

Results of Financial and Economic Activities

74.6

 RUB bln

Company's revenue in 2023

+17%

revenue growth vs. 2022

6.2

 RUB bln

net profit

+17.6%

increase in net profit

According to the year-end results, the Company managed to maintain an upward trend in net profit growth. The financial result for 2023 totalled RUB 6,166.5 million, which is RUB 922 million more than in 2022 thanks to the growth in the volume of services provided and an increase in revenue from grid connections.

The Company's management took exhaustive measures to contain cost and debt portfolio growth, optimise interest expenses, improve the efficiency of the procurement management system, reduce the unit cost of energy equipment operation, reduce grid losses and improve energy efficiency.

In 2023, the Company did not receive any state support funds (subsidies).

KIRILL IORDANIDI
Deputy General Director
for Economics and Finance

Revenue from sales of services for the reporting period totalled RUB 74,557.5 million, which is RUB 10,818.6 million more than the same indicator in 2022 (RUB 63,738.9 million), including:

- Revenue for electricity transmission services totalled RUB 71,207.1 million, which is RUB 9,754.2 million more than the 2022 result (RUB 61,452.9 million). This is attributed to a 3% increase (by 677 million kWh) in the volume of electricity transmission services provided, as well as the impact of the tariffs for electricity transmission services approved for 2023
- Revenue from grid connections totalled RUB 2,437.9 million, which is RUB 1,155.9 million more than in 2022 (RUB 1,282 million). This is attributable to GC contracts with major applicants fulfilled in 2023, including: RES, LLC (revenue of RUB 315 million), Zolotoy Kolos Sanatorium, JSC (RUB 108 million), Taman Federal Highway Administration (RUB 73 million), VB KUBAN, LLC (RUB 54 million) and NUTEP Container Terminal, LLC (RUB 53 million)
- Revenue from other activities totalled RUB 912.4 million, which is RUB 91.5 million less than in 2022 (RUB 1,003.9 million)

Cost of sales (including administrative expenses) for 2023 totalled RUB 62,117.5 million, which is RUB 8,963.8 million higher than the actual figures for 2022 (RUB 53,153.7 million). The growth was driven by an increased cost of purchased electricity to compensate for losses, transmission services provided by FGC — Rosseti (as a UNEG management organisation), services provided by distribution grid companies, maintenance and repair services, as well as an increase in depreciation and amortisation, other material expenses and personnel expenses.

Pre-tax profit totalled RUB 8,547.4 million, up RUB 1,367.0 million year-on-year.

The Company's **financial result (profit)** for 2023 totalled RUB 6,166.5 million, which is higher than the level of 2022.

The main factors that influenced the financial result:

⊕ Increase in revenue by RUB 10,818.6 million

⊖ Increase in the self-cost including administrative expenses by RUB 8,963.8 million compared to 2022 parameters

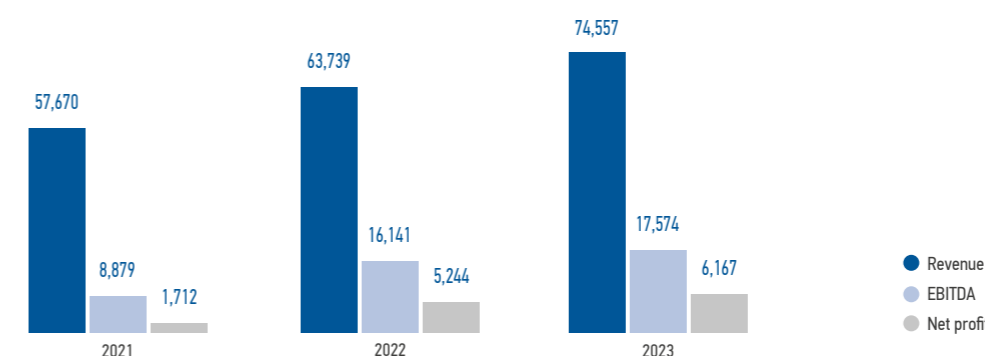
⊖ Deterioration in the balance of other income and expenses from profit by RUB 487.9 million compared to the 2022 parameters

⊖ Increase in income tax by RUB 444.9 million compared to the 2022 parameters

Key financial and economic indicators of the Company for 2021–2023 (RUB mln)

