

BUSINESS MODEL

The Company also uses financial, industrial, intellectual, human, social and reputational, and environmental capitals (resources).

In its day-to-day operations, Rosseti Kuban balances out interests and creates values for all stakeholders, contributes to the economic growth of the regions where it operates, adheres to the idea of sustainable development, and ensures reliable and affordable energy supply to consumers.

CHANGE IN THE COST OF CAPITALS OVER 2022

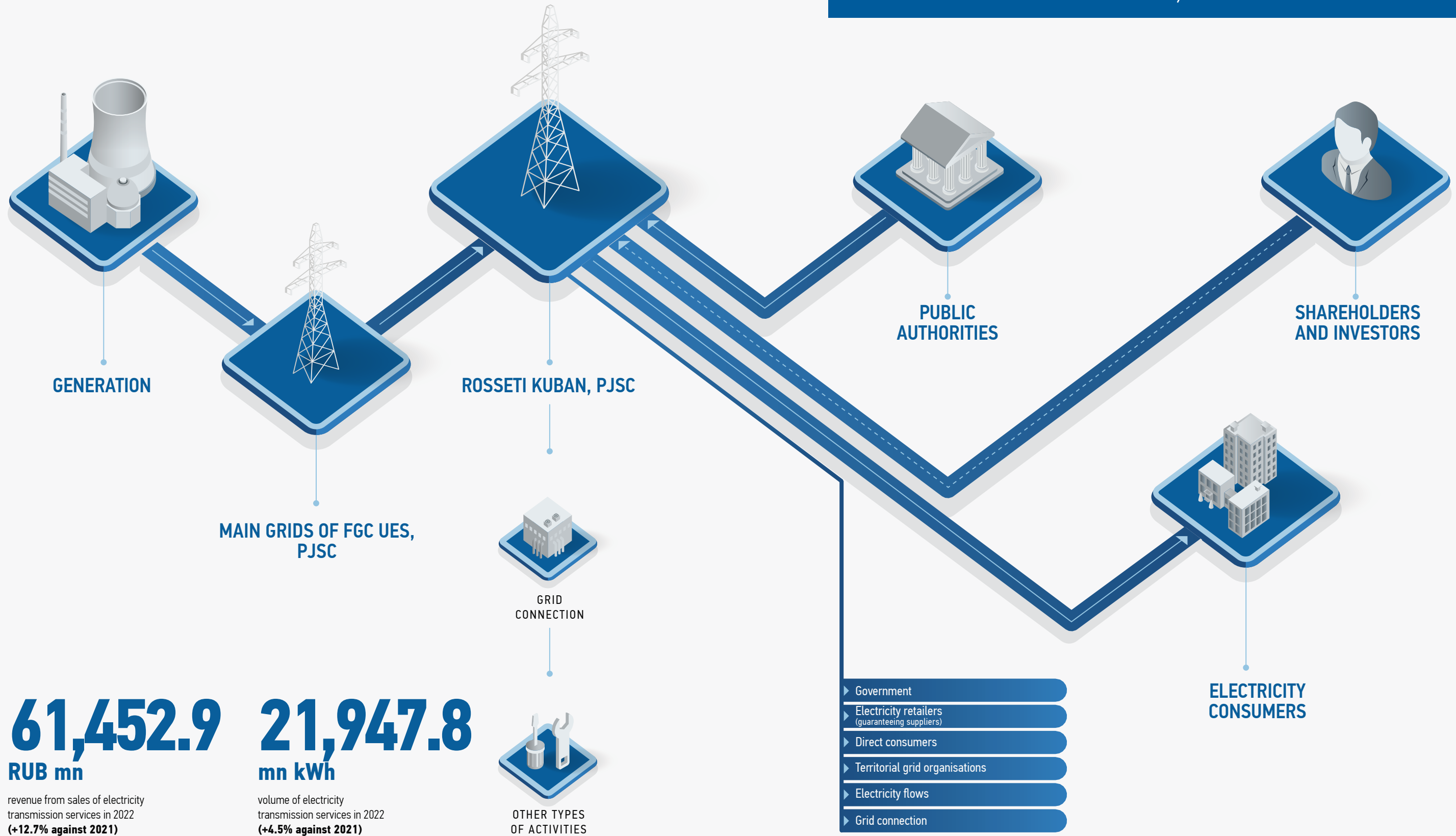


¹ Calculated by Moscow Exchange, PJSC at the market price (3).

