

"Rosseti Kuban", PJSC

LINE OF DEVELOPMENT

23
ANNUAL REPORT

ABOUT THE REPORT

ROSSETI KUBAN PUBLIC JOINT STOCK COMPANY (ROSSETI KUBAN, PJSC)

Approved by:
resolution of the Annual General Meeting of Shareholders of Rosseti Kuban, PJSC dated 14 June 2024
(Minutes No. 51 dated 17 June 2024)

Pre-approved by:
resolution of the Board of Directors of Rosseti Kuban, PJSC dated 8 May 2024
(Minutes No. 556/2024 dated 8 May 2024)

The reliability of the data contained herein is confirmed by:
by resolution of the Auditing Commission Rosseti Kuban, PJSC dated 26 April 2024
(Minutes No. 4 dated 26 April 2024)

This Annual Report presents the results of Public Joint Stock Company Rosseti Kuban for 2023, as well as certain important events that occurred after the reporting date between 1 January 2024 and the preliminary approval of the Annual Report by the Board of Directors.

The Report was aligned with Russian laws, such as:

- Federal Law dated No. 39-FZ dated 22 April 1996 “On the Securities Market”
- Federal Law No. 208-FZ “On Joint Stock Companies” dated 26 December 1995 (hereinafter — Federal Law “On Joint Stock Companies”)
- Bank of Russia’s Regulation No. 714-P “On Disclosure of Information by Issuers of Equity Securities” dated 27 March 2020
- Recommendations of the Corporate Governance Code of the Bank of Russia for use by joint stock companies that have stock-exchange securities by the Letter of the Bank of Russia No. 06-52/2463 dated 10 April 2014 (hereinafter — the Corporate Governance of the Bank of Russia)
- Recommendations on by public joint stock companies disclosing non-financial information related to the activities of such companies (Information Letter of the Bank of Russia No. IN-06-28/49 dated 12 July 2021)

Herein, Public Joint Stock Company Rosseti Kuban is also referred to as Rosseti Kuban, PJSC, Rosseti Kuban, the Company, Kubanenergo, PJSC (when the periods (events) that took place from 22 June 2015 to 10 August 2020 are mentioned), Kubanenergo, OJSC (when the periods (events) that took place before 22 June 2015 are mentioned).

The following companies ceased operations on 9 January 2023:

- Public Joint Stock Company Russian Grids (abbreviated Rosseti, PJSC) — the Company’s major shareholder
- Joint Stock Company Kuban Main Grids
- Joint Stock Company Tomsk Main Grids
- Joint Stock Company Far East Energy Management Company — UNPG (also a shareholder of the Company)

Cessation of business resulted their merger with Public Joint Stock Company Federal Grid Company — Rosseti (abbreviated name of Rosseti, PJSC, formerly FGC UES, PJSC). The latter is the universal legal successor of the above entities and has acquired ownership of all shares of Rosseti Kuban, PJSC owned by the above-mentioned shareholders of the Company.

Accordingly, whenever Rosseti, PJSC is mentioned in this Report, the Company means:

- until 9 January 2023 — Public Joint Stock Company Russian Grids (Rosseti)
- since 9 January 2023 — Public Joint Stock Company Federal Grid Company — Rosseti

THEME OF THE REPORT:

LINE OF DEVELOPMENT

Material topics related to the Company’s activities disclosed in the Report:

 <p>Consumer relations</p>	 <p>Environmental aspects of activities</p>	 <p>Energy saving and energy efficiency</p>
 <p>Social aspects and employee relations issues</p>	 <p>Occupational health and safety</p>	 <p>Fight with corruption, influence peddling and bribery of foreign officials</p>

Disclaimer

This Annual Report was prepared using the information available to Rosseti Kuban, PJSC and its subsidiaries at the time of the Report compilation.

The material in the Report is based on projections and estimations made by the Company’s management based on the current circumstances, including information about Rosseti Kuban’s production and business operations in the future. Actual performance may differ from these projections and estimations due to the influence of numerous objective factors.

The Annual Report contains certain forward-looking statements regarding the Company’s business operations, financial and economic performance, plans, projects and expected results. The Report may also include estimates of trends in service/product prices, production and consumption volumes, costs, projected expenditures, development prospects and similar factors, as well as industry and market forecasts, start and end dates of individual projects of the Company.

The words “intends”, “strives”, “projects”, “expects”, “estimates”, “plans”, “believes”, “anticipates”, “may”, “should”, “will” and “will continue”, as well as similar expressions, generally indicate forward-looking statements.

By their nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that assumptions, forecasts, projections and other forward-looking statements may not materialise. The Company cautions that, in light of these risks, uncertainties, and assumptions, actual outcomes might differ materially from those implied directly or indirectly in such forward-looking statements, which are only accurate as of the date this Annual Report was written.

The Company makes no promises or guarantees regarding the realisation of the results expressed in the forward-looking statements. Rosseti Kuban disclaims any liability for any losses incurred by individuals or entities that bank on any forward-looking

statements. In each individual case, these forward-looking statements are simply one of many scenarios that could occur and shouldn’t be taken as the most likely one.

The Company does not commit to publishing updates to or modifications to forward-looking statements based on both new information and subsequent events, except for the instances expressly provided by Russian legislation.

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ELECTRONIC VERSION
OF THE ANNUAL REPORT

STATEMENT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



Dear shareholders, investors and partners!

The management of Rosseti Kuban, PJSC met its goals for 2023, which included achieving production indicators, preserving sustainability and stable development, and raising service quality. The team's professionalism and accountability allowed the Company to finish its reporting period with satisfactory outcomes.

77.1%

Company's share in the regional market for electricity transmission services

2.71

RUB bln

dividends accrued
in the reporting year for 2022



Rosseti Kuban, PJSC retains its status as the largest power grid company in the Krasnodar Territory, the Republic of Adygeya, and the federal territory of Sirius. The Company's share in the regional electricity transmission market in 2023 was 77.1% (of the regional required gross revenue). This is attributed to high rates of power grid infrastructure renewal and growth in the volume of grid connections.

In 2023, the Company focused primarily on unconditional delivery of the outlined plans of the annual programmes for equipment repair, investments in renovation and new construction. The amount of capital investment funding surpassed RUB 18 billion at the end of the reporting period.

The Board of Directors of Rosseti Kuban placed its focus on safeguarding shareholder interests, enhancing the financial and economic condition of the Company, and boosting stakeholder confidence in the business on the part of shareholders, creditors and investors. The General Meeting of Shareholders decided to distribute RUB 2.71 billion in dividends from net profit in 2022, as suggested by the Board of Directors.

By decision of the Board of Directors in 2023, the Company carried on with the placement of shares of additional issue started in 2021. By year-end, RUB 6.43 billion in investments were raised, accounting for 92.4% of the total number of shares offered. The purpose of the additional issue was to finance the construction of energy infrastructure of the Republic of Adygeya, the renovation of the power supply centres in the energy district of Sochi, as well as to strengthen Rosseti Kuban's financial position through lowering its debt load.

In the reporting period, 38 meetings of the Board of Directors were held and 144 issues were reviewed. The Board of Directors spent the majority of its time overseeing the management team's activities, approving plans and internal documents, organising and holding the General Meeting of Shareholders, and addressing issues relating to human resources.

The most important decisions of the 2023 Board of Directors covered approval of the development plan, the Company's policies on quality, sustainable development, climate change, ownership of Company shares by members of the Company's Board of Directors, new revisions of the Risk Management and Internal Control Policy, Internal Audit, Anti-Corruption Policy, and customer service quality standards.

In order to upgrade the efficiency of operations and improve the financial and economic performance, to achieve a stable positive financial result of operations, the Company continued to implement the programme to raise operational efficiency and reduce costs for 2023–2027, which includes a list of measures to ensure the achievement of the Company's strategic goals and increase internal efficiency.

Based on the results for 2023, Rosseti Kuban, PJSC made a profit of almost RUB 6.2 billion, which is RUB 922 million more than for 2022.

Given the dynamic development of the macro-region, the most important area of Rosseti Kuban's focus remains the timely and affordable grid connection of new consumers, including housing construction projects, agricultural enterprises, and socially important educational and healthcare facilities, particularly as part of the Company's participation in the implementation of national projects. In 2023, the Company concluded 32,400 contracts for grid connection with a total capacity of 860 MW.

The roll-out of IT products, the creation and customisation of new cutting-edge technologies, the development of digital models, and the standardisation of information flows are only a few examples of the Company's strong commitment to sustainability.

The strategic focus of Rosseti Kuban, PJSC is on the development and implementation of additional (non-tariff) services. The Company aims to continuously expand the range of additional services provided, as well as to increase the profitability of non-tariff activities.

>18

RUB bln

capital investments in 2023

As the largest power grid company in the macro-region, Rosseti Kuban successfully coped with the new challenges of the time while retaining its skilled staff in 2023, delivering on its plans and improving operational efficiency.

The Company's primary goals for 2024 are to make sure that there are no accidents during peak load seasons, to deliver on planned investment and repair programmes, including participation in significant regional and federal projects to expand the region's road and port infrastructure, the mountain cluster of the Republic of Adygeya resort area, and further development of the power grid complex of the Sochi energy district and the Sirius federal territory.

In 2023, the Board of Directors continues to set a high priority on making decisions that will help the Company maintain a sound financial position, make grid connection more available and upgrade the power supply, as well as on working to cut down on transmission losses and develop non-tariff services.

I am confident that the personnel, shareholders and management of the Company will work together to accomplish the objectives set and guarantee that the citizens of Russia's southern regions receive high-quality services.

Daniil Krainskiy

Chairman of the Board of Directors
Rosseti Kuban, PJSC

STATEMENT BY ACTING DIRECTOR GENERAL



Dear shareholders, investors
and partners!

In 2023, Rosseti Kuban continued to follow the Rosseti Group's development strategy, the main objectives of which are to secure high-quality electricity supply to consumers, promote sustainable development, and maintain stability and the status of a highly socially responsible company.

26.86
bln kWh

of electricity delivered to the grid
in 2023 (+3% vs. 2022)

>600 MVA

of transformer capacity



In order to meet production and financial indicators and fulfil its obligations to the Company's customers — residents of the Krasnodar Territory, the Republic of Adygeya, and the federal territory of Sirius — the Company kept improving its business processes, which made it possible to close the reporting period in the black without compromising the quality of operations and confirm the status of Rosseti Kuban as the largest power grid company in the macro-region.

Ensuring reliable power supply to consumers and creating an affordable energy infrastructure for new industrial and investment sites in the region have traditionally been Rosseti Kuban's priorities, which were further promoted through the implementation of measures of the investment programme, as well as repair and maintenance of power grid facilities in the Company's area of responsibility.

At year-end 2023, more than 600 MVA of transformer capacity and over 1,000 kilometres of power transmission lines were commissioned as part of investment activities. Major investment projects include construction of Yuzhnaya Ozereyevka and Yasnaya 110/10 kV substations, renovation of Pasechnaya, Kudepsta and Adler 110 kV substations in the Sochi energy district.

Under the annual repair programme, the Company repaired almost 6,000 km of power transmission lines, over 770 transformer substations, replaced 7,700 poles, and cleared about 1,700 hectares of PTL routes.

The Company completed all scheduled actions pertaining to getting ready for the 2023–2024 heating season completely and on schedule. As a result, the Ministry of Energy of Russia granted a respective heating season readiness certificate.

In 2023, Rosseti Kuban secured reliable power supply to federal and regional resorts and infrastructure facilities (transport,

communications, sports and cultural facilities), including in Sochi during international and national events.

In addition, the Company dispatched a group of employees to help with the restoration of power supply facilities in the Donetsk People's Republic, involving the repair of the critical energy infrastructure.

Over 35,000 new consumers were connected to the Company's grid infrastructure and received 845 MW of capacity. These include household consumers, health care, education, sports, culture, tourism, agro-industrial enterprises, as well as small and medium-sized enterprises, and housing projects. The Company also continued to make grid connection of facilities within its remit under the national projects such as Demography, Health Care, Education, Housing and Urban Environment, and others.

As for grid connections, the strong focus was on satisfying the electricity needs of new production facilities and locations that are essential to the economy. For example, the Company makes arrangements for the grid connection of the facilities of Lagonaki, an all-season mountain eco-resort, and Yablonovsky, an industrial park in the Republic of Adygeya, as well as for the construction of Adler bypass highway, which will become a high-speed alternate route of the Dzhubga–Sochi highway.

The Company's delivery of electricity to the grid in 2023 totalled 26.86 billion kWh. The year-on-year increase in delivery stood at 3%.

To improve the energy efficiency of the equipment in use, the Company annually lays down a loss reduction plan. In 2023, the plan yielded the drop in electricity losses by 42 million kWh.

The Company put in place a series of steps in 2023 to eradicate workplace injuries, emphasising the protection of workers' lives and health as well as the promotion of complete adherence to workplace safety regulations.

>1,000 km
of PTLs commissioned in 2023

The application of environmental laws is given special consideration in order to lessen the detrimental effects on the environment. Rosseti Kuban's environmental management system is compliant with the requirements of the international standard ISO 14001 Environmental Management System.

The Company continued to expand interactive customer services as part of its consumer care system, while maintaining its focus on providing comfortable conditions for face-to-face interaction with consumers. During 2023, over 112,000 applications and enquiries were received via online resources.

At year-end 2023, Rosseti Kuban delivered on its production plans to ensure reliable, high-quality power supply to consumers in the Krasnodar Territory, the Republic of Adygeya and the federal territory of Sirius. I am confident that commitment to the principles of sustainable development, high level of expertise of the Company's management and staff will contribute to the successful implementation of the plans, strengthening its image as a company with a high level of social responsibility.

Boris Ebzeev
Acting General Director
Rosseti Kuban, PJSC

ABOUT THE COMPANY

PJSC Rosseti Kuban ensures stable and high-quality electricity supply to residential, industrial, and commercial facilities in the Krasnodar Territory, the Republic of Adygeya, and the federal territory of Sirius.

77.1 %

Company's share in the regional market for electricity transmission services

>775,060

C. U.
service coverage

MISSION AND VALUES OF THE COMPANY

The mission of Rosseti Kuban is to gain profit while providing customers in the Krasnodar Territory and the Republic of Adygeya with a reliable, secure and accessible electric service. To achieve this, the Company must manage the distribution grid as efficiently as possible, employ cutting-edge technology and innovations, adhere to international service quality standards, and follow best practises in corporate governance.

The Company's values enshrined in the Code of Corporate Ethics and Employee Conduct

Reliability

The Company seeks to ensure maximum reliable, uninterrupted power supply to cover the economic and social needs of Russia by taking every organisational and technical

effort necessary to guarantee reliable operation of power grid infrastructure while also ensuring the security of its facilities.

Human resources

The Company's major resource is its workforce, which aids in the creation, preservation, and long-term growth of the Company's worth and credibility. Whether the Company is to achieve its strategic goals and objectives set by the state depends to a large extent on the professionalism, integrity and safety of labour of its employees.

Every employee is valuable to the Company regardless of gender, age, colour, nationality and position, and all of them have equal opportunities for successful and effective work, professional development and career progress.

The staff structure (including management of the Company) is based on the principles of fairness and objectivity. The decision-making on appointment or promotion is governed by business qualities only.

The Company welcomes the so-called labour dynasties and enables their development.

The Company promotes the continuity of generations by respecting the veterans' experience while also enabling them to convey their knowledge and traditions to new generations of workers, within labour dynasties as well.

The Company refuses to compromise its values for financial gain because it sees them as a key element connecting all of its activities. The Company therefore expects the same of its business partners.

The Company holds dear its corporate values and maintains a high level of the corporate culture.

please see Code of Corporate Ethics and Conduct of Employees

Below are the principles of professional ethics and intra-corporate conduct binding upon all employees of the Company:

- Professionalism
- Integrity and responsibility
- Interaction and collaboration
- Image and reputation
- Confidentiality

Efficiency

Performance efficiency is the Company's basic value since it recognises its obligations to shareholders, investors and partners. The Company works towards continuous profit growth enabled by the strategic initiatives of supervision and governance bodies, top management and shareholders.

Security

When it comes to the implementation of security measures and the avoidance of potential wrongdoing, the Company takes a balanced, carefully regulated approach.

Social responsibility

Rosseti Kuban is a socially responsible company that places a high priority on addressing the environment issues, ensuring employee safety, and implementing social initiatives.



PRESENTATION OF ROSSETI KUBAN, PJSC

In the Krasnodar Territory (including Sochi), the Republic of Adygeya, and the federal territory of Sirius, Rosseti Kuban transmits and distributes electricity to consumers on 110 kV and lower power grids between populated areas, in rural settlements, individual cities, and district centres.

To ensure the availability of electric power infrastructure and the development of the power grid complex, the Company offers connections to its power grids.

