

INVESTMENT ACTIVITIES

INVESTMENTS ARE THE BASIS OF RELIABLE POWER SUPPLY AND THE MOST IMPORTANT COMPONENT OF THE COMPANY'S PERFORMANCE.



Viktor Korzhanevskiy

Deputy General Director for Investment Activities, Rosseti Kuban, PJSC



In 2021, within the framework of the investment activities, the Company commissioned 220 MVA of transformer capacities and 612 km of electricity transmission lines.

Construction of a 110 kV electricity transmission line to connect the consumer terminals of JSC Novoroslesexport, to the distance of 9.4 km, was completed. This project is designed to power the 110/35/10 kV Lesnoy Port substation and the future refrigeration yards with technological equipment on the territory of Novoroslesexport to increase the throughput capacity of the container terminal.

In addition, renovation of two more high-priority facilities was completed in 2021 as part of the implementation of the tripartite agreement concluded in 2020, as well as in pursuance of directives from the Russian Federation government to create affordable power infrastructure to supply industrial and investment sites in the Republic of Adygea. The 35/10 kV Kuzhorskaya substation and 110/35/10 kV Adygeyskaya substation were reconstructed with the replacement of transformers”.

The investment programmes of Rosseti Kuban are developed according to the roadmaps for the prospective development of the electric power industry in the Krasnodar Territory and the Republic of Adygea, technical condition of power grids, and available sources of financing, based on the tariff-and-balance solutions.

Approval and control over the implementation of the Company's investment programmes are performed by the Ministry of Energy of Russia.

In the reporting year, the Rosseti Kuban's investment activity was performed as part of implementing the Investment Programme for 2021 approved by the Order of the Russian Ministry of Energy No. 21@ dated 16 December 2021.

In 2021, the Board of Directors of the Company considered the following issues:

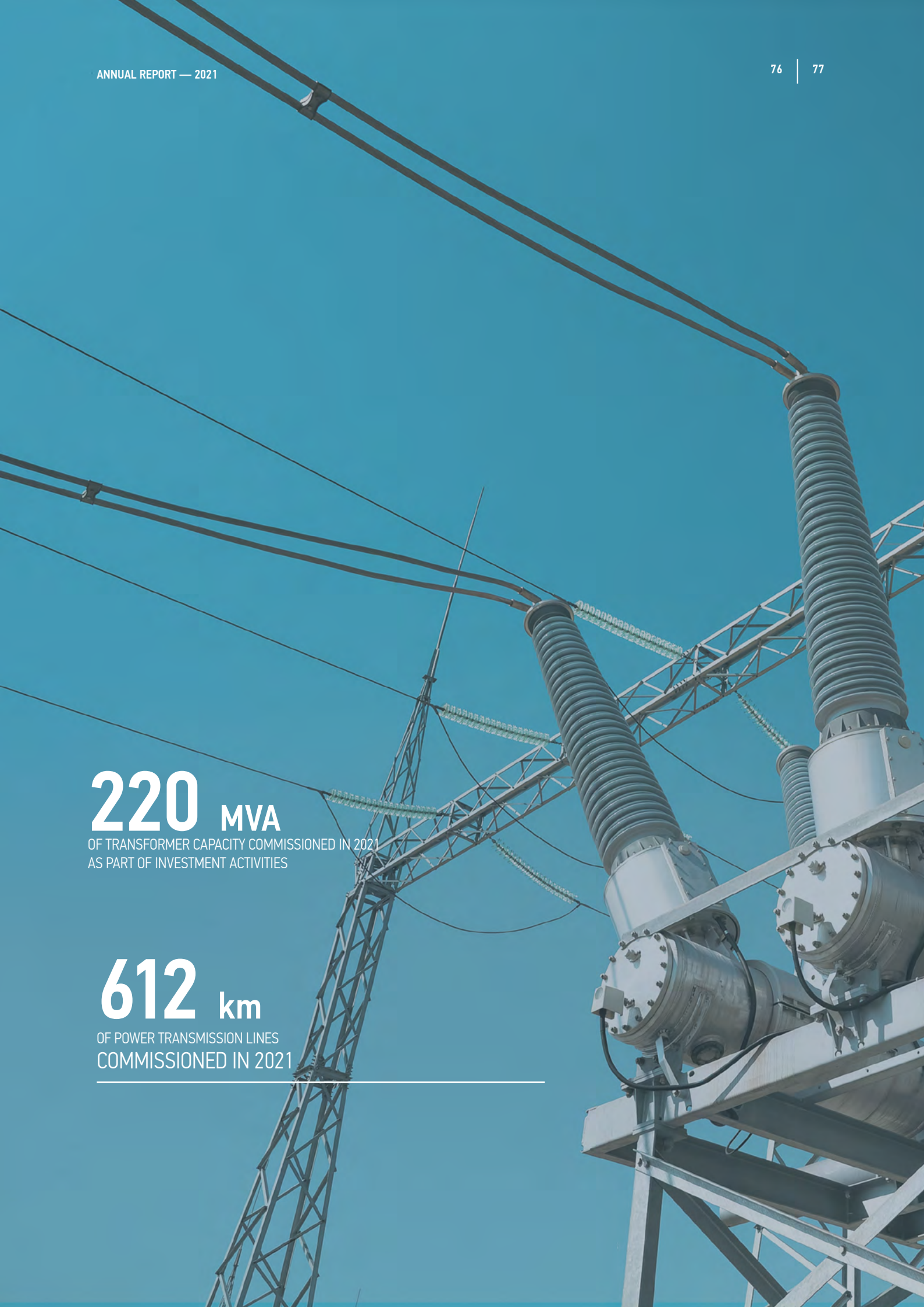
- Quarterly reports on the implementation rate of the higher-priority investment projects
- The findings of the on-site audit conducted by the Ministry of Energy of Russia to check on the status of the following investment projects: construction of 110/10 kV Angarskaya Substation with connection of 110 kV overhead lines and construction of 110 kV electricity transmission lines for grid connection of JSC Novoroslesexport consumer terminals