BUSINESS MODEL OF ROSSETI KUBAN, PJSC

THE CORE BUSINESS OF THE COMPANY IS ELECTRICITY TRANSMISSION AND DISTRIBUTION SERVICES

96.4%
OF THE COMPANY'S REVENUES
IN THE REPORTING YEAR



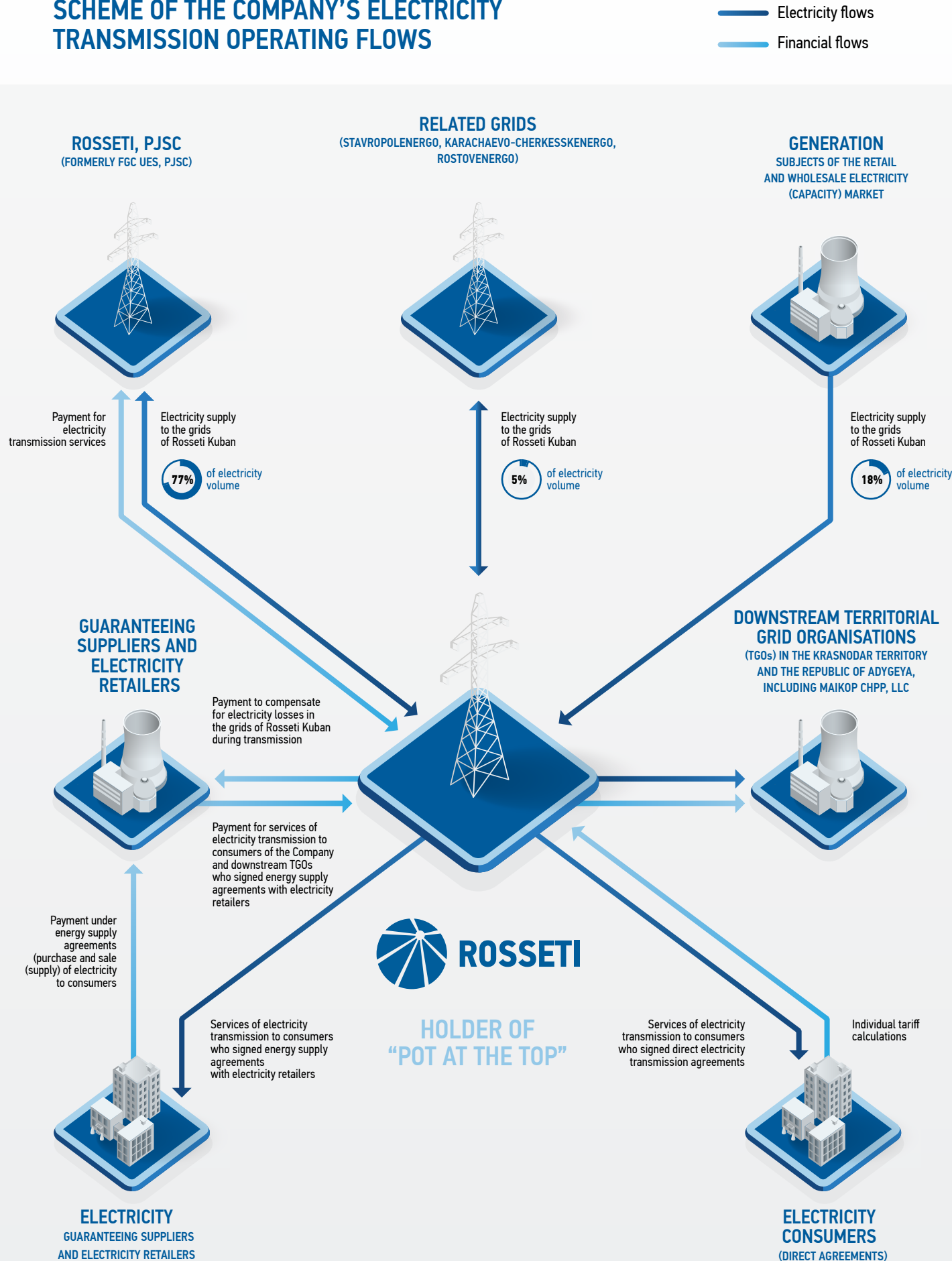
61,452.9
RUB mn

revenue from sales of electricity transmission services in 2022
(+12.7% against 2021)