Rosseti Kuban, PJSC also provides a wide range of additional services, including maintenance of consumers' power grid facilities, arrangement of outdoor lighting, placement of telecommunications equipment, etc.

Rosseti Kuban serves an area of

83,300 sq.km

and over

6.3 mln people

In the Krasnodar Territory and the Republic of Adygeya. As the largest in the region taxpayer, the Company actively participates in the social and economic life of the region by fostering employment opportunities for workers of suppliers in related industries, organising a variety of social programmes, and contributing to charitable endeavours.

Rosseti Kuban is a public company with stock admitted to trading on the Moscow Stock Exchange.

The Company runs its core business under natural monopoly conditions, with state regulation as to:

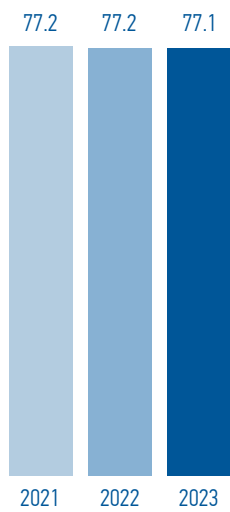
- Setting tariffs for electricity transmission services and fees for grid connection of consumer terminals to the Company's power grid
- Giving non-discriminatory access to the above-mentioned services on equal footing

Position of Rosseti Kuban in UES of Russia and IES of South in terms of electricity delivery to the Company's grid in 2021–2023¹ (bln kWh)

Indicator	2021	2022	2023	Rosseti Kuban's share in 2023 (%)
Electricity consumption in UES of Russia	1,090.4	1,106.3	1,121.6	2.4
→ Including in IES of South	108.3	111.0	113.5	23.5
→ Including Rosseti Kuban (electricity delivery to the Company's grid)	25.2	26.1	26.7	100.0

¹ Source: Functional reports on UES of Russia published by SO UPS, JSC at <https://www.so-ups.ru/functioning/tech-disc/tech-disc2022/>.

Company's share in the regional market of electricity transmission services for 2021–2023 (%)



² Only for 110 kV substations.

Key characteristics of the Company as of the end of 2023

Volume of service
775,060 c.u.,
including power
grids — **416,730** c.u.

Number of 35–220 kV
substations, 6–10(35)/0.4 kV
transformer substations
26,570

Design capacity utilisation
rate of an energy system
6,057 MW
72.81%

Total number of points of delivery to consumers connected
to Rosseti Kuban's power grids

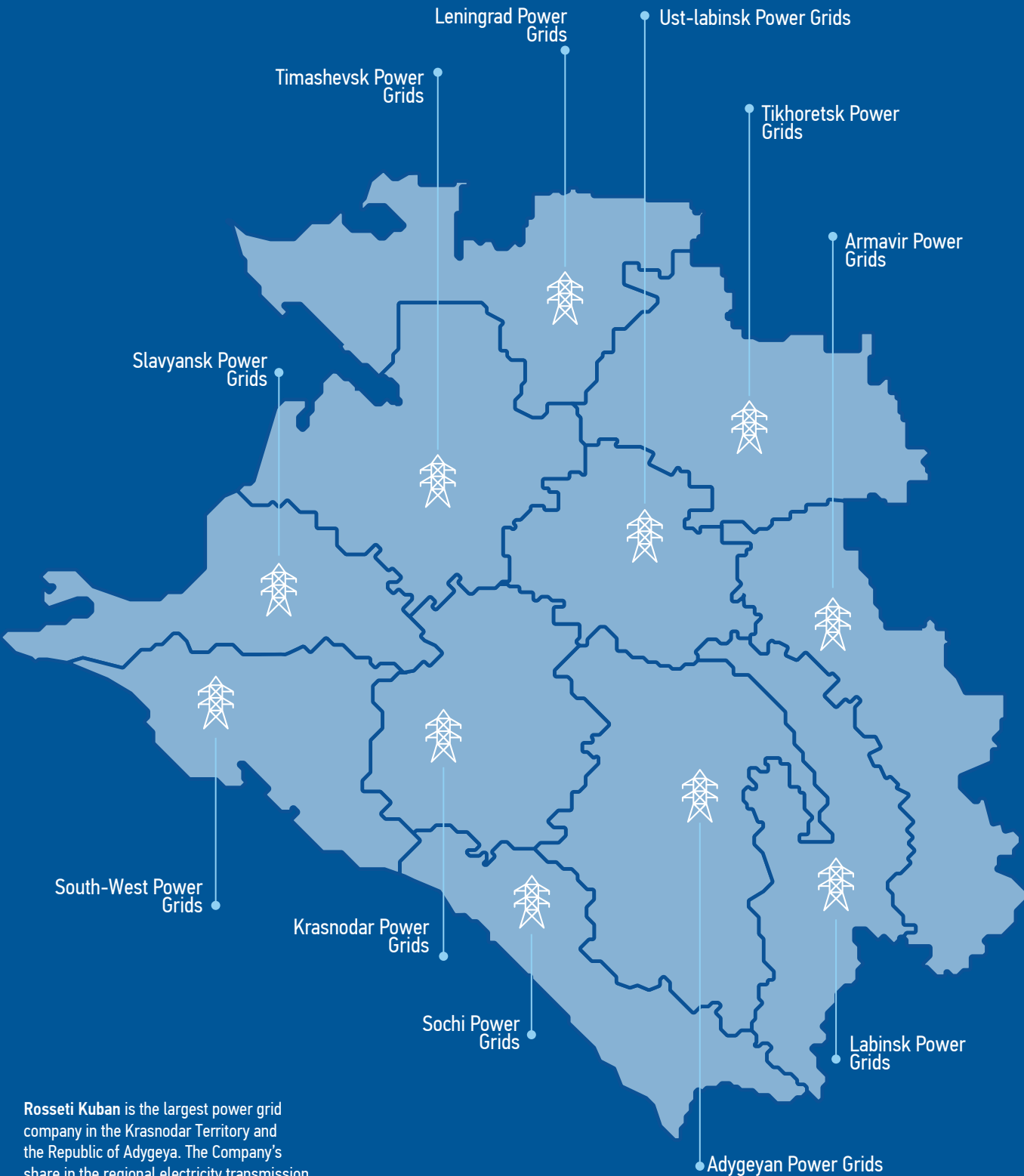
1,262,854

Total length of power
transmission lines
94,520 km
(by chain)

Power grid branches
11

Maximum allowable design
capacity of an energy system²
9,369.3 MVA

Company's service territory



Rosseti Kuban is the largest power grid company in the Krasnodar Territory and the Republic of Adygeya. The Company's share in the regional electricity transmission market in 2023 was 77.1% of the regional required gross revenue (RGR). The largest companies engaged in similar activities in the Krasnodar Territory and the Republic of Adygeya include: Kuban Power Grids, JSC, Oboronenergo, JSC, Russian Railways, JSC and Neftegaztekhlogiya-Energiya, 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.

BUSINESS MODEL

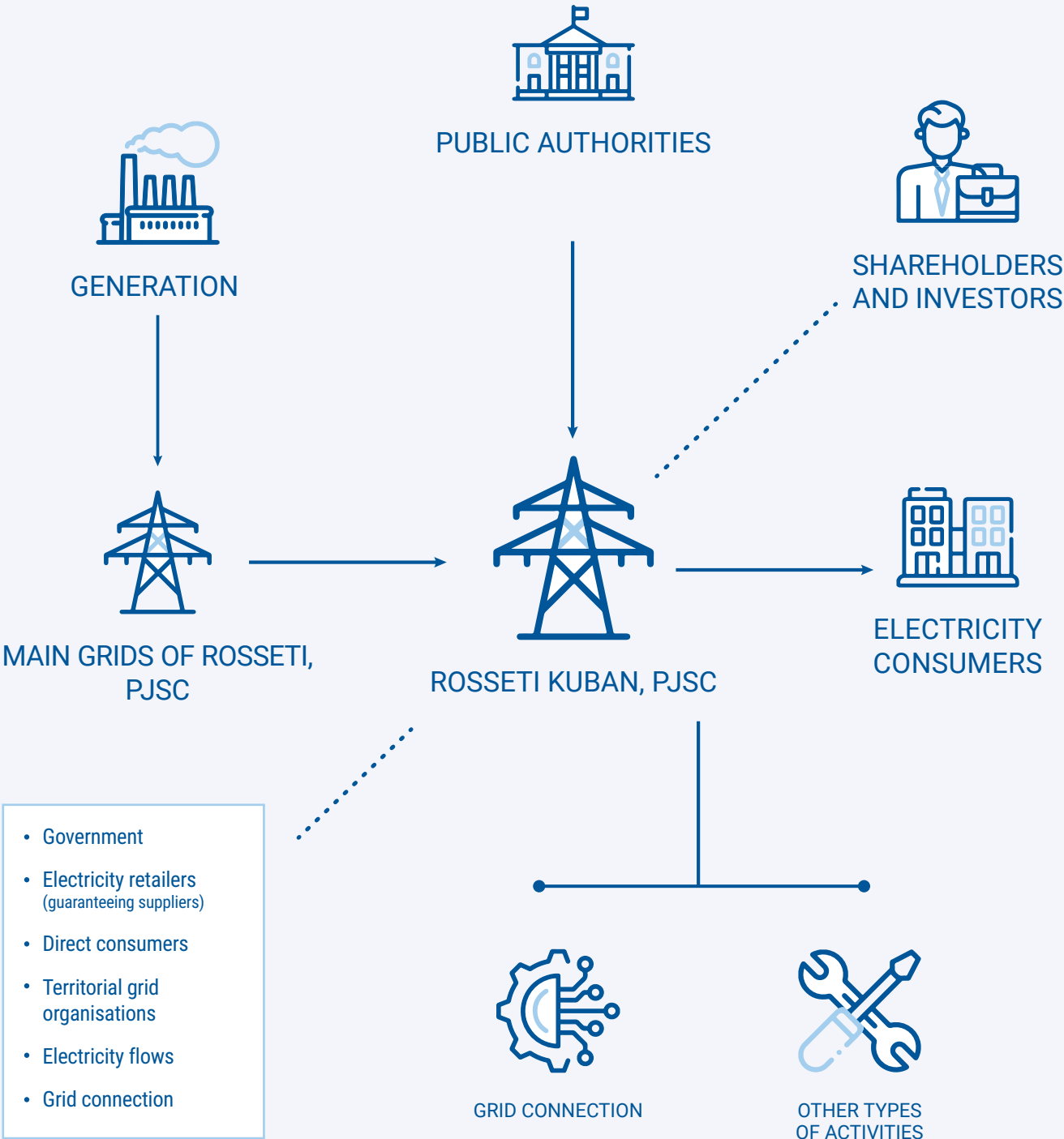
The Company also uses financial, industrial, intellectual, human, social and reputational, and environmental capitals (resources).

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 2023

						
	FINANCIAL	PRODUCTION	INTELLECTUAL	HUMAN	SOCIAL AND REPUTATIONAL	ENVIRONMENTAL
CAPITALS as at 31 December 2022	<ul style="list-style-type: none">Net profit — RUB 5,244.5 mlnYear-end net asset value — RUB 45,803.2 mlnEBITDA — RUB 16,141 mln	<ul style="list-style-type: none">Total number of 35–220 kV substations, 6–10(35)/0.4 kV transformer substations — 25,690Length of PTLs — 93,600 kmInstalled capacity of 35–110 kV substations — 11,826.4 MVAInstalled capacity of substations in the 10–6/0.4 kV distribution grid — 5,978.038 MVASystem average interruption duration index for a point of supply (Isaidi), hour — 2.8424 hSystem average interruption frequency index, per point of delivery (Isaifi), interruptions — 1.2195 interruptions	<ul style="list-style-type: none">Actual value of R&D expenditure ($I_{R\&D}$) indicator — 0.21% of own revenues, with the plan of 0.15%.Actual value of the Innovative Products (Goods, Works, Services) Procurement Indicator ($I_{INNOVATIONS}$) — 3.46 %, with the plan of 4.7%	<ul style="list-style-type: none">Average headcount — 8,767 peopleStaffing level at the end of the year — 93.9%.Workers with higher vocational education — 52.7% and with primary/secondary vocational education — 35.7%.Annual acquisition order for working wear and shoes was fully completed.The Company's workers received compensation payments, including the provision of voluntary health insurance services	<ul style="list-style-type: none">High degree of social responsibility.High level of business transparency:<ul style="list-style-type: none">Company's website;mass media;Internet;congress and exhibition events.	<ul style="list-style-type: none">The Stockholm Convention on Persistent Organic Pollutants' requirements are followed.
HOW WE CREATED VALUE in the reporting year	<ul style="list-style-type: none">Revenue in 2023 — RUB 74,558 mln, up RUB 10,819 mln year-on-yearEBITDA in 2023 — RUB 17,574 mln, up RUB 1,433 mln year-on-yearThe increase in indicators is mainly due to the growth in the volume of services provided, as well as an increase in revenue from grid connections	<ul style="list-style-type: none">RUR 12,579 mln of capital investment (excl. VAT) assimilatedRenewal of the following energy assets is underway:<ul style="list-style-type: none">Commissioning of new, renovated and upgraded facilities, including under grid connection of consumers, renovation and upgrade of equipmentConsolidation of grid assets within the CompanyWrite-off of obsolete equipmentTransfer to reserve or decommissioning of equipmentElectricity transmission services — 22,624.4 mln kWh, up 3.1% year-on-year (revenue — RUB 71,207.1 mln)Number of grid connections in 2023 — more than 35,000 for a total capacity of 845 MW (revenue — RUB 2,438 mln)	<ul style="list-style-type: none">Delivery of the R&D Programme, integration of equipment and devices developed under R&DIntroduction of innovative technologies and solutions	<ul style="list-style-type: none">10,319 people were trained (118% of the average headcount). Training costs amounted to RUB 89.9 mlnOccupational health and safety costs in 2023 amounted to RUB 422.7 mln, up 16.4% year-on-year. The comprehensive programmes to reduce the risks of electric shock injuries to the Company's personnel and third parties at the Company's power grid facilities planned for 2023 were fully implemented.To preserve workers' health and life, the Company purchased necessary safeguards and safety equipment in 2023	<ul style="list-style-type: none">Raising public awareness on the Company's activities: about 30,000 publications related to the Company's activities were made in the federal and regional media, as well as on social media resources in 2023	<ul style="list-style-type: none">The Company set up a phased decommissioning of trichlorodiphenyl-containing equipment and ensured its secure disposal.
2023 RESULTS	<ul style="list-style-type: none">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 connectionsYear-end net asset value — RUB 54,950 mlnThe 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	<ul style="list-style-type: none">Total number of 35–220 kV, substations, 6–10(35)/0.4 kV transformer substations — 26,570 substationsLength of PTLs — 94,520 kmInstalled capacity of 35–110 kV substations — 12,080.3 MVAInstalled capacity of substations in the 10–6/0.4 kV distribution grid — 6,307.5 MVA.System average interruption duration index per point of supply (Isaidi) — 3.3403 h, up 17.5% year-on-year.System average interruption frequency index, per point of delivery (Isaifi), interruptions — 1.3099 interruptions, up 7.4 % year-on-year.Reliability indicators were achieved with an allowable deviation.The number of accidents in the 0.4 kV and above grid dropped by 3.2% as compared to the previous year	<ul style="list-style-type: none">Actual value of R&D expenditure ($I_{R\&D}$) indicator— 0.15% of own revenues, with the plan of 0.15%Actual value of the Innovative Products (Goods, Works, Services) Procurement Indicator($I_{INNOVATIONS}$) — 6.5%, with the plan of 4.8%	<ul style="list-style-type: none">Average headcount — 8,753 people.Staffing level at the end of the year — 91.6%.Employees with higher vocational education — 52.6% and with primary/secondary vocational education — 34.4%.Annual acquisition order for working wear and shoes was fully completed.The Company's workers received compensation payments, including the provision of voluntary health insurance services	<ul style="list-style-type: none">Accumulation of reputation capital.Number of positive and neutral information statements about the activities of Rosseti Kuban initiated by the Company's PR units was 92%	<ul style="list-style-type: none">Under the contract concluded with the Federal Environmental Operator, 932 trichlorodiphenyl capacitors (44.80 tonnes of waste) were decommissioned and prepared for transfer for treatment in 2023.In addition, 731 trichlorodiphenyl capacitors (34.26 tonnes of waste) removed in 2022 were transferred for treatment.

