

Factors in the descending value

| | |
|----------------|---|
| Current health | Actual power consumption in the Unified Energy System of Russia in 2020 reached 1,033.7 bn kWh, down 2.4% year-on-year ¹ . Actual power consumption in the Krasnodar region and the Republic of Adygea in 2020 amounted to 27,420.5 mln kWh, down 207.6 mln kWh or 0.8% year-on-year ² . |
|----------------|---|

| | |
|---|---|
| Measures to minimise the impact (if possible) | A range of activities to develop new (non-tariff) types of business and increase non-tariff sources of income |
|---|---|

Price dynamics on the Wholesale Electricity and Capacity Market

| | |
|-------------|--|
| Description | Changes in electricity prices in the wholesale electricity market (WEM) directly affect the amount of compensation for electricity losses in power grids and, accordingly, on all the Company's activities |
|-------------|--|

| | |
|----------------|--|
| Current health | The single-supply price of electricity on the WEM in 2020 showed a 3.4% increase year-on-year. |
|----------------|--|

| | |
|---|--|
| Measures to minimise the impact (if possible) | Measures to reduce power losses in the grids |
|---|--|

Current health of the industry

| | |
|-------------|---|
| Description | The health of the industry directly affects all aspects of the Company's activities |
|-------------|---|

| | |
|----------------|---|
| Current health | Heavy wear of the main generating and grid equipment Reduction of the Investment programs in the industry Default in payment Tariff policy leading to both under-reporting of financial indicators (cost-plus pricing) and actual unprofitableness of some companies Reducing power consumption against a backdrop in declining industrial production due to the introduction of restrictive measures to prevent the spread of COVID-19 |
|----------------|---|

| | |
|---|---|
| Measures to minimise the impact (if possible) | Implementing the concept of digital transformation Introducing the cost management system Introducing the up-to-date Company's management tools, automating key functions to improve management decision-making |
|---|---|

According to the forecast of the social and economic development of the Russian Federation for 2021 and the target period of 2022 and 2023³, in 2021, the pace of economic recovery will be influenced by some competing factors:

- the negative impact of residual quarantine restrictions, as well as changes in consumer behaviour (deterrent);
- the implementation of the effect of the monetary easing (support factor);
- further normalization of budget expenditures after their build-up in 2020 to prevent the spread of new coronavirus infection and support the economy (deterrent).

Taking these factors into account, GDP growth in 2021 is projected to be 3.3%, in 2022–2023 – at least 3%. GDP growth will be based on the expansion of domestic demand, both consumer and investment.

At the same time, the increase of power consumption in Russia in 2021 to the level of 2019 and its possible exceedence by 0.5% are expected⁴.

FORECAST OF ECONOMIC AND ELECTRICAL POWER INDUSTRY RECOVERY IN 2021

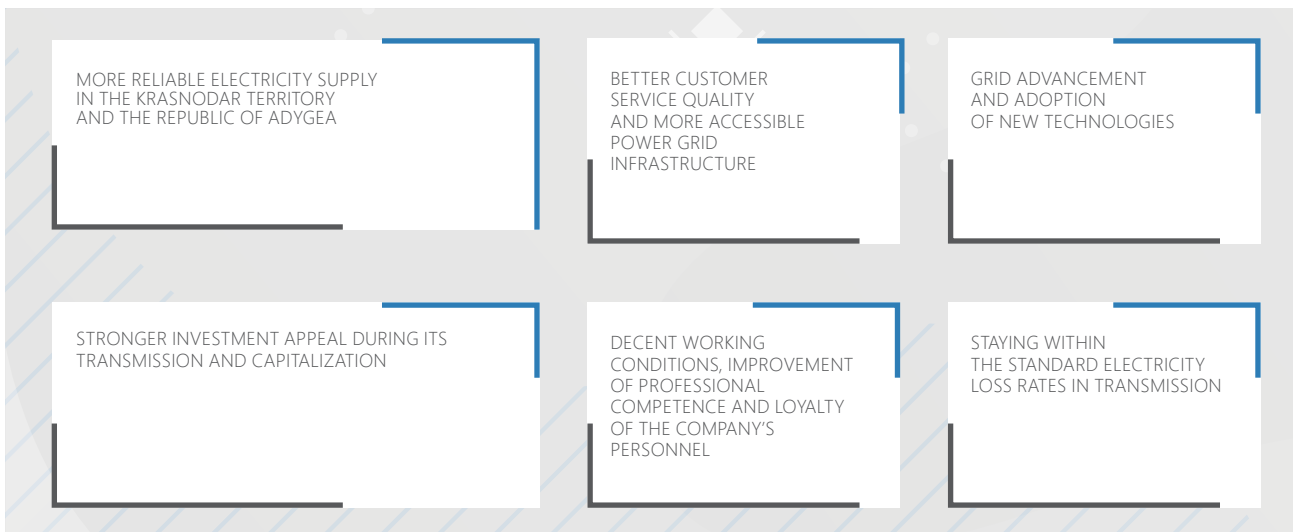
¹ Source: Report on the performance of the UES of Russia in 2020.

² Source: Report on the performance of the UES of Russia in 2020 (Operational Dispatch Office of the South - Krasnodar region and the Republic of Adygea).

³ Source: <https://tass.ru/ekonomika/10475757>

⁴ Source: <https://tass.ru/ekonomika/10475757>

The Company's strategic objectives developed taking into account ones of Rosseti Group and approved by the Company's Management Board (Minutes No.7/2017 dated April 12, 2017), include the following aspects:



Achieving Goals in 2020

Despite the pandemic that swept the world in 2020, the Company's goals remained unchanged, changes have affected approaches to their implementation only. Great attention was paid to the protection of the life and health of the Company's employees.

In 2020, the Company implemented programs and plans aimed at achieving the strategic goals.

Indicators of achieving strategic goals by the end of 2020

| Goal | Results in the reported year |
|--|---|
| More reliable electricity supply in the Krasnodar Territory and the Republic of Adygea | Yearly average power outage duration per point of delivery (P_{saigr}) – 0.8870 h. Yearly average power outage occurrence per point of delivery (P_{saifr}) – 0.4592. For details, see Reliable and Efficient Operation of the Energy System |
| Better customer service quality and more accessible power grid infrastructure | Grid connection quality (Q_{gc}) – 1.034 For details, see Grid Connection |
| Grid advancement and adoption of new technologies | Innovative technologies have been introduced to automate the procedure for checking automated design systems for digital substations and ensure information security of smart electricity metering systems. For details, see Digital transformation |
| Stronger investment appeal and capitalization | The market capitalization of the Company was RUB 20.88 bn at the beginning of 2020 and RUB 22.69 bn at the year-end ¹ . Capitalization peaked at RUB 31 bn in 2020, while the lowest point was RUB 17 bn; the weighted average price of a single share rose by 7.4% over the reporting year while the MICEX Index rose by 8% and the Electric Utilities Index rose by 14%. For details, see Stock Market and Capitalization of the Company |
| Decent working conditions, improvement of professional competence and loyalty of the Company's personnel | The average salary of the Company's employees exceeded the region-specific average salary in the regions by: 43.2% – in the Krasnodar region and 69.6% – in the Republic of Adygea against a 30% target. Progress on Personnel Training Plan was 131.1% in 2020. For details, see Sustainable Development |
| Staying within the standard electricity loss rates in transmission | Actual electricity loss in transmission was 10.04%, a 0.47% improvement against the plan. For details, see Electricity Delivery |

¹ According to the calculation of PJSC Moscow Exchange