

Factors	Description	Current state	Mitigation measures (if possible)
Power consumption dynamics	Change in energy consumption volumes has direct impact on the industry	Actual electricity consumption in the UES of Russia in 2023 was 1,121.6 billion kWh, up 1.4% year-on-year ¹ . Actual electricity consumption in the IES of South in 2023 was 113.5 billion kWh, up 2.3% year-on-year ¹ .	Development of new (non-tariff) business types and increase in non-tariff sources of income
WECM price behaviour	Changes in electricity prices in the wholesale electricity and capacity market (WECM) have a direct impact on the size of compensation for electricity losses in power grids and, accordingly, on all activities of the Company	The unregulated purchase price of electricity to compensate for losses on the WECM in 2023 increased by 7.9% year-on-year	Changes in the price of electricity on the WECM are beyond the Company's influence. In order to cut down the costs of purchasing electricity to compensate for its losses, the Company is making continuous efforts to reduce the volume of electricity losses in power grids
Current state of the industry	All aspects of the Company's operations are directly impacted by the state of the industry	<ul style="list-style-type: none"> High wear and tear of main generating and grid equipment Cutback of industry-specific investment programmes Default in payment 	Measures for retrofitting, upgrade and renovation of existing power grid facilities Introduction of the up-to-date Company's management tools, automation of key functions to improve management decision-making

Outlook for the industry

According to the forecast of socio-economic development of the Russian Federation for 2024 and the planned period of 2025 and 2026³ in the medium term:

- Global price levels and the rouble exchange rate will stabilise
- In 2024, the growth of Russian exports will accelerate to 2.6% year-on-year and stabilise at 2.4–2.7% per annum from 2025–2026 on
- Growth rate of import volumes will slow down
- Inflation rate is expected to be 7.2% in 2024, 4.2% — in 2025, and from 2026 — 4.0%
- GDP is projected to grow by 2.2–2.3% per annum in real terms in 2024–2026 through economic policy measures aimed at promoting structural adjustment of the economy
- Investments in fixed assets are predicted to grow at an average annual rate of up to 3%, retail trade turnover is expected to grow by 3.4–3.6%

annually in 2024–2026, and the volume of paid services to the households is projected to increase to an average annual rate of 2.6%; consumer demand will be supported by an average annual growth in real disposable income of the population by 2.6%

- The situation on the labour market will remain stable, and the system of professional reorientation of personnel will continue to develop
- A key external risk — a slowdown in the global economy — is likely to materialise, which may adversely affect demand for traditional Russian export goods and lead to a decline in export prices; this poses risks for the development of export-oriented industries and the budget
- There may be a shortage of workforce on the labour market
- Indexation of electricity transmission tariffs for consumers, including households, will be 9.1% in 2024, 6.0% in 2025, and 5.0% in 2026

In accordance with the Scheme and Programme of Development of Electric Power Systems of Russia for 2024–2029 approved by the Ministry of Energy of Russia:

- Electricity consumption in the UES of Russia is forecast to grow to 1,274.5 billion kWh by 2029, with an average annual growth rate of 2.04%
- Expected capacity demand in 2029 will be 183.4 GW, which is 24.5 GW more than in 2022, with an average annual growth rate of 2.07% for maximum capacity consumption
- The south-western part of the UES of the South (the Company's area of operation) was identified as one of the territories of technologically necessary generation: a power shortfall of at least 857 MW is forecasted here by 2029

¹ Source: Functional report of the UES of Russia in 2023.
² Source: Ministry of Economic Development of Russia.

DEVELOPMENT STRATEGY

The goals and objectives of the Company's development strategy are in line with the national development goals of Russia and strategic objectives set for the power grid sector at the federal level:



Presidential Decrees No. 204 dated 7 May 2018 "On National Goals and Strategic Objectives for the Development of the Russian Federation until 2024" and No. 203 dated 9 May 2017 "On the Strategy for the Development of Information Society in the Russian Federation for 2017–2030"



Comprehensive plan for the modernisation and expansion of trunk infrastructure until 2024 approved by the Russian Government Order No. 2101-r dated 30 September 2018



Energy Strategy of the Russian Federation until 2035 approved by Order No. 1523-r of the Government of the Russian Federation dated 9 June 2020, and other state documents related to the electric power industry

Strategic goals of the Company



Reliability

More reliable electricity supply in the Krasnodar Territory and the Republic of Adygeya



Growth

Stronger investment appeal and higher capitalisation



Quality

Better customer service quality and more accessible power grid infrastructure



Working conditions

Decent working conditions, improvement of professional competence and loyalty of the Company's personnel



Development

Advance grid development and adoption of new technologies

¹ As amended by Presidential Decree No. 474 dated 21 July 2020.

Achievement of the Company's strategic goals approved by the Company's Management Board and in line with the development strategy of Rosseti, PJSC and its S&As in the reporting year

Results in the reporting year

To enhance reliability of electricity supply in the Krasnodar Territory and the Republic of Adygeya

Annually, the Company carries out comprehensive measures on retrofitting, upgrade and renovation of existing power grid facilities to achieve the following key objectives:

- To increase reliability of power supply to consumers
- To provide a safe working environment for the personnel
- To constrain the equipment physical deterioration growth rate
- To reduce the share of equipment that reached their rated service life
- To improve the equipment performance
- To ensure compliance with environmental protection and ecological safety requirements and regulations
- To cut down operating costs in the longer term
- To support the production activities during the operation of power grid facilities, in particular those related to preventing and removing emergencies

For more details, please see [Reliable and Efficient Operation of the Energy System](#) section.

