

RESEARCH AND DEVELOPMENT

The Company's innovative development programme focuses on research and development (R&D) meant to promote cutting-edge technologies to create

fundamentally novel methods, as well as applied research meant to improve the existing technologies.

Four R&D themes were finalised in 2022–2024. In 2024, phases of two R&D projects were accepted.

R&D results in 2024

R&D description	Technical result
Transition to smart grids with a distributed intellectual automation and control system	
Research into the possibility of using the FCC frequency range for PLC in low-voltage power grids for data transmission from smart electricity meters	<p>Implementation timeframe: 2024–2025</p> <p>Results obtained:</p> <ul style="list-style-type: none"> State standards and regulatory documentation of Rosseti PJSC on signal transmission via low-voltage power grids were reviewed A patent search was conducted in domestic and foreign databases in the field of the scientific work under study Technologies ensuring signal transmission in authorised frequency bands with authorized signal levels were analysed Particular technical requirements for hardware and software were developed for prototypes of smart electricity meters (SEMs) with PLC (FCC + CA) and the capability to switch the PLC frequency range via a backup RF channel Design documentation was developed for SEM prototypes with PLC (FCC + CA) 140 SEM prototypes were developed, manufactured and configured with PLC (FCC + CA) and the capability to switch the PLC frequency range via a backup RF channel Individual SEM prototypes with PLC (FCC + CA) were tested in laboratory conditions to check for proper functioning and switching of PLC frequency ranges
Application of advanced technology solutions and materials in power engineering	
Research into the prospects for using high-temperature wires, taking into account the shift of peak loads to periods of extremely high temperatures and the influence of temperature on the transmission capacity of OTLs	<p>Implementation timeframe: 2024–2026</p> <p>Results obtained:</p> <ul style="list-style-type: none"> Patent searches and patent studies were carried out, and patent-protected technical solutions related to R&D and the relevant regulatory framework were analysed The climatic conditions, temperature and load regimes of existing overhead lines and bus arrangements were analysed, and typical OTLs for the power system were selected as reference models for R&D Research on optimising the design and material of OTL wires for use in extreme weather conditions was analysed Test programmes and procedures were devised, and test equipment was selected Test benches were debugged and the procedure was tested using AC wire as a reference one

As a result of R&D work carried out in 2022–2024, four protection documents were obtained: three certificates of state registration of computer software and one certificate of state registration of a database. During the above period, six licence agreements for R&D results were concluded, and one R&D result was integrated into the production activities of the Company.

FINANCIAL RESULTS

TARIFF POLICY AND TARIFFS FOR THE COMPANY'S SERVICES

Company's tariff policy

Prices (tariffs) for the Company's power transmission services and the grid connection fees are regulated by the state and set according to the KKSTRD orders. In the Krasnodar Krai, the Republic of Adygeya and the Sirius federal territory, where the Company operates, there are unified prices (tariffs) for each group of electricity consumers.

The main legal acts that regulate relations in setting the regulated tariffs and the practice of their application are as follows:

- Federal Law 'On electric power industry' No. 35-FZ dated 26 March 2003 (as amended)
- Decree of the Government of the Russian Federation 'On pricing in the field of regulated prices (tariffs) in the electric power industry' No. 1178 dated 29 December 2011 (as amended)

- Orders of the Federal Tariff Service (FTS of Russia):

- On approval of the guidelines for the calculation of tariffs for electricity transmission services established using the required gross revenue long-term indexation technique No. 98-e dated 17 February 2012
- On approval of the guidelines for the calculation of regulated tariffs and prices for electric (thermal) energy in the retail (consumer) market No. 20-e/2 dated 6 August 2004
- Order of the FAS of Russia No. 490/22 dated 30 June 2022 'On approval of the methodological guidelines for determining the grid connection fee' (effective from 2 September 2022)

Tariffs for electricity transmission services

Starting from 2023, Rosseti Kuban PJSC moved to another long-term (5-years) period for tariff regulation of electricity transmission services. Rosseti Kuban's electricity transmission tariffs and long-term regulatory parameters for 2023–2027 were set by the KKSTRD using the long-term indexation of required gross revenue.