220 MVA

OF TRANSFORMER CAPACITY COMMISSIONED IN 2021
AS PART OF INVESTMENT ACTIVITIES

612 km

OF POWER TRANSMISSION LINES
COMMISSIONED IN 2021

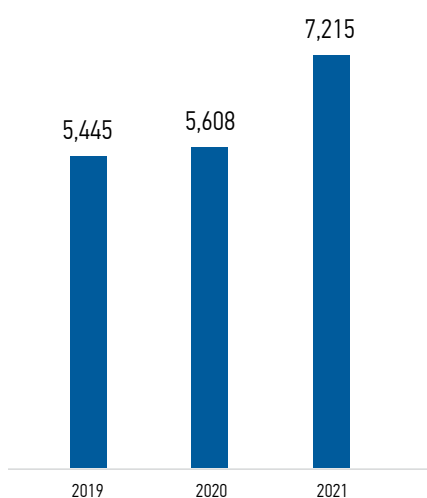


PROGRESS ON THE INVESTMENT PROGRAMME IN 2019–2021

PROGRESS INDICATORS FOR THE LONG-TERM INVESTMENT PROGRAMME

Indicator	2019	2020	2021	Δ 2021/2020 (%)
Volume of financing ¹ (RUB mn)	5,445	5,608	7,215	29
Assimilation of capital investment (RUB mn)	6,769	4,658	5,871	26
Commissioning as a part of fixed assets (RUB mn)	12,912	4,418	5,128	16
Commissioning as a part of transformer capacities (MVA)	783	159	220	39
Commissioning as a part of power transmission lines (km)	791	593	612	3

DYNAMIC PROFILE OF CAPITAL INVESTMENT FINANCING STRUCTURE IN 2019–2021 (RUB MN, INCL. VAT)



In 2020, financing for PJSC Rosseti Kuban in general increased by 29% year-on-year. That is driven by financing the main scope of the investment measures in terms of meeting the conditions of the grid connection agreements in the reporting year.

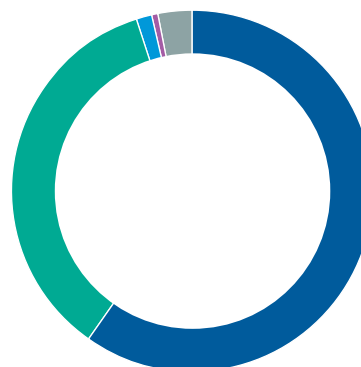
¹ Hereinafter in the "Investing Activities" section, the amount of capital expenditure financing is shown without capitalised interest on loans.

FUNDING STREAMS AND STRUCTURE OF CAPITAL INVESTMENTS

The main focus areas of the Rosseti Kuban's Investment Programme in 2021 were:

- Grid connection — RUB 4,370 mn, incl. VAT (60.6%)
- Retrofitting and renovation — RUB 2,592 mn, incl. VAT (35.9%)
- Investment projects, the implementation of which is determined by roadmaps for the prospective electric power industry development — RUB 30 mn (0.4%)
- Other new construction – RUB 5 mn, incl. VAT (0.1%)
- Other investment projects (funded) – RUB 218 mn, incl. VAT (3%)

FINANCING STRUCTURE OF PJSC ROSSETI KUBAN IN 2021 (RUB MN)