Business model Rosseti Kuban, PJSC



The core business of the Company is electricity transmission and distribution services

95.5%
of the revenues in the reporting year

71,207.1
RUB mln

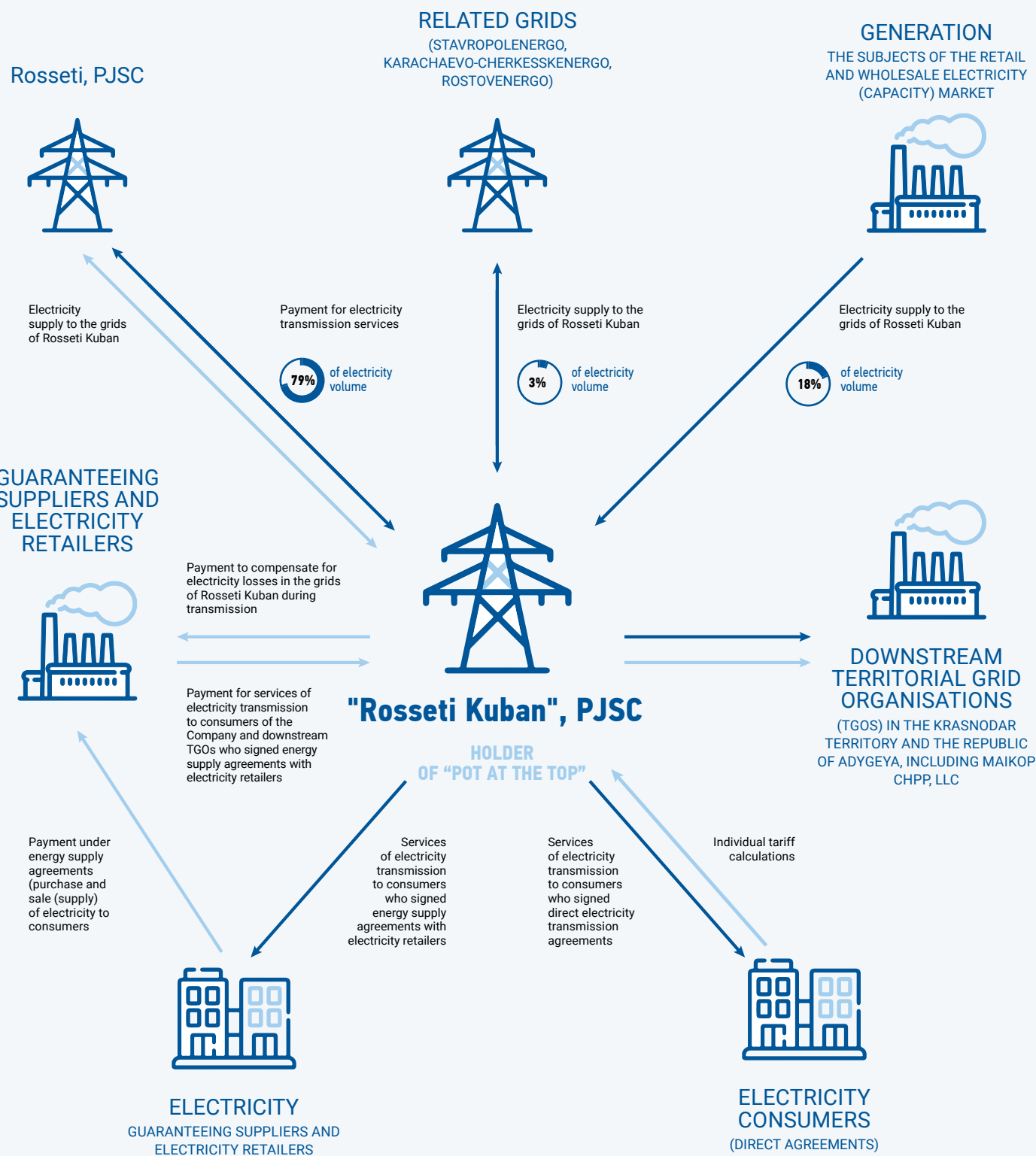
revenue from sales of electricity transmission services.
(+ 15.9% vs. 2022)

22,624.4
mln kWh

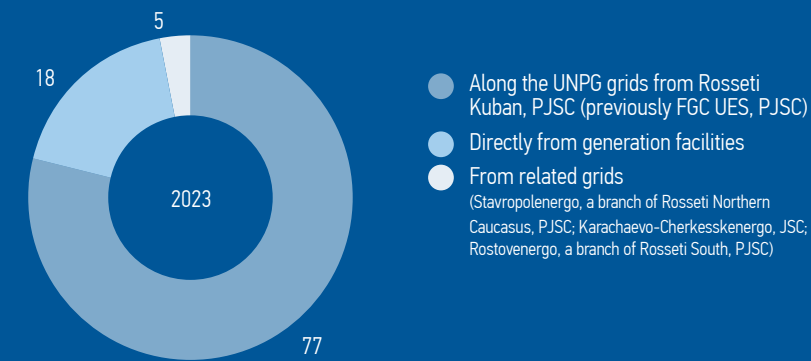
volume of electricity transmission services
(+ 3.1% vs. 2022)

The Company offers prompt and reasonably priced connections to its power grids in order to guarantee the growth of the Republic of Adygeya and the Krasnodar Territory.

Scheme of the Company’s Electricity Transmission Operating Flows



Electricity supply to the Company's grids in 2023, %



Consumers of Rosseti Kuban's electricity transmission services:

- 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 (69 in the reporting year)
- Some consumers (80 in the reporting year) that signed direct agreements to purchase electricity with Rosseti Kuban (Novoroscement, JSC, Tamanneftegaz, CJSC, Eurochem-Belorechenskie Minudobrenia, LLC, Agrofirma-Plemzavod Pobeda, Sad-Gigant, OJSC, Verkhnebakansky Cement Plant, OJSC, Abrau-Durso, CJSC, Novoroslsexport, JSC, RAMO-M, JSC, NMTP, PJSC, Kanevskoy Gas Equipment Plant, LLC, etc.)

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.

"Pot on the top" is the main negotiated tariff model under which settlements are made

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,

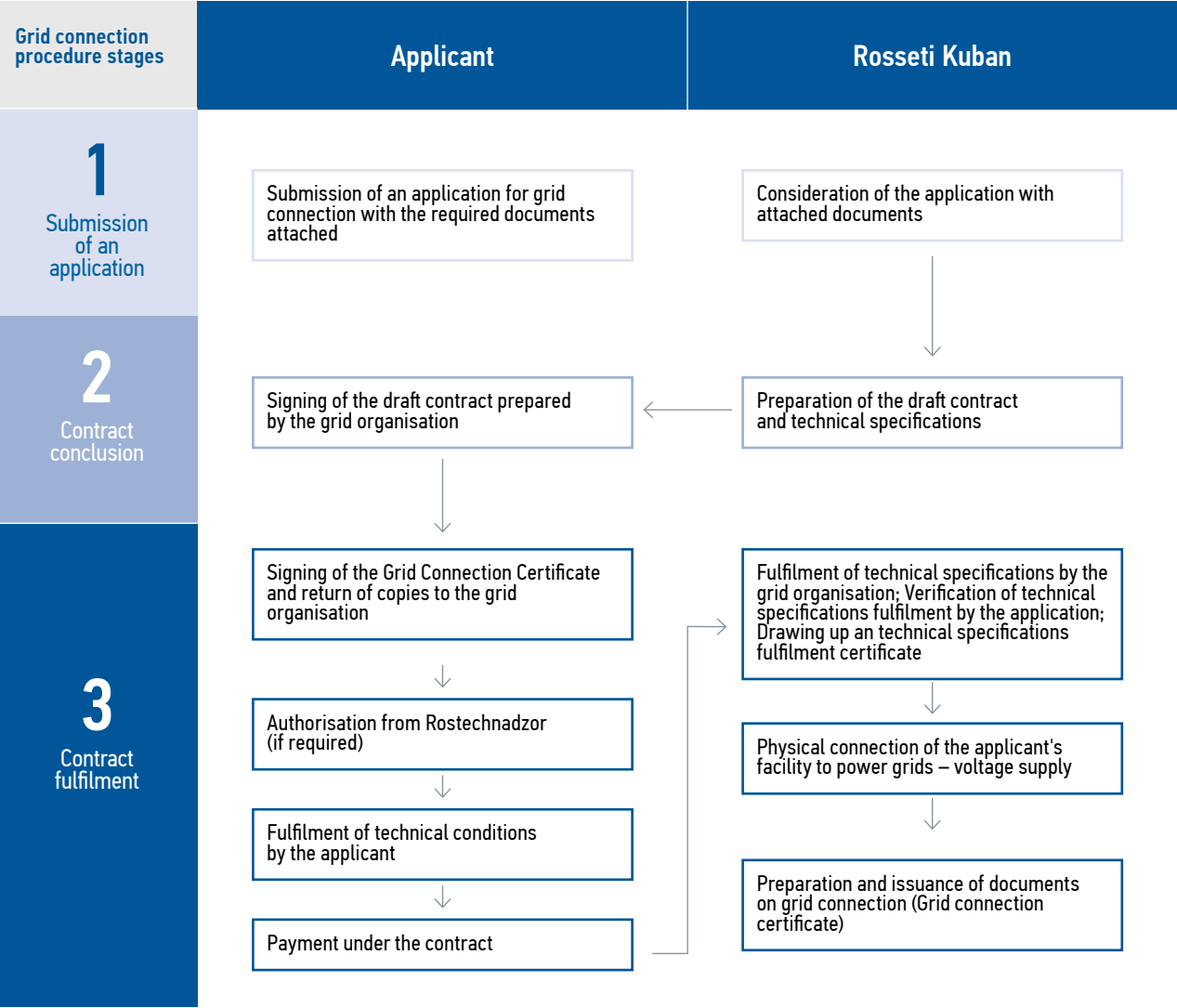
Rosseti Kuban, PJSC has the status of a backbone grid organisation — a "holder of the pot". According to this model, Rosseti Kuban receives consumers' payments for electricity transmission services

(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.

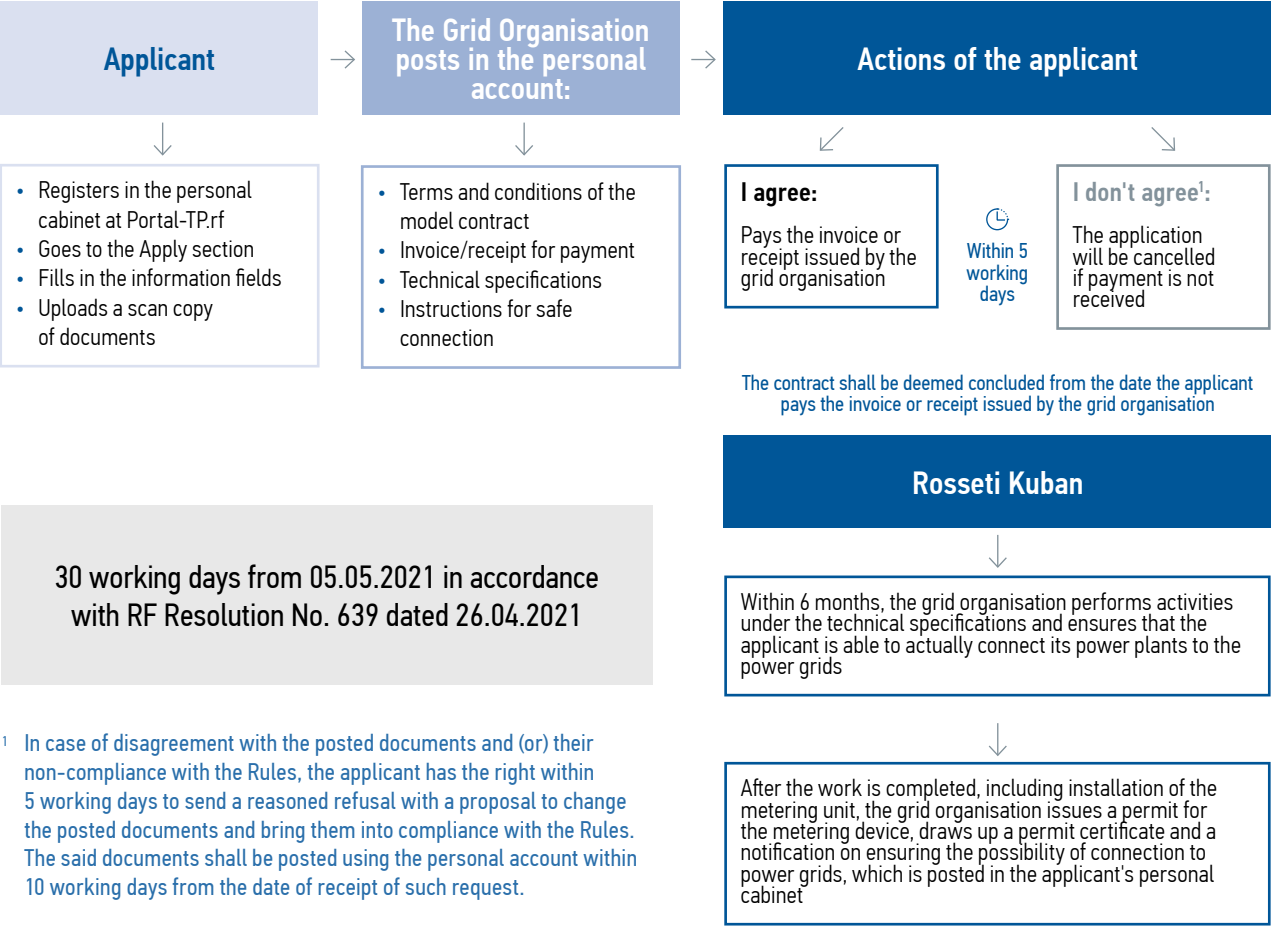


Business process flowchart for grid connection

General arrangement



Special arrangement



¹ In case of disagreement with the posted documents and (or) their non-compliance with the Rules, the applicant has the right within 5 working days to send a reasoned refusal with a proposal to change the posted documents and bring them into compliance with the Rules. The said documents shall be posted using the personal account within 10 working days from the date of receipt of such request.

ORGANISATIONAL STRUCTURE

No changes were made to the organisational structure of Rosseti Kuban, PJSC in 2023. As of 31 December 2023, the organisational structure of Rosseti Kuban, PJSC² is in place.

² Approved by the Company's Board of Directors on 30 November 2021 (Minutes No. 455/2021 dated 1 December 2021).



KEY PERFORMANCE INDICATORS

Indicator	2019	2020	2021	2022	2023	Change 2023/2022 (%)
Financial indicators ¹						
Revenue (RUB mln)	51,003.7	49,369.6	57,669.7	63,738.9	74,557.5	+17.0
Self-cost ²	43,936.1	46,975.3	50,054.5	53,153.7	62,117.5	+16.9
Net profit (loss) (RUB mln)	2,503.7	-1,501.3	1,711.8	5,244.5	6,166.5	+17.6
Loans and borrowings at the end of the year (RUB mln)	23,085.5	23,436.8	20,870.5	20,921.8	20,188.8	-3.5
Return on equity (%)	6.72	-3.86	4.36	12.20	12.40	+0.2 p.p.
Return on assets (%)	4.63	-1.80	2.10	5.78	5.81	+0.03 p.p.
Amount of dividends declared in the reporting year based on the results of the previous year (RUB mln)	143.6	636.9	0	932.2	2,710.0	+2.9x
Operating indicators						
Delivery to the Company's grid (mln kWh)	22,850.7	23,008.0	25,221.7	26,062.3	26,860.4	+3.1
Volume of electricity transmission services rendered (mln kWh)	18,874.2	19,108.1	21,004.5	21,947.8	22,624.4	+3.1
Electricity losses (mln kWh)	2,426.4	2,310.8	2,502.1	2,479.5	2,548.4	+2.8
Connected consumer capacity (MW)	797	650	788	795	845	+6.3
Total length of overhead and cable power lines (by circuit) (km)	91,645.93	92,226.11	93,067.0	93,597.1	94,517.6	+1.0
Installed capacity of substations with voltage 35–220 kV (MVA)	10,514.97	11,471.07	11,561.03	11,826.4	12,080.3	+2.1
Installed capacity of 10–6/0.4 kV substations in the distribution grid (MBA)	4,981.68	5,073.26	5,640.37	5,978.038	6,307.5	+5.5
System average interruption duration index, per point of delivery (I _{SAIDI}), hour	1.0887	0.8870	4.0939	2.8424	3.3403	+17.5
System average interruption frequency index, per point of delivery (I _{SAIFI}), interruptions	0.4675	0.4592	1.2873	1.2195	1.3099	+7.4