Sr. No.	Indicator	2021	2022	2023	Change 2023/2022 (%)
Indicators from the Company's RAS accounting (financial) statements¹					
1	Revenue from sales of products (services), including:	57,670	63,739	74,557	+17.0
1.1	from electricity transmission	54,526	61,453	71,207	+15.9
1.2	from grid connection	2,348	1,282	2,438	+90.1
1.3	from electricity sales	0	0	0	–
1.4	from other activities	796	1,004	912	–9.2
2	Cost of products (services)	–49,903	–52,991	–62,057	+17.1
3	Gross profit	7,767	10,748	12,501	+16.3
4	Administrative expenses	–152	–163	–61	–62.6
5	Selling and marketing expenses	0	0	0	–
6	Profit (loss) from sales	7,615	10,585	12,440	+17.5
7	Interest receivable	28	109	439	+4x
8	Interest payable	–1,553	–2,663	–2,346	–11.9
9	Income from shareholdings	20	0	4	+ RUB 4 mln
10	Other revenues, total	1,414	3,558	2,960	–16.8
11	Other expenses, total	–4,826	–4,409	–4,950	+12.3
12	Profit (loss) before tax	2,699	7,180	8,547	+19.0
13	Income tax and other charges	–987	–1,936	–2,381	+23.0
14	Financial result	1,712	5,244	6,167	+17.6
15	EBITDA²	8,879	16,141	17,574	+8.9
Indicators calculated on the basis of the Company's IFRS consolidated financial statements					
16	Net debt/EBITDA (units)	2.25	1.28	0.54	–57.8
17	Current liquidity ratio (units)	0.55	0.57	0.88	+54.4
18	Financial leverage (units)	1.17	1.16	1.14	–7
19	Share of non-current borrowings (%)	76.19	77.57	73.51	–4.06 p.p.
20	Net cash flow (RUB mln) ³	4,131	4,109	8,544	+2.1x

Changes in the Company's financial results (RUB mln)



¹ The following data were used to calculate the indicators:
for 2021 — Profit and Loss Statement for January — December 2022 ("in 2021" column);
for 2022 — Profit and Loss Statement for January — December 2022 ("in 2022" column);
for 2023 — Profit and Loss Statement for January — December 2023 ("in 2023" column).

² EBITDA was calculated as follows: pre-tax profit before interest expense, depreciation, amortisation and net charge/(reversal of) impairment loss on fixed assets and rights-of-use assets.

³ The following data were used to calculate the indicator:
For 2021 — Consolidated Statement of Cash Flows for 2022 ("For the year ended 31 December 2021" column);
For 2022 — Consolidated Statement of Cash Flows for 2023 ("For the year ended 31 December 2022" column);
For 2023 — Consolidated Statement of Cash Flows for 2023 ("For the year ended 31 December 2023" column).

The year-on-year decrease in Net Debt/ EBITDA for 2023 is due to lower debt levels, higher cash and cash equivalents, and increased EBITDA.

Because current assets are growing at a faster rate than short-term liabilities, the current liquidity ratio was better in 2023 than it was in 2022.

The year-on-year decrease in financial leverage is spurred by the outstripping growth rate of long-term liabilities over the growth rate of equity. The long-term liabilities rose as a result of a significant increase in advances received under grid connection contracts.

The drop in the share of long-term borrowings in 2023 compared to 2022 is caused by the transfer of some long-term

debt to short-term debt with a maturity of less than 12 months as of 31 December 2023, as well as the repayment of some long-term debt during 2023 using own cash.

The year-on-year increase in net cash flow in 2023 is attributable to higher cash generated from operating activities compared to 2022.

Settlements for electricity transmission services

In order to reduce accounts receivable, the Company takes the following measures:

- Claim-related work is underway, including the collection of penalties for untimely payments
- Reciprocal liabilities are offset
- Restricted energy delivery regime is introduced, including upon requests from electricity retailers
- Dispute resolutions are handled through pre-trial and court proceedings

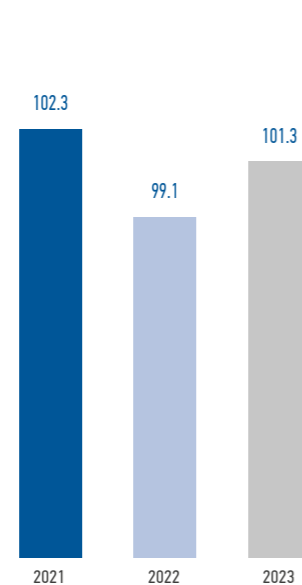
At year-end 2023, receivables for electricity transmission services decreased by RUB 1.3 billion to RUB 6.4 billion as of 31 December 2023.

The decrease in accounts receivable for electricity transmission services was achieved through advance payments made by counterparties, as well as through debt reduction measures.

The level of payment for electricity transmission services in 2023 increased by 2.2 p.p. compared to 2022 due to the measures taken to improve the payment discipline of counterparties, as well as advance payments made by counterparties in December 2023.