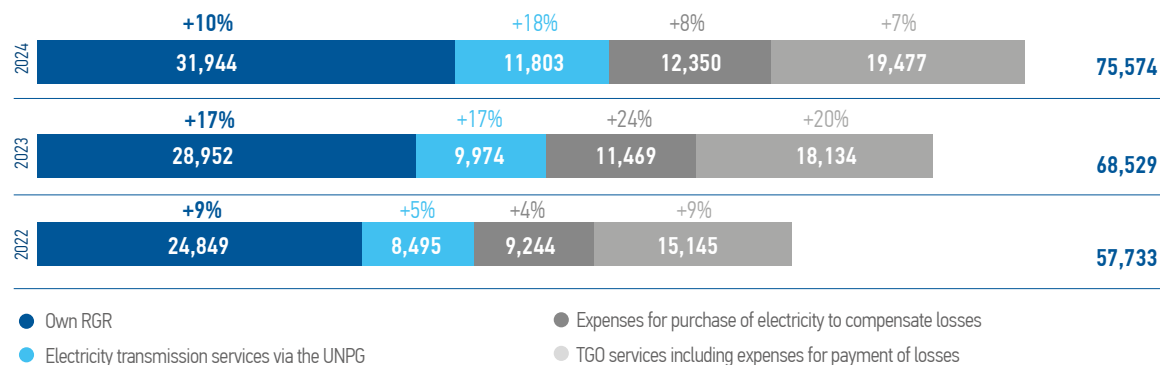
Tariffs for electricity transmission services in the Krasnodar Krai, the Republic of Adygeya, and the Sirius federal territory for 2024 were established by Order of the KKSTRD No. 32/2023-e dated 29 November 2023 (as amended by Order No. 35/2023-e dated 20 December 2023), with an increase of 9.1% from 1 July 2024 to the approved tariffs for the second half of 2023.

Information on tariffs for electricity transmission services in 2024 is available on the Company's official website in the [To Consumers/Electricity Transmission/Tariffs for Electricity Transmission Services](#) section.

Tariffs for the Company's electricity transmission services for 2022–2024

Indicator	2022	2023	2024	Δ 2024/2023 (%)
Region's required gross revenue (RGR) for electricity transmission approved under tariff and balance decisions (RUB million)	57,733	68,529	75,574	+10.3
Including:				
• Own RGR	24,849	28,952	31,944	+10.3
• Expenses for electricity transmission services via the Unified National (All-Russian) Power Grid (UNPG)	8,495	9,974	11,803	+18.3
• Expenses for purchase of electricity to compensate losses	9,244	11,469	12,350	+7.7
• Expenditures on TGO services (according to the effective contractual scheme)	15,145	18,134	19,477	+7.4
Including:				
– to pay for electricity losses	5,349	6,627	7,331	+10.6
– for upkeep of power grids of related TGOs	9,797	11,508	12,146	+5.5
• common-pot net electricity delivery (million kWh)	19,955	21,694	22,696	+4.6
• average tariff for electricity transmission services (RUB/kWh)	2.89321	3.15887	3.32980	+5.4

Changes in the structure of Rosseti Kuban's RGR for electricity transmission for 2022–2024 (RUB million)

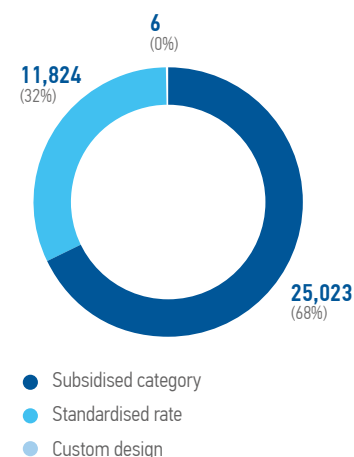


Grid connection fee

For 2024, in accordance with the methodological guidelines for determining the grid connection fee approved by Order of the FAS of Russia No. 490/22 dated 30 June 2022 (hereinafter – Guidelines No. 490/22), Order of the KKSTRD No. 33/2023-e dated 6 December 2023 established standardised tariff rates, discounted rates per 1 kW of requested maximum capacity and fee formulae for the grid connection of consumer terminals.

In addition, if there is no technical capacity for grid connection as specified by the Rules of grid connection of consumer terminals, power generation facilities, as well as power grid facilities owned by grid organisations and other entities, as approved by Resolution of the Government of the Russian Federation No. 861 dated 27 December 2004, a fee for grid connection under an individual project is set by orders of the KKSTRD on a case-by-case basis.

