

# ADDRESS OF GENERAL DIRECTOR



## DEAR SHAREHOLDERS, PARTNERS AND COLLEAGUES,



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In 2020, Russia and the world faced a global challenge: the COVID-19 pandemic. The efforts of the Rosseti Kuban management were aimed at developing and implementing anti-crisis measures in connection with the introduction of strict restrictive measures (quarantine and high alert) in the Company's area of responsibility.

The priority task of Rosseti Kuban was the uninterrupted power supply to consumers in the region and medical institutions receiving patients with COVID-19. In 2020, there were 29 medical institutions in the Krasnodar Territory and the Republic of Adygea (26 of them in the Krasnodar region, three in the Republic of Adygea) equipped with ventilators for the treatment of patients with COVID-19. Ten of these institutions were connected to the Rosseti Kuban grids and provided with uninterrupted power supply.

Also, from June 1 to September 30, 2020, the Company provided reliable power supply to federal and regional resorts, and infrastructure facilities (transport, communications, sports and cultural facilities), including in Sochi during the Russian Formula One Grand Prix.

In total, in 2020, the Company allocated more than RUB 3.01 bn on its maintenance and repair efforts. The Company successfully completed its preparations for Fall and Winter 2020/2021 and was certified accordingly.

The bulk of investments planned under the Long-Term Investment Program of Rosseti Kuban for 2021–2022 is intended for grid connection (RUB 1.96 bn), reconstruction and retrofitting of grid facilities (RUB 5.59 bn). In 2020, the Company spent a total of RUB 4.66 bn in capital investment, with the funding of such investment totalling RUB 5.61 bn.

In 2020, the Company commissioned 159 MVA of transformer capacity and 593 km of power transmission lines as part of the Investment Program. During the reporting period, 220 facilities were put into operation upon completion of construction.

The most important object of the Company's Investment Program in the reporting period was the construction of a new highly automated 110 kV Angarskaya power center with a capacity of 50 MVA in the suburbs of Krasnodar. The Angarskaya substation is a key power center for consumers in the north-eastern part of Krasnodar, also for new housing and social infrastructure.

In 2020, the emergency automation systems were also reconstructed at 110 kV power centers in Krasnodar, such as Dinskaya, Severskaya, Yugo-Zapadnaya, Yugo-Vostochnaya, Starokorsunskaya substations. As part of the Investment Program, the Company commissioned the automated process and dispatch control systems of the power centers in the area of operation of the Power Grids of Tikhoretsk and Armavir (branches of the Company). Also, the system of technical power metering was implemented at 6(10)/0.4 kV transformer substations at 0.4 kV with remote data acquisition at 35–110 kV power centers.

The capacity connected under the implemented grid connection agreements totalled 650 MW. The decrease in volumes compared to the previous period was due to the introduction of restrictive measures in the country and the region to prevent the spread of COVID-19 infection.

At the same time, by the end of 2020, it was possible not only to fulfill, but also to exceed the approved targets for the grid connection procedure. The introduction and improvement of interactive services allowed to prevent a sharp drop in demand for grid connection services even in the challenging conditions of the pandemic.

With respect to grid connection, the Company prioritizes constructing 110 kV cable (CL) and overhead (OPL) power lines, as well as a 110 kV substation in Novorossiysk for power supply to the Caspian Pipeline Consortium's oil pipeline system, covering the energy demands of the agribusiness of the South of Russia, and addressing the shortage of power in major industrial and residential clusters of the region (Krasnodar, Novorossiysk, and Tuapse).

Sales of additional services generated a revenue of RUB 536 mln in 2020, the bulk of which came from: imposing limits on (recovery of) electricity consumption, installation of telecommunication equipment, operational and technical maintenance of grid facilities. At the end of 2020, the Company had a loss in the amount of RUB 1,501.3 mn due to the negative consequences associated with the spread of the COVID-19 infection in the territory of the Russian Federation.

In order to increase the efficiency of operations and improve the financial and economic condition, Rosseti Kuban implements its Operational Efficiency Improvement and Cost Reduction Program for 2020–2024, which defines steps to accomplish the Company's strategic objectives, improve its internal efficiency, and enhance profitability by optimising the internal business processes.

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Thus, it is safe to say that in 2020, Rosseti Kuban did complete its task of reliable and high-quality power supply, reinforcing its image of a company of outstanding social significance for the economic development of the Krasnodar Territory and the Republic of Adygea.

General Director,  
Rosseti Kuban  
**S.V. Sergeev**