

DEVELOPMENT STRATEGY

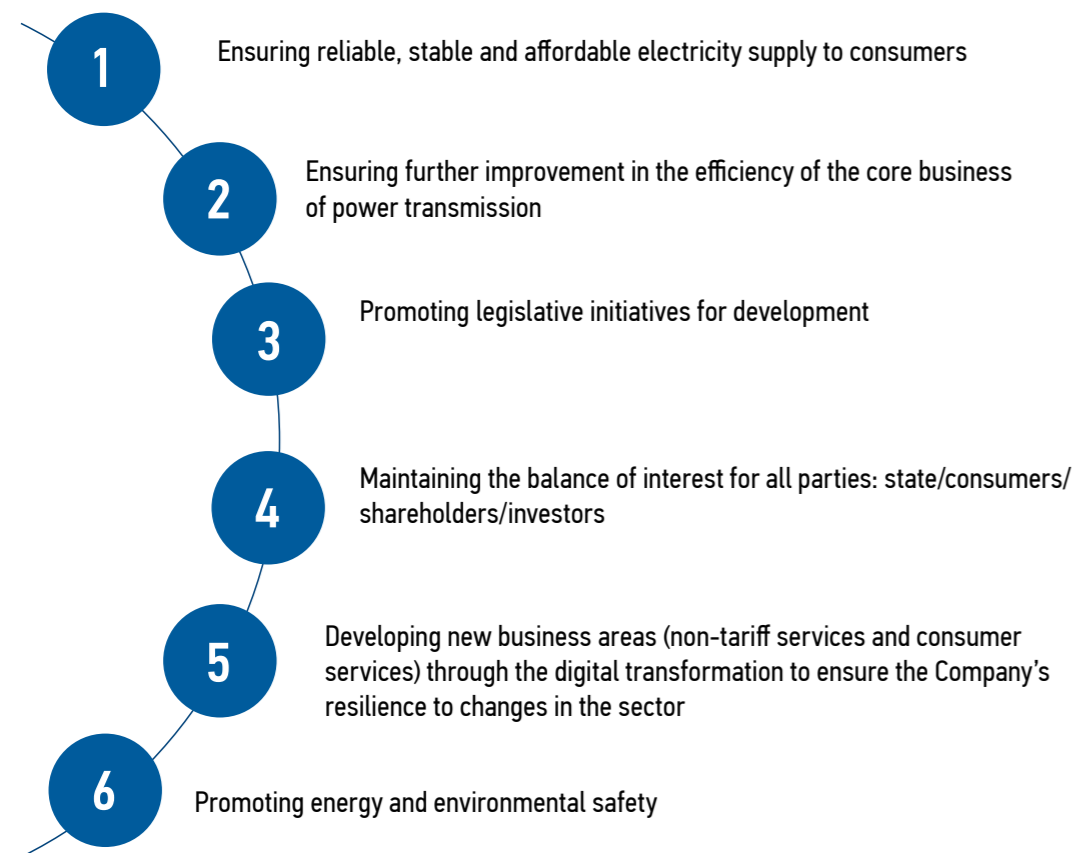
As a part of unified power distribution grid complex of Russia and Rosseti Group, the Company works to achieve the state-defined objectives to implement the Development Strategy of Public Joint Stock Company Rosseti and its subsidiaries and affiliates (S&A) (Rosseti Group) until 2030 (hereafter referred to as the Strategy) approved by the Board of Directors of Rosseti, PJSC (Minutes No. 388 dated 26 December 2019).

The switch to a business model of contemporary innovation infrastructure represents the most significant change in the way the Rosseti Group operates. Promoting the further enhancement of efficiency of

current activities to develop the sector and ensuring reliability, quality and accessibility of infrastructure in the new digital environment are among the main strategic priorities. Strong focus is made on balancing the interests of

all parties, including the state, customers, shareholders and investors, as well as on developing new business lines.

STRATEGIC DEVELOPMENT PRIORITIES FOR THE COMPANIES WITHIN ROSSETI GROUP DEFINED BY ROSSETI, PJSC



Ways to achieve the Group's strategic priorities:

- Technological and innovative development
- Provision of information and technological security
- Digital transformation
- Promotion of legislative initiatives to improve industry-wise pricing
- Enhancement of operational and investment performance
- Business diversification

ACHIEVEMENT OF THE COMPANY'S STRATEGIC GOALS ALIGNED WITH THOSE OF ROSSETI GROUP AND APPROVED BY THE COMPANY'S MANAGEMENT BOARD IN THE REPORTING YEAR

Strategic Goals	Results in the reporting year
More reliable electricity supply in the Krasnodar Territory and the Republic of Adygeya	<p>Annually, the Company carries out comprehensive measures on retrofitting, upgrade and renovation of existing power grid facilities to achieve the following key objectives</p> <ul style="list-style-type: none"> • Increasing reliability of power supply to consumers • Providing a safe working environment for the personnel • Constraining the equipment physical deterioration growth rate • Reducing the share of equipment that reached their rated service life • Improving the equipment performance • Ensuring compliance with environmental protection and ecological safety requirements and regulations • Cutting down operating costs in the longer term • Supporting the production activities during the operation of power grid facilities, in particular those related to preventing and removing emergencies <p>For more details, see Reliable and Efficient Operation of the Energy System section.</p> <p>The Company's reliability indicators (I_{SAID}, I_{SAIF}) decreased from the prior year and did not exceed the planned values of the Regional Energy Commission (REC) for the reporting year, taking into account the allowed deviation. The number of accidents in the 110 kV and above grid dropped by 21% as compared to the previous year</p>
Better customer service quality and more accessible power grid infrastructure	<p>The grid connection quality indicator (IGC) is 1.126; 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</p>
Advance grid development and adoption of new technologies	<p>During the reporting year, innovative technologies were introduced in the following key areas of the innovation development programme:</p> <ul style="list-style-type: none"> • Transition to smart 35–110 (220) kV substations • Shift to smart grids with distributed 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 <p>For more details, please see the Innovative Activities subsection in the Operational Results section.</p>
Stronger investment appeal and higher capitalisation	<p>The Board of Directors of the Company approved the Operational Efficiency Improvement and Cost Reduction Programme of Rosseti Kuban for 2022–2026 (Extract from Minutes No. 461/2021 dated 30 December 2021); 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.</p> <p>Revenue in 2022 – RUB 63,739 mn, up RUB 6,069 mn year-on-year. EBITDA in 2022 – RUB 16,141 mn, up 82% year-on-year. Profit of RUB 5,244.5 mn was mainly brought about by an increase in the volume of services rendered. Year-end net asset value – RUB 45,803.2 mn. Net assets increased by RUB 4,773.7 mn over the year due to increase in equity after receiving the year-end profit.</p> <p>In light of a more significant reduction in the MICEX Index and the Electric Utilities Index, the Company's market capitalisation for the reporting year declined and as of 31 December 2022 amounted to:</p> <ul style="list-style-type: none"> • Excluding outstanding additional shares – RUB 18.77 bn • Including outstanding additional shares – RUB 20.38 bn
Decent working conditions, improvement of professional competence and loyalty of the Company's personnel	<p>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 2022 The staff training plan was over-fulfilled (168%)</p> <p>For more details, please see the Human Resources Management subsection of the Sustainable Development section.</p>