-corruption measures, as well as the publicity of the Company's anti-corruption measures.

To improve the efficiency of the ethical standards applicable to the Tyumenenergo JSC activities, to the official conduct of the employees of the Company and its subsidiaries / affiliates, to enforce compliance with the Russian legislation, and to maintain business reputation, the Company has a Code of Corporate Ethics and Official Conduct for its employees in place (approved by the decision of the Board of Directors dd. May 12, 2017 No. 16/7). The Code is a set of general principles, norms, and rules of professional ethics and corporate conduct which all the employees, regardless of their positions, as well as the Board of Directors members are obliged to follow.

Settlement of conflicts of interests is nowadays deemed one of the most importance mechanisms Rosseti PJSC and all of its subsidiaries/affiliates (including Tyumenenergo JSC) have

in place. The relevance and importance of conflict of interest prevention measures are further supported by the effective federal legislation including the Federal Law dd. December 25, 2008 No. 273-FZ On Combating Corruption, which forces companies to take corruption prevention measures, to prevent conflicts of interest and pre-conflict situations in its activities, as well as to settle such conflicts of interest.

In 2018, the Company updated its Conflict of Interest Settlement Regulation and Regulation on the Tyumenenergo JSC Commission for Compliance with the Corporate Ethics and Settling Conflicts of Interest. The updated Regulations fully addressed the implementation of conflict-of-interest prevention procedures. Besides, the document regulated the procedure which the Company's employees may use to report conflicts of interest and measures to be taken to settle such conflicts of interest. Typical pre-conflict/conflict-of-interest situations were approved.

Within the conflict-of-interests declaration campaign, 1,529 Conflict of Interest Declarations submitted by the Company's employees were reviewed as of the end of 2018. 45 cases were identified where employees of the Company's Executive Office and branches were directly subordinate to or supervised by a relative. These employees had their wages checked; HR-related and other decisions were analyzed for possible privilege, as well as for the cause and timing of their emergence. These pre-conflict situations were reviewed by the Commission for Compliance with Corporate Ethics and Settling Conflicts of Interest (Minutes No. 01/2018 dd. April 25, 2018).

Over 2018, the Company took action to minimize the risk of escalating such pre-conflict situations as well as to find ways to resolve them. These measures helped reduce the number of pre-conflict situations identified in 2018 by 55% compared to 2014, as well as to improve the efficiency of conflict-of-interest settlement measures taken by the Company. As of December 31, 2018, Tyumenenergo JSC still had 42 pre-conflict situations including 39 concerning the production personnel.

In 2018, the Company also took measures to disclose conflicts of interest when hiring a person or changing an employee's position. The Company audited 238 Conflict of Interest Declarations submitted by candidates for vacant positions. This audit revealed 3 pre-conflict situations which were discussed by the Commission for Compliance with Corporate Ethics and Settling Conflicts of Interest (Minutes No. 02/2018 dd. June 9, 2018).

The Tyumenenergo JSC Commission for Compliance with Corporate Ethics and Settling Conflicts of Interest was active in 2018. It held two meetings to address possible pre-conflict situations and conflicts of interest that emerged in the Company.

As of the end of 2018, the Commission had audited 70 declarations of income, property, and liabilities submitted by the top managers and heads of the structural units of the Company and its subsidiaries / affiliates; as well as by 322 of their close relatives; these declarations were audited for authenticity, signs of affiliation, presence of conflict of interest, and other abuse of one's position within the Company. No breaches or violations revealed.

As a part of risk management activities related to preventing and combating corruption, the Company introduced the Standard Methodology for Evaluating the Corruption Risk in Rosseti PJSC and Tyumenenergo JSC, risk and control point matrix, diagrams of the Security Management and Anti-Corruption process in 2018. These measures are aimed at enhancing the efficiency of Tyumenenergo JSC’s internal process control system.

Over 2018, the Company was continually collecting, analyzing, and verifying data on the entire chain of counterparty owners, including the beneficiaries (also ultimate beneficiaries), as well as data on the membership of executive bodies, for the completeness, correctness of filling, and the accuracy of provided information so as to exclude any possible conflict of interest, affiliation, and other abuse related to the positions held at Tyumenenergo JSC and its subsidiaries / affiliates. Consolidated reported thereon were further submitted to Rosseti PJSC.

As a part of actions to prevent and combat corruption, all the data was stored in the Automated Beneficiary Data Collection and Analysis System (hereinafter "the ABDC AS") in 2018. Over the reporting period, the ABDC AS helped report 11,894 agreements made; 1,787

supplementary agreements made; 7,824 counterparties; 2,796 full chains of counterparty owners; 1,067 sub-contractors involved with jobs / services at the Company's facilities; 115 changes in the owner chains.

Besides, in 2018 the ABDC AS was used to report to Rosseti PJSC, Tyumenenergo JSC and superior supervisory bodies the details of the contracts entered into by Tyumenenergo Engineering JSC (a subsidiary of Tyumenenergo JSC), which included: 325 agreements, 247 counterparties, 235 full chains of counterparty owners, 67 supplementary agreements and agreement termination agreements.

In 2018, the Economic Security and Anti-Corruption Department of Tyumenenergo JSC conducted 3,339 examinations of procurement participants and counterparties times for trustworthiness, affiliation, and interestedness. 474 of the audited procurement participants and counterparties were dismissed for negative reasons (non-disclosure or incomplete disclosure of information on the ultimate beneficiaries, affiliation with other procurement parties, submission of inaccurate information, tax arrears, losses in the previous year, etc.).

To improve the mechanism for reception of claims regarding possible corruption cases, the Company adopts the Procedure for the Receipt, Review, and Resolution of Claims on Possible Corruption from the Company’s employees, counterparties, or other individual or legal entities (the Procedure was approved by Order No. 603 of Tyumenenergo JSC dd. November 14, 2017).

In 2018, the Company received and registered 3 claims regarding possible corruption or conflict of interest. The Anti-Corruption Compliance Department and Economic Security Department did a detailed internal investigation into the materials and circumstances presented. No corruption revealed. The claimants received reasoned responses.

Besides, the Company continually examines its counterparties to reduce the risk of its own involvement in corruption and other unfair practices; such examination implies an analysis for trustworthiness, affiliation, and interestedness. The Company's counterparties and business partners receive procedures, policies, and rules intended to prevent and combat corruption (anti-corruption standards, clauses, etc.). In 2018, 7,824 of the Company's counterparties (100% contractors under the existing expenditure and revenue contracts) studied with the Anti-Corruption Policy and other Tyumenenergo JSC rules intended to prevent and combat corruption.

The Company continually trains its employees on legal matters and seeks to lay the foundations of law-abiding behavior. On an annual basis, the Company raises its employees' awareness on the local regulatory documents related to preventing and combating corruption; employees undersign to confirm being informed of such documents. To inform the Company's employees, the internal network storage of Tyumenenergo JSC contains documents that regulate anti-corruption activities, compliance with corporate ethics, and settlement of the conflicts of interests. Employees are annually made aware of the Rosseti Company Group's Anti-Corruption Brochure for Employees. In 2018, a total of 7,431 persons were made aware of the effective local anti-corruption regulations, which was 100% of the staff as of December 31, 2018. The Company also briefs its job candidates on the effective anti-corruption regulations; in 2018, 81 candidates for Tyumenenergo JSC’s executive positions were made familiar with the anti-corruption standards.

The Company broadly seeks to cultivate corruption prevention among its customers and counterparties by disseminating a set of materials under a common title Say No to Corruption! Regional and corporate media regularly publish information on Anti-Corruption Policy measures to be taken by the Company while also helping disseminate information materials on preventing and combating corruption.

The Company's official website has a regularly-updated section Anti-Corruption Policy accessible to all concerned parties. The website also provides a feedback features for claims about possible corruption. Employees, citizens, and representatives of legal persons can also use other channels to claim about corruption: hotline, email, a letter at the Company's address, or a visit to the Head of the Division for Anti-Corruption Compliance Procedures.

Complete, timely, and appropriate execution of anti-corruption measures on the part of the Company reflects its commitment to high ethical standards of transparent and fair business, of following the best practices of corporate governance, and maintaining an appropriate reputation as a grid-complex company.

7. SHARE CAPITAL

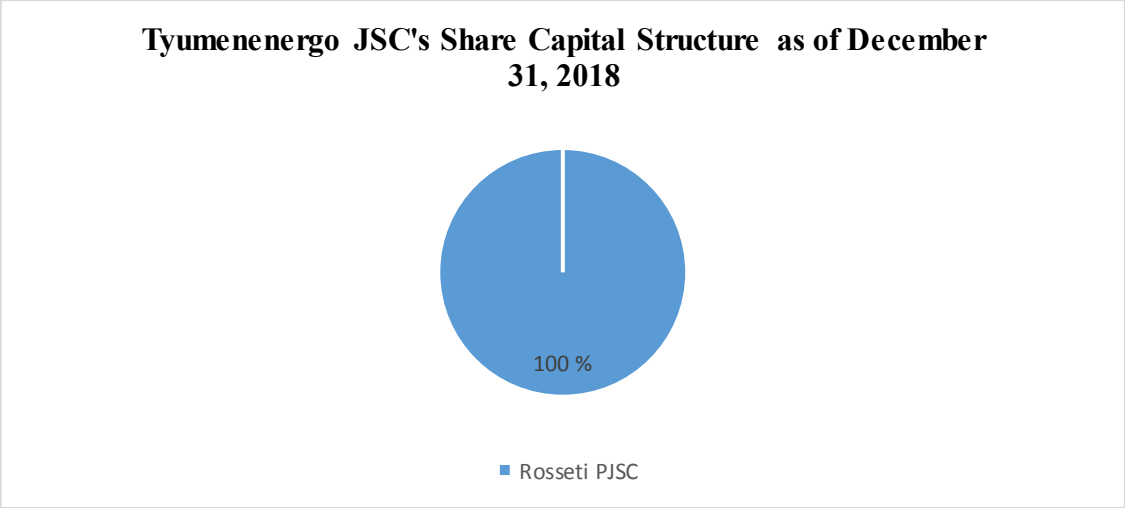
7.1. SHARE CAPITAL

Pursuant to the Charter of Tyumenenergo JSC, the Authorized Capital of Tyumenenergo JSC amounted to 27,373,895,100 rubles as of December 31, 2018, divided into 273,738,951 ordinary registered shares each of a 100-ruble nominal value. The Authorized Capital of Tyumenenergo JSC does not include any preferred shares.

The Company has authorized 3,121,409 additional ordinary shares each of a 100-ruble nominal value, for a total 312,140,900 rubles. Registered ordinary shares authorized by the Company entitle their holders to the same as the placed ordinary registered shares.

Public Joint-Stock Company Russian Grids (Rosseti) is the sole shareholder of Tyumenenergo JSC.

The Company's shares are not traded in the organized securities market.



Tyumenenergo JSC holds preferred shares of Rosseti PJSC. Information on shares in cross-ownership as of December 31, 2018:

Issuer	CB Code	Nominal Holder	Tyumenenergo JSC's Share, %	Nominal Value per Share, rubles
Rosseti PJSC	RSTIP	JSC "Sberbank CIB"	0.0025	1

7.2. BOND ISSUES

On March 1, 2017, Moscow Exchange PJSC decided to assign ID 4-00159-F-001P-02E to Tyumenenergo JSC's Exchange Bonds Series 001P, which totaled 25 billion rubles and had a maximum maturity of 10,920 days (30 years).

Documents on the issue of these securities are available at the Company's corporate website: http://www.te.ru/aktsioneram_i_investoram/informatsiya_o_vypuske_tsennykh_bumag.

As of December 31, 2018 and the Annual Report approval date, no bond issues of Tyumenenergo JSC were in circulation.

7.3. DIVIDEND POLICY

The Dividend Policy of Tyumenenergo JSC is stipulated by the Dividend Policy Regulation as approved by the Company's Board of Directors (before January 31, 2018, Minutes No. 10/10 dd. August 27, 2010; since January 31, 2018, Minutes No. 01/18 dd. January 30, 2018).

The Company's Dividend Policy is based on the following principles:

- dividends are based on the use of profits without considering the revaluation of financial investments;
- it is necessary to maintain the Company's certain financial and technical status (i.e. to carry out the Investment Program) while also supporting its development prospects;
- the Company's dividend calculation and payment practice shall be compliant with the legislation of the Russian Federation and the best standards of corporate behavior;
- the Company's and the shareholders' interests shall be optimally balanced;
- the Company's investment attractiveness and capitalization shall be enhanced;
- dividend calculation and payment mechanism must be absolutely transparent.

In Q3 2018, 22,129 thousand rubles were paid in dividends on ordinary shares (0.08084 rubles per ordinary share) based on the results of 2017.