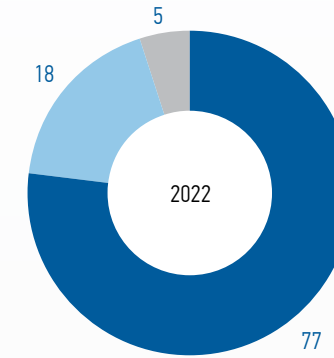
21,947.8
mn kWh

volume of electricity transmission services in 2022
(+4.5% against 2021)

SCHEME OF THE COMPANY'S ELECTRICITY TRANSMISSION OPERATING FLOWS



ELECTRICITY SUPPLY TO THE COMPANY'S GRIDS IN THE REPORTING YEAR (%)



- on the UNPG grids from Rosseti, PJSC (formerly, FGC UES)
- directly from the generation facilities
- from related grids (Stavropolenergo branch of Rosseti Northern Caucasus, PJSC; Karachaevo-Cherkesskenergo, JSC; Rostovenergo, a branch of Rosseti South, PJSC)

Consumers of Rosseti Kuban's electricity transmission services are:

- guaranteeing suppliers (in the reporting year, NESK, JSC and TNS Energo Kuban, PJSC) – wholesale and retail market entities engaged in energy sales activities and obliged to conclude an agreement with any consumer who applies to it and located within the boundaries of its area of operations
- other companies involved in energy supply activities (62 in the reporting year)
- consumers (95 in the reporting year) that signed direct agreements to purchase electricity with Rosseti Kuban (Novoroscement, JSC, Tamanneftegaz, CJSC, Eurochem-Belorechenskie Minudobrenia, LLC, Ptitsefabrika Primorskaya, LLC, Agrofirma-Plemzavod Pobeda, OJSC, FSBI Kubanmeliovodkhoz Administration, Sad-Gigant, OJSC, Verkhnebakansky Cement Plant, OJSC, Abrau-Durso, CJSC, Novoroslesexport, JSC, RAMO-M, JSC, NMTP, PJSC, Kanevskoy Gas Equipment Plant, LLC, IPP, OJSC, etc.)

The Company receives payment for its electricity transmission services from electricity retailers and from direct consumers, respectively.

To compensate for electricity losses occurred during transmission in the Company's grids, Rosseti Kuban buys the corresponding amount

of electricity from guaranteeing suppliers such as TNS Energo Kuban, PJSC and NESK, JSC, as well as from VIE, LLC and LUKOIL-Kubanenergo, LLC.

Since 2007, the region has had a common-pot tariff for electricity transmission services in place which applies to all consumers of electricity transmission services in Kuban and Adygeya, regardless of which grid organisation they are connected to.

The main settlement model is the "Pot at the top": Rosseti Kuban is assigned the status of the backbone grid organisation – the "pot holder". According to this model, Rosseti Kuban receives consumers' payments for electricity transmission services (regardless of which grid organisation they are connected to), then the

Company settles accounts at individual tariffs with downstream grid organisations the grids consumer terminals are connected to.

The largest companies engaged in similar activities in the regional electricity transmission market include NESK Electroseti, JSC, Oboronenergo, JSC, RZD, OJSC, and Neftegaztekhologia-Energia, JSC.

We have reason to assume that the Company will continue to hold a dominating position in the local electricity transmission market due to the high rates of renovation and renewal of its power grid infrastructure as well as the continually increasing number of grid connections.



ORGANISATIONAL STRUCTURE

No changes were made to the organisational structure of Rosseti Kuban, PJSC in 2022. As of 31 December 2022, Rosseti Kuban has the organisational structure in place that was approved by the Board of Directors of the Company on 30 November 2021 (Minutes No. 455/2021 dated 1 December 2021).