

ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



DEAR SHAREHOLDERS OF ROSSETI KUBAN!



In 2020, we were faced with a new coronavirus infection, which adjusted our operating models. Ensuring the reliability of power supply, improving the quality of customer service, and increasing the Company's appeal for external and internal stakeholders have become particularly important”.

We managed to implement these tasks by flexibly adapting to the changing context due to the epidemiological situation and economic consequences of the pandemic, and thereby minimized the negative effects.

Despite a number of unforeseen circumstances related to the pandemic, the Company made every effort to implement its plans for equipment repair and investment activities in full. Among the most important decisions of the Board of Directors in the reporting year were the approval of long-term programs to develop smart electricity metering for 2020–2030, electricity loss reduction; approval of priority anti-crisis measures in the current economic situation, the development plan for the production asset management system, projected indicators of the business plan, changes in the Investment Program.

In 2020, the Board of Directors of Rosseti Kuban approved several internal documents of the Company: Methods for Assessing the Performance of the Board of Directors and Its Committees, new versions of scenario conditions for the formation of an investment program, Anti-Corruption Policy, Brand Style Management Regulations, Regulation on Implementation of the Uniform Communication Policy, Regulation on Providing the Insurance Coverage. Also, amendments were made to the Regulation on Financial Incentives for General Director and the Regulation on Financial Incentives and Social Benefits for Senior Managers.

The Company continued to pursue the Digital Transformation 2030 Concept for Rosseti Group, which aims to automate the management system, to further accumulate data arrays and process them with big data analysis technologies for analysis and decision-making.

As part of the transition to a single Rosseti-branded style, the Company continued to publicly use the Rosseti Kuban brand in 2020. The legal change of the name of PJSC Kubanenergo to Rosseti Kuban took place on August 10, 2020. The overall approach to the naming and visual identification of Rosseti Group companies reflects a common strategy for the management and development of the power grid infrastructure.

To ensure financial sustainability and achieve stable positive financial results, the Company has developed and is implementing the Operational Efficiency and Cost Reduction Program of Rosseti Kuban for 2020–2024, which includes a list of activities aimed at achieving the Company's strategic goals and increasing internal efficiency.

The Company's share in the regional electricity transmission market was 77.5% of the regional revenue requirement in 2020. The Company keeps retrofitting and upgrading its grid facilities at a high rate while also dynamically increasing its grid connection figures, which suggests the Company will remain the leading provider in the regional electricity delivery market.

Taking into account the dynamic development of the region, Rosseti Kuban will pursue the timely and affordable grid connection for new customers, including housing, agribusinesses, and socially significant educational and health care facilities. Also, as the Company continues to provide high-quality grid connection and to address capacity shortages in major industrial and residential clusters of Krasnodar Territory and Republic of Adygea, Rosseti Kuban facilitates social and economic development in the regions of its operation.

In 2020, the Company entered into 26.4 thousand grid connection contracts for a total of 650 MW. During the reporting period, electric facilities of such major applicants as NESK Elektroseti JSC (87 MW), OTEKO-Portservice LLC (12.4 MW), Tamanneftegaz CJSC (10 MW), Food Ingredients LLC (10 MW), Logistic Center Adygea 1 LLC (8.9 MW), Romex Development LLC (4.9 MW), Gazprom Dobycha Krasnodar LLC (2.2 MW) were connected to the power grids of Rosseti Kuban.

As part of its Energy Efficiency Program, the Company continued to implement its innovation projects to improve the quality of electricity delivery and accounting funded by the Company and by the investors alike.

In the reporting period, amid the spread of the new coronavirus infection (COVID-19), the Company focused on its efforts to maintain a high level of social protection for employees and retirees of the Company in the form of additional material incentives to personnel who remain in their workplaces during the announcement of restrictive measures and remote work. Also, material assistance was provided to workers who found themselves in a difficult life situation due to the spread of COVID-19 for treatment and rehabilitation after a viral infection.

In addition, an internal corporate hotline was launched with information on preventive measures and actions in the event of symptoms of diseases, medical care, the procedure for taking leave, sick leave, etc. All calls were recorded, statistics were generated for operational preventive measures.

In 2020, the Company entered into

26.4 thsd
grid connection contracts
for a total of 650 MW

The employees were regularly tested for COVID-19 to protect health, maintain the safe operation of the Company and prevent the spread of coronavirus infection. In 2020, more than 60 thousand PCR tests were carried out.

In 2021, Rosseti Kuban mainly sought to pass peak-load seasons without accidents, timely obtain the certificates of readiness for fall and winter, complete its investment and repair programs, minimize excessive losses, increase the availability of grid connection, and upgrade the quality of services.

The Company also seeks to continuously improve its financial and economic performance, increase the investment potential, become more open and transparent to serve the interests of shareholders and other stakeholders to the full.

When it comes to the grid complex development in the Krasnodar Territory and the Republic of Adygea, our priority is to upgrade it under the Digital Transformation 2030 Concept as well as to cover the expected demand for electricity in the long term.

**Chairman of the Board of Directors
of Rosseti Kuban
A. I. Gavrilov**