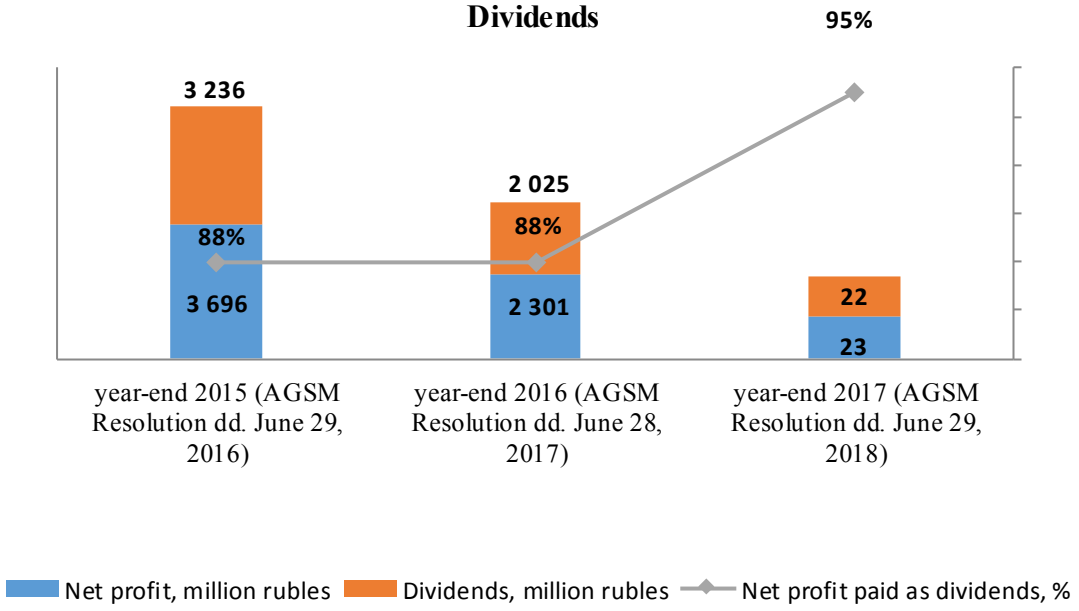
Dividend Payments in 2015–2017*

Payment Period	Amount of Dividends, thousand rubles	Share of Net Profits, %	Dividends per Share, rubles
for 2015 (AGSM 2016)	3,235,994	88	11.8214598
for 2016 (AGSM 2017)	2,025,217	88	7.39835
for 2017 (AGSM 2018)	22,129	95	0.08084

** Profit distribution in accordance with the Annual General Shareholders Meetings (AGSM) decisions.*
AGSM 2016 (for 2015) – AGSM Minutes No. 491pr/9 dd June 29, 2016.
AGSM 2017 (for 2016) – AGSM Minutes No. 620pr/3 dd. June 28, 2017.
AGSM 2018 (for 2017) – AGSM Minutes No. 733 pr/1 dd. June 29, 2018.

In accordance with the Charter of the Company, decision on the distribution of profits for year-end 2018 will be made on the basis of the AGSM decision in 2019.

The chart below presents dividend payments in detail.



Credit Rating

On August 9, 2018, credit rating agency RAEX (Expert RA) gave Tyumenenergo JSC the credit rating ruAA for the first time ever, with a stable outlook.

RAEX (Expert RA) awarded the Company the high credit rating, which characterizes Tyumenenergo JSC as a credible and financially reliable enterprise.

RAES (Expert RA) positively evaluates the profitability and expected liquidity of the Company, noting low debt load and rich diversity of the Company's creditors. Also, the agency appreciated the high quality of corporate governance and information transparency.

7.4. MAJOR DEALS

Over 2018, Tyumenenergo JSC made no major deals. All the deals and transactions in which Tyumenenergo JSC is concerned are described in Appendix 6 to this Annual Report.

8. HR AND SOCIAL POLICY

The key goals of the Company's HR and Social Policy (hereinafter, "the Policy") intended to enable the Company to attain the targets of its Grid Complex Development Strategy, are as follows:

– planning of the staffing to ensure the availability of reliable information on the operational and forecast quantitative and qualitative personnel requirements that is necessary and sufficient to fulfill the tasks of the Company;

– timely meeting the Company's needs for personnel of required qualification;

– ensuring efficiency of personnel activities, labor productivity improvement.

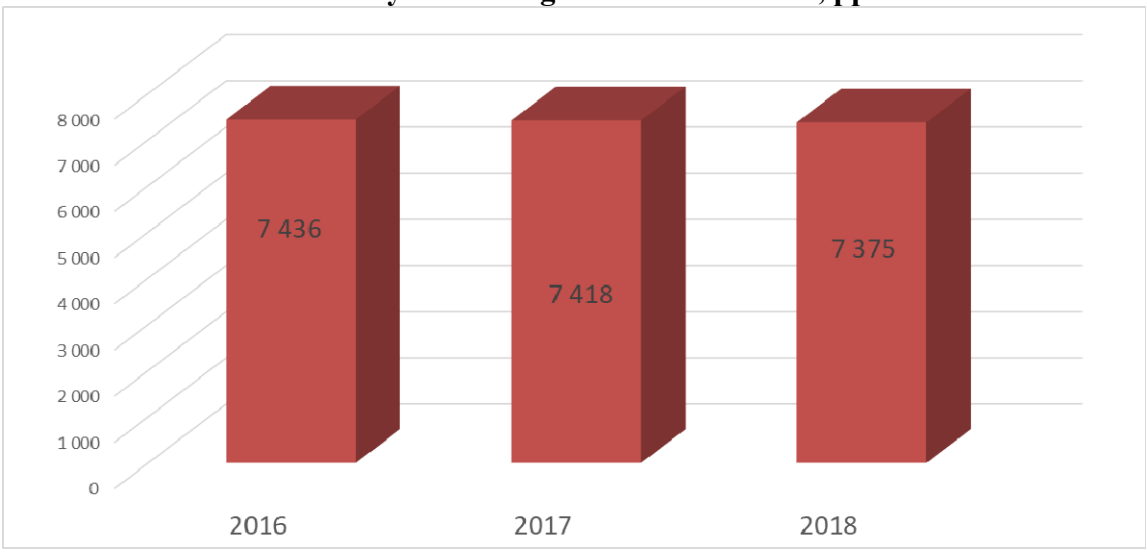
These key HR and Social Policy goals are attained by means of a set of measures taken to reach certain targets in the areas of:

- organizational design;
- manpower management;
- staffing and staff development;
- personnel efficiency management (motivation);
- social benefits and guarantees;
- occupational safety and labor culture.

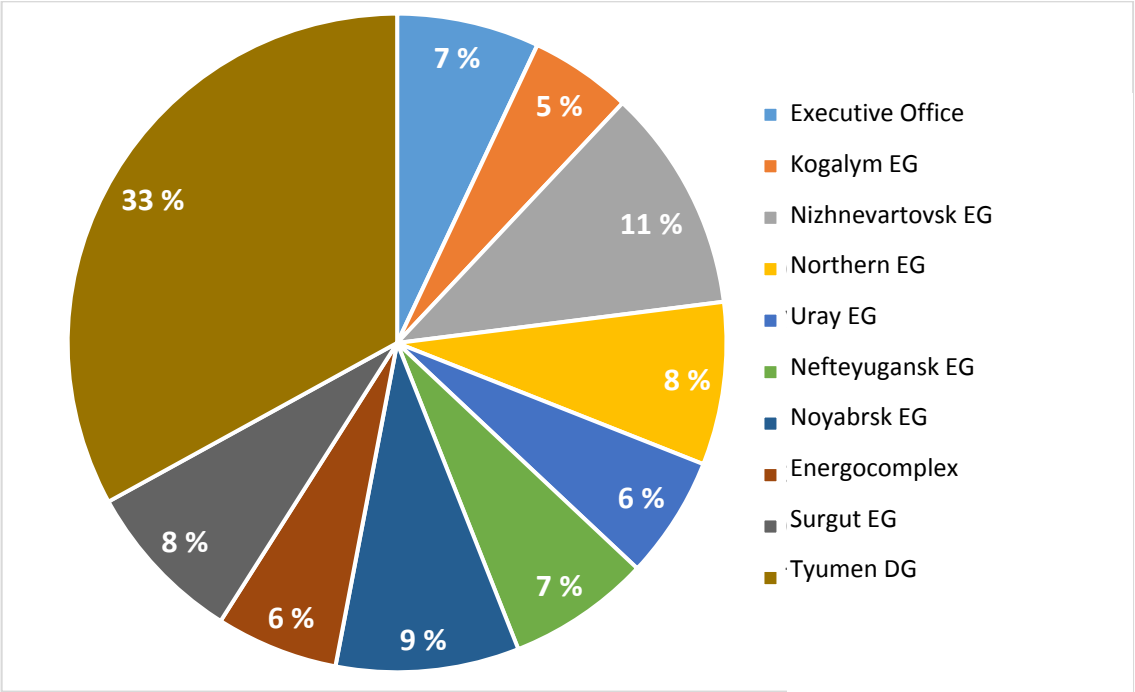
8.1. HEADCOUNT AND PERSONNEL STRUCTURE

In 2018, the average headcount of Tyumenenergo JSC was 7,375 persons, 0.58% reduction against 2017. A slight decrease in the headcount in 2018 was due to optimization of the headcount of the administrative and management personnel and natural movement of the staff.

2016–2018 Tyumenenergo JSC's Headcount, ppl.



2018 Headcount Breakdown



The staffing level of the Company has been stable for the recent three years and maintained at a high level of at least 97%.

The average employee age in 2018 decreased against 2017 and came to 41 years (42 years in 2017), active staff turnover in 2018 amounted to 3.9%. The gender composition is quite typical for an electric company: 76% are men and 24% are women.

Over the recent three years, the share of employees between 50 years and the retiring age has been decreasing (-0.6 percentage points), and the share of employees between 25 years and 50 years has been increasing (+1.1 percentage points).

Tyumenenergo JSC's personnel is highly-qualified, with 86.4% having professional degrees. This number has gained 3.1 percentage points of the recent three years.

8.2. PERSONNEL TRAINING AND DEVELOPMENT. TALENT POOL

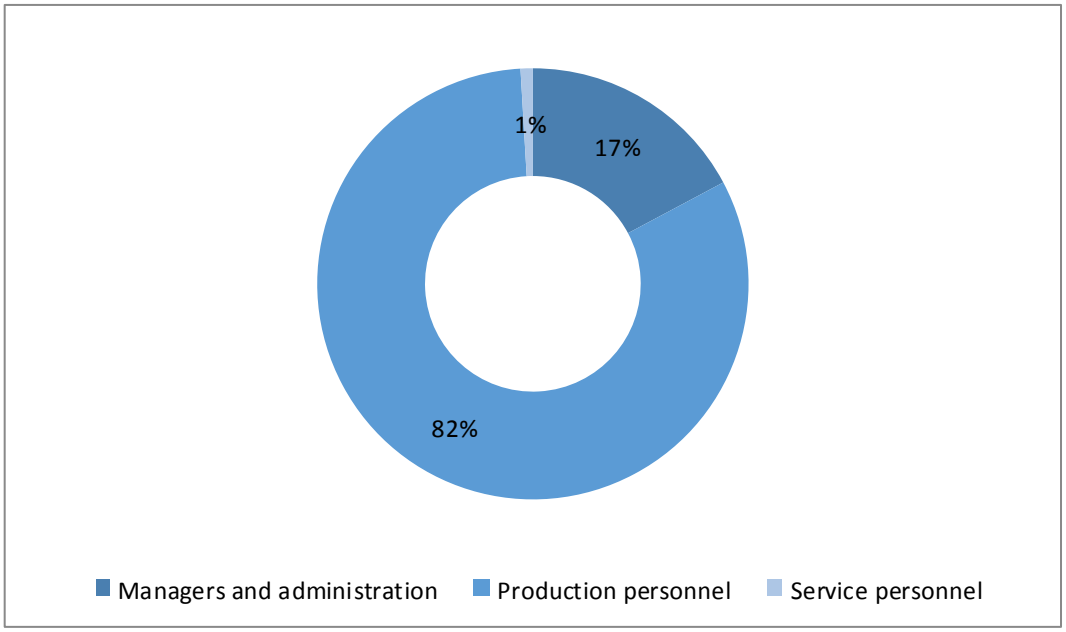
Training is a priority under the Company's HR and Social Policy and is regulated by the Personnel Training Regulation of Tyumenenergo JSC developed with due account of the HR Management Rules of Electric Power Industry Enterprises of the Russian Federation.

The share of employees who took part in full-time trainings in the reporting year totaled 48.8% (3,597 persons) of the average headcount, which was 1 p.p. (62 persons) more than in 2017.

As a part of executing the plans for ensuring that the qualification of the Company's employees conforms to professional standards, 611 employees completed further education courses in 2018.