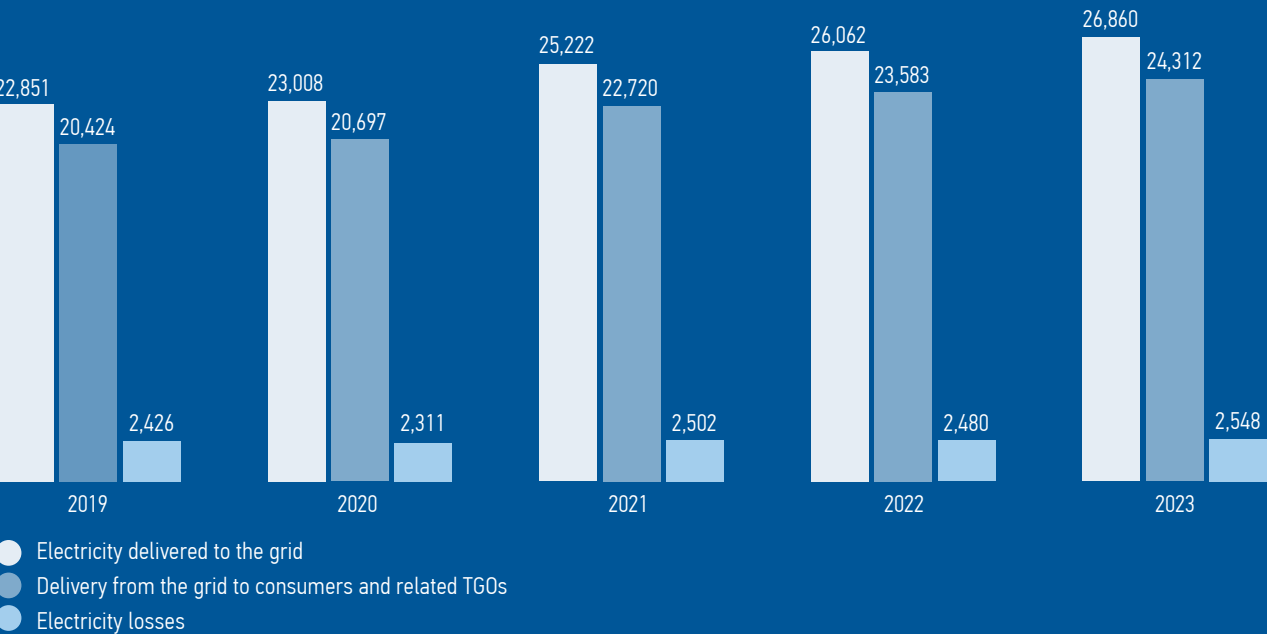
Indicator	2019	2020	2021	2022	2023	Change 2023/2022 (%)
Number of disturbances (emergencies) in the 110 kV and above power grid	348	403	391	309	365	+18.1
Sustainable Development						
Ratio of employees who received off-the-job training to average headcount (%)	106	92	96	144	118	- 26.0 p.p.
Average number of hours of training per worker (academic hour)	56	64	66	65	70	+7.6
Specific occupational health and safety costs per employee (RUB '000)	31.08	40.40	48.93	41.42	48.3	+16.6
Voluntary medical and accident insurance coverage of employees (% of average headcount)	100	100	100	100	100	unchanged
Amount of decommissioning of used trichlorodiphenyl-containing condensers (under the obligations of the Stockholm Convention on Persistent Organic Pollutants), pcs.	1,187	0	1,343	731	932	+27.5
Provision of power grid facilities with bird diverters, pcs.	2,304	4,978	4,217	2,977	2,350	-21.1
Development of regions of presence						
Capital investment utilisation (RUB mln)	6,769	4,658	5,871	11,469	12,579	+9.7
Number of co-operation agreements with relevant universities and colleges in the region of the Company's presence	29	30	62	40	55	+37.5
Number of students who completed internships at the Company's facilities	813	701	468	741	807	+8.9
Volume of tax deductions to federal, regional and local budgets (RUB mln)	4,236.1	3,990.1	5,400.5	6,841.6	7,463.1	+9.1

¹ The following data were used to calculate the indicators:
for 2019 — Balance Sheet for 2020 ("As at 31 December 2019" column), Profit and Loss Statement for January — December 2020 ("In 2019" column);
for 2020 — Balance Sheet for 2021 ("As at 31 December 2020" column), Profit and Loss Statement for January — December 2020 ("In 2020" column);
for 2021 — Balance Sheet for 2022 ("As at 31 December 2021" column), Profit and Loss Statement for January — December 2021 ("In 2021" column);
for 2022 — Balance Sheet for 2023 ("As at 31 December 2022" column), Profit and Loss Statement for January — December 2022 ("In 2022" column);
for 2023 — Balance Sheet for 2023 ("As at 31 December 2023" column), Profit and Loss Statement for January — December 2023 ("In 2023" column).

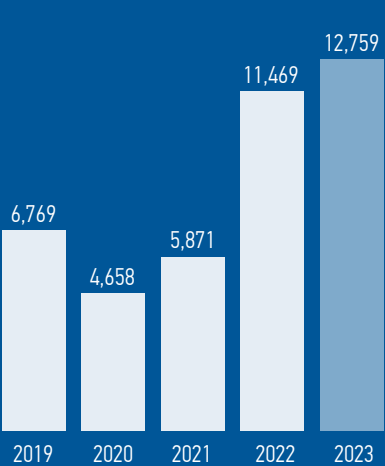
² Including administrative costs.

KEY PERFORMANCE INDICATORS

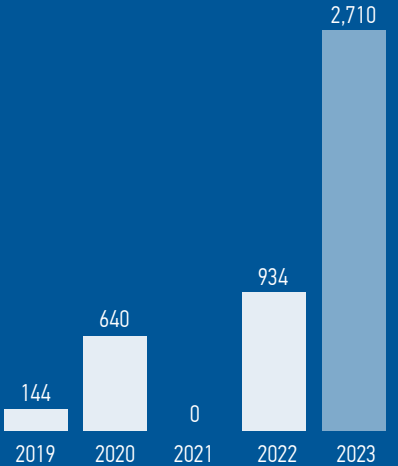
Electricity delivered to / from Rosseti Kuban’s grid and electricity transmission losses (mln kWh)



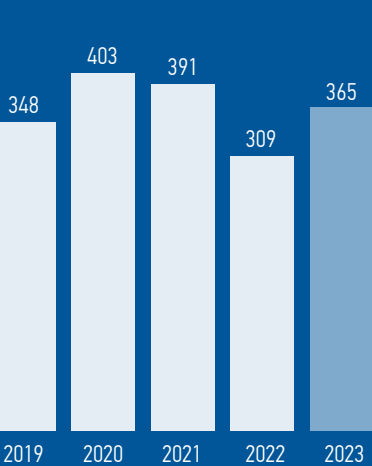
Capital investments assimilated by the Company in 2019–2023 (RUB mln, excl. VAT)



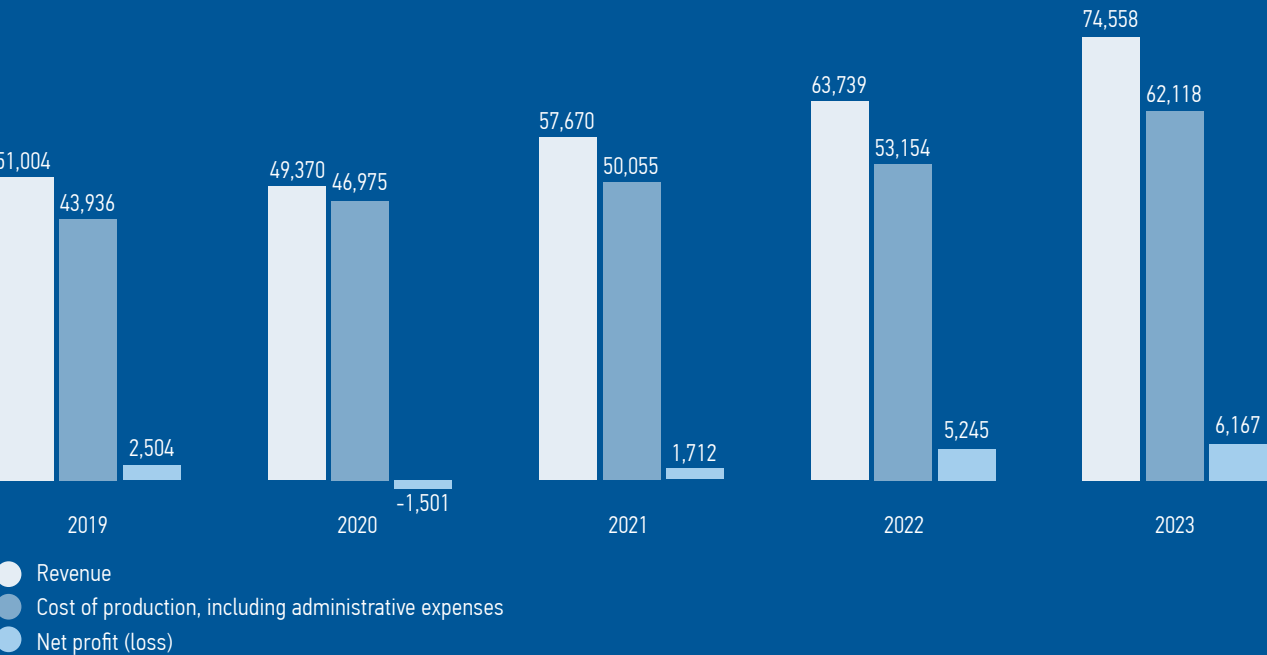
Amount of dividends declared in the reporting year based on the results of the previous year, in 2019–2023 (RUB mln)



Number of disturbances (emergencies) in the 110 kV and above power grid



Changes in Rosseti Kuban’s key economic indicators (RUB mln)



845_{MW}
volume of connected capacity
(+6% vs. 2022)



HISTORY OF ORIGIN AND DEVELOPMENT OF THE KUBAN ENERGY SYSTEM AND ROSSETI KUBAN, PJSC

XIX th century
Start of the Kuban energy system — construction of small power plants in the region.

1920
Establishment of Soviet rule in Kuban, nationalisation of all industrial enterprises.

1921
Establishment of the Electricity Department under the Kuban Black Sea National Economic Council to manage power facilities in Kuban.
In total, there were 353 electric power plants operating in Kuban, with a total capacity of 13.7 MW; 16,200 of electric lamps and 621 electric motors were connected to the grid.
Establishment of the Vodeltram association, comprising the city and municipal and public water supply services, transport (tram) sservices and electricity supply services in Krasnodar. The length of power transmission lines was 45 km, and power grids were rated at 2 kV.

1930s
Establishment of the Northern Caucasus Energy Authority — Sevkavenergo, which managed power facilities in Kuban.
Division of Sevkavenergo into two independent departments in 1934 Azcherenergo (Rostov-on-Don) and Sevkavenergo (Pyatigorsk).

1944
Spin-off of the Krasnodar District Energy Authority (Krasnodarenergo) from Azcherenergo, with its core activities being the generation, distribution and sale of electricity and heat, restoration and development of the energy system, control of energy consumption and operational supervision of Kuban power installations. Krasnodarenergo managed power stations, substations, power grid regions (PGR), electricity retailing services, a mechanical repair plant, a central warehouse, a design and survey bureau, a production and research laboratory as independent self-supporting enterprises.

Late 1950s — early 1960s
Construction of 110 and 220 kV main power transmission lines for connection with energy systems in Russian South and Transcaucasia; electrification of the railway system in the Krasnodar Territory, construction of power distribution facilities, electrification of rural settlements.

1963
Kuban urban and rural power grid organisations were transferred from the Regional Department for Public Utilities to Krasnodarenergo.

1972–1975
Installation of two first gas turbine plants (GTP) in the USSR, each of 100 MW capacity, at the Krasnodarskaya CHPP. The total capacity of the CHPP, the block unit and the two GTPs was 959 MW.



1970s — 1980s
Significant increase in the construction of new power transmission lines due to explosive growth in electricity consumption. Total PTL length grew to 90,000 km, and the 35–500 kV substations exceeded 700 in number.

1988
Krasnodarenergo was wound up and transformed into the Krasnodar Production Association of Power Supply and Electrification (still named Krasnodarenergo).

1993
Krasnodarenergo was privatised and reorganised into Kubanenergo, OJSC. Apart from local power grid operators, Kubanenergo included the Krasnodarskaya CHPP, Energonadzor, repair and construction enterprises, a training school, a corporate spa resort, and a summer pioneer camp.
RAO UES of Russia, OJSC vested 49% of Kubanenergo's shares as a payment for authorised capital, and remaining 51% were acquired by employees and other parties entitled to benefits according to State Privatisation Programme.

2004–2005
During the reformation stage of Russia's electric power industry, Kubanenergo, OJSC was released from service and non-core activities and dispatching functions by splitting them off into separate companies. Thus, the operational dispatch management was transferred to SO UES, OJSC; Open Joint Stock Companies Krasnodarenergoemont and Krasnodarenergosetremont, Energetik Health Resort, Plamya Health Facility were established, and non-state non-profit educational institution Kubanenergo Training Centre was set up.

2006
The reforms taking place in the electric power industry resulted into Kubanenergo splitting into Kuban Generating Company, OJSC (generating capacities), Kuban Main Grids, OJSC (grid facilities), Kubanenergobyt, OJSC (guaranteeing electricity supplier, purchase of electricity in the wholesale market to deliver it to the end users).

2008–2012
Since 1 July 2008, Kubanenergo, OJSC became a dependent company in IDGC Holding, OJSC, which received a block of voting shares in Kubanenergo, OJSC by way of succession under the spin-off balance sheet after the restructuring of RAO UES of Russia, OJSC. In 2012, IDGC Holding, OJSC acquired a block of additional shares in Kubanenergo, OJSC, and the Company became a subsidiary to IDGC Holding.
The Company's primary function in IDGC Holding lied in partaking in how the national distribution grid complex evolves.



2013
Using Rosseti, OJSC as a base, a single power grid management company was established (which included main power transmission and distribution lines), aimed to coordinate all grid operators in Russia in terms of tariffs, technical policy and investment planning, to ensure transparency of financial and business operations, and to engage in anti-corruption policy.
Rosseti's share in the authorised capital of Kubanenergo, OJSC rose to 92.24%.

2015
Kubanenergo brand name included an indication of the Company's public status — Kubanenergo, PJSC.

2017
The Company became a key participant of a national-level project involving development of advanced energy infrastructure on the Taman Peninsula to ensure the region's growth and enable electricity delivery to the dry-cargo area of the seaport of Taman.

2018
The share of Rosseti, PJSC in the authorised capital of Kubanenergo, PJSC rose to 92.78%.

2019
Commissioning of the 220 kV Port substation. Rosseti's share in the authorised capital of Kubanenergo, PJSC rose to 93.44%.

2020
While following the trend of transitioning to a single brand architecture of Rosseti Group in the Krasnodar Territory and the Republic of Adygeya, Kubanenergo, PJSC was officially renamed into Rosseti Kuban, PJSC.

2022
By the end of the reporting year, Rosseti's share in the total number of outstanding shares of the Company was 93.96%, and as of 9 January 2023 — 99.69%.

2023
In 2023, the Company commissioned 606 MVA of transformer capacities and 1,052 km of power transmission lines within the framework of investment activities.

KEY EVENTS OF THE COMPANY

2023

January

Rosseti Kuban delegated a group of its representative to join a meeting chaired by the Vice-Governor of the Krasnodar Territory on the issue of grid connection of land plots allocated to multi-child families for individual housing development.

During the meeting, the Ministry of Fuel & Energy and Utilities, the administrations of the local municipal entities, and the major power grid companies all came to agreements regarding collaborative efforts.

The management of Rosseti Kuban and the chairman of the Regional Public Organisation All-Russian Electrounion in Krasnodar signed the new Collective Bargaining Agreement, which lays out the fundamentals of social partnership and governs the process for awarding benefits and compensation to company employees.

February

The Company completed upgrading of the Pochtovaya 110/10 kV substation in Krasnodar, which increased the capacity of the facility to 80 MVA. Rosseti Kuban invested over RUB 560 million in the upgrading of this power facility.

March

During a working meeting, the Head of the Krasnodar Territory Administration, Veniamin Kondratiev, and Acting General Director of the Company, Boris Ebzeev, discussed the autumn-winter period and the prospects for modernising the region's energy infrastructure. Rosseti Kuban plans to allocate RUB 32.7 billion of investments to develop the Krasnodar Territory's power grid complex in 2023–2027.

The Company launched a new educational project, Pre-University, which aims to provide occupational guidance to schoolchildren who want to connect their future with the electric power industry. High school students from the Republic of Adygeya and the Krasnodar Territory were the project's first participants. They will receive training in career-related areas at Kuban State Agrarian University.

April

The Company held joint exercises with regional divisions of the Russian Ministry of Emergency Situations, dispatch services, government and local authorities to eliminate power supply disruptions during the flood period in the power grid sector of the Krasnodar Territory and the Republic of Adygeya.

May

Since the beginning of 2023, Yugo-Zapadnye Power Grids Branch has discharged 157 contracts for connection of agro-industrial facilities to the Company's power grids. The total capacity issued to agricultural producers totalled 4 MW.

