



Investment (Project) Risk

The Company makes active investments in renovation and extension of the grid infrastructure thereby facing the risk of efficiency reduction and impairment of capital investments in implementing investment programs, innovative development programs and R&D.

Growing volumes of investment development programs require attraction of substantial financial resources, both owned and borrowed, meeting the RAB-regulation parameters, which is an investment risk factor.

Even in case of availability of financial resources in volumes sufficient for implementation of the investment program there is a possibility of not meeting deadlines set for development of capital investments and delays in commissioning of investment program facilities, including due to failure to perform or delayed performance by contractors and suppliers of their obligations.

Regulation No. 159 of the Russian Federation of February 27, 2013 on Making Amendments to the Rules of Approval of Investment Programs of Entities of the Electric Energy Sector in Authorized Capital of Which the State Has a Share and Grid Organizations provides for exclusion from the Company's investment program of facilities which are not included in territorial planning documents (DTP) and there is a risk of increase in volumes of construction in progress due to the exclusion of facilities the construction of which has started under the investment program and which have not been included in DTP.

In order to reduce the investment risk the Company plans its investment programs taking into account the following key efficiency criteria: increase of availability of the grid infrastructure, depreciation reduction and modernization of electric grid facilities, achievement of a high level of utilization of new capacities. Another precondition in planning of an investment program is its alignment with territorial and regional development plans. Besides, the Company monitors implementation of the Company's investment programs, their financing, and analysis of deviation of actual parameters of implementation of the investment program from planned ones. The Company introduces project management of investment activities where management of investment project implementation risks is one of the areas of knowledge. The Company takes measures aimed at increasing the quality of project realization, improving results of investments in the existing grid, reduction of incremental cost of construction, achievement of a high work-load of new capacities, development and implementation of the system of comparative analysis of incremental cost of construction and assembly works and materials, creation of a management system for innovative activities, automation of the investment management system.