Production personnel accounted for the highest share of employees who passed such training (82% or 2,945 persons). In 2017, the same figure was 81%. Breakdown of trained staff by categories (management personnel, MP, production personnel, PP, and support personnel, SP) is presented below:

Breakdown of the Personnel that Passed Full-Time Training by Category, %



Key educational service providers:

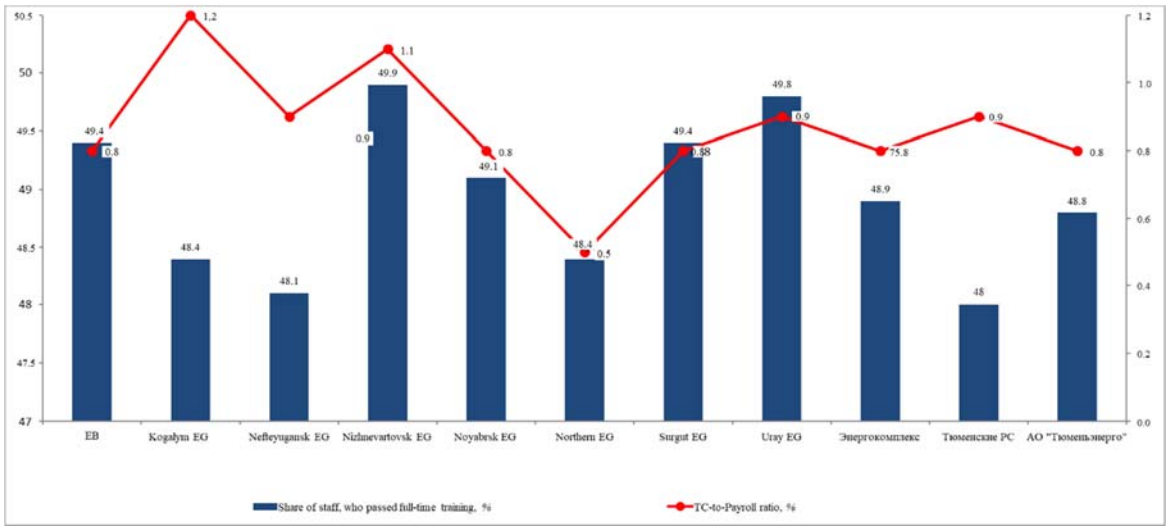
– Autonomous Non-Commercial Organization of Vocational Education Professional Training Center (Surgut, Russia);

– Federal State Autonomous Educational Institution of Supplementary Vocational Education Petersburg Energy Institute of Advanced Training (St. Petersburg, Russia);

– Federal Budgetary Institution Rostekhnadzor Education Office (Moscow, Russia).

Actual spending on personnel training totaled 39,239.513 thousand rubles (regardless of sources). In 2017, 39,951.763 thousand rubles were allocated for personnel training. In 2018, training costs (TC) totaled 0.8% of the payroll amount (0.9% in 2017).

Share of Employees that Passed Full-Time Training. TC-to-Payroll Ratio in 2018, %



On average, training time in 2018 was 32 hours per employee.

The Company's Management pays due attention to expanding the cooperation with higher and secondary educational institution that provide power engineering training in the areas of the Company's operations. Those include Surgut State University, Tyumen State University, State Agrarian University of Northern Urals, Omsk State Technical University, Yugra State University, etc.

As of today, the Company's has entered into cooperation agreements with 18 institutions of higher education that have departments specializing in power engineering

In 2018, 190 students had production and pre-diploma internships with the Company's Executive Office and branches, 55 of whom did it under fixed-term employment contracts and were paid.

Stroyotryad (student construction team) movement gained traction as well: 80 students studying power engineering were assigned this year to Student Team Energetik to work at the Company's facilities in the summer. The students had an active social life as well, taking part in sports competitions, contests, and events organized for the industry's veterans. Not Team members not only learned more about the professionals' work, but they also gained invaluable experience the veterans were glad to share. Energetik won the 2nd prize in the Grid Complex Stroyotryad Contest.

Talent Pool Management

The Company has a systematic approach to supporting and involving its talent pool, a crucial task of HR management. It systematically seeks to form and develop managerial and youth talent pools at the level of branches and the Executive Office.

In order to meet the Company's demand for well-trained specialists, and do so promptly and appropriately, Tyumenenergo JSC has created managerial talent pools for the following positions:

1. In the Company:
– Deputy Directors General;
– Heads of Structural Units;
– Heads of Directorates and Divisions.
2. At branches:
– Deputy Branch Directors;
– Heads of Structural Units;
– Heads of Directorates, Divisions, and Services;
– Heads of Production Units.

Below are the key criteria for including an employee in the managerial talent pool:

1) high professional expertise;

2) high production performance;
3) personal and business potential necessary for professional development and career progress.

Candidates are assigned to the managerial talent pool on a competitive basis. In 2018, 525 persons were assigned to the managerial talent pool of the Company. 99.4% of management positions now have a talent pool behind them.

To involve young specialists in solving the acute problems of the grid complex, to improve their professional competence, and to assist in their professional growth, the Company actively engages in working with youth talent pools.

These talent tools of the Company are young specialists that boast a high potential of their professional and managerial competences. Enrollment preferences are given to the employees who are actively engaged in the Company's social life and have rationalization-, invention-, and innovation-related achievements.

Talent pools are reviewed and updated annually; vacated positions are filled additionally from the pool of the Company's young specialists.

As of the end of 2018, the Company's youth talent pools totaled 132 employees.

The efficiency of such talent pools directly depends on the conditions created for the professional development of candidates. For each person in the talent pool, the Company has approved target positions and individual development plans; it assigns mentors from the list of the Company's most competent employees to help these candidates master their target jobs.

To develop their professional and managerial competences, candidates take part in the advanced training programs of Russia's premier educational institutions: National Research University Higher School of Economics, Russian Presidential Academy of National Economy and State Service, etc. Employees enrolled in the managerial talent pool of the Company take part in the Presidential Program of Management Training.

In 2018, members of the managerial and youth talent pools of the Company had a cycle of business trainings on such topics as Teamworking and time Management. Those events were attended by 36 employees.

In total across all subjects, 274 talent pool members passed training in 2018.

Talent pool development measures are not limited to advanced trainings, seminars, and workshops; practical management experience is emphasized as well: candidates are actively engaged in preparations for meetings, take part in the development of regulatory documents, are involved with work groups, and may even fill the role of an Acting Head at their target positions when the actual Head is temporarily absent.

Of all 210 candidates granted management positions in 2018 at the Company's branches and Executive Office, 129 (61.4%) were from the Company itself, of which 89 (42.4%) were from the talent pools.

8.3. YOUTH POLICY

Tyumenenergo JSC devotes special attention to working with young specialists, implementing Rosseti PJSC's Unified Youth Policy.

Policy's key objectives are:

– Involvement of young specialists in sports, socioeconomic, cultural, philanthropical, creative, and professional development of the Company, as well as in cultivating active citizenship and stand in life among young people;

– Establishment of the conditions favorable for adaptation of young specialists, their self-fulfillment and career growth;

– Forming and developing social activity and gumption, as well as social responsibility among the Company's young employees in addressing strategic problems and executing the Company's policy;

– Assisting young specialists in their contribution to formation and development of the Company's corporate culture;

– Helping young specialists develop creative approaches to work and motivating them to enhance their efficiency.

In order to reach these goals, Tyumenenergo JSC organizes and conducts educational and sports events, academic competitions, festivals, forums; involves young specialists in public events and campaigns.

Representatives of Tyumenenergo JSC's youth association participated in the following events in 2018:

– International Youth Energy Forum as a part of the Saint Petersburg International Economic Forum;

– 6th All-Russian Working Youth Forum (Niznhiy Tagil, Russia);

– Youth Day as a part of the Russian Energy Week 2018 (Moscow, Russia);

– Convention of Young Specialists of Surgutneftegas PJSC.

The Company also prioritizes cooperation with higher education institutions. Student construction team Energetik worked at the Company's power grid facilities in 2018; participated in the Closing of the 9th Labor Season of Student Construction Teams of the Power Grid Complex (Rostov-on-Don) having taken the honored third place.

In 2018, the Company's Youth Board reinforced cooperation with Energetik; student movement representatives participated in the 10th Festival of Tyumenenergo JSC's Working Youth.

Also in 2018, the 10th Festival of Tyumenenergo JSC's Working Youth which involved young specialists of nine subsidiaries of Tyumenenergo JSC.

The youth association organized the KVN contest between the teams representing the Company's subsidiaries.

Jointly with the Veteran Board, the Youth Board held the following events:

- Annual campaign "Soldier of the Motherland": concerts and field kitchen for veterans;
- Meetings with veterans in the Surgut Local History Museum;
- Fair of Artworks of the Company's veterans.

8.4. WORKING CONDITIONS AND REMUNERATION (INCLUDING KPIS)

The system of the Key Performance Indicators of the Company's Director General was formed pursuant to the following documents:

– Clause 12 of Article 12 of the Company's Charter;

– Resolution of the Board of Directors dd. April 4, 2017 (Minutes No. 12/17) on Issue 3 "On approval of the methodology for calculating and assessment of achievement of the Director General's KPIs, for the use since January 1, 2017".

Pursuant to the above Resolution of the Board of Directors and the Resolution of the Board of Directors dd. June 7, 2018 (Minutes No. 11/18) on Issue 6 "On approval of the target values of the Director General's KPIs for 2018", the KPIs and respective target values were set in 2018 as follows.

KPIs

Attainment of the Company's priority goals is validated by the Key Performance Indicator (KPI) System.

The system of the Director General's KPIs was established based on the following documents:

- Subclause 15 of Clause 12.1 of Article 12 of the Company's Charter;

- Resolution of the Board of Directors dd. April 4, 2017 (Minutes No. 12/7 dd. April 4, 2017).

Target KPI values for 2018 were set by the Resolution of the Board of Directors dd. June 7, 2018 (Minutes No. 11/18 dd. June 7, 2018).

Pursuant to the above Resolutions of the Board of Directors, the following KPIs and respective target values were set in 2018:

Quarterly Indicators

No.	Indicator	2017 Actual	2018 Target	2018 Actual
1	Consolidated profit from operating activities (EBITDA)	Q1 — 0.3 % Q2 — 0.2 % Q3 — 1.6 % Q4 — 5.7 %	≥ 0 in Q1, H1 and 9 months of 2018; ≥ 3.0 % totally in 2018	Q1 — 28.1 % Q2 — 26.5 %
2	Consolidated net debt / EBITDA	Q1 — 0.3 Q2 — 0.3 Q3 — 0.3 Q4 — 0.3	Q1,2,3,4 ≤ 3.0	Q1 — 0.2 Q2 — 0.4
3	Progress in the plans to reduce the receivables of subsidiaries and affiliates	Q1 — 178.6 % Q2 — 1036.4 % Q3 — 378.7 % Q4 — 300.5 %	≥ 100.0 %	Q1 — 443.7 % Q2 — 197.0 %
4	Zero increase in the number of major accidents	Q1 — 0 Q2 — 0 Q3 — 0 Q4 — 0	Zero increase	Q1 — 0 Q2 — 0
5	Zero increase in the number of casualties	Q1 — 0 Q2 — 0 Q3 — 0 Q4 — 0	Zero increase	Q1 — 0 Q2 — 1

Annual Indicators

No.	Indicator	2017 Actual	2018 Target
1	Consolidated net cash flow	1.4 billion rubles	≥ –8.8 billion rubles
2	Reduction in specific operating costs (expenses)	7.1%	≥ 2.0%
3	Increase in the power grid equipment power used	YES	YES
4	Power losses level	2.61%	≤ 2.95%
5	Reduction in specific investment costs	0.96	≤ 1.00
6	Increase in labor productivity	2.13 %	≥ 2.00 %
7	Innovation activity efficiency	120 %	≥ 90 %
8	Compliance with the commissioning schedule	93%	≥ 90 %
9	Observance of technological connection deadlines	1.0	≤ 1.1
10	Achievement of the service reliability level	0.17	≤ 1.00

Actual values of the indicators for Q3,4 2018 and 2018 were not drawn up nor approved by the Company's Board of Directors as of the moment of the Annual Report preparation, given the time period and the procedure for compiling the reporting that is the source of information for calculating those values. KPIs for Q1,2 2018 were achieved.

The comparison between 2018 and 2017 values is presented in the tables.

The system of Key Performance Indicators used in the Company is interconnected with the amount of the management team's variable remuneration part — ratios are set for each of the indicators in the amount of paid bonuses; quarterly and yearly bonuses are paid upon achievement of relevant KPIs.

8.5. OCCUPATIONAL HEALTH AND SAFETY

The Tyumenenergo JSC Occupational Safety Policy is mainly aimed at saving the life and health of the employees, which is prioritized above the Company's economic activities.

The Company seeks to reduce the risk of occupational diseases and to prevent occupational injuries.

The Company follows the Regulation on the Occupational Health and Safety Management (put into effect by Order No. 546 of Tyumenenergo JSC dd. November 20, 2018).

In Tyumenenergo JSC, the activities aimed at preventing injuries and enhancing the occupational health and safety level is organized pursuant to Tyumenenergo JSC's 2018–2020 Comprehensive Program for Reduction of the Number of Injuries of Tyumenenergo JSC's Personnel and Third Parties at the Company's Power Grid Facilities implemented by Order No. 56 of Tyumenenergo JSC dd. January 25, 2018. Moreover, the Company executes the Program for Elimination of Accidental Equipment Used by Tyumenenergo JSC's Subsidiaries (approved by the Reliability Committee, Minutes No. 05/18 of the Meeting of the Reliability Committee dd. May 18, 2018).