The Company sent a delegation to the All-Russian Scientific and Technical Conference "Ways to Improve Reliability, Efficiency and Safety of Energy Production", which opened in the village of Divnomorskoye, Krasnodar Territory.

Murat Kumpilov, Head of the Republic of Adygeya, and Boris Ebzeev, Acting Director General of Rosseti Kuban, discussed the development of the republic's power grid complex, plans for the renovation and construction of power facilities, and the creation of new power capacities for the implementation of major investment projects in the region.

The Adygeyan Power Grids branch has commissioned 19 transformer substations and power transmission lines since the beginning of 2023 under the programme for consolidation of power grid assets.

June

At Orlenok all-Russian children's centre, the Company's specialists opened a specific educational shift #VmesteYarche, which was attended by more than 100 teenagers from different regions of Russia. Power engineers held master classes on first aid for electrocuted persons, a lecture entitled Energy of New Times, and introduced the children to the work of the Rosseti Group's companies.

At the St. Petersburg International Economic Forum, Rosseti Kuban, PJSC and ERSO Holding, JSC signed a strategic cooperation agreement.

July

Rosseti Kuban, PJSC started construction of infrastructure to supply electricity to an eco-resort in the Republic of Adygeya. The project will provide 22 MW of capacity to the Lagonaki all-season resort.

In Krasnodar, the Company's corporate energy institute hosted the opening of a professional skills competition among participants of student energy teams of Rosseti Kuban, PJSC.

In the first half of 2023, the power engineers of South-Western Power Grids provided electricity to 3,800 new consumers. The capacity output totalled 62 MW.

August

The Rosseti Kuban team took part in the Young Professionals open corporate professional skills championship of the Rosseti Group, which was held in the Leningrad Region, competing in the "Operation of Cable Transmission Lines" and "Maintenance and Repair of Relay Protection and Automatics" categories.

In Krasnodar, the regional professional skills competition "Best in Profession" among energy companies of the Krasnodar Territory were rounded up at the training ground of the Corporate Energy Institute. The team from Rosseti Kuban, PJSC won the competition.



KEY EVENTS OF THE COMPANY

2023

September

Since the beginning of 2023, the Company has accepted transfer of ownership over the energy facilities of 37 gardening non-commercial partnerships in the Krasnodar Territory and the Republic of Adygeya.

Since the beginning of 2023, specialists of Armavir Power Grids branch have provided grid connection and capacity increase for more than 680 consumers in Novokubansky, Otrdnensky, Kavkazsky, Gulkevichsky and Uspensky districts of the Krasnodar Territory.

A meeting was held in Krasnodar under the leadership of Krasnodar Territory Governor, Veniamin Kondratyev to prepare the region for the autumn-winter period of 2023/2024. Edgar Armaganyan, First Deputy General Director, spoke about the progress of preparations for the heating season within the area of responsibility of Rosseti Kuban, noting that the implementation of the repair programme is about 90%, and all production programmes are being delivered on as scheduled.

Since the beginning of 2023, more than 30 educational institutions in the Krasnodar Territory, the Republic of Adygeya and the federal territory of Sirius have been connected to the Company's power grids.

October

Since the beginning of 2023, more than 30 healthcare facilities in the Krasnodar Territory and the Republic of Adygeya have been connected to the Company's power grids. The connected capacity totalled 1 MW.

More than 6,300 antimagnetic seals have been installed since the beginning of the year by specialists of Krasnodar Power Grids branch on metering devices of electricity consumers.

Specialists of the Ust-Labinsk Power Grids branch completed the repair of more than 200 km of 0.4–10 kV distribution grid power lines in the Ust-Labinsk, Vyselkovsky, Tbilisi and Korenovsky districts of the Krasnodar Territory.

November

Specialists of the Krasnodar Power Grids branch performed overhaul and maintenance of eight high-voltage substations and 50 transformer points, which provide power supply to more than 900,000 consumers in the suburbs of the territorial capital, as well as in five neighbouring districts of the Krasnodar Territory and the Republic of Adygeya.

Since the start of 2023, power engineers from the Adygeyan Power Grids branch have been able to reimburse the company RUB 0.8 million in compensation for material damage caused to power grid facilities by third parties as a result of traffic accidents.

Rosseti Kuban, PJSC and the Krasnodar Regional Branch of the Russian Student Brigades, an all-Russian youth public organisation, signed an agreement on cooperation to enhance the prestige of energy professions among young specialists. The document was signed by Boris Ebzeev, Acting Director General of Rosseti Kuban,



2024

January

As part of the maintenance and repair programme in 2023, the Company enhanced the reliability of 5.800 km of PTLs of various voltage classes in the Krasnodar Territory and the Republic of Adygeya.

Rosseti Kuban completed three major projects in Sochi with a total investment of about RUB 3 billion. Highly automated Adler, Kudepsta and Pasechnaya 110 kV substations were put into operation after comprehensive renovation. Krasnodar Territory Governor, Veniamin Kondratiev, Director General of Rosseti, Andrey Ryumin, and Acting Director General of Rosseti Kuban, Boris Ebzeev, took part in the commissioning ceremony.

February

and Vyacheslav Podgainy, Head of the Regional Headquarters of the Kuban Student Brigades.

Specialists from Krasnodar Power Grids built grid infrastructure and supplied electricity to land plots issued to family with many children in Starokorsunskaya village, Kopansky, Oktyabrsky, Novy hamlets and the Lazurnoye settlement in the suburbs of Krasnodar.

Rosseti Kuban commissioned a new Yasnaya substation in Mostovskiy District, Krasnodar Territory. The capacity of the power facility is 40 MVA.

The Company has fully implemented measures to prepare for the autumn-winter period of 2023/2024 and received a certificate of readiness from the Ministry of Energy of Russia.

December

March

In Krasnodar, the best employees were awarded and veterans of the Kuban power industry were honoured on the occasion of the 80th anniversary of the founding of Rosseti Kuban. More than 200 employees of the Company were honoured with industry and corporate awards dedicated to the Company's anniversary.



STRATEGIC REPORT

The strategic goals of Rosseti Kuban, PJSC are aimed at creating a reliable and efficient energy system capable of meeting the region's current and future needs, improving the quality of life of the population, and ensuring the economic development of the Krasnodar Territory and the Republic of Adygeya.

-3.2%

year-on-year reduction in the accident rate in the 0.4 kV and above grid

17.6 RUB bln

EBITDA (+9% vs. 2022)





Being part of the unified power distribution grid complex of Russia and the Group of Companies of Rosseti, PJSC, the Company strives to achieve the goals set by the state.

The strategic goal of Rosseti Kuban, PJSC is to upgrade the reliability and quality of power supply to consumers in the Krasnodar Territory, the Republic of Adygeya, and the Sirius Federal Territory to a level that is comparable to the best foreign counterparts, while ensuring the social and economic development of the regions covered and the economic efficiency of its services.

EDGAR ARMAGANYAN

First Deputy General Director, Director of Sochi Power Grids Branch

INDUSTRY OVERVIEW

The Company operates in the Russian electric power industry, which is the most important basic sector for generating, transmitting, distributing and selling electricity to consumers.

The Russian energy system consists of the Unified Energy System (UES) of Russia, which includes seven unified power systems (UPS) — UPS of Centre, UPS of Central Volga, UPS of Urals, UPS of North-West, South, Siberia and East, as well as technologically isolated territorial energy systems. Rosseti Kuban is part of the Integrated Energy System (IES) of South.

The Russian electric power sector faces the same challenges as the global electric power sector, but distinct hazards, as indicated by the following concerns shared by the fuel and energy complex (FEC):

- Slowdown in global economic growth, a change in consumption patterns and slumping demand for FEC products, overproduction of hydrocarbon energy resources and, as a consequence, persistently low prices for them

- Lack of investment resources, including due to the limited possibility of raising long-term foreign funding and the poor development of venture capital lending
- Maintenance of non-market relations, alongside market relations, and burdens in the end-use of FEC products and services, including the existence of cross-subsidisation
- Great challenges to scientific and technological development set out in the Strategy for Scientific and Technological Development, in particular the qualitative change in the nature of global and local energy systems, the growing importance of the power supply capacity of the economy and the ramp-up in the energy production and conservation, its transmission and efficient use

Along with the problems common to the whole fuel and energy complex, the power industry has the following sector-specific problems and risk factors:

- Disproportion between the claimed electricity consumption characteristics at the time the grid connection is made and their subsequent actual values
- Low payment discipline of consumers in the retail electricity market
- Imperfections in the current model of relations and pricing in the energy and heat supply sector and competitive problem in the electricity and capacity markets
- Persistence of cross-subsidisation that reduces the efficiency of the centralised energy supply system
- Insufficient automation of technological processes and increased vulnerability of facilities due to the higher complexity of their control systems and algorithms

Macroeconomic trends in the reporting year

According to IMF estimates, global GDP in 2023 totalled USD 104.5 trillion, including Russia's GDP of USD 1.9 trillion (11th place in the world). In the GDP ranking by purchasing power parity in the reporting year, Russia ranked 5th in the world.

The reporting year was quite successful for Russia, despite the ongoing drop in demand for Russian energy commodities and several restrictions related to finance, energy, technology, transportation and logistics. According to Rosstat, Russia's GDP grew by 3.6% in 2023. Positive momentum was seen in industrial production, construction works and consumer activity. The unemployment rate for 2023 stood at 3.2% (3.7% in 2022).

According to SO UPS¹, electricity generation by UES of Russia power plants in the reporting year totalled 1,134.0 billion kWh, while electricity consumption reached 1,126 billion kWh, rising by 1.4% year-on-year (and by 1.7%, given comparable temperature conditions). This testifies to the progressive development of the Russian economy, an increase in business activity, and the creation of new jobs.

1.9
USD trln

Russia's GDP (11th place in the world)

1,134.0
bln kWh

electricity generation by UES of Russia power plants in the reporting year

1,121.6
bln kWh

electricity consumption
(increased by 1.4% vs. 2022)

Main factors that govern the overall health of the Russian economy and have an impact on the electrical sector²

Indicators	2023	2022
Changes in GDP (against the previous year)	103.6%	97.9%
Industrial production index (against the previous year)	103.5%	100.7%
Production index for "Provision of electric power, gas and steam; air conditioning" (against the previous year)	100.2%	100.5%
Inflation	5.9%	13.8%
Interest rates for loans and borrowings	During the year, the key rate of the Bank of Russia rose from 7.5% to 16.0% During the year, the key rate of the Bank of Russia changed several times: at the beginning of the year — 8.5%, then an upsurge to 20% and a gradual decrease to 7.5%	

Specific factors that determine the industry growth dynamics, in descending order of importance

Factors	Description	Current state	Mitigation measures (if possible)
State tariff regulation	Electricity transmission and grid connection services are state-regulated activities. Tariffs for the Company's services approved by regulators directly affect the amount of revenues received	Tariffs for the Company's electricity transmission services are set with an increase within the growth rate specified by the Russian Federation's socio-economic development forecast	<ul style="list-style-type: none">• Economic justification of tariff-covered costs, including economically justified over-tariff costs and shortfalls of previous periods lost due to reasons beyond the Company's control• Industry improvement pricing measures, jointly with Rosseti, PJSC

¹ Source: Functional report of the UES of Russia in 2023.

² Sources: Rosstat, Bank of Russia.

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 .	Development of new (non-tariff) business types and increase in non-tariff sources of income
		Actual electricity consumption in the IES of South in 2023 was 113.5 billion kWh, up 2.3% year-on-year ¹ .	
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

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

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	Plans and targets for the future
<p>To enhance reliability of electricity supply in the Krasnodar Territory and the Republic of Adygeya</p> <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">• 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	<ul style="list-style-type: none">• 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.
<p>For more details, please see Reliable and Efficient Operation of the Energy System section.</p> <p>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.</p>	
Results in the reporting year	Plans and targets for the future
<p>Better customer service quality and more accessible power grid infrastructure</p> <p>In terms of quality of service to consumers:</p> <p>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.</p> <p>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).</p> <p>In terms of the quality of grid connection:</p> <p>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</p>	<p>In terms of customer service quality: fulfilment of the requirements of the Unified Standards.</p> <p>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</p>

Results in the reporting year	Plans and targets for the future
<p>Advance grid development and adoption of new technologies</p> <p>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.</p> <p>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.</p> <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 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	<p>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</p>
<p>For more details, please see the Innovative Activities subsection in the Operational Results section.</p>	
Results in the reporting year	Plans and targets for the future
<p>Stronger investment appeal and higher capitalisation</p> <p>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.</p> <p>Revenue in 2023 — RUB 74.557.5 mln, up RUB 10.818.6 mln year-on-year</p> <p>EBITDA in 2023 — RUB 17.574 mln, up 9% year-on-year</p> <p>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.</p> <p>Year-end net asset value — RUB 54.950 mln.</p> <p>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.</p> <p>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</p>	<p>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)</p>
Results in the reporting year	Plans and targets for the future
<p>Decent working conditions, improvement of professional competence and loyalty of the Company’s personnel</p> <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 2023.</p> <p>The staff training plan for 2023 was over-fulfilled by 113%.</p>	<p>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</p>
<p>For more details, please see the Human Resources Management subsection of the Sustainable Development section.</p>	

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

KEY PERFORMANCE INDICATORS AND FUNCTIONAL KEY PERFORMANCE INDICATORS

Starting from 2023, the system of key performance indicators of the Rosseti Group is built in accordance with Russian Government Order No. 3579-r dated 28 December 2020 (hereinafter referred to as Order No. 3579-r) based on Russian Government Directives No. 991p-P13 dated 31 December 2023.

2020 through to 2022, the key performance indicators were set as required by Order of the Government of the Russian Federation No. 1388-r dated 27 June 2019.

In accordance with Order No. 3579-r, the system of key performance indicators is divided into two groups: key performance indicators (KPI) and functional key performance indicators (FKPI). KPIs are indicators pertaining to strategic

documents, based on which the performance of the entire management team of the Company (head, deputy heads, chief accountant) is assessed. FKPIs are individual indicators established for the Company's executives personally, taking into account the specifics of the Company's business lines they supervise.

The KPI and FKPI system applied in the Company is interrelated with the size of the variable part of management remuneration (50% of incentive payments for KPI achievement, 50% of incentive payments for FKPI achievement): each of the indicators has a specific weight in the volume of bonuses paid, annual bonuses are paid subject to accomplishment of the respective indicators.

The Company does not give a comparison of 2023 figures with 2022 figures due to significant changes in the composition and calculation procedures of KPIs and FKPIs.

KPIs and FKPIs of the Company and their target values for 2023–2025 were based on:

- Item 15.1, Article 15 of the Company's Articles of Association
- Resolution of the Board of Directors of the Company dated 31 October 2023 (Minutes No. 537/2023 dated 31 October 2023)

Indicator	Weight in the remuneration system for 2023, %	UoM	Targets for 2023	Actual value for 2023 ¹	Assessment of achievement / reasons for deviation	Percentage of achievement, % ²	Targets for 2024 ³
Return on invested capital (ROIC)							
Method of calculation	10	%	11.0	11.0	achieved	100	7.3
Ratio of operating profit adjusted for impairment/(reversal of impairment) of fixed assets, revenue from grid connection services, and accrual/(reversal of) provision for expected credit losses to the sum of average equity and long-term loans and borrowings							

¹ Contains the expected KPI and FKPI achievement, taking into account the timing and preparation procedure of reports that provide initial data for calculations. The final actual values are expected to be approved by the Board of Directors of Rosseti Kuban, PJSC in the third quarter of 2024.

² For KPIs: if the percentage of achievement is more than 120%, it is reported as 120%; if the percentage of achievement is less than 80%, it is reported as 0%. For FKPIs: if the percentage of achievement is more than 100%, it is reported as 100%, and if the percentage of achievement is less than 90%, it is reported as 0%.

³ The composition and target values of the indicators may be adjusted by resolution of the Company's Board of Directors.