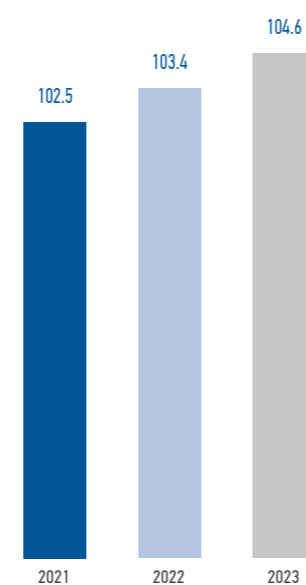
The Company maintains a high level of settlements with territorial grid organisations for electric power transmission services by offsetting homogeneous counterclaims.

Changes in the rate of cash collection for electricity transmission services in 2021–2023 (%)



+2.2 p. p. year-on-year growth in the level of payment for electricity transmission services

Changes in the level of settlements for electricity transmission with territorial grid organisations in 2021–2023 (%)



CONSOLIDATION OF POWER GRID ASSETS

Pursuant to the Development Strategy of the Power Grid Complex of the Russian Federation, namely its goal to reduce the number of territorial grid organisations (TGOs), the Company consolidated the grid assets in the Krasnodar Territory and the Republic of Adygeya during the reporting year. Consolidation work covers TGOs that do not meet the criteria for classifying owners of power grid facilities as territorial grid organisations, approved by Resolution No. 184 of the Russian Government dated 28 February 2015 "On classifying owners of power grid facilities as territorial grid organisations" as amended from time to time.

For 2023, the STRD-KT approved individual tariffs for electricity transmission for 40 TGOs (Order No. 40/2022-e dated 25 November 2022). In 2024, the STRD-KT approved individual tariffs for electricity transmission for 32 TGOs (Order No. 32/2023-e dated 29 November 2023), eight companies lost their TGO status under the criteria approved by Decree No. 807 of the Government of the Russian Federation dated 30 April 2022. In the reporting year, Rosseti Kuban, PJSC entered into a lease agreement for power grid property previously used by the grid company Transenergoholding, LLC, which is deprived of the TGO status as of 2024.

In the reporting year:

- The Company made extensive efforts to consolidate power grid property owned by gardening and horticultural non-commercial partnerships and put it onto the balance sheet, and the results were sent to the Ministry of Fuel and Energy and Housing and Utilities of the Krasnodar Territory.
- In 2023, the title to 63 ownerless movable property and 1 immovable power grid facility were declared in court, and then they were put onto the balance sheet.
- Following the negotiations with the TGO, consent was obtained from Alga, LLC, a territorial grid organisation, for leasing the grid property to the Company.

In 2023, the total amount of power grid assets of Rosseti Kuban, PJSC totalled 19,202.23 c.u. with a length of 1,400.67 km and a capacity of 1,587.18 MVA; 492 contracts were made, including:

- The amount of power grid property consolidated by taking it into the ownership of the Company totals 689.36 c.u. — 122 agreements for the gratuitous transfer of power facilities from non-commercial organisations and individuals were signed
- The amount of power grid property leased by the Company is 18,020.30 c.u., of which 2,200.04 c.u.

is consolidated in 2023 — a total of 365 lease agreements, including 15 agreements with TGOs, 77 agreements with municipalities, and 273 agreements with other owners, were signed

- The amount of power grid property temporarily used by the Company is 326.26 c.u., of which 4.9 c.u. is consolidated in 2023, — a total of five transactions of gratuitous use of property were closed
- The amount of power grid property taken into the ownership of the Company as ownerless is 166.31 c.u., a total of 64 power facilities were consolidated

Monitoring of power grid asset consolidation volumes for 2021–2023

	2021			2022			2023		
	Grid assets consolidated over this period			Grid assets consolidated over this period			Grid assets consolidated over this period		
	MVA	km	c.u.	MVA	km	c.u.	MVA	km	c.u.
	1,351.2	1,262.2	15,402.7	1,498.67	1,455.59	17,932.23	1,587.18	1,400.67	19,202.23
Acquisition of power grid facilities	0	0	0	0	0	0	0	0	0
Lease of power grid facilities ¹	1,324.7	1,151.7	14,805.5	1,411.68	938.44	16,217.15	1,535.75	1,094.21	18,020.30
Other (permanent ownership and rights of use) ²	6.2	34.0	201.3	61.46	427.96	1,202.21	33.60	249.34	855.67
Other (temporary ownership and rights of use)	20.3	76.6	395.9	25.53	89.19	512.88	17.83	57.11	326.25

¹ The amount of leased power grid facilities is shown on an accrual basis from the date the power facilities are leased to the Company.

² The amount of power grid facilities taken into the ownership of the Company is shown for 2023.