

CONSOLIDATION OF POWER GRID ASSETS

To implement the Strategy for the Development of the Electric Grid Complex of Russia¹, providing for a reduction in the number of LGCs by 50% by 2017 relative to the level of 2012 and by 50% by 2030 relative to the level of 2017, the Company takes measures to consolidate the electric grid property in the Krasnodar Region and the Republic of Adygea.

For the year of 2018 Regional Energy Commission – the Department of Prices and Rates of the Krasnodar Territory approved individual rates for electricity transmission for 49 LGCs (Order No. 63/2017, dated December 28, 2017). Proposals of the Company to consolidate the property of LGCs on the basis of Kubanenergo PJSC, sent to all LGCs, have not yet been accepted.

In the framework of the implementation of the processes of consolidation of power grid assets in the reporting year, Kubanenergo PJSC took part in the meetings:

- in May and November – in the administration of the Krasnodar Territory on the conclusion of agreements between Kubanenergo PJSC and municipalities on the consolidation of electric grid property located in the territories under their jurisdiction and connected to the Company's networks. Projects of such agreements are developed by Kubanenergo PJSC and sent for consideration to local authorities. Currently, the Company has entered into three agreements on the consolidation of power grid assets with municipalities, the rest are in the process of approval;
- in April – in the administration of the Krasnodar Territory, in June - in the Legislative Assembly of the Krasnodar Territory on the organization of transmission of electrical networks located within the boundaries of horticultural and dacha

partnerships; Work is underway to “pick up” these power grid assets.

During 2018 The Company consolidated 1,776.9 c.u. with a length of 654.8 km, capacity of 210.4 MVA, 54 transactions were made, including:

- electric grid facility was purchased from rural settlement Giaginskoe;
- 17 transactions were made on the donation of power facilities from non-profit organizations and individuals;
- 35 lease agreements were concluded with five LGCs, 20 contracts with municipal entities, ten with other owners;
- The abandoned power facilities in Timashevsky and Bryukhovetsky districts were accepted for use.

The effect achieved from the implementation of measures for the consolidation of power grid assets for 2018 – an increase in revenue by 382.9 million rubles. In addition, the admission of additional power facilities to the balance of Kubanenergo PJSC will make it possible to exclude the Company's costs for the transit of electricity for consumers connected to these facilities.

Monitoring the volume of consolidation of power grid assets

| METHODS OF CONSOLIDATION OF POWER GRID ASSETS | THE VOLUME OF CONSOLIDATION OF POWER GRID ASSETS FOR THE PERIOD | | | | | | | | |
|--|---|-----|-------|----------------------|-------|---------|----------------------|-------|---------|
| | 2016 | | | 2017 | | | 2018 | | |
| | MEGAVOLT-AMPER (MVA) | KM | C.U. | MEGAVOLT-AMPER (MVA) | KM | C.U. | MEGAVOLT-AMPER (MVA) | KM | C.U. |
| Total for Kubanenergo PJSC | 104 | 628 | 1,770 | 204.5 | 532.9 | 1,566.2 | 210.4 | 654.8 | 1,776.9 |
| including: | | | | | | | | | |
| The acquisition of power grid facilities | 5 | 16 | 86 | 0.2 | 2.3 | 5.9 | 0 | 0 | 0 |
| Rent of power grid facilities | 96 | 587 | 1,587 | 196 | 511.5 | 1,467.7 | 203.8 | 620.8 | 1,656.7 |
| Other(permanent right of ownership) | 0 | 0 | 0 | 8.2 | 19.1 | 90.3 | 6.4 | 32 | 112.3 |
| Other (temporary right of ownership and rights to use) | 3 | 24 | 97 | 0.2 | 0 | 2.3 | 0.2 | 2 | 8 |

1. It was approved by the order of the Government of the Russian Federation dated 03.04.2013, No. 511-p.