About the Company		Strategic Report		Operational Results		Sustainable Development		Corporate Governance Report	
Indicator	Weight in the remuneration system for 2023, %	UoM	Targets for 2023	Actual value for 2023 ¹	Assessment of achievement / reasons for deviation	Percentage of achievement, % ²	Targets for 2024 ³		
Operating margin									
Method of calculation	20	%	13.5	11.5	achieved	85	9.7		
Ratio of operating profit adjusted for impairment/(reversal of impairment) of fixed assets and revenue from grid connection services to revenue, minus revenue from grid connection services									
Net profit without impairment and grid connection									
Method of calculation	20	RUB '000	4,840,275	4,867,912	achieved	101	3,096,022		
Net profit without impairment and grid connection profit/(loss) adjusted for impairment/(reversal of impairment) of fixed assets and revenues from grid connection services (including relevant income tax)									
Level of electricity losses									
Method of calculation	15	%	9.88	9.59	achieved	103	9.36		
Ratio of the volume of electricity losses in the Company's grids (calculated as the difference between electricity delivered to the grid and electricity delivered from the grid and consumption for household needs) increased by the amount of disagreements for previous periods, settled against the Company, to the electricity delivered to the grid for the reporting period									
Readiness for heating season									
Method of calculation	20	—	1	1	achieved	100	1		
Indicator that estimates the readiness of the Company to work during the heating season, based on monthly monitoring by the Ministry of Energy of Russia									
Compliance with commissioning schedule									
Method of calculation	15	%	92.0	116.6	achieved	120	93.5		
Ratio of the total actual volume of commissioning of fixed assets in the reporting year derived from the progress report on the Company's investment programme (in monetary terms, on the basis of the date when the construction completion certificate is signed by the Acceptance Commission) to the planned one in accordance with the approved investment programme and implementation schedule									

Indicator	Weight in the remuneration system for 2023, %	UoM	Targets for 2023	Actual value for 2023 ¹	Assessment of achievement / reasons for deviation	Percentage of achievement, % ²	Targets for 2024 ³
Implementation of the Company’s Development Plan							
Method of calculation Bonus reduction indicator calculated against the number of unfulfilled activities of the Company’s Development Plan approved by the Board of Directors of Rosseti, PJSC in the reporting period		%	0	0	achieved	100	0

Achievement of the factor “Efficiency of Power Connection Procedures” of the National Investment Climate Rating

Method of calculation The indicator is determined on the basis of the degree of achievement of benchmarks for the factor “Efficiency of Power Connection Procedures” in the National Investment Climate Rating in the constituent entities of the Russian Federation within the Company’s operational responsibility zone	Indicative indicator	%	100.0	104.0	achieved	104	100.0
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Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)

Method of calculation Calculated as profit/(loss) before taxes, depreciation, amortisation and interest expense adjusted for impairment/ (reversal of impairment) of fixed assets, and revenue from grid connection services	General Director	RUB '000	15,951,865	15,543,715	achieved	97	14,097,034
	Deputy General Director for Economics and Finance						

Achievement of readiness for the heating season

Method of calculation The certificate of readiness for heating season shall be received by the Company in a timely manner by 5 November of the reporting year in accordance with the Rules for Assessing the Readiness of Electric Power Entities for the Heating Season, approved by Resolution No. 543 of the Government of the Russian Federation dated 10 May 2017	General Director	ea	1	1	achieved	100	1
	Deputy General Director for technical issues — Chief Engineer						

No significant accidents in power grids investigated by Russian Federal Service for Ecological, Technological and Nuclear Supervision (Rostekhnadzor)

Method of calculation The calculation of this indicator takes into account accidents in the Company’s power grids classified by the Rostekhnadzor commission in accordance with clause 4 of the Rules for Investigation of the Causes of Accidents in the Electric Power Industry (approved by Resolution of the Government of the Russian Federation No. 846 dated 28 October 2009) and occurred due to the fault of the management personnel	Deputy General Director for technical issues — Chief Engineer	Fulfilled / not fulfilled	0	0	achieved	100	0
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Indicator	Weight in the remuneration system for 2023, %	UoM	Targets for 2023	Actual value for 2023 ¹	Assessment of achievement / reasons for deviation	Percentage of achievement, % ²	Targets for 2024 ³
Efficiency of innovations							
Method of calculation Integral indicator of innovations efficiency assesses the extent to which three composite indicators are met: R&D expenditure indicator, innovative product procurement indicator, quality of design & engineering (updating) / implementation indicator	Deputy General Director for technical issues — Chief Engineer	%	98.0	109.2	achieved	100	98.0

Year-on-year increase in labour productivity

Method of calculation Ratio of value added by all types of services to the average annual number of employees Comparison with the 2022 baseline	Deputy General Director — Head of the Office	%	3.2	3.7	achieved	100	11.0
	Deputy General Director for Economics and Finance						

Active staff turnover

Method of calculation Ratio of the total number of the Company’s employees resigned voluntarily in accordance with Clause 3 (termination of the employment agreement on the employee’s part) and Clause 5 (transfer of an employee at his/her request or with his/her consent to work for another employer, or transfer to an elective job (position)) of Article 77 of the Labour Code of the Russian Federation to the average headcount in the reporting period	Deputy General Director — Head of the Office	%	6.5	5.6	achieved	100	6.5
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Compliance with grid connection deadlines

Method of calculation Complex index assessing the quality level of grid connection, consisting of two components — the quality of grid connection application review and the quality of execution of grid connection agreements	First Deputy General Director — Director of Sochi Power Grids Branch	rel. unit	1.1	1.0	achieved	100	1.1
	Deputy General Director for Development and Power Grid Connection						
	Deputy General Director for Investments						

Indicator	Weight in the remuneration system for 2023, %	UoM	Targets for 2023	Actual value for 2023 ¹	Assessment of achievement / reasons for deviation	Percentage of achievement, % ²	Targets for 2024 ³
Net attraction of loans and debentures to cover financing gaps of the investment programme							
Method of calculation Calculated as the difference between attracted and repaid borrowed funds (loans and debentures)	Deputy General Director for Economics and Finance	RUB '000	2,385,140	-843,447	achieved	100	-4,081,588
Efficiency of transition to domestic software							
Method of calculation Defined as the share (percentage) of installed Russian (domestic) software in the total volume of installed software in the Company, which implements its own plan for transition to all-domestic software approved by the Company's Board of Directors	First Deputy General Director — Director of Sochi Power Grids Branch	%	75.0	76.57	achieved	100	84.3
Overdue receivables for electricity transmission services							
Method of calculation The actual value of overdue receivables (excluding moratorium receivables) at the end of the reporting period did not exceed the target value	Deputy General Director for Sale of Services Deputy Director General for Corporate Governance	RUB '000	1,572,140.7	1,228,322.9	achieved	100	1,492,882.4
Fulfilment of the Comprehensive Security Plan							
Method of calculation Calculated as the ratio of timely fulfilled measures of the Comprehensive Security Plan to the total number of measures of the Comprehensive Security Plan	Deputy General Director for technical issues — Chief Engineer	%	100.0	100.0	achieved	100	100.0
Enforcement of insider information protection requirements and maintenance of share listings							
Method of calculation Complex indicator assessing the level of corporate governance in the Company, consisting of two components such as ensuring the requirements for protection of insider information and maintaining the listing of shares	Deputy Director General for Corporate Governance	Fulfilled / not fulfilled	fulfilled	fulfilled	achieved	100	fulfilled

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Indicator	Weight in the remuneration system for 2023, %	UoM	Targets for 2023	Actual value for 2023 ¹	Assessment of achievement / reasons for deviation	Percentage of achievement, % ²	Targets for 2024 ³
Share of agreements resulted from electronic procedures							
Method of calculation Calculated as a ratio of the number of electronic procurement procedures, which resulted in the conclusion of agreements associated with spending of funds, to the total number of procurement procedures (competitive and non-competitive), which resulted in the conclusion of such agreements	First Deputy General Director — Director of Sochi Power Grids Branch Deputy General Director for Investments	%	54.0	85.9	achieved	100	56.0
Absence of a reservation and/or modified opinion of the Auditor affecting the reliability of the data of the annual accounting (financial) statements							
Method of calculation The indicator factors in the presence of unmodified or modified auditor's opinion (qualified opinion, negative opinion, refusal to express an opinion) on the reliability of the indicators of the Company's accounting (financial) statements	Chief Accountant – Head of the Department for Financial and Tax Accounting and Reporting	Fulfilled / not fulfilled	fulfilled	fulfilled	achieved	100	fulfilled

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Functioning of the RM&ICS

The risk management and internal control system (hereinafter referred to as RM&ICS) of Rosseti Kuban is integrated into the general management system of the Company and is designed to provide reasonable guarantees for achieving an optimal balance between the growth of the Company's value, profitability and risks, ensuring the Company's financial stability, efficient business operations, safeguarding assets,

compliance with legislation, the Company's Articles of Association and by-laws, and timely preparation of reliable reporting

To facilitate the RM&ICS, the Company put the following fundamental regulatory documents in place:

- Risk Management and Internal Control Policy of Rosseti Kuban, PJSC (approved by the decision of the Board of Directors of the Company dated 16 June 2023, Minutes No. 521/2023)

- Procedure for organising risk management and internal control at Rosseti Kuban, PJSC
- Procedure for determining the preferred risk (risk appetite) of Rosseti Kuban, PJSC

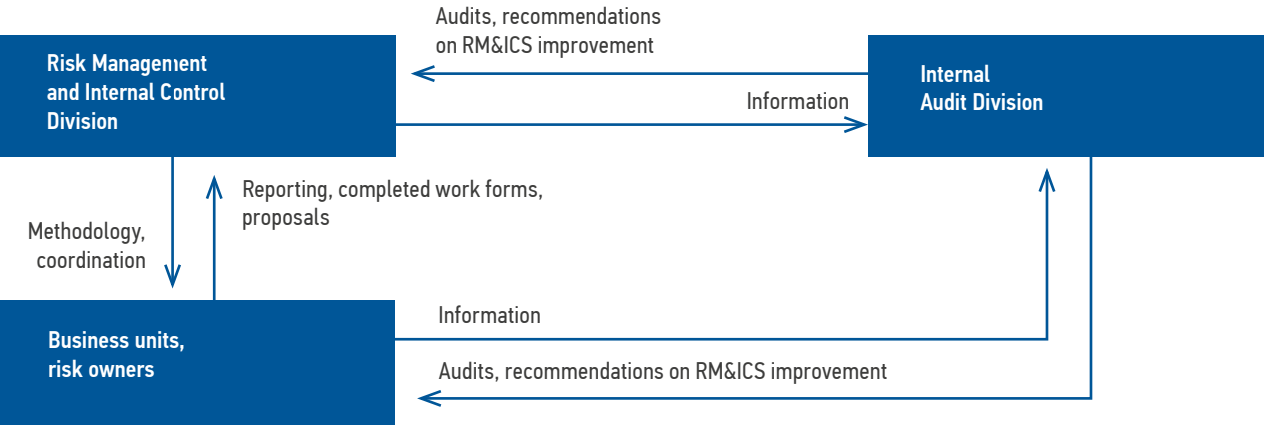
Pattern of interaction of RM&ICS participants

The internal control and risk management framework covers all areas of activity and all levels of corporate governance: the Board of Directors, the authorised

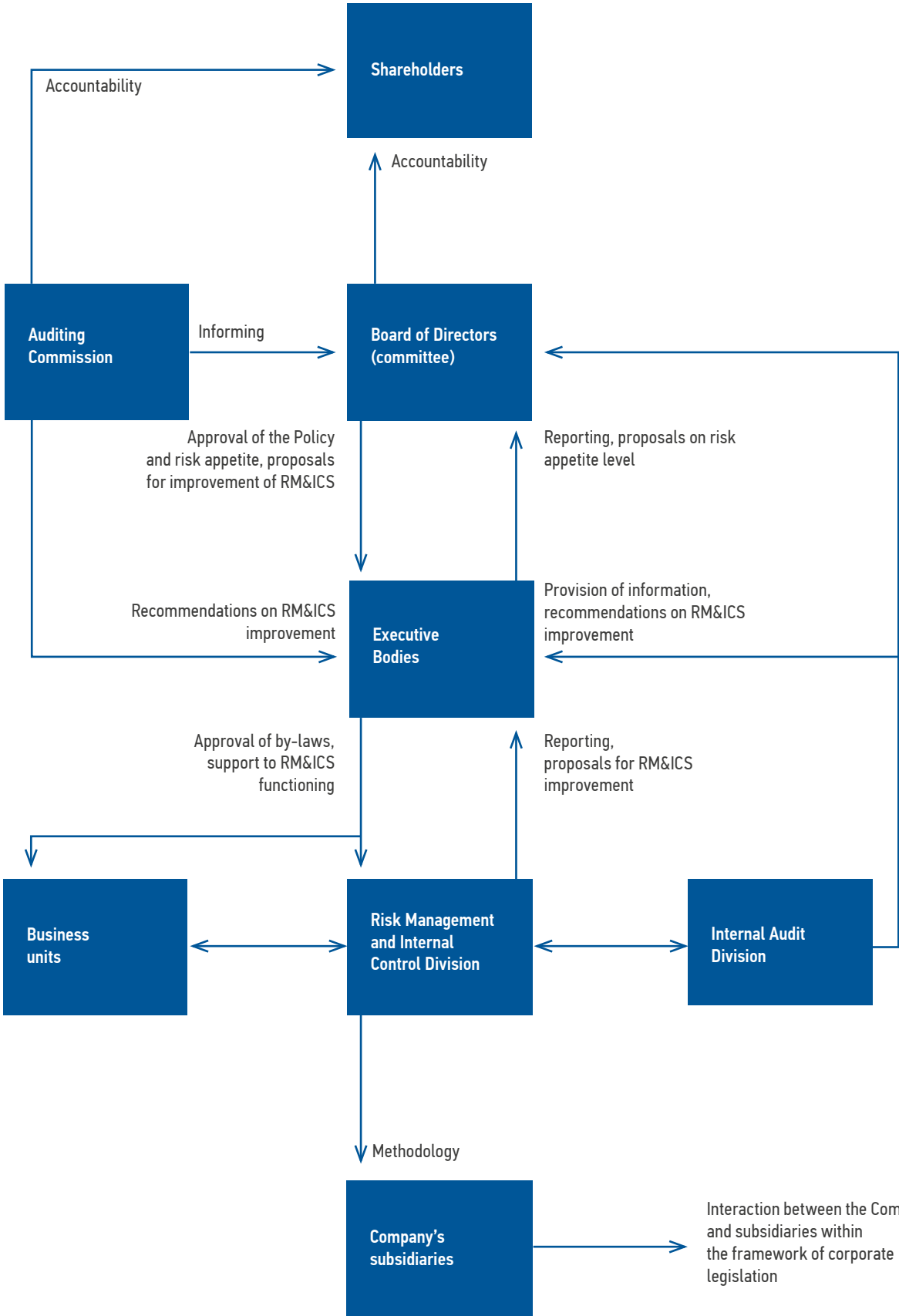
committee of the Board of Directors, the Company's Auditing Commission, the Company's executive bodies, managers and employees at all management levels of

the Company, the Internal Control and Risk Management Directorate and the Internal Audit Directorate.

Interaction between business units (horizontal interaction within the RM&ICS)



Interaction of RM&ICS participants (vertical interaction within RM&ICS)¹



¹ Subsidiaries of the Company are abbreviated as S&A in the Schemes.

Information on the internal control and risk management function

The Company’s organisational structure was approved by decision of the Board of Directors (Minutes No. 241/2016 dated 31 May 2016). As a result, the Internal Control and Risk Management Department was established that is an independent unit responsible for the implementation, development and improvement of the Company’s unified framework to building internal control and risk management systems, as well as for methodological and organisational support for the implementation of preventive and current control in the Company.

In accordance with the Risk Management and Internal Control Policy, the Internal Control and Risk Management Department performs the following functions:

- Co-ordinates risk management and internal control processes
- Organises and conducts staff training in risk management and internal control
- Analyses the risk portfolio and develops proposals on response strategy and reallocation of resources in relation to risk management
- Generates risk reporting

- Exercises operational control over the process of risk management by business units
- Conducts control activities pertaining to the organisation and functioning of the RM&ICS
- Prepares and submits to the executive bodies information on the organisation, functioning and efficiency of the RM&ICS, as well as on other issues stipulated by the Risk Management and Internal Control Policy

Assessment of reliability and efficiency of the RM&ICS for 2023

The Internal Audit Department conducts an annual internal independent assessment of how effective the RM&ICS is.

The results of the RM&ICS efficiency assessment and recommendations designed to improve thereof are included in the internal auditor’s report submitted annually for consideration by the Company’s governance bodies.

The internal audit report on the assessment of the performance of the RM&ICS for 2023 was reviewed at the meeting of the Board of Directors (Minutes No. 552/2024 dated 24 April 2024). At year-end 2023, the maturity level of the RM&ICS is assessed as “optimal” (the average score for all criteria was 5.0 points).

The effectiveness of the RM&ICS for the reporting year was assessed in accordance with the updated Methodology for assessing the reliability and effectiveness of the risk management and internal control system; therefore, the RM&ICS maturity level compared to the previous year is not assessed.

5.0

points

maturity level of the Company’s RM&ICS (“optimal”)

Key measures to improve the IRM&ICS taken in 2023

With a view to developing and improving the RM&ICS, the Company’s ordered to approve the RM&ICS Development Programme of Rosseti Kuban, PJSC.