Share of total staff represented in the official joint committees for health and safety, with the involvement of managers and employees that monitor, and make recommendations on, occupational health and safety programs

Pursuant to Article 218 of the Labor Code of the Russian Federation, Tyumenenergo JSC has by virtue of organizational and administrative documents established committees (commissions) in its Executive Office and branches, which on a parity basis consist of persons representing the employer and the elective body of the Primary Trade Union Organization. 34% of the personnel is represented in the official joint committees for occupational safety.

Tyumenenergo JSC employs 128 trained occupational health and safety (OHS) commissioners. In 2018, those carried out 1,033 inspections and made 275 proposals. All of these proposals were timely implemented by the employers.

Occupational injury types and incidence, occupational disease incidence, lost-day and absenteeism coefficients, total casualties: breakdown by regions and gender

No occupational disease cases were registered at Tyumenenergo JSC in 2018.

In 2018, three accidents occurred at Tyumenenergo JSC facilities, one of which involved multiple persons; a total of four employees were injured.

Region	Subsidiary	Accident Type	Number and Nature of Injuries				
			Total	Men	Mild	Severe	Casualty
KhMAO-Yugra	Surgut Electric Grids	Road accident	2	–	–	2	–
Southern Tyumen Oblast	Tyumen Distribution Grids	Electrical injury	1	1	–	1	–
Southern Tyumen Oblast	Tyumen Distribution Grids	Impact of moving, scattering, and revolving pieces	1	1	1	–	–

Total for Tyumenenergo JSC			**4**	**2**	**1**	**3**	**0**

General injury frequency rate in 2018 was 0.54.

Fatal injury frequency rate was 0.

Occupational accidents were investigated pursuant to Article 227 of the Labor Code of the Russian Federation, in full compliance with the Regulation on the Investigation of Occupational Accidents in Specific Industries and Organizations (approved by Decree No. 73 of the Ministry of Labor and Social Development of the Russian Federation dd. October 24, 2002, edited Orders of this Ministry No. 103n dd. February 20, 2014 and No. 640n dd. November 14, 2016).

Acts in a prescribed form were made as a result of investigations; Tyumenenergo JSC issued regulatory documents stipulating measures aimed at preventing similar accidents in future.

Employment-Conditioned high-injury and high-morbidity among employees

OHS objectives are analyzed and assessed with the use of indicators reflecting performance and efficiency of measures of the Occupational Health and Safety Management System (OHSMS). The key indicators are:

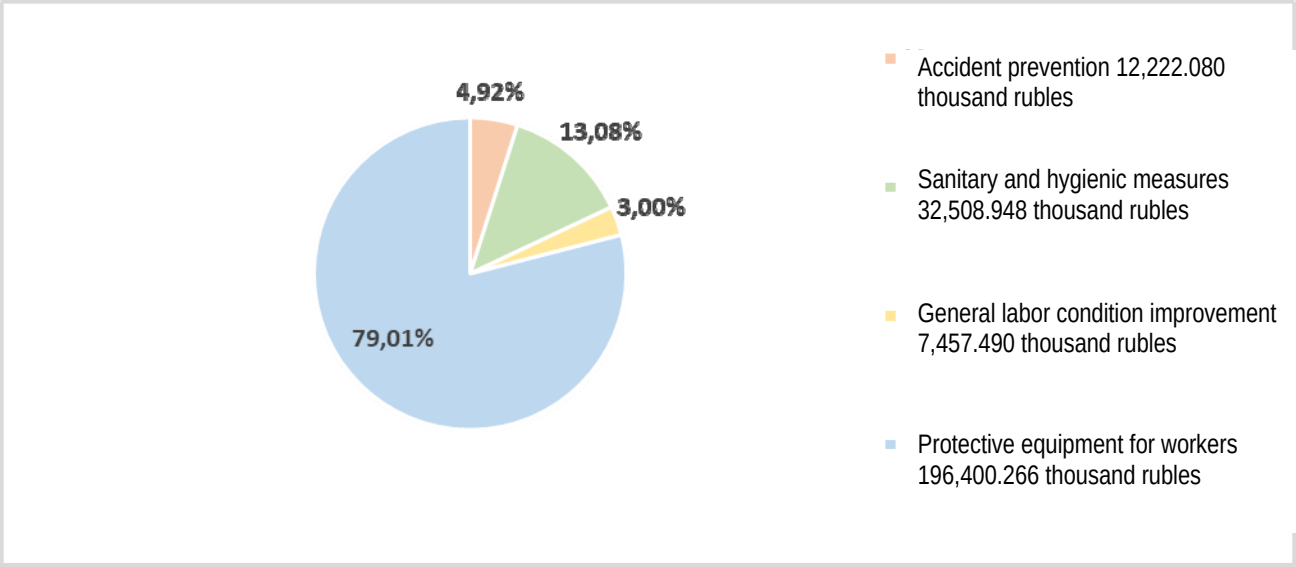
- reduction of accidents and injuries at workplaces;
- reduction of professional diseases among employees;
- reduction of workplaces with hazardous or harmful environment;
- reduction of workplaces of high or moderate professional risk levels;
- number of employees underwent medical examination and having no precautions or limitations;
- reduction of violations of the OHS requirements by employees, contractors (subcontractors) or other parties at Tyumenenergo JSC's power grid facilities;
- reduction of violations of OHS requirements identified during OHSMS inspections by governmental regulators;
- number of taken measures designed based on the results of OHSMS inspections by governmental regulators;
- reduction of accidents and injuries of contractor (subcontractor) staff of other parties at Tyumenenergo JSC's power grid facilities;
- number of OHS-related meetings and consultations with employees and their representatives, including the meeting of the OHS Committee;
- number of implemented and executed resolutions of Tyumenenergo JSC's executives, prescribed during previous OHSMS inspections;
- funds devoted to privileges and compensations for employees working in hazardous or harmful environments;
- funds devoted to compensations for damage done by accidents, injuries, or violations of OHS requirements;
- funding of OHS-related measures.

Based on the analysis and assessment, the executive board makes a resolution on the following:

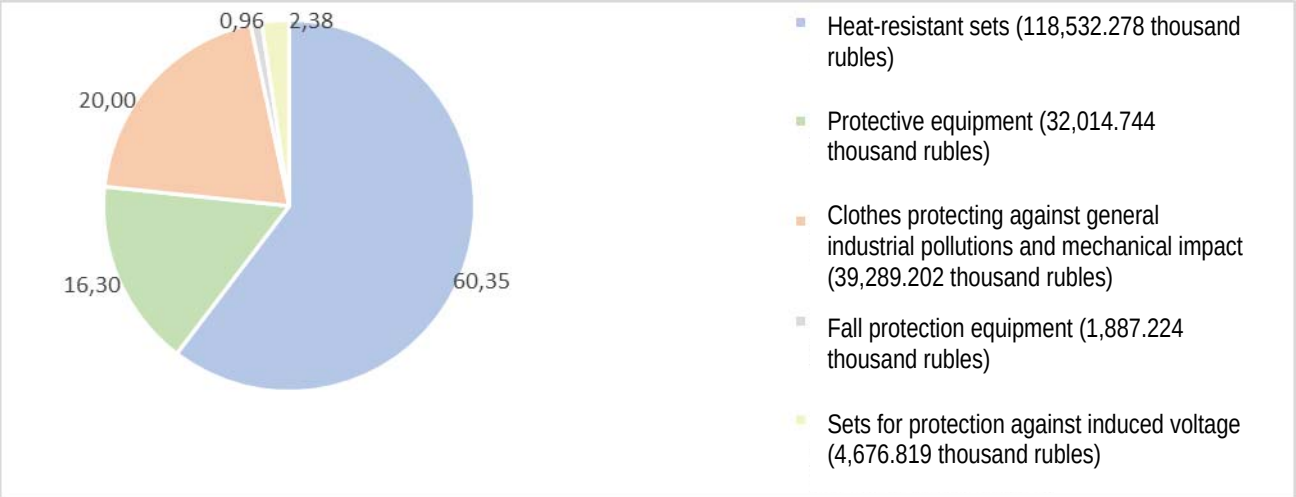
- whether the OHS objectives are achieved;
- whether any of OHS objectives need to be changed;
- whether the number of OHS objectives for the next reporting period needs to be chanced;
- whether the OHS Policy needs to be reviewed.

In total, 248,588.784 thousand rubles were spent on OHS-related measures in 2018. Expenses on providing employees with protective equipment totaled 196,400.266 thousand rubles.

2018 OHS Expenses, %



Protective Equipment for Employees, %



OHS Matters in Official Agreements with Labor Unions

Occupational health and safety matters are reflected in the Occupational Safety section of the Collective Agreement. The Section stipulates:

1. Mandatory social insurance against occupational accidents and diseases.
2. Ensuring that the safety and labor conditions of each workplace and each facility/site are compliant with the state occupational safety regulations.
3. Evaluating the labor conditions at workplaces to elaborate and take measures for occupational safety and labor condition improvement.
4. Training the workers employed for harmful and (or) hazardous jobs to use safe methods and techniques in their work, which is supplemented with workplace training and exams; training employees to provide first aid in case of an occupational accident, using state-of-the-art training technology and advice from qualified instructors.
5. Timely development of occupational safety rules and regulations with due account of the opinion submitted by the elected body of the primary trade union organization in due order.
6. Employees (i) working in harmful and (or) hazardous labor conditions or (ii) performing their work in specific temperature conditions or conditions associated with pollutions that have passed mandatory certification or declaration of conformity are provided with special clothes,

special footwear, other personal protective equipment, special foods, as well as rinsing and (or) neutralizing agents in accordance with the established Standards and other regulations.

7. Workers undergo preliminary (at the start of employment) and periodic (during their employment) health checkups at the expense of the employer; for some positions, psychiatric examination is mandatory.

8. Measures to Improve Occupational Safety and Labor Conditions, Preserve Life and Health of Employees.

Besides, Tyumenenergo JSC trains its Occupational Safety Commissioners, provides them with technical literature, occupational safety rules and instructions. Occupational Safety Commissioners have four hours a week to perform their duties, paid at the same rate as their primary jobs.

Measures to ensure health and safety of employees during work

Pursuant to the Procedure for OHS Education and Examination of OHS-Related Knowledge of Employees, approved by Decree No. 1/19 of the Ministry of Labor and Social Development of the Russian Federation dd. January 13, 2003, Tyumenenergo JSC's employees undergo regular OHS training.

For the training purposes, Tyumenenergo JSC uses the automated personnel training system ASOP Expert recommended by Rosseti PJSC and Rostekhnadzor. The training sessions take place for the executive board and Tyumenenergo JSC's subsidiaries in special computer-equipped classrooms and at some workplaces provided with the remote access to ASOP Expert.

The following procedures take place in OHS class rooms: pre-examination training, exams, first aid training. Software and hardware used: ASOP Expert for pre-examination, GOSHA mockup for first aid training.

This software and hardware allow for detailed studying of the operating instructions, fire safety instructions, and OHS guidelines, as well as acquire first aid skills.

Tyumenenergo JSC's OHS classrooms are equipped in compliance with the Recommendations for Organizing the OHS Classroom and Information Board, approved by Decree No. 7 of the Ministry of Labor and Social Development of the Russian Federation dd. January 17, 2001, and the Standard for the OHS Classroom in Power Industry Organizations, approved by Order of the Russian Academy UES of Russia dd. September 27, 2001, RD 153–34.03.107–2001. In 2018, the Company spent 377.385 thousand rubles on equipping the traffic safety classrooms, including purchasing of stands, simulator robots, and first aid training tools.

1. The Company established the system for responding on violation of OHS requirements pursuant to the Regulation on the System for Responding on Violation of OHS Requirements by Employees of Rosseti PJSC's Subsidiaries and Affiliates approved by Decree No. 144r of Rosseti PJSC dd. March 6, 2017 and put into effect in Tyumenenergo JSC by Order No. 191 dd. March 30, 2017 "On measures aimed at preventing employee injuries".

2. The Company organized a system called "Three 'Befores'" pursuant to Regulation approved by Decree No. 114r of Rosseti PJSC dd. March 6, 2017 and put into effect in Tyumenenergo JSC by Order No. 191 dd. March 30, 2017 "On measures aimed at preventing employee injuries".

3. The Company ensured full compliance of the responsible persons (appointed by work permits or decrees) with the Guidelines for the Primary Permit to Work Pursuant to Work Permit (Decree) and Guidelines for Repeated Permit to Work Pursuant to Work Permit, approved by Decree No. 353r of Rossetig PJSC dd. July 11, 2017, which was stipulated in Order No. 395 of Tyumenenergo JSC dd. July 18, 2017 "On enhancing the briefing quality".

In order to ensure safe and normal work environments at all production stages, compliance with OHS requirements at all management levels, enhancement of the efficiency and responsibility of officers organizing and supervising the efficiency of the OHSMS and Internal Technical Control

System (ITCS) during the "Days 'Since'", the Company conducted inspections of compliance with current OHSMS and ITCS requirements, including compliance with them by officers of the Company's subdivisions who are responsible for implementation of such requirements. Following the identified violations, directors of the Company's subsidiaries were given the instructions; execution of such instructions was supervised by the specialists of the Industrial Safety and Production Control Services.