Structure of grid connection contracts concluded in 2024, by grid connection fee



Effective 1 January 2024, the discounted rate for applicants from Krasnodar Krai, the Republic of Adygeya, and the Sirius Federal Territory, established for 2024 by Decision of the KKSTRD No. 33/2023-e dated 6 December 2023, is RUB 4,456.27 (including VAT) per 1 kW of requested maximum capacity, and effective 1 July 2024 — RUB 5,570.34 (including VAT) per 1 kW. However, for socially disadvantaged categories (low-income families, veterans, disabled people, citizens exposed to radiation as a result of the Chernobyl nuclear power plant disaster, and large families) the fee for grid connection of facilities with up to 15 kW capacity is set at RUB 1,114.07 (including VAT) per 1 kW of the requested maximum capacity.

Rosseti Kuban's detailed information on the established standardised tariff rates and the grid connection fee rates per unit of maximum capacity in 2024 is available on the Company's website in the [To Consumers / Grid Connection / Tariffs for Grid Connection](#) section.

Fees for connection to the Company's power grids for 2022–2024

Indicator	UoM	2022	2023	2024	Δ 2024/2023 (%)
Standardised tariff rates to cover the costs of grid connection of consumer terminals, power grid facilities owned by grid organisations or other entities, with regard to the measures specified in para. 16a and para. 16c of Guidelines No. 490/22	RUB/connection	12,522.51 / effective 01.12.2022 — 14,305.13 ¹	14,305.13	15,325.45	+7.1
	RUB/kW	638.66	—	—	—

¹ Based on KKSTRD Order No. 38/2022-e dated 25 November 2022, a new rate of RUB 14,305.13 per connection was approved, effective 1 December 2022.

FINANCIAL (ACCOUNTING) STATEMENTS OF THE COMPANY

Accounting (financial) statements of Rosseti Kuban PJSC for 2024 was prepared in accordance with the laws of the Russian Federation. The Company received the auditor's opinion that the statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, as well as its financial performance and cash flows in 2024, in compliance with the accounting (financial) reporting standards set in the Russian Federation.

Ludmila Loskutova

Chief Accountant — Head of the Department for Financial and Tax Accounting and Reporting

The financial statements are compiled on the basis of the accounting and reporting rules in force in the Russian Federation, established by Federal Law No. 402-FZ 'On Accounting' dated 6 December 2011, federal accounting standards and other accounting regulations approved by the Ministry of Finance of the Russian Federation.

The annual accounting (financial) statements of Rosseti Kuban PJSC for 2024 prepared under RAS include (please see [Appendix 4](#)):

- Balance Sheet
- Profit and Loss Statement
- Statement of Changes in Equity
- Statement of Cash Flows
- Explanatory Notes to the Balance Sheet and Statement of Financial Results
- Auditor's opinion

Summary of significant accounting policies of the Company

The Company maintains its accounting records of fixed assets in accordance with Federal Accounting Standard FAS 6/2020 Fixed Assets approved by Order of the Russian Ministry of Finance No. 204n dated 17 September 2020. Items of fixed assets are entered into the books at their historical cost, which is determined by the method of receipt, i.e., purchased, created using own resources, built, received free of charge, etc.

Borrowing costs related to the formation of an investment asset (items of fixed assets, property complexes and other similar assets that require a large amount of time and expense to acquire and/or build) are included in the value of the depreciable asset.

Items of fixed assets are depreciated on a straight-line basis over their useful lives.

Profit or loss from the disposal, write-off and gratuitous transfer of fixed assets is recorded in the profit and loss statement under other income and expenses.

Fixed assets include the lease rights in accordance with the Federal Accounting Standard on Lease Accounting (FAS 25/2018), taking into account exemptions for leases with a term of less than 12 months or lease items

with a market value of no more than RUB 300,000. The useful lives of the lease rights are determined on the basis of the lease terms.

The Company's stock accounting follows the Federal Accounting Standard on Stocks FAS 5/2019 approved by Order of the Ministry of Finance of the Russian Federation No. 180n dated 15 November 2019.

The accounting of revenue and other earnings is aligned with Accounting Regulations (PBU 9/99) Income of the Organisation, approved by the Order of the Ministry of Finance of Russia No. 32n dated 6 May 1999.

The Company has provisions resulted from potential compensation payments for carry-over vacations, unsettled claims from power suppliers to compensate for losses and electricity transmission services, judicial proceedings and other payments to employees in accordance with PBU 8/2010 Provisions, Contingent Liabilities and Contingent Assets, approved by Order of the Ministry of Finance of Russia No. 167n dated 13 December 2010.

The Company makes provisions for doubtful accounts receivable that are outstanding or highly unlikely to be repaid when due under the contract and are not secured by relevant guaranties.