In the reporting year, the Company implemented the following key activities aimed at the improvement of the RM&ICS:

- The Risk Management and Internal Control Policy of the Company was approved (Minutes of the meeting of the Board of Directors of the Company No. 521/2023 dated 16 June 2023)
- The preferred risk (risk appetite) of the Company was updated (Minutes of the meeting of the Board of Directors of the Company No. 535/2023 dated 5 October 2023)
- Methodological framework of RM&ICS was developed/updated, including:
 - Glossary related to risk management and internal control
 - Risk appetite determination procedure
 - Procedure for organising risk management and internal control
- Procedure for organising risk management and internal control regarding the prevention of corruption and misconduct
- Typical list of risks and risk owners
- Risk assessment and monitoring methodology
- Guidelines for preparing a report on the organisation, operation and effectiveness of the risk management and internal control system

- Process regulations, including risk matrices and control procedures
- Current control of high-risk business processes was exercised through approval of documents for procurement procedures and participation of the

Risk Management and Internal Control Department in the Company’s collegial bodies

- Local regulations were approved that govern control procedures, including those intended for availability, efficiency and sufficiency of controls

- Control activities were undertaken to assess the adequacy, efficiency and effectiveness of the RM&ICS, involving comprehensive audits of the financial and economic activities of the Company’s branches and audits of subsidiaries
- Financial stability was subject to monthly monitoring, counterparty liquidation and bankruptcy proceedings were supervised

Changes in the RM&ICS indicators for 2021–2023

Indicators	2021	2022	2023	Change 2023/2022, % ¹
Number of control activities aimed at identifying and minimising risks	4	2	4	2x growth
Number of procurement materials (issues) reviewed	–	1,216	1,149	–5.5
Number of eliminated violations based on the results of inspections conducted by external control bodies	45	121	164	+35.5
Total amount of cancelled fines after appealing against the decision to impose administrative penalties, RUB mln	0	0	2,4	–
Total amount of funds received by the Company from counterparties in bankruptcy and liquidation proceedings, RUB mln	0	12.9	25.2	+95.3
Total amount of cash saved by the Company due to acquisition of its own debt to debtors under bankruptcy proceedings at auctions, RUB mln	0	0	0	0

Main activities for improvement of the RM&ICS for 2024

Main tasks for 2024 as to the improvement of the Company’s RM&ICS:

- To participate in internal audits, inspections, audits of financial and economic activities of subsidiaries, and internal reviews
- To conduct control activities in line with the risk-oriented approach: when reviewing materials submitted for approval

by collegial bodies; when analysing information on audits carried out by external control (supervision) bodies

- To apply the updated methodology in terms of risk management, including risk monitoring using key risk indicators
- To take part in risk management in liquidation and bankruptcy proceedings

- To promote risk awareness, to conduct training events on the organisation and operation of the RM&ICS

¹ If there is a significant deviation between the 2023 and 2022 indicators, the relevant section of the Report should include a justification of the reasons for such deviation.

Key Risks. Risk Assessment Methodology

The RM&ICS of the Company involves regular identification, assessment and monitoring of risks, as well as measures to reduce the probability and potential consequences of risk realisation, with informing shareholders and other stakeholders thereof.

In 2023, the risks on the Company’s activities are assessed according to three levels of materiality, which are a generalised assessment of the risk probability and consequences:

Moderate (M), which does not have a significant negative impact on financial and economic performance, but requires

continuous monitoring for timely identification of possible increase in the level of risk materiality


Significant (S), where the risk once realised may lead to significant deviations in key performance indicators, short-term suspension of operations, downgrade of independent ratings, negative publicity of operations

Critical (C), when risk once realised may lead to failure to achieve the goals set by the governance bodies, long-term business interruptions, negative publicity of the Company’s activities and a decrease in the market quotation of the Company’s shares


Preferred risk (risk appetite) of the Company and its targets

Pursuant to the Risk Management and Internal Control Policy, the preferred risk (risk appetite) was updated in 2023 by the decision of the Company’s Board of Directors (Minutes No. 535/2023 dated 5 October 2023).

The following risk appetite targets were established:




Rosseti Kuban, PJSC ensures reliable and high-quality electricity supply




Rosseti Kuban, PJSC ensures implementation of the obligations under the Occupational Health and Safety Policy, development and improvement of the occupational health and safety management system and safety culture




Rosseti Kuban, PJSC supports development increase in availability of power grid infrastructure




Rosseti Kuban, PJSC endeavours to reduce electricity losses during transmission and distribution




Rosseti Kuban, PJSC aims to maintain a stable financial position




Rosseti Kuban, PJSC strives to reduce (minimise) its negative environmental impact




Rosseti Kuban, PJSC safeguards the rights of shareholders



Rosseti Kuban, PJSC does not tolerate violations of the requirements established by the laws of the Russian Federation



Rosseti Kuban, PJSC strives to ensure technological and innovative development by making and integrating scientific developments



Rosseti Kuban, PJSC ensures the development of the power grid complex’s human resources potential and maintains a consistently high staffing level

Operating within the specified risk appetite gives Rosseti Kuban a higher degree of confidence that its stated goals will be accomplished.

Company's key risk management

Based on the quarterly risk reassessment conducted during 2023, nine key risks were rated as critical and significant as at the end of the reporting period.

The Company creates methods to lessen and minimise the effects of key risks being realised for all functional hazards, and approves the Company’s Risk Management Action Plan.

Below are the findings of the assessment of the level of materiality of the Company’s key risks in 2022 and 2023, as well as the main measures aimed at mitigating and minimising their consequences.

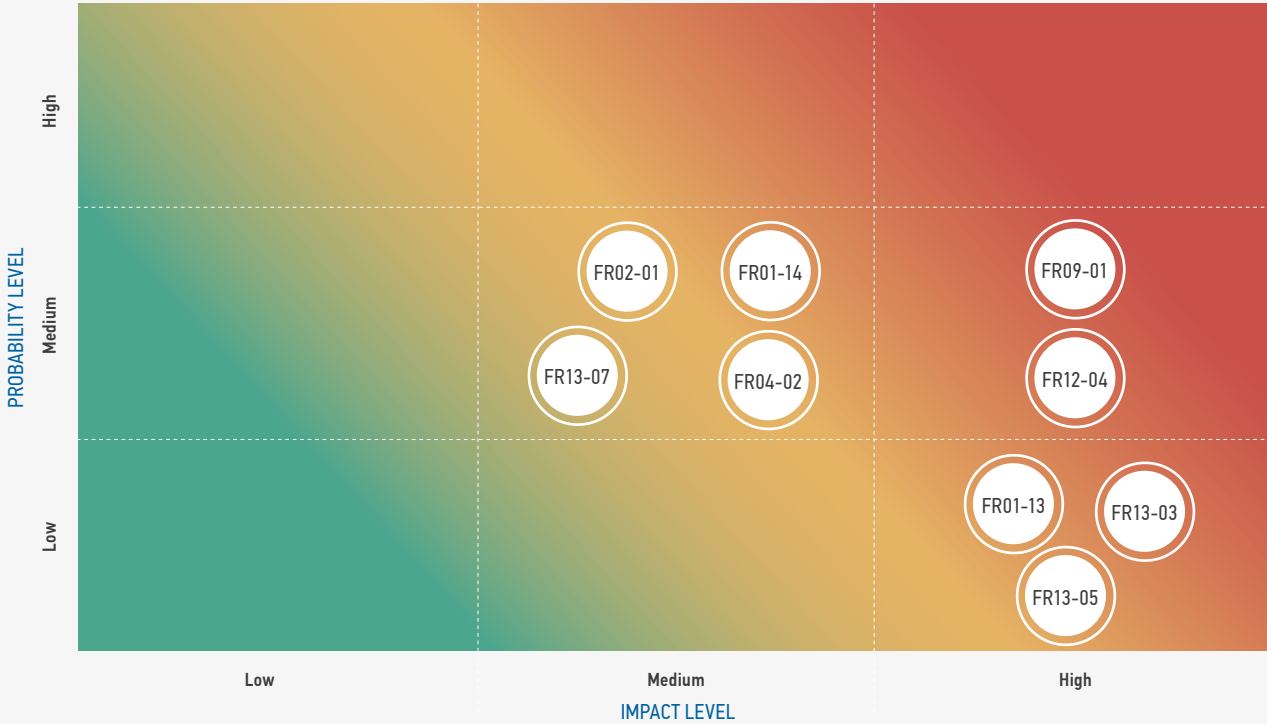
● Significant level of risk

● Critical level of risk

Risk ID	Description and designation	Risk materiality level as at 31.12.2022	Risk materiality level at 31.12.2023	Risk management
FR01-13	Bankruptcy and liquidation of counterparties	●	●	<ol style="list-style-type: none">Timely submission of applications to the court for inclusion of the Company’s claims in the register of creditors.Preparation of documents by the responsible business units (financial responsibility centre (FRC), initiator of litigation) confirming the actual discharge of obligations, services and costs incurred by the Company, including substantiating materials, inconsistencies between business units, etc.
FR01-14	Court rulings (dispute resolution) on recovery of debts for electricity transmission services against the Company	●	●	<ol style="list-style-type: none">Submission of FRC documents to the legal department for enforcement work.Preparation of documents by the responsible business units (financial responsibility centre (FRC), initiator of litigation) confirming the actual discharge of obligations, services and costs incurred by the Company, including substantiating materials, inconsistencies between business units, etc.
FR02-01	Increased funding for the investment programme as a whole and/or for individual titles (in relation to the limits established)	●	●	<ol style="list-style-type: none">Oversight that the actual unit cost of construction (renovation) of facilities is not exceeded, based on the results of the work for the year.Monitoring of the implementation of investment projects in terms of cost and deadlines.Application of the methodology for planning the cost of investment projects in the process of preparation of the Company’s investment programme (during planning, bidding and at the implementation stage of the investment programme).
FR04-02	Increase in interest rates on loans and borrowings	●	●	<ol style="list-style-type: none">Negotiations with creditor banks, sending letters about considering the possibility of reducing interest rates on loans.Procurement procedures to select financial institutions in order to reduce the cost of borrowing during the competition of participating banks.Maintenance of debt and liquidity ratios.
FR09-01	Work-related injuries in the Company	●	●	<ol style="list-style-type: none">Provision of a safe working environmentTimely and quality work with personnel (briefings, internships, shadowing, etc.).Preliminary and periodic medical examinations of employees.Video recording of the preparation and execution of work at facilities.Arrangement for psychophysiological support of the professional reliability.

Risk ID	Description and designation	Risk materiality level as at 31.12.2022	Risk materiality level at 31.12.2023	Risk management
FR12-04	Involvement of the Company / Company employees in corrupt practices	●	●	Implementation of the Anti-Corruption Plan in Rosseti Kuban in 2023, including: 1. Conduct of supervisory checks on employees' compliance with the principles of the Company's Anti-Corruption Policy. 2. Conduct of internal audits and investigations into violations of the Company's Anti-Corruption Policy. 3. Identification and clearing of conflict of interests. 4. Review and verification of reports of corruption and sundry abuses. 5. Training, counselling and education to help employees become law-abiding citizens.
FR13-03	Disruption and (or) cessation of operation of information infrastructure facilities and telecommunications systems of power grid facilities	●	●	1. Inclusion of information security requirements in technical specifications for the design of information infrastructure facilities and telecommunications systems of power grid facilities. 2. Implementation of information protection means at information infrastructure facilities as specified in the relevant technical design specifications. 3. Monitoring of the actions of the Company's employees through information security systems. 4. Monitoring and analysis of external information security events. 5. Use of certified information security means.
FR13-05	Undue influence on power grid facilities and their information and telecommunication systems (of a terrorist, subversive, criminal or other nature), including through the use of information technologies	●	●	1. Installation of technical security equipment, video surveillance systems, access control system and security alarm system. 2. Refurbishment of security engineering equipment at fuel and energy facilities. 3. Physical security of the most critical fuel and energy facilities of the Company. 4. Inclusion of information security requirements in technical specifications for the design of information infrastructure facilities and telecommunications systems of power grid facilities. 5. Implementation of information protection means at information infrastructure facilities as specified in the relevant technical design specifications.
FR13-07	Deliberate illegal acts by both legal entities and individuals and Company's employees, causing economic damage and harm to business reputation	●	●	1. Checks of financial and economic activities. 2. Detection of economic misconduct by employees and third-party entities or individuals. 3. Submission and follow-up of the application materials to law enforcement agencies.

Map of key risks of the Company



Based on the updated assessment results, the risk materiality level remained unchanged during 2023.

Realisation of key risks

- In 2023, there are two key risks realised:
- Work-related injuries assessed as “critical”
 - Excess of the investment programme financing over the planned indicators

Risk ID	Risk	Risk realisation with consequences thereof	Measures to minimise the risk consequences
FR09-01	Work-related injuries in the Company	One group accident with 1 employee fatality, one minor injury case	1. Conducting an unscheduled briefing: <ul style="list-style-type: none">• To heads of production business units and operating personnel• To personnel who organise and perform work in electrical installations 2. Working through the Comments on the execution of work permits and work orders for work in electrical installations with persons authorised to issue such permits and orders 3. Conducting unscheduled testing of knowledge on the requirements of labour safety rules and regulations, industry acts and instructional and technical documents 4. Conducting an unscheduled special assessment of labour conditions at workplaces
FR02-01	Increased funding for the investment programme as a whole and/or for individual titles (in relation to the limits established)	The funding of investment programme facilities exceeded by 10% the targets set in the investment programme for 2023. Overrun of the planned parameters is driven by the implementation of investment activities under the terms and conditions of grid connection contracts.	1. Adjustment of the investment programme of Rosseti Kuban, PJSC for 2023–2027 2. Control over compliance with the level of debt load in the parameters of the business plan

Information security risks and cyberthreats

Due to a rise in cyberthreats at the Company, the following information security vulnerabilities were identified:

- Disruption and/or interruption of the information infrastructure and telecommunication systems of power grid facilities caused by cyberattacks. This risk is assessed as significant due to the high level of consequences associated with disconnection of electricity consumers, material damage and reputational risks of the Company
- Undue influence on power grid facilities and their information and telecommunication systems (of a terrorist, subversive, criminal or other nature), including through the use of information technologies caused by unlawful actions of third parties. This risk is assessed as significant and is characterised by a high level of consequences associated with long-term disconnection of electricity consumers,

equipment failure, material damage to the Company, as well as harm to the health of the Company's personnel

In order to reduce (minimise) the above risks, the Company takes the following measures:

- Installation of technical security equipment, video surveillance systems, access control system and security alarm system
- Physical security of the most critical fuel and energy facilities of the Company
- Renovation of security equipment at the fuel and energy facilities as set forth in the Company's investment programme
- Inclusion of information security requirements in technical design specifications for information infrastructure facilities and telecommunication systems of power grid facilities, control over the subsequent construction of facilities in compliance with the technical specifications

- Constant control over the actions of the Company's employees by means of information security systems
- Monitoring and analysis of external information security events
- Use of certified information security means

obligations to comply with the requirements of environmental legislation and performs the following measures:

- Implements the Programme of measures aimed at ensuring environmental safety and protection of the environment
- Modernises equipment and applies innovative and environmentally friendly technologies in the renovation, retrofitting and construction of power grids, including decommissioning of polychlorinated biphenyl-containing equipment and replacing it with environmentally friendly equipment
- Monitors the negative environmental impact, complying with the established permissible impact rates, and submits to the regulatory authorities information on the protection of atmospheric air and on the generation, processing, utilisation, disposal, neutralisation, and disposal of production and consumption waste

- Ensures that suppliers of products and services comply with the requirements of legislation, standards, codes and internal documents of the Company regarding environmental protection and environmental safety

The Company's business philosophy is to continuously develop the professional skills of its employees and to create a favourable social and production environment. Social rights of the Company's workers extend to just and favourable conditions of work, protection against unemployment, fair and satisfactory remuneration, equal pay for equal work, the opportunity to maintain the health and well-being of the people and their family, and education.

The Company seeks to respect the social rights of its employees, including protection from unemployment and fair remuneration. The Company reimburses

sports costs, raises the level of education of its employees, provides corporate support to improve the housing conditions of its employees, and implements a separate housing programme for employees recruited to the Company from other regions.

Risks related to non-compliance with social rights and guarantees of employees are medium-term by time of impact. Considering the high responsibility of the Company in realising its social obligations, these risks are assessed as moderate.

Risks pertaining to sustainable development

The focus of the Company's management is on health and safety, employee development, mitigating negative environmental consequences, and other ESG concerns, which are continuously monitored by dedicated divisions. Sustainable development risks are managed within the framework of the Company's RM&ICS. Risk assessment and management take a variety of factors into account, including ESG, which helps the business comply with its sustainability standards.

Risks related to the impact of climate change on the Company's operations are short-term in terms of impact time but have a significant level of consequences. The Company assesses them as significant as they may have a negative impact on the quality and reliability of power supply.

High outdoor air temperature in summer, typical for the region of the Company's presence, may entail the risk of overloading power supply centres, which causes a decrease in the quality of power supply

to consumers. In order to minimise this risk, the Company constantly implements security procedures to redistribute loads between power supply centres, and it also incorporates measures to increase the capacity of power supply centres into the Company's investment programme.