Injuries and Casualties of Non-Employees

Region	Subsidiary	Accident Type	Number and Nature of Injuries			
			Total	Men	Teens	Casualties
Southern Tyumen Oblast	Tyumen Distribution Grids	Electrical injury	2	2	1	2

9. SOCIAL POLICY

9.1. EFFECT ON THE PRESENCE REGIONS

Over 2018, the Company transferred 5,346,630.90 thousand rubles as tax to the federal budget and regional budgets, including:

thousand rubles

1	Federal budget	1,993,778.03
2	Moscow budget	-14,813.17
3	KhMAO-Yugra budget	1,809,903.28
4	YNAO budget	959,514.76
5	Tyumen Oblast budget	597,424.73
6	Sverdlovsk Oblast budget	695.19
7	Omsk budget	128.08

The Company pays special attention to promotion of power industry professions and other technical specialties, as well as to cultivating the culture of energy-efficient lifestyle and cautious behavior of children and teens nearby power facilities.

In 2018, the Company conducted Doors Open Days for students of the Yugra, Surgut, and Nizhnevartovsk State Universities, Surgut and Nizhnevartovsk Colleges — institutions which educate further professionals for the industry. Also, the Company held the Energy Saving Festival #BrighterTogether with the Boulevard of Energy-Efficient Technology in the capital of Yugra, Khanty-Mansiysk. These events involved over 50,000 people, including 35,000 students and schoolchildren.

In 2018, specialists of Tyumenenergo JSC's subsidiaries conducted 746 electric safety events in the KhMAO-Yugra, YNAO, and Tyumen Oblast. These events involved more than 40,000 children and some 4,400 adults.

9.2. SOCIAL RESPONSIBILITY

Tyumenenergo JSC prioritizes corporate social responsibility as a development factor. Being a socially-oriented company, Tyumenenergo JSC adheres to the following key principles:

- non-discrimination in labor relations;
- abolition of all forms of forced and compulsory labor; provision of a safe working environment;
- timely payment of wages;
- raising the employees' wages by indexing their tariff rates and salaries; having a system of material and moral incentives in place;
- ensuring that every employee of the Company has equal opportunities for personal and professional growth.

To maintain the social stability and develop social partnership, Tyumenenergo JSC has entered into a Collective Agreement with its employees represented by the Tyumen Interregional Organization of the Public Association All-Russian Elektroprofsouyz (Power Labor Union). This Collective Agreement does not worsen the employees' situation compared to the Russian legislation and the effective Industrial Tariff Agreement of Russian Power Engineering.

Tyumenenergo JSC also has a Non-State Pension Program in place to ensure a worthy standard of living for its retirement-age workers. The Company's participation in a non-station pension program strengthens the trust of its employees, helping stabilize it and make the average age lower.

Besides, Tyumenenergo JSC actively helps its employees to improve their housing. A long-term program has been adopted pursuant to the Tyumenenergo JSC Regulation on Corporate Assistance and Support for Housing Improvement. The program prioritizes high-skilled specialists that urgently need better housing, including young managers, specialists, and workers of the major production subdivisions.

Beside material incentives, Tyumenenergo JSC also has moral ones.

More than 1,100 of the Company's employees have been granted awards of various denominations. 32 people got departmental awards, including 3 employees granted the Honorary Title of an Honored Power Engineer. Eight were awarded the Honorary Diplomas of the Ministry of Energy, 20 were acknowledged by the Ministry. 114 were granted corporate awards of Rosseti PJSC, with 15 being granted the Honorary Title of a Power Grid Complex Veteran. One employee was awarded with the Grade 2 Honorary Badge for Contribution to Development of the Power Grid Complex, 5 persons were awarded with the badge for Professional Skills; 66 were awarded the Honorary Diploma of Rosseti PJSC, and one was named on the Roll of Honor of Rosseti PJSC. Tyumenenergo JSC’s employees were awarded the Honorary Diploma of Rosseti PJSC for contributing to the enhancement of the power supply reliability in the Republic of Dagestan. 20 people got departmental awards. Over 200 employees of the Company were granted regional awards from public authorities and local self-government. For their merits and many years of work in the power industry, over 300 employees were granted the Honorary Diplomas and Letters of Appreciation from Tyumenenergo JSC; 27 were named on Company's Roll of Honor; more than 500 people were granted awards from their branches.

For employees living in the Far North or equivalent areas, the Company offers a Wellness Program for Children and Families to help them recover. A total of 490 persons (the Company's workers and their children) went to the recreation resorts of the Black Sea coast. The Company organized summer trips to health resorts for children, 119 of whom traveled to the Black Sea and 28 to Southern Tyumen Oblast.

Besides, Tyumenenergo JSC emphasizes reinforcement of the corporate culture and development of the internal communications between employees. In 2018, over 10 corporate events were held. The Company's employees participated in the May Day march of labor collectives of the city. It is also a tradition to conduct campaigns encouraging attention to the environmental safety of the region. As a part of city environmental campaign "Planting Day", the Company purchased and planted 122 nursery plants of Lonicera xylosteum (honeyberry). Every year, Tyumenenergo JSC holds art contests and events promoting family values, such as:

- Children's day holiday;
- Children's painting contest organized within the framework of the Rosseti's Anniversary;
- *Live a Brighter Life* Contest;
- Health Days — family sports events;
- *The Liveliest X-Mas Tree*, Children's Christmas holiday.

For the Company's veterans, the Senior Day and traditional Victory Day night were organized. Veterans were also honored at the Power Engineer's Day event, where power industry veterans performed their vocal act.

As a part of the corporate sports events of Rosseti PJSC, the Company participates in all kinds of sports.

Within the Spartakiad, Tyumenenergo JSC's organized and held contests on 9 kinds of sports (ski racing, ping-pong, track and field, kettlebell lifting, basketball, chess, volleyball, swimming, indoor soccer).

In 2018, the Company conducted training competitions within the All-Russian "Ready for Labor and Defence" program (GT). 786 employees participated in physical tests, and 643 were awarded the GTO badges.

9.3. CHARITY

Charity to individuals and legal entities is mainly provided in the following areas:

- assistance in education, science, culture, arts, and enlightenment; assistance in physical education and mass sports;
- social support and protection for citizen, including financial support for the impoverished, social rehabilitation of the unemployed, disabled, and other persons who are not capable of protecting their rights and lawful interests due to their physical, mental, or other conditions;
- protection and maintenance of buildings, sites, and territories of historical, cultural, religious, or environmental significance;
- social rehabilitation of orphans, children left without parent care, street children, and children in difficult life situations;
- assistance in disease prevention, treatment, rehabilitation, and health protection; promotion of healthy lifestyle and improvement of people's moral and psychological status;
- assistance for victims of natural disasters, environmental, industrial, and other catastrophes, social, national, and religious conflicts, repressions, as well as for refugees and internally displaced persons.

In 2018, the Company provided charity support to the Orthodox Parish of the Great Martyr Genus Cathedral in Surgut. The purpose of the charity support was implementation of the socially-minded project aimed at protection of the maternity and childhood. The Company’s employees show their social responsibility in regular events organized jointly with the region’s charity funds — special campaigns for support and treatment of severely-ill children.

10. ENVIRONMENTAL POLICY

10.1. COMPLIANCE WITH ENVIRONMENTAL REQUIREMENTS

Compliance with Environmental Requirements

The purpose of executing the power grid complex's environmental policy is preservation of the favorable environment for the existing and future generation. In the context of the environmental safety, the policy shall contribute to preservation of the environment during construction and operation of the power grid facilities.

The following documents stipulate Tyumenenergo JSC's environmental and social responsibility:

- Environmental Policy of the Power Grid Complex;
- Uniform Technical Policy of the Power Grid Complex;
- Tyumenenergo JSC's Integrated Management System Policy;
- 2017–2019 Plan for Execution of Tyumenenergo JSC's Environmental Policy.

The environmental impact of Tyumenenergo JSC's activities does not exceed the maximum tolerable values thus ensuring normal parameters of the environment quality.

Being an environmentally-responsible company, Tyumenenergo JSC participates in various environmental public events, designs and executes the in-house environment-protection programs.

Environmental Management System

In Tyumenenergo JSC, the Environmental Management System (EMS) was introduced in 2008 based on ISO standards; specifically, ISO 14001:2004, but the system was not limited to requirements thereof. The Company expanded the control field, evaluating potential (beyond the existing) negative economic and environmental risks, following the European Union's Environmental Policy:

1) Prevention: activities aimed at averting pollution or any other environmental damage;
2) Precaution: lack of results of scientific research on an issue cannot be the reason to cancel or postpone preventive measures;
3) Recovery and compensation of the environmental damage;
4) Contaminator pays costs: faulty parties bear all expenses on preventive measures and compensations.

Currently, all these principles are reflected in the policy of the Russian Federation.

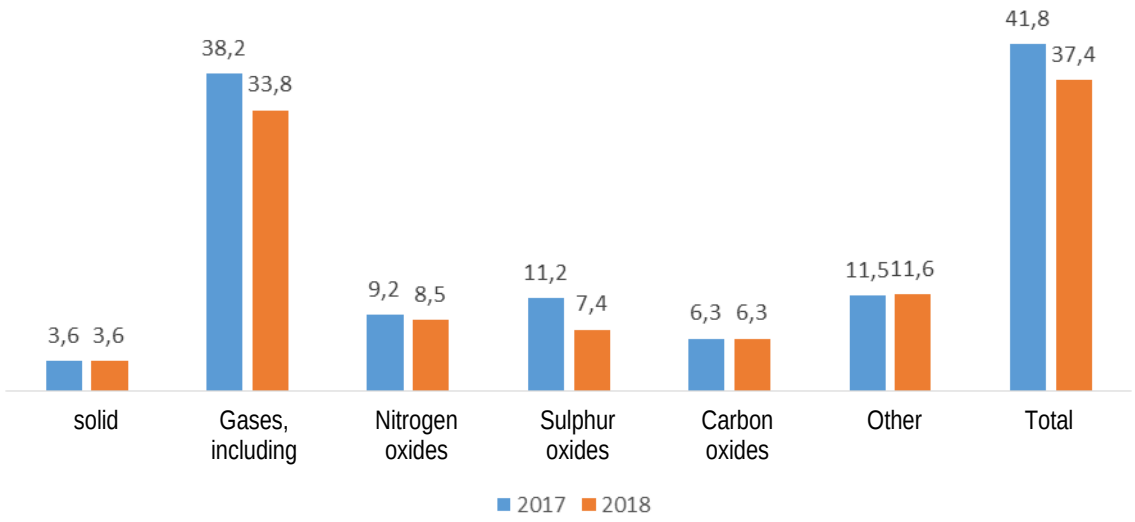
ENVIRONMENTAL PROTECTION FIGURES
Atmosphere Protection

Tyumenenergo JSC's process and production sites are typical structures of the electric grids: an electric grid district, substations of various voltage, production yards.

Emission sources are exhaust ventilation of production premises, welding and metal-treatment areas, vehicle maintenance and repairs areas, garages, carpentry and repair workshops, backup diesel generators, a pipe of thermal waste treatment stations Forsazh-1, paint work.

In 2018, Tyumenenergo JSC's atmosphere-pollutant emission volume totaled 37.424 tons which is 10% lower than in 2018 (41.682 tons).

Tyumenenergo JSC's Total Atmosphere-Pollutant Emission in 2017–2018, tons



Water Resource Protection and Rational Use

Tyumenenergo JSC's subsidiaries are not major water consumers, they do not get water from the surface source, and use artesian wells only for technical purposes (fire safety). Underground water source use is evaluated with the use of direct measurements (water meters), results of which determine the water tax.

In 2018, artesian wells were not tamped or suspended. As a subsoil user, Tyumenenergo JSC has 14 license agreements and 28 artesian wells. The conditions of subsoil use agreements are fulfilled. The volume of subsoil water obtained in 2018 totaled 28,436 thousand cubic meters, which is 29% lower than in 2017 (40,294 thousand cubic meters).

Land Protection and Rational Use

Tyumenenergo JSC's main equipment, electric substations, are complex structures. A substation is nothing special for powermen, but non-technicians can find something amazing in it. Take a transformer and how it works — obviously, it is an absolute technological wonder. Under a transformer, there is a system of oil pickups (including a 100-percent-collection sump). A bunker like this, leakproof and fire-resistant, is an ecologist's dream. This system is essential for uninterruptible operation of a substation transformer and for prevention of any land pollution with oil products in case of emergency. It is important as long as discharge of contaminated rainwater of the oil pickups is prohibited, so without an oil pickup system, the Company is at risk of receiving big fines. The oil pickup system under a transformer has to be kept in good order to prevent oil spill in case of an accident — this way the land protection problem is resolved at the very stage of power grid facility design.

Biodiversity Conservation in Presence Regions

Information about rare and endangered species of plants and animals of Russia is given in the Red Book of the Russian Federation and Red Books of the constituents of the Russian Federation which are official legal documents regulating protection of rare species of animals, plants, and fungi.