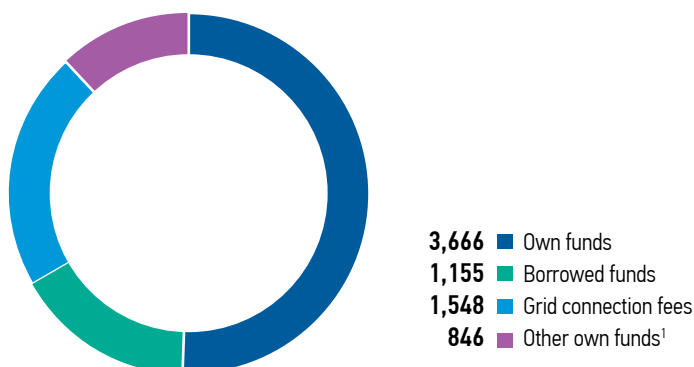


4,370	■ Grid connection
2,592	■ Renovation and retrofitting
30	■ Investment projects which are driven by the roadmaps for long-term development of the electric power sector
5	■ Other new construction
218	■ Other projects

FINANCING STRUCTURE OF CAPITAL INVESTMENTS OF ROSSETI KUBAN, PJSC (RUB MN)

Investment projects	2019	2020	2021
TOTAL	5,445	5,608	7,215
Grid connection	2,256	2,895	4,370
Renovation, upgrading and retrofitting	1,789	2,046	2,592
Investment projects which are driven by the roadmaps for long-term development of the electric power sector	920	207	30
Other new construction of grid facilities	42	27	5
Other investment projects	438	433	218

SOURCES OF THE INVESTMENT PROGRAMME FINANCING (RUB MN, INCL. VAT)



LONG-TERM INVESTMENT PROGRAMME

PARAMETERS OF THE COMPANY'S LONG-TERM INVESTMENT PROGRAMME FOR 2022–2027

Indicator	Period							
	2020 (actual)	2021 (actual)	2022 (plan) ²	2023 (plan) ²	2024 (plan) ²	2025 (plan) ²	2026 (plan) ²	2027 (plan) ²
Volume of financing (RUB mn)	5,608	7,215	9,975	9,432	5,102	6,044	6,279	6,499
Assimilation of capital investment (RUB mn)	4,658	5,871	8,856	6,396	4,334	4,639	5,835	4,481
Commissioning as a part of fixed assets (RUB mn)	4,418	5,128	8,183	9,123	4,201	4,661	4,852	5,774
Commissioning as a part of transformer capacities (MVA)	159	220	539	412	144	64	154	301
Commissioning as a part of power transmission lines (km)	593	612	520	695	451	492	493	514

THE BULK OF INVESTMENT PLANNED UNDER THE LONG-TERM INVESTMENT PROGRAMME OF ROSSETI KUBAN WILL TARGET RENOVATION, UPGRADING AND RETROFITTING OF POWER GRIDS

¹ Funds received from placement of additional shares, miscellaneous.

² Plans for the long-term investment programme of PJSC Rosseti Kuban were approved by the resolution of the Board of Directors (extract from Minutes No. 265/2022 dated 24 February 2022), passed public discussion, and published on the website of the Ministry of Energy of Russia on 31 March 2022. They were accepted by the Russian Ministry of Energy for review on 4 April 2022.

CAPITAL CONSTRUCTION QUALITY CONTROL

THE COMPANY CARRIES OUT CONSTRUCTION CONTROL AS PART OF THE IMPLEMENTATION OF RUSSIAN FEDERATION GOVERNMENT RESOLUTION NO. 468 DATED 21 JUNE 2010 ON THE PROCEDURE FOR CONSTRUCTION CONTROL DURING CONSTRUCTION, RENOVATION AND CAPITAL REPAIR OF CAPITAL CONSTRUCTION PROJECTS. THE CONTROL IS AIMED AT VERIFYING THE COMPLIANCE OF THE WORKS PERFORMED WITH THE REQUIREMENTS OF THE DESIGN DOCUMENTATION, TECHNICAL REGULATIONS, THE TOWN-PLANNING SCHEMA OF A LAND PLOT, AND THE RESULTS OF ENGINEERING SURVEYS.

At ten facilities with a voltage of 35 kV and above, at which construction and installation works were performed in 2021,

independent expert and inspection entities were involved in the construction control.

MAJOR INVESTMENT PROJECTS COMPLETED WITH CONSTRUCTION IN 2021

Facility	Construction period		Capacity commissioned		Investment amount (RUB mn, excl. VAT)
	Start	End	km	MVA	
"Reconstruction of the 35/10 kV Kuzhorskaya substation with replacement of T-1 and T-2 transformers (2×2.5 MVA) with 2×10 MVA transformers, with reconstruction of 10 kV power transmission line (K-10)"	2020	2021	11	20	178
"Reconstruction of the 110/35/10 kV Adygeyskaya substation. Replacement of 2×16 MVA transformers with 2×25 MVA transformers"	2020	2021	–	50	105
"Construction of 110 kV power transmission line for grid connection of consumer terminals of JSC Novoroslesexport"	2017	2021	9	–	516