System average interruption duration index per point of supply (I_{SAIDI}) — 3.3403 h — 1.3099 interruptions In the reporting year, the indicators were achieved with an allowable deviation. The number of accidents in the 110 kV and above power grid went up by 18.1% year-on-year, but the number of accidents in the 0.4 kV and above power grid went down by 3.2% year-on-year.

Results in the reporting year

Better customer service quality and more accessible power grid infrastructure

In terms of quality of service to consumers:

The Company complied with the requirements of the Uniform Service Quality Standards for consumers of grid companies' services approved by Order of the Ministry of Energy of Russia No. 186 dated 15 April 2014 (hereinafter referred to as the Uniform Standards), including the requirements for timely, complete and accurate disclosure of information.

The quality indicator of the Company's compliance with the Uniform Quality Standards (Kqa3), calculated in accordance with the Methodological Guidelines for Calculating the Level of Reliability and Quality of Goods Supplied and Services Provided to the Organisation for the Management of the Unified National (All-Russian) Power Grid, approved by Order of the Ministry of Energy of Russia No. 1256 dated 29 November 2016, was achieved in the reporting period (Kqa3 = 0).

In terms of the quality of grid connection:

The grid connection quality indicator (I_{GC}) is 1.044; it is within the planned value established by the REC — the Price and Tariff Department of the Krasnodar Territory for the reporting year, taking into account the allowed deviation

Plans and targets for the future

- Completion of production programmes in full.
- Timely and complete implementation of the repair programme.
- Preparation for the 2024/2025 heating season. Achievement of readiness for heating season.
- Strict compliance with Rostekhnadzor and Ministry of Energy regulations.
- Promotion of the safety culture of the Company's personnel.

Plans and targets for the future

In terms of customer service quality: fulfilment of the requirements of the Unified Standards.

In terms of the quality of grid connection: maintaining the quality level of the grid connection within the planned value of the reporting year, set by the Regional Energy Commission — Department of Prices and Tariffs of the Krasnodar Region (subject to acceptable deviation) with a trend towards its improvement

Results in the reporting year

Advance grid development and adoption of new technologies

The primary goal of the long-term development of the Company's power grid is to determine the optimal course for grid modernisation and expansion in order to fill up any gaps in generating capacity and meet any anticipated long-term demand for generating capacity.

In 2023, the Company contributed to the development of the scheme and programme for the development of Russia's power systems for 2024–2029¹. According to these documents, the Company will have to focus on the development of the most troubled South-Western and Central energy districts of the Kuban energy system, which are in need of power infrastructure improvement.

During the reporting year, innovative technologies were introduced in the following key areas of the innovation development programme:

- Transition to smart grids with a distributed intellectual automation and control system
- Transition to integrated business process efficiency and automation of control systems
- Application of advanced technology solutions and materials in power engineering
- Promotion of an innovative development management system and shaping of an innovative infrastructure

For more details, please see the [Innovative Activities](#) subsection in the [Operational Results](#) section.

Results in the reporting year

Stronger investment appeal and higher capitalisation

The Board of Directors of the Company approved the Operational Efficiency Improvement and Cost Reduction Programme of Rosseti Kuban for 2023–2027 (Minutes No. 506/2022 dated 30 December 2022); the Programme includes a list of measures to ensure that the Company achieves its strategic objectives and improves its internal efficiency. The performance indicators of the Programme take into account the Company's performance targets.

Revenue in 2023 — RUB 74,557.5 mln, up RUB 10,818.6 mln year-on-year

EBITDA in 2023 — RUB 17,574 mln, up 9% year-on-year

The reporting year saw a profit of RUB 6,166.5 mln, up RUB 922 mln year-on-year due to an increase in revenue from electricity transmission and revenue from grid connections.

Year-end net asset value — RUB 54,950 mln.

The increase in net assets for the year totalled RUB 9,147 mln due to an increase in equity attributable to year-end profit, as well as an year-on-year increase in cash balance.

The Company's market capitalisation almost quadrupled in the reporting year and as of 31 December 2023 amounted to approximately RUB 108 billion, including additional shares placed

Results in the reporting year

Decent working conditions, improvement of professional competence and loyalty of the Company's personnel

In all Rosseti Kuban branches, the level of average accrued wages for production staff is competitive and higher than the local average accrued wages for 2023.

The staff training plan for 2023 was over-fulfilled by 113%.

For more details, please see the [Human Resources Management](#) subsection of the [Sustainable Development](#) section.

Plans and targets for the future

Innovative development of the Company to achieve the target innovation implementation and R&D performance volumes, as well as other performance indicators of the Innovative Development Programme

Plans and targets for the future

Further implementation of the Programme for Improving Operating Efficiency and Reducing Expenses of Rosseti Kuban, PJSC for 2024–2028 approved by the decision of the Company's Board of Directors (Minutes No. 544/2023 dated 29 December 2023)

Plans and targets for the future

Continuing to maintain and improve the Company's competitive edge in the regional labour market, creating conditions for attracting and retaining qualified workforce, implementing the Company's policy of social responsibility to its employees

¹ Approved by Order No. 1095 of the Ministry of Energy of Russia dated 30 November 2023.