On power lines, Tyumenenergo JSC conducts biotechnical activities, installing bird guards aimed at (but not limited to) preserving rare species, such as fish hawk, white-tailed eagle, peregrine falcon, and Siberian crane.

Figure. Siberian Crane.

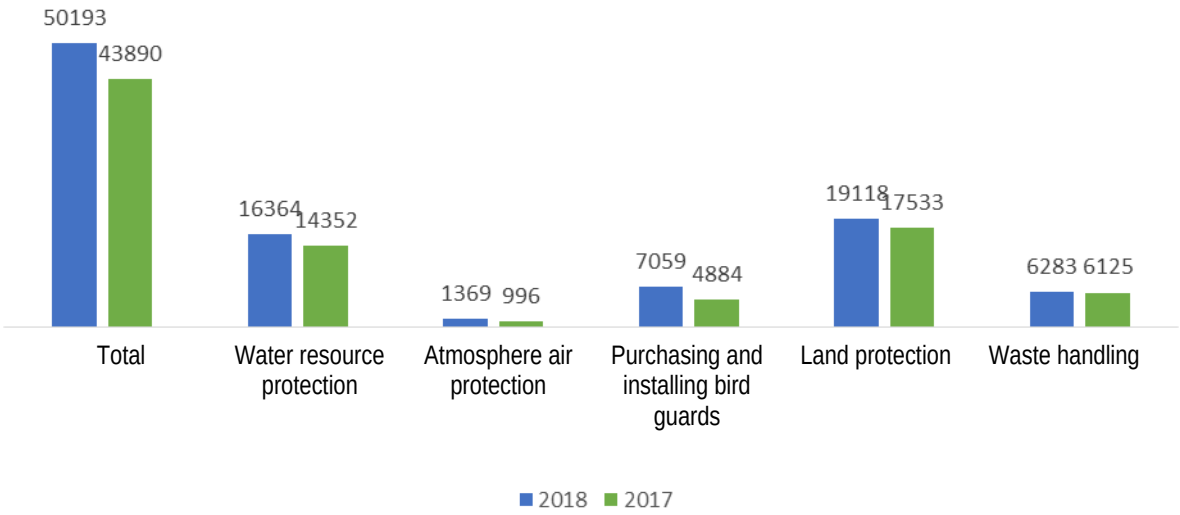
In 2018, 6,244 bird guards were installed on power lines (3,087 in 2017), which is considered significant scope of work on installing bird guards ensuring ornithological safety of power grid facilities and reduction of OPL outages.

In 2018, within the framework of redevelopment and greening of production areas, decorative bushes and flowers were planted; the total expenses amounted to 790,000 rubles. Within environmental promotions such as Green Russia, All-Russian Forest Planting Day, Cycling of Life, the following plants were put in: 55 mountain-ash plants, 10,900 pine tree plants, 4 two-year American arborvitae plant, 3 Manchurian walnut plants (spearheaded by a worker of the Tobolsk Local Production Department of Tyumen Distribution Grids).

Total Environmental Protection Costs

Environmental program financing is mostly aimed at fulfilling requirements of the environmental legislation of the Russian Federation, as well as international and local corporate standards.

Tyumenenergo JSC's Environmental Protection Costs, thousand rubles



Environmental awareness and responsibility of personnel

Tyumenenergo JSC annually plans the personnel environmental education system which helps enhance personal responsibility of every employee for compliance with environmental and industrial safety requirements.

In 2018, 68 employees were trained (39 on waste handling access; 17 on environmental safety; 12 on internal environmental audit pursuant to ISO 14001:2015). Total expenses amounted to 629,000 rubles.

The 2018 Plan for Execution of Tyumenenergo JSC's Environmental Policy stipulated training of 60 employees; as of the year-end, the plan was completed at 112%.

Environmental Trainees, people

Industrial Environmental Control

Industrial environmental control is a system for evaluation of the environment status, which is, from the one hand, a rationale for executive decisions based on risk minimization, or the system providing data on the characteristics of sources of Tyumenenergo JSC's environmental impact and environment parameters.

In 2018, over 320 measurements were carried out in Tyumenenergo JSC's subsidiaries with the involvement of outside analytical centers. Total expenses amounted to 1.1 million rubles. The results are as follows:

- Atmosphere-pollutant emission volume does not exceed the maximum tolerable values approved by local directorates of the Federal Supervisory Natural Resources Management Service;
- Waste generation does not exceed the regulatory values;
- Physical impact (noise, electric and magnetic field) does not exceed the maximum tolerable level prescribed by sanitary regulations.

10.2. DISCHARGE AND WASTE

Waste Handling

In 2018, Tyumenenergo JSC generated 3,611 tons of waste (13% lower than in 2017); disposed 2,198 tons on disposal sites (lower than 11% than in 2017), utilized and neutralized 1,195 tons.

Specific volume of waste generation per revenue unit in 2018 totaled 0.059 ton/million rubles.

Tyumenenergo JSC's waste generation in 2017–2018 is presented in the table below.

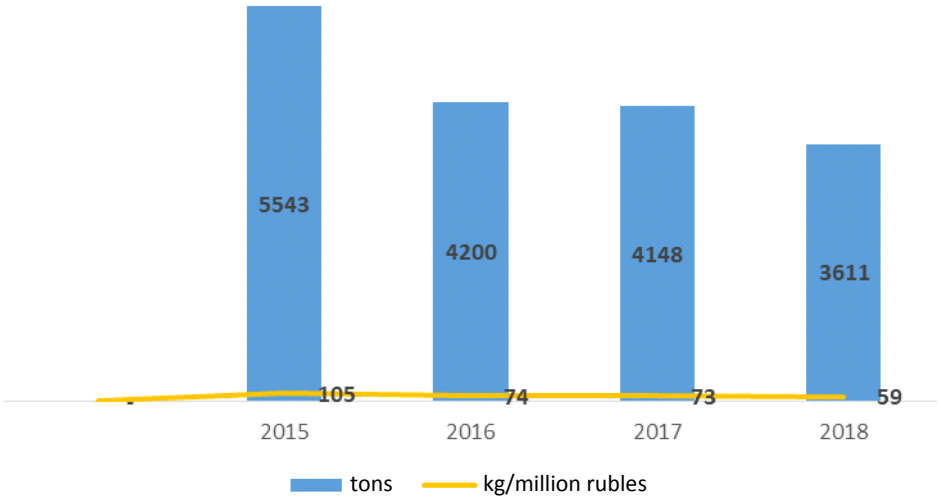
tons

No.	Indicator	2017	2018
1	Danger Class I (dead mercury-arc lamps)	3.020	2.095
2	Danger Class II (dead batteries)	7.836	14.597
3	Danger Class III (discharged oils, vehicle oil filters)	149.035	251.223
4	Danger Class IV (accommodation space waste, discharged ties, office appliance waste, construction waste)	856.981	944.148
5	Danger Class V (ferrous and non-ferrous metal, wood waste, glass and porcelain insulation waste)	3,131.552	2,398.963
6	TOTAL	4,148.424	3,611.026
Waste Handling			
7	Disposed	2,460.081	2,197.920
8	Utilized	1,776.749	1,157.222

From 2015 to 2018, the volume of annual waste decreased from 5,543 tons to 3,610 tons (-35%). The change of the specific waste generation per revenue unit shows the similar dynamics. The overall decrease in the specific waste generation from 2015 to 2018 came to 0.046 tons/million rubles, or 44%.

Waste of Danger Classes IV and V (low-hazard or no-hazard) hold the greatest share of generated waste. In 2018, the volume of such waste totaled 3,343 tons (93% of the total waste generation volume). Danger Class III waste volume amounted to 251 tons (7% of the total waste generation volume).

2015–2018 Dynamics of Total Waste Generation and Specific Waste Generation Per Revenue Unit



Today, the whole-new type of governmental regulation is formed, environmental regulation. This set of measures embodies the legally documented programs for enhancing the environment quality, which stiffens the environmental law. Transition to the damage prevention strategy (e.g. implementation of the best technologies available) from the contamination containment is accompanied by significant increase in expenses on the environmental protection initiatives.

However, there is another option: implementation and operation of the risk-oriented environmental management system which would be mainly aimed not only at resolving the current issues, but at taking gradual measures to prevent environmental problems and forecasting environment-related organizational activities.

Implementing Reusable Waste Metering

Since 2011, Tyumenenergo JSC has been implementing the reusable waste metering system (waste beyond written off assets). The system is built on the simultaneous writing off and waste generation.

Simultaneous Writing off, Waste Generation, and Waste Handling

By 2018, the volume of recyclable materials from written-off items doubled, which led to the increase in profits. In financial terms, utilization of waste is a commercial environment-protection project. By recycling generated waste (ferrous metals, aluminum, copper, and other waste generated during repairs and modernization of substations or power lines), the Company can reduce the volume of waste emitted to the environment and make money out of selling recycled materials.

Recycling Figures

Recyclable Materials	Share of Recyclable Materials in the Total Weight of the Purchased/Written off Materials, %	
	2011	2018
Ferrous scrap	35	85
Aluminum scrap (aluminum and alloys)	40	85
Copper scrap (copper and alloys)	50	90
Waste lead accumulator batteries (demountable)	80	98
Waste lead accumulator batteries (non-demountable)	0	98
Waste mineral engine oil	0	50
Waste mineral transformer oil	0	75
Cable containing precious metals	0	25
Commercial value (sales of recycled materials), thousand rubles/year	**14,905**	**29,802**

Containment of Leaks of Major Oil-Filled Equipment before Full Repairs

The Company's substations employ large oil-filled equipment such as 15-to-25-ton oil power transformers. Operation in the Far North implies higher threat of housing damages and oil leakage. In terms of power transmission, such losses are allowable, but in terms of environmental safety, they bear the risk of an administrative environmental violation. Getting into the emergency oil pickup system, oil may be pushed by the precipitation down to the ground in case of abundant precipitation or intense snow meltdown. This risk grows even more critical for remote substations, as in ample precipitation periods it can be difficult for vehicles to ride through washed-out roads to pump the rainwater off the systems.

Certain difficulties make welding repairs impossible quite often. Though there were now technological disturbances, the environmental damage risk is very high, so the ecologists initiated and developed the program for using polymeric mastics to handle leakages. During 5 years, materials of various manufacturers (US, Germany, Russia) have been purchased and tested. Eventually, the technique was finished and the most efficient and feasible material selected.

Polymeric Mastic for Handling Transformer Radiator Leakage

Results of using polymeric mastic to handle transformer radiator leakages:

1. Environmental:

– Lower risk of oil intrusion into the emergency oil pickup system, rainwater collection system — thus, the soil (industrial, forest soil) contamination risk is prevented;

– Lower fire hazard;

– Lower transformer oil consumption rate.

2. Technical:

– Higher efficiency of small-leakage repairs;

– No equipment decommissioning needed;

– Lower risk of higher load on the redundant equipment.

3. Economic:

– Expenses on removing the oiled soil from the area (based on the 2014 110-kV SS cleaning sheet) totaled 480,234.77 rubles (VAT excluded).

Therefore, the economic effect of the measures is to total some 0.5 million rubles with insignificant material costs; also, the initiative will considerably lower the risk of administrative fines.

SF6-Insulation

SF6 is the insulating and arc-suppressing gas:

– Chemically inert;

– Non-toxic;

– Colorless;

– Dielectric strength is up to 3x times higher compared to air;

– Ensures high reliability of distribution devices;

– Space saving;

– Lower cost compared to other technologies.

Main knowledge of environmental issues when using SF6: greenhouse gas.

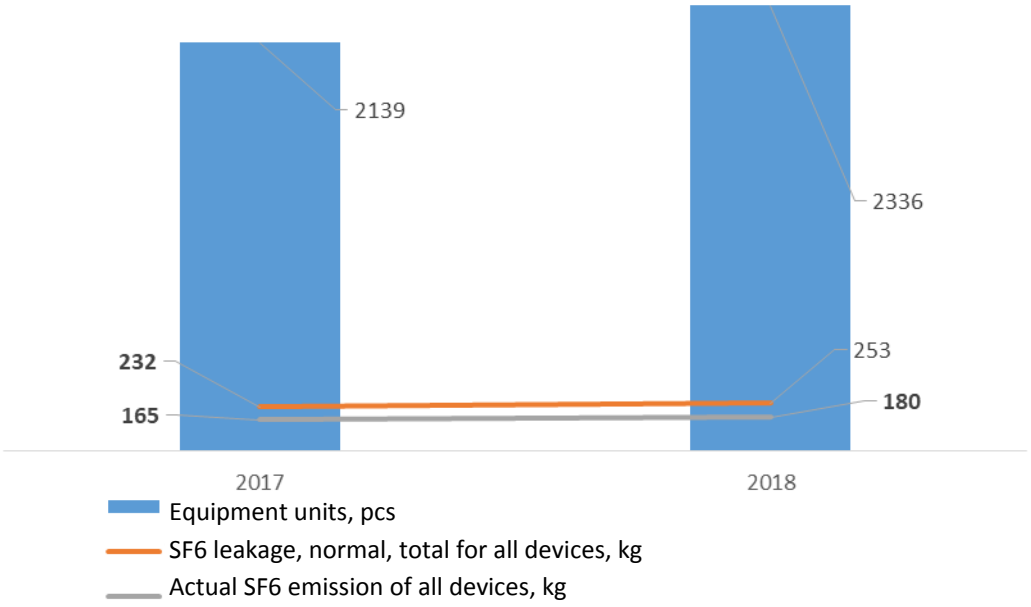
Speaking of the global warming, SF6's specific potential is some 23,000 times higher compared to the main greenhouse gas, CO2. However, its leakproof structure, safe production, maintenance, operation, and proper utilization, make the SF6-containing electrotechnical equipment capable of creating the system having the lowest possible environmental impact.

