

# STATEMENT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

“ DEAR SHAREHOLDERS OF ROSSETI KUBAN,

In 2021, the main objectives of Rosseti Kuban's management were sustainable development, better service quality, achievement of production targets, as well as ensuring the safety of the Company's personnel in the midst of the spread of coronaviral infection. Despite a difficult period, all these tasks have been accomplished.



The Company showed a successful adaptation to the new challenges and continued to operate to high quality standards.

# 77.2%

THE COMPANY'S SHARE IN THE ELECTRICITY TRANSMISSION MARKET

Today, Rosseti Kuban remains the largest power grid company in the Krasnodar Territory and the Republic of Adygea. The Company's share in the regional electricity transmission market in 2021 was 77.2% of the regional required gross revenue (RGR). The pace of renovation and renewal of the Company's power grid facilities, as well as growth in the volume of grid connections, allow us to believe that Rosseti Kuban will retain its dominant position in the region in the future. During the reporting period, the Company made every effort to deliver its equipment repair and investment plans.

In 2021, on the proposal of the Board of Directors, the General Meeting of Shareholders decided to increase the authorised capital of the Company by placing over 69 mn additional shares; over 9 million shares were actually placed. The goals of the additional issue are to finance the creation of energy infrastructure for investment projects in the Republic of Adygea, the renovation of power centres in the Sochi energy district, as well as to increase the financial stability of Rosseti Kuban.

The Board of Directors focused their efforts in the reporting year on defending the interests of the Company's shareholders, improving its financial and economic performance, and enhancing the trust of shareholders, creditors and investors towards the Company.

In 2021, there were 47 meetings of the Board of Directors, with a total of 184 issues considered. The Board's highest priority was given to overseeing the work of the Company's management, the follow-up of Board's decisions, as well as approval of plans, internal documents and the holding of the General Meeting of Shareholders.

Among the most important decisions of the Board of Directors in the reporting year were the approval of long-term programmes and the updating of programmes for the comprehensive implementation of new digital technologies for innovative development, the development plan for the production asset management system, and the plan for maintaining the efficiency and development of the internal control and risk management system. We have approved new editions of the Corporate Governance Code, the Risk Management Policy, the Internal Audit

# 1.7 RUB bn

NET PROFIT OF THE COMPANY IN 2021

Policy and the Technical Policy. In addition, it was decided that the Company would join the implementation of the environmental policy of Rosseti Group.

Rosseti Kuban continued to implement measures to develop the power grid complex using science-based technical solutions and technologies well-proven in the operation of modern electrical equipment. The aim of the said measures is to pioneer developments, technologies and methods, as well as to improve existing technologies, including those aimed at import substitution.

The Company went ahead with a unified strategy for Rosseti Group to introduce new technologies, which aims to automate the management system with further accumulation of data arrays and their processing.

In order to improve the operational efficiency, ensure financial stability and deliver stable positive financial performance, the Company has developed and is implementing the Programme for Improving Operational Efficiency and Cost Reduction of Rosseti Kuban, PJSC for the period 2021–2025, including a list of measures to ensure that the Company achieves its strategic goals and improves its internal efficiency.

In 2021, the Company made a profit of RUB 1.7 bn. EBITDA amounted to RUB 8.9 bn.

The timely and affordable connection of new consumers to the power grid, including housing construction, agricultural enterprises and socially important educational and healthcare facilities remains the key priority of Rosseti Kuban. With the high-quality grid connection and the make up for capacity shortages in major industrial and residential clusters of the Krasnodar Territory and the Republic of Adygea, Rosseti Kuban facilitates the steady social and economic development in the regions within its footprint.

With the smart metering development programme going on in 2021, the Company installed a total of about 280,000 smart electricity meters within its area of responsibility. With the 100% automation level, the Sochi energy district leads the way in implementing modern electricity metering systems.

Amid the extension of restrictive measures due to the spread of COVID-19, the Company continued to maintain a high level of social security for employees during the reporting period, including material assistance, additional COVID-19 vaccination leave, etc.

The main production objectives of Rosseti Kuban for 2022 are the accident-free passage of peak-load seasons, timely clearance of the autumn and winter season readiness certificate, as well as the delivery of investment and repair programmes.

# 8.9 RUB bn

EBITDA FOR 2021

As far as the sales of additional services is concerned, Rosseti Kuban aims at continuously growing non-tariff revenues. By 2026, the Company plans to increase its share to 8.63% of total revenues.

Maintaining the stable financial and economic condition of the Company, delivering the annual production plans, making the grid connection more affordable and improving the quality of services constitute a priority decision-making pool of the Board of Directors for 2022. KWe will also continue to work on reducing transmission losses and promoting our non-tariff services.

Member of the Board of Directors,  
Rosseti Kuban, PJSC  
Daniil Krainskiy