The key factors that do affect the global warming are electric loads in the grid and devices. Active losses in electric cables, lines, and transformers hold the greatest stake. Results of operation of SF6-using distribution devices show lower power losses, which leads to reduction of CO2 emission at power plants and improves the overall global environmental balance.

Nevertheless, based on the results of studies carried out by the Intergovernmental Panel on Climate Change and the fact that SF6 is the greenhouse gas actually and its emissions need to be reduced pursuant to the Kyoto Protocol, the European Union passed the law that prohibits virtually any use of SF6, except in electric distribution devices.

Such an exception was due to the lack of economically feasible alternatives.

SF6-Insulation Technologies



10.3. ENERGY CONSUMPTION

Energy consumption figures, including intensity values, are presented in the table below:

No.	Goal	Unit	2016	2017	2018
1	Total energy loss	million kWh	1,813.,39	1,699.96	1,640.20
		% of power supplied	2.54	2.61	2.84
2	In-house needs of substations	million kWh	80.97	82.05	89.12
		% of power supplied	3.94	4.83	5.43
		kWh/c.u.*	483.81	487.04	527.23
3	Energy consumed for economic needs of administrative buildings, including:	thousand TOE	17.60	16.63	16.25
3.1	Electric energy	million kWh	72.76	68.95	63.40
		kWh/m²**	202.70	192.10	176.63
3.2	Heat energy (building heating systems)	Gcal	38,197.40	37,840.37	39,419.15
		Gcal/m³***	0.035	0.034	0.036
3.3	Natural gas (including liquified)	thousand m³	2,040.21	1,922.65	2,098.20
3.4	Other fuel resources (oil)	thousand tons	0.74	0.51	0.41
4	Cold water consumption for economic needs	thousand m³	60.49	69.01	60.59
5	Total consumption of engine fuel by vehicles	thousand l	4,681.77	4,596.07	4,709.86

** 2018 value of substation equipment conditional units totaled 169,041.56.*
*** Area of buildings and structures operated amounts to 358,952.41 m².*
**** Volume of buildings and structures heated amounts to – 1,097,327.5 m³.*

There is a positive trend of energy efficiency parameters of consuming fuel resources used for economic needs of the Company, which speaks for the effectiveness of the Tyumenenergo JSC energy-saving policy.

10.4. TRANSPORTATION

Tyumenenergo JSC considers transportation when evaluating its effect on the environment. Though, transportation-caused effect is not significant as technical service and repairs of vehicles, as well as cargo carriage activities, are performed mostly by third-party companies. Vehicle effects are evaluated when entering into a transportation contract that contains compulsory terms such as informing on technical inspections and environmental control.

At charging stations installed in 2017 in Surgut and Tyumen, Company-owned and individual-owned electric vehicles are charged.

Three electric cars purchased by Tyumenenergo JSC in 2017 are involved in the production process; the Company analyzes the necessity for further implementation of those vehicles.

11 CORPORATE COMMUNICATIONS

2018 Communication between Tyumenenergo JSC and Concerned Parties

No.	Concerned Party	Concerned Party Interest	Interaction with Concerned Parties	Measures Taken to Serve Concerned Party Interest in 2018
1	**Shareholder**	1. Company's sustainable growth and efficiency. 2. Transparency of the Company's operation and management. 3. Dividend payout.	1. General Shareholders Meeting. 2. Annual Report. 3. Federal and Regional Mass Media. 4. Corporate Website.	1. 2018 Net Profit (IFRS) totaled 750 million rubles. 2. Specific operational costs per 1 conditional unit reduced by 3.6 in 2018 against 2017. 3. Information voluntarily disclosed pursuant to the Russian securities market legislation.
2	**Consumers**	1. Reliable, fail-safe and high-grade power supply. 2. High quality of service. 3. Transparency and availability of the information regarding Company operation. 4. Fulfilling demand for the Company's services.	1. Customer service offices. 2. Customer account. 3. Call center. 4. Technical disturbance hotline. 5. Surveying. 6. Tyumenenergo JSC corporate website (online reception). 7. Regional mass media.	1. Agreement-based campaign of 2018 (Decree No. 80r dd. September 21, 2017 "On arrangement of the agreement-based campaign 2018"). Resulted in 82 agreements concluded: 1 with SLR, 26 with COs, 48 with LGOs, 1 with FGC UES, 6 direct. 2. Compulsory information disclosure (pursuant to Decree No. 24 of the Government of the Russian Federation dd. January 21, 2004 "On Approving the Standards for Information Disclosure by Entities of the Wholesale and Retail Power Markets).
3	**Public (residents of the Company operation regions, public organizations, mass media)**	1. Reliable and sustainable operation of the power system. 2. Fail-safe power supply 3. Fulfilling demand for electric energy and power. 4. New workplaces. 5. Social-economic development of the regions of operation. 6. Transparency and availability of the information regarding Company operation. 7. Energy safety. 8. Energy saving.	1. Interaction with mass media (digital, printed, TV, radio) of various levels (federal, regional, local). 2. Informing via the corporate website. 3. Social networks. 4. Support of social projects in regions of operation, implementation of own social projects. 5. Interaction of manager and specialists with public institutions, including meetings with students and veterans.	1. 140 production-related press releases, 320 social media publications. 2,800 Company mentions. 2. 746 events held at educational institutions of regions of operation within the framework of the project Electricity is Safe. Events that involved 40,000 people were aimed at preventing electrical accidents among non-specialists. 3. Over 50 events cultivating energy-saving lifestyle held at educational institutions. 4. Doors Open Days for the students of the Yugra, Surgut, and Nizhnevartovsk State

		9. Ecological safety and environment protection. 10. Implementation of social programs.	6. Electrical accident prevention. 7. Energy-saving lifestyle cultivation. 8. Electric energy profession popularization. 9. Congresses and exhibitions. 10. Contests and competitions.	Universities, as well as Surgut, Uray, and Nizhnevartovsk Polytechnic Colleges preparing future industry professionals. 5. Over 11,000 trees and bushes planted. 6. 6,244 bird guards installed on power lines (2x increase against 2017). This ensures higher ornithological safety of power grid facilities and reduction of OPL outages. 7. Waste generation 13% lower than in 2017 (lower Class I waste generation due to execution of the energy service agreement). To-be-disposed waste volume decreased by 11% against 2017. 8. 50.193 million rubles spent on the environmental protection. 9. First place in the category "Occupational Health and Safety of Employees" of the All-Russian Contest "Best Socially-Minded Power Company 2018". 10. Tyumenenergo JSC is the winner in three categories: "Reliable Power Supply", "Efficient Energy Saving", and "Innovative Project of the Year" of the 8th All-Russian Contest "Russia's Best Electric Grids". 11. Acknowledgment of the KhMAO-Yugra Government for operation and great contribution to development of the housing and public services and energy-saving policy in the Khanty-Mansi Autonomous Okrug-Yugra, and cultivation of the energy-saving lifestyle and care for natural resources.
4	**Regulatory Bodies (federal constituents, municipal formations)**	1. Reliable and sustainable operation of the power system. 2. Participation in projects aimed at territory development. 3. Fulfilling demand for electric energy and power. 4. Tax payments. 5. New workplaces.	1. Coordinating investment programs. 2. Work groups on developing and coordinating complex programs for development of the electric energy industry in regions. 3. Reporting and information disclosure to regulatory bodies. 4. Company representatives'	1. Tyumenenergo JSC participates in the activities of the coordinating authorities on developing Programs for Development of the Power Industry of the KhMAO-Yugra, YNAO, and Tyumen Oblast. 2. Comprehensive programs for development of the power industry of the KhMAO-Yugra, YNAO, and Tyumen Oblast in 2019–2023 developed.

			membership in councils of regulatory bodies of various levels; including councils on professional education development. 5. Participation in operation of regional energy safety offices.	3. Taxes paid, including: 1,809,903,280.47 rubles paid to the budget of the Khanty-Mansi Autonomous Okrug; 959,514,760.12 rubles paid to the budget of Yamalo-Nenets Autonomous Okrug; 597,424,728.42 rubles paid to the budget of Tyumen Oblast. 4. Tyumenenergo JSC's representative is the member of the Interdepartmental Council for Professional Education of the Government of the Khanty-Mansi Autonomous Okrug-Yugra.
5	**Business Partners (suppliers and contractors)**	1. Mutually beneficial and long-standing cooperation. 2. Transparency of the Company operation. 3. Gaining profits from cooperation. 4. Timely and accurate fulfillment of contractual obligations. 5. Fair competition.	1. Procurement activities. 2. Negotiations. 3. Commercial offers. 4. Corporate website. 5. Federal and regional mass media. 6. Thematic seminars and conferences. 7. Advisory body to handle issues related to efficiency of procurement activities conducted by Tyumenenergo JSC, including procurement from small and medium-sized enterprises.	1. 1,145 procurements for a total amount of 33,316.8 million rubles in 2018. 2. Information regarding procurements (including the Plan) was disclosed in the unified procurement information system and on the corporate website. 3. 100% of competitive procurements were carried out with the use of e-commerce means (electronic trade platforms). 4. Efficiency of procurements came to 808.9 million rubles (3.84% of the declared procurement value). 5. Annual volume of contracts with small and medium-sized enterprises came to 86.05% of the total procurement volume of 2018; including 60.53% of procurements involving small and medium-sized enterprises only.
6	**Staff (employees, labor union, Veteran Board, Youth Board)**	1. Adequate standard of living. 2. Social safety. 3. Labor safety. 4. Opportunities for personal and professional development. 5. Adequate pensions.	1. Collective agreement. 2. Regulation on financial motivation. 3. Regulation on corporate support of Tyumenenergo JSC employees in improving living conditions. 4. Labor union organization. 5. Youth Board. 6. Veteran Board. 7. Corporate website and newspaper. 8. Corporate portal. 9. Talent pool. 10. Child and family recreation programs. 11. Staff training plan. 12. Sports and cultural events.	1. Collective agreement for 2019-2021 signed. 2. Staff insured in 2018 (including voluntary medical insurance, voluntary insurance against accidents and diseases). 3. 24 corporate events organized and held by the Youth and Veteran Boards. 4. 490 recreation tours purchased for families and children of the Company's employees. 147 children visited camps of the Black Sea and Southern Tyumen Oblast. 5. Expenditures on occupational safety in 2018 (including costs of providing staff with protective

				equipment) came to 248,588.784 thousand rubles. 6. Total number of the employees trained for various specialties came to 6,650 people. Related costs came to 39,239.5 thousand rubles. 7. 105 employees (from the talent pool) were appointed superior officials.
7	**Educational Institutions**	1. Supporting education development. 2. Training high-qualification staff for the Company. 3. Improving educational programs in order to implement professional standards. 4. Further training of staff.	1. Signing cooperation agreements with higher and professional secondary education institutions. 2. Holding scientific conferences. 3. Joint organization of electric-grid graduation project contests. 4. Organization of student teams. 5. Organization of practical training programs. 6. Membership in state examination boards of educational institutions. 7. Organization of excursions to electric-grid facilities for seniors, students, and professors of universities and professional education institutions.	1. Cooperation agreements with 18 universities and professional education institutions in effect. 2. The Company's executives are members of the Guardianship Board of the Tyumen and Surgut State Universities. 3. The Company's employees participated in the research-to-practice conferences of the Surgut State University and Surgut Polytechnic College. 4. The Company's executives and employees were experts in the contest of bachelor graduation theses devoted to electric energy and engineering. 5. 80 students joined the student team Energetik in the summer labor season of 2018. 6. Over the year, around 20 excursions to energy facilities and Company services were conducted for students and professors of universities and professional education institutions. 7. Yugra's first "Professional Power Engineering Class" project implemented; cooperation agreement with the Surgut Lyceum No. 3 signed.

Tyumenenergo JSC's communications policy is executed in strict compliance with Rosseti Group's Uniform Communications Policy and emphasizes transparency, accessibility, operativity, and reliability of information.

Tyumenenergo JSC's corporate communications form the centralized well-balanced system that handles internal and external information flows, creates the Company's sustainable positive image, and determines the business reputation both in the internal and external environments. The corporate communications of the supervisory subdivision and the entire Company answers the goals and objectives to complete which the Company employs efficient instruments.

Effective addressing of external communicational objectives with due regard to transparency, completeness, and reliability of information is what positively impacts the Company's reputation in the business environment. The Company's corporate communications are aimed at reinforcing and developing relations with various public institutions: business, expert, professional and scientific communities, governmental authorities and local governments, non-

profit organizations, mass media, major enterprises, small and medium-sized enterprises, and citizens.

Governmental and Public Relations

By establishing effective relations with state authorities and local governments within the area of operation, the Company facilitates decision-making on implementing the investment program coordinated with regional programs for territory development and safety of the electric-grid complex of the Khanty-Mansi Autonomous Okrug — Yugra, the Yamalo-Nenets Autonomous Okrug, and Tyumen Oblast.

Tyumenenergo JSC's public relations officers support long-standing and regular contacts with press services of state authorities and local governments, agitation and PR departments of the Main Directorate of the Ministry of the Russian Federation for Civil Defense, Emergency Situations and the Rectification of the Consequences of Natural Disasters of the Khanty-Mansi Autonomous Okrug — Yugra, the Yamalo-Nenets Autonomous Okrug, and Tyumen Oblast, regional expert community, Chambers of Commerce and Industry, regional offices of All-Russian public organizations Delovaya Rossiya, Opora Rossii, and All-Russia People's Front.

Also, the Company interacts with various public organizations, supports public initiatives, thereby building its image of a socially-minded company serving interests of all the concerned parties.

The Company received lots of letters of appreciations for electrical injury prevention activities, promotion of the power industry professions, promotion of the energy-saving lifestyle, and social partnership.

Congresses and Exhibitions

Congresses and exhibitions are very important for Tyumenenergo JSC as a part of developing brand relations and positioning as the leading power grid company in operation regions, as well as of forming and maintaining Rosseti PJSC's image.

In2018, Tyumenenergo JSC specialists joined 34 events: All-Russian and regional exhibitions, conferences, forums dedicated to innovations, energy efficiency, energy safety, labor safety, operation area expansion. Within the framework of these events, Tyumenenergo JSC was introduced as one of the leading distribution electric-grid companies following the approach of innovative growth, social responsibility, and customer service.

The key events Tyumenenergo JSC's specialists participated in were Russian Investment Forum (Sochi, Russia, February 15–16, 2018), All-Russian Occupational Safety Week (Sochi, Russia, April 9–13, 2018), Russian Lightning Protection Conference (Saint Petersburg, Russia, April 17–19, 2018), All-Russian Exhibition Forum *GOSZAKAZ — Fair Procurements* (Moscow, Russia, April 25–27, 2018), Saint Petersburg International Economic Forum (Saint Petersburg, Russia, May 24–26, 2018), Russian Energy Week (Moscow, Russia, October 3–6, 2018), International Forum *Electric Grids* (Moscow, Russia, December 4–7, 2018), 2nd Open Congress of Russian Mentors (Tyumen, Russia, December 15–16, 2018).

Besides, in 2018, Tyumenenergo JSC was a co-organizer (jointly with UralEnergoEngineering Scientific Technical Center) of the research-to-practice conference *Systems and Organization of Continuous Status Monitoring of Main Electric Equipment and Power Lines: Methodology, Devices, and Regulations. General Problems of Power Equipment Diagnostics* (Surgut, Russia, November 14–16, 2018). The conference was devoted to economy digitalization, technological disruptions, and production modernization. The event also included the Diagnostics Board, a powerful communications hub ensuring relations between electric equipment manufacturers and operating, repairs, maintenance, and diagnostics organizations, as well as research institutes and universities.

Participation of Tyumenenergo JSC's specialists in congresses and exhibitions is of high importance for experience exchange, establishing relations with equipment and software vendors,

representatives of state authorities, business community, mass media, and public organizations of various level.

The Company's achievements of 2018 include the victory in three categories: "Reliable Power Supply", "Efficient Energy Saving", and "Innovative Project of the Year", the first place in the category "Occupational Health and Safety of Employees" of the All-Russian Contest "Best Socially-Minded Power Company 2018; laureate diploma of the International Contest for Scientific, Scientific and Technical, and Innovative Fuel Energy and Mining Advancements; first premium of the International Contest for Scientific, Scientific and Technical, and Innovative Arctic and Continent Exploration Advancements for the project "Forming the Efficient and Reliable Power Grid Complex in the Arctic Region with the Use of Tyumenenergo JSC's Innovations; acknowledgment of the KhMAO-Yugra Government for operation and great contribution to development of the housing and public services and energy-saving policy in the Khanty-Mansi Autonomous Okrug-Yugra, and cultivation of the energy-saving lifestyle and care for natural resources; Izotov Cup for the victory in the eponymous contest for the best set of regulatory mentorship documents among Russian enterprises and organizations.

The results of congresses and exhibitions in which Tyumenenergo JSC participated verify that the Company continues its consistent efforts on forming the favorable communications environment beneficial for its development, using various instruments and channels to enhance the Company's media impact and promote its interests in the external environment.

Internal and Social Relations

Tyumenenergo JSC actively develops the current internal relations instruments and creates new.

As usual, in 2018 the Company published 12 Tyumenenergo appendices to Russian Grids (Rossiyskiye Seti) monthly newspaper, which is an important tool for informing the employees of the Company's activities and providing them with non-material incentives. The appendix's key topics are Development, Our Brand, Good Example, Young but Skilled, Experience, Professionals, Occupational Safety.

Tyumenenergo JSC's internal portal is another method for informing the employees of the Company's life. The key publication topics are sports, cultural, internal events involving no other people than the power engineers.

Also, the Company intensely uses social media and blogs. Tyumenenergo JSC has official accounts on Instagram, Facebook, VKontakte, Twitter, with the total base of 7,000 subscribers.

One of Tyumenenergo JSC's highest-priority social tasks in 2018 was promotion of energy-saving lifestyle and power engineering professions, and prevention of electric injuries among students of educational institutions.

Promotion of work-related professions (Project Toward the Profession) becomes more and more demanded: the Company's specialists are frequent guests at educational institutions — schools, colleges, universities. Beyond conventional tours for power engineering students to the Company's services and facilities, Tyumenenergo JSC organized Doors Open Days, including visits to professional competitions of the workers of Tyumenenergo JSC's subsidiaries in Nizhnevartovsk.

Prevention of electric injuries among various groups remains one of the key fields of social relations. Tyumenenergo JSC's employees held 746 preventive workshops at schools, nurseries, and school camps — the events covered over 40,000 people.

As a part of the All-Russian #BrighterTogether Festival, the Company conducted a series of events dedicated to care for energy resources and promotion of energy-saving lifestyle at educational institutions of Tyumen Oblast, Yugra, and YNAO.

In 2018, the Company continued interaction with the Center for Patriotic Legacy of the Surgut Local History Museum: several events were organized, including the promotion Camping which takes place on the Memorial Day (June 22), and events within the project "Soldier of the Motherland". The Company's employees are active participants in Victory-Day events held by the governmental authorities on the across Tyumenenergo JSC's operation area.

Tyumenenergo JSC's personnel is always compassionate for others, devoting their funds and efforts to supporting the rehabilitation center for physically-challenged children and teens Kind Magician, regional charity fund for children and young people suffering from severe diseases Giving Good, animal-caring community Touch!. Also, the Company's employees are involved in various promotions headed by public organizations.

Mass Media, Social Media, and Blogs

The Company's relations with federal and regional mass media are built on the principles of impartiality, transparency, fairness, and professional ethics. Communications with mass media of Tyumen Oblast, the KhMAO-Yugra, and YNAO enable Tyumenenergo JSC to promptly provide its consumers and other target groups with reliable and complete information about the power grid company's activities and important industry changes.

Using mass media, the Company manages the consistent work on promoting the energy efficiency among the population, prevention of electric injuries among various target audiences. Awareness campaigns in these fields are based on broadcasting social video and audio materials within the Company's responsibility area, and social advertising in periodicals. Within the energy-efficiency festival #BrighterTogether, the Company's team participates in forming the intensive agenda for regional mass media workers preparing materials on care for energy resources, and in organizing the festival events.

One of the focal areas in mass media relations is the awareness campaign dedicated to prevention of energy stealing. Consequences of unlawful activities against power facilities are published and broadcasted. Tyumen Oblast journalists, jointly with Tyumenenergo JSC's PR Team, describe stories and typical cases of energy stealing. The problem of receivables and related liabilities is also continuously covered.

Within its responsibility area, Tyumenenergo JSC implements the Governmental Energy Policy in compliance with Rosseti PJSC's unified relations policy. Awareness, preventive, educational, and image-building objectives are handled with the use of various mass media instruments: from consistent campaigns to individual materials, press-releases describing the Company's activities, press points, press-conferences, and press-tours to Tyumen power system facilities.

Preparations for digitalization of the power grid industry was one of the hottest topics covered by mass media in 2018. The disruption elicited strong response from the journalism community and saturated the information field with plethora of digital transformation-related materials.

September's key topic was commissioning of the facilities for connecting the Salekhard Power District to the UNPG of Russia. The covering of this event was managed by the PR Department within the dedicated campaign in partnership with press services of regional administrations.

Over the year, the Company successfully executed a series of awareness campaigns to support the projects carried out across Rosseti Group: in summer, the Regional Stage of the All-Russian Academic Competition; in August, the All-Russian Professional Competition between maintenance teams of Rosseti PJSC's 110-kV power lines; in Q3, the Russia's First exercises of Rosseti Group and Tyumenenergo JSC's group in the Republic of Dagestan; in Q4, the First Winter Exercises in Krasnoyarsk. This consistent approach helped the Company ensure covering of all key events of 2018.

In total, the Company was mentioned 2,800 times in mass media over 2018. On the Company's website, 140 production-related press releases are published and sent to mass media editorial boards.

The following results were reached in promoting Tyumenenergo JSC's brand with the use of social media: the Company's Instagram (priority promotion platform) has 3,000+ subscribers, having gained 50% against 2017. In total, Tyumenenergo JSC published over 320 posts in social media in 2018.

REFERENCE

Full Company Name in Russian – Акционерное общество энергетики и электрификации «Тюменьэнерго».

Full Company Name in English – Joint Stock Company "Tyumenenergo".

Abbreviated Company Name in Russian – АО «Тюменьэнерго».

Abbreviated Company Name in English – Tyumenenergo JSC.

Company Place of Business: Surgut, Tyumen Oblast, Khanty-Mansi Autonomous Okrug — Yugra, Russia

Company Address: 4 Universitetskaya St., Surgut, Tyumen Oblast, Khanty-Mansi Autonomous Okrug — Yugra, Russia 628408Company Address is listed in the Uniform State Register of Legal Entities

State Registration Data:

According to the information specified in the Certificate of State Registration of a Legal Entity registered before July 1, 2002:

Legal Entity State Registration Number	07-4784
Registration Date	March 12, 1993
Registered By	Administration of Surgut

According to the information specified in the Certificate of Entry in the Unified State Register of Legal Entities (about a legal entity registered before July 1, 2002):

Primary State Registration Number	1028600587399
Registration Date	October 14, 2002
Registered By	Tax Service of Surgut, Khanty-Mansi Autonomous Okrug

Bank details and other information:

Current Account: 40702810267170101719, West Siberia Bank of Sberbank PJSC, Tyumen

Correspondent Account: 30101810800000000651, West Siberia Bank of Sberbank PJSC, Tyumen

BIK (bank identification code): 047102651

INN (taxpayer ID): 8602060185

KPP (taxpayer record validity code): 860201001 (by address in Russia)

KPP (taxpayer record validity code): 997450001 (as a major taxpayer)

ORGN: 1028600587399 (assigned on October 14, 2002)

OKPO: 05770629

OKATO: 71136000000

OKTMO: 71876000001

OKOGY: 4210008

OKOPF: 12247

OKFS: 16

OKVED (main): 35.12

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Fax: +7 (3462) 77-66-77

E-mail: can@id.te.ru

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Corporate Website: www.te.ru
Shareholder and Investor Relations:
+7 (3462) 77-66-65
+7 (3462) 77-60-50

Registrar of Tyumenenergo JSC
The registrar keeps the share register.

Registrar Full Name	Limited Liability Company Reestr RN
Abbreviated Registrar Name	Reestr RN LLC
Registrar Address	2/6 Bldg. 3-4, Podkopaevsky Per., Moscow, Russia 109028
Mail Address	Box 4, Moscow 115172
Telephone / Fax	+7 (495) 411-79-11 / +7 (495) 411-83-12
E-mail	support@reestrrn.ru
Website	http://www.reestrrn.ru
Certificate Number	10-000-1-00330
Issued On	December 16, 2014
License Expiry Date	None
Licensed By	Federal Financial Markets Service
Date of Registrar Involvement	December 6, 2010

APPENDICES

1. 2018 ACCOUNTING REPORT (RAS) + AUDIT REPORT

2. SHARES OF TYUMENENERGO JSC IN AUTHORIZED CAPITALS AND VOTING OF OTHER COMPANIES, AS OF DECEMBER 31, 2018

3. TYUMENENERGO JSC'S NON-CORE ASSET DISPOSAL IN 2018

4. KEY REGULATORY ACTS

5. TARIFF RATES

6. 2018 DEALS WITH WHICH TYUMENENERGO JSC IS CONCERNED

7. INTERNAL CONTROL SYSTEM FUNCTIONS