Natural disasters such as hurricanes, intense rain, floods, snowdrifts, mudflows, etc., increase the likelihood of emergencies in the areas where the Company works. These events could cause material harm to the population, public utilities, housing and social facilities, as well as disrupt power supplies and transportation networks. In order to minimise the impact of adverse weather conditions, the Company takes the following steps:

- Continuous monitoring of weather conditions with the development and implementation of action plans to reduce the consequences for the Company (during spring high water and floods, during the thunderstorm season)

- Preliminary planning and adjustment of equipment repair schedules with due regard to weather conditions
- Emergency recovery work
- Co-operation with the insurance company in order to obtain indemnities to compensate for damage caused to the Company's insured property by natural disasters

Given the extent to which production activities affect soil, atmospheric air, surface and subsurface subsoil, flora and fauna, the Company pays close attention to mitigating adverse effects on these natural environment components and guaranteeing environmental safety at power grid facilities. Risks related to the Company's environmental impact are long-term in terms of time of impact and are assessed by the Company as moderate, given the implemented set of environmental risk management measures. In order to minimise these risks, the Company undertakes



OPERATIONAL RESULTS

The operating activities of Rosseti Kuban, PJSC cover a wide range of tasks aimed at ensuring reliable and high-quality electricity supply to consumers, upgrading grid infrastructure, and implementing innovative solutions.

3.1%

increase in the volume of electricity
transmission services provided

17.6%

year-on-year increase in net profit

ELECTRICITY DELIVERY



Rosseti Kuban's core business is associated with the delivery and distribution of electricity to customers via 110 kV or below voltage grids. The Company's share in the regional electricity transmission market in 2023 was 77.1% (of the regional required gross revenue).

In 2023, electricity transmission losses in the Company's grids totalled 9.49%, which is 0.39 p.p. lower than the value set by the business plan.

In 2023, the loss reduction efforts had an effect of 42 million kWh.

OLEG NISHCHUK
Deputy General Director for Service Sales

22.6 bln kWh

of the Company's electricity transmission services (+3.1% vs. 2022)

9.49 %

electricity transmission losses in the Company's grids in 2023

Key indicators

Results of the Company's production activities for 2021–2023

Indicator	2021	2022	2023	Change 2023/2022 (%)
Delivery to the grid, mln kWh	25,221.7	26,062.3	26,860.4	+3.1%
Electricity delivered from the grid to customers and related territorial grid organisations within the area of balance and operational responsibility, mln kWh	22,719.6	23,582.8	24,312.0	+3.1%
Losses of electricity in transmission:				
mln kWh	2,502.1	2,479.5	2,548.4	+2.8%
%	9.920	9.514	9.488	−0.03 p.p.
Volume of electricity transmission services provided:				
mln kWh	21,004.5	21,947.8	22,624.4	+3.1%
RUB mln	54,526.3	61,452.9	71,207.1	+15.9%

The Company's operations in 2023 resulted in total volume of electricity transmission services of 22,624 million kWh, up 677 million kWh, or 3.1% year-on-year.

−0.03 p. p.

year-on-year reduction in the relative level of losses. The loss rate for the year was met

In the reporting year, actual electricity losses in the power grids of Rosseti Kuban amounted to 2,548 million kWh, or 9.49% of the delivery to the grid.



Every year, loss reduction actions are taken in order to satisfy the predetermined parameters.

Electricity loss reduction measures

Reducing electricity losses is one of the Company's primary activities.

In the future, the efforts in this area will be continued.

By year-end 2023, the effect of steps taken to reduce electricity transmission losses totalled 42 million kWh (RUB 224 million), including:

- Organisational measures — 37 million kWh (RUB 199 million)
- Technical measures — 6 million kWh (RUB 25 million)

42 mln kWh

of electricity worth RUB 224 mln saved in 2023 due to loss reduction measures



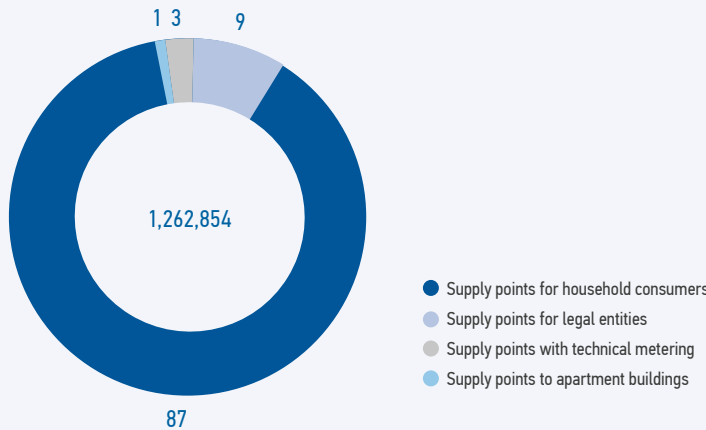
The electricity loss reduction programme was implemented, and the programme's target — level of electricity losses — was achieved.

Electricity metering

As of the end of the reporting year, there are 1,262,854 power supply points in the Company's area of operations.

Pursuant to Federal Law No. 522-FZ “On Amending Certain Legislative Acts of the Russian Federation in Connection with the Development of Electricity (Capacity) Metering Systems in the Russian Federation” dated 27 December 2018, the Concept for the Development of Smart Metering of Electricity of Rosseti, PJSC in the Retail Markets approved by the decision of the Management Board of Rosseti, PJSC (Minutes No. 885pr/1 dated 26 June 2019), the Company takes measures to develop smart electricity metering by replacing (installing, verifying) metering devices.

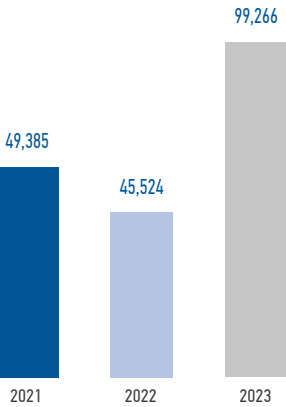
Structure of electricity supply points to the Company's consumers (%)



Results of the smart metering development programme in 2021–2023, metering points

Indicator	2021	2022	Plan 2023	Actual 2023
Volumes of implementation (introduction, fulfilment) of measures, including:	49,385	45,524	55,893	99,266
Installation/replacement of technical electricity meters	2,646	1,950	0	0
Installation/replacement of commercial electricity meters within the grid connection framework, under the Investment Programme	20,389	27,890	22,589	27,745
Installation/replacement of commercial electricity meters in case of absence or breakdown, or expiry of the calibration interval/service life of meters, under the Investment Programme	6,221	8,386	12,836	14,889
Installation/replacement of commercial electricity meters in case of absence or breakdown, or expiry of the calibration interval / service life of meters, under the Repair Programme	6,848	7,298	9,216	27,210
Installation/replacement of electricity meters under energy service agreements	13,281	0	0	12,183
Verification of fiscal electricity metering devices upon expiry of their verification interval under operating activities	0	0	11,252	17,239

Delivery on measures of the smart
metering development programme
(metering points)



2,276.65
RUB mln

expenses for measures to replace (install, verify) electricity metering devices in 2023 (excl. VAT)

453,573
smart meters

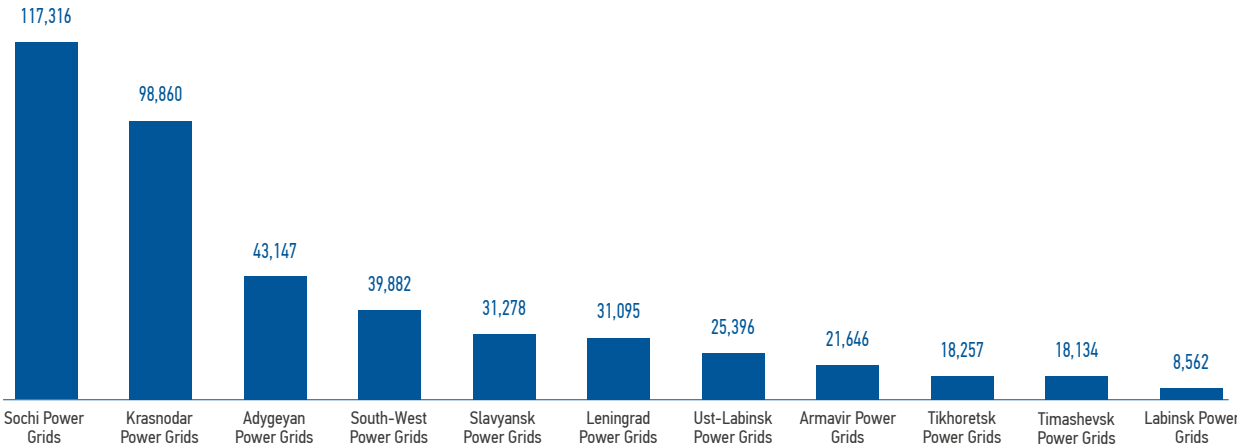
installed by the end of 2023
(36.24% of the total number)

73,171
electricity meters

were automated in 2023

As of 31 December 2023, the amount of electricity metering devices with remote data collection was 453,573, or 36.24% of the total number of supply points. In 2023, 73,171 electricity metering devices were automated.

Total automated metering devices with remote data collection as of 31 December 2023 by branches of Rosseti Kuban, PJSC



In 2024, it is planned to continue the installation/replacement and automation of commercial electricity meters in the absence, breakdown, expiry of the calibration interval / service life

of electricity meters, as well as during grid connection, in order to create a smart electricity metering system to meet the requirements of the Federal Law "On Amending Certain Legislative Acts

of the Russian Federation in Connection with the Development of Electricity (Power) Metering Systems in the Russian Federation" No. 522-FZ dated 27 December 2018.

GRID CONNECTION SERVICES



Based on the 2023 results, the approved grid connection targets were over-achieved over the year. The demand for grid connections has continued to be quite strong. In the reporting period — on average, at least 40,000 applications are received per year. the Company concluded more than 32,000 contracts for grid connection with a total capacity of more than 859 MW, 35,000 contracts were executed for a connected capacity of 845 MW.

The Company supervises the execution of the grid connection procedure at all its stages and levels and implements organisational and technical corrective actions in order to ensure quick processing of applications and completion of grid connection agreements.

Given the well-established cooperation between utility providers and regional and local authorities, the Company will continue to work on continuous improvement of its grid connection performance going forward, thus strengthening its image as a customer-oriented company.

ALEXANDER CHEPUSOV
Deputy General Director for Development and Power Grid Connection

- The key documents, which regulate the Company's activities related to grid connection of consumer terminals (power installations) of legal entities and individuals to Rosseti Kuban's power grids:
- Federal Law No. 35-FZ "On Electric Power Industry" dated 26 March 2003
 - Rules for Grid Connection of Consumer Terminals of Electricity Consumers, Generating Facilities and Grid Facilities Owned by Grid Organisations and Other Entities to Power Grids approved by Decree No. 861 of the Government of the Russian Federation dated 27 December 2004
 - 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
 - Order of the Federal Antimonopoly Service (FAS) of Russia "On Approval of the Guidelines for Determining the Grid Connection Fee" No. 490/22 dated 30 June 2022

A complete list of regulatory legal documents, detailed information on the grid connection procedure in Rosseti Kuban is publicly available on the Company's website www.rosseti-kuban.ru in the [To Consumers / Grid Connection](#) section.

Changes in indicators on grid connection of consumers for 2021–2023 are given in [Appendix 6](#) to this Report.

Rendering high-quality services for applicants, ensuring the availability of the electric power infrastructure in terms of grid connection of consumers, developing the power grid complex, and eliminating power grid restrictions for grid connection of new consumers and providing high-quality and reliable power supply to existing electricity consumers are the near-term grid connection goals of Rosseti Kuban.

>32,000

grid connection contracts concluded

35,000

contracts executed

845 MW

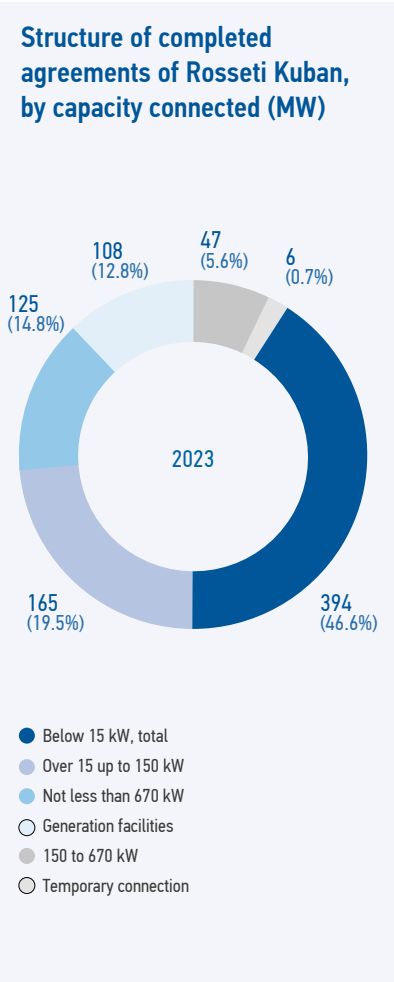
of connected capacity
(+140% vs. plan, +6% vs. 2022)

Completion of grid connection agreements

In the reporting year, the Company competed 35,123 grid connection agreements. The total capacity of the completed grid connection agreements was 845 MW, which is 140% above the plan. The amount of connected capacity increased by 6% (50 MW) year-on-year.

Capacity connected in 2023 by consumer category (MW)

Connection categories	Number of completed grid connection agreements	
		total power, MW
Up to 15 kW inclusive, total	32,183	394
including individuals	28,727	350
Over 15 kW to 150 kW inclusive	2,437	165
Over 150 kW and up to 670 kW	217	47
At least 670 kW	88	125
Power generation facilities	67	108
Total, excluding temporary grid connection	34,992	839
Temporary connection	131	6
Total, including temporary grid connection	35,123	845



Largest and most significant power facilities connected to the Company’s power grids in 2023

Applicant	Facility to be connected to the grid	Connected capacity (MW)
Verkhnebakansky Cement Plant, OJSC	Cement plant power plant	52.7
Renewable Energy Sources, LLC	Nine solar power plants in the Labinsky District, which will generate more than 50 mln kWh of electricity per year (enough to cover the energy consumption of the Labinsky District)	40.5
State Budgetary Healthcare Institution “Research Institute — Regional Teaching Hospital No. 1 named after Professor S.V. Ochapovsky”	Consumer terminals of the hospital under the second phase of renovation and expansion	7.7
ART-TECH, LLC	Consumer terminals of a large logistics centre	6.2
NUTEP Container Terminal, LLC	Consumer terminals of a berth and production facility in Novorossiysk	5.0
TransneftElectroset- Servis, LLC	Consumer terminal of oil transportation facilities in Novorossiysk	5.0
RN-Krasnodarneftegaz, LLC	Consumer terminals of the Neftyanik Kubani sanatorium	4.2
State Budgetary Institution of the Republic of Adygeya Stroyzakazchik	Consumer terminals of gas supply networks for the multifunctional tourist and recreational park “Dakhovskaya Polyana”	4.0
Taman Federal State Institution Federal Highways Administration	Consumer terminals of a new high-speed highway to the Kerch Strait crossing	0.4

Since 2022, the Krasnodar Territory has been one of eight regions participating in a pilot project to implement the Concept for the Development of Production and Use of Electric Vehicles in the Russian Federation. In 2023, the Company connected 19 electric charging stations with a total capacity of 2.85 MW to the electricity grid. The total value of the executed contracts is RUB 29.46 million. Electric charging stations are located along highways on the Azov and Black Sea coasts, on the M-4 federal highway, as well as in major cities and on regional roads.

In 2023, electric service was provided to more than 40 healthcare facilities, including hospitals, medical assistant and obstetric stations, and outpatient clinics, with a total capacity of more than 8 MW. Among the largest and most significant are:

- State Budgetary Healthcare Institution “Research Institute — Regional Teaching Hospital No. 1 named after Professor S.V. Ochapovsky” with a requested capacity of 7.7 MW
- State Budgetary Healthcare Institution of the Republic of Adygeya Takhtamukaisk Central Regional Hospital — 0.2 MW
- State Budgetary Healthcare Institution City Hospital No. 3 Sochi — 0.1 kW

Under the regional programme dedicated to “Modernisation of Primary Health Care”, Rosseti Kuban took measures in 2023 to make it possible to connect to its power grids under-construction medical facilities in eight settlements of the Krasnodar Territory (construction of linear and substation facilities of the 0.4–10 kV distribution grid). The total amount of allocated capacity was 3.2 MW. Physical connection of the above health care facilities will be made in the first quarter of 2024 upon completion of their construction and readiness to receive voltage and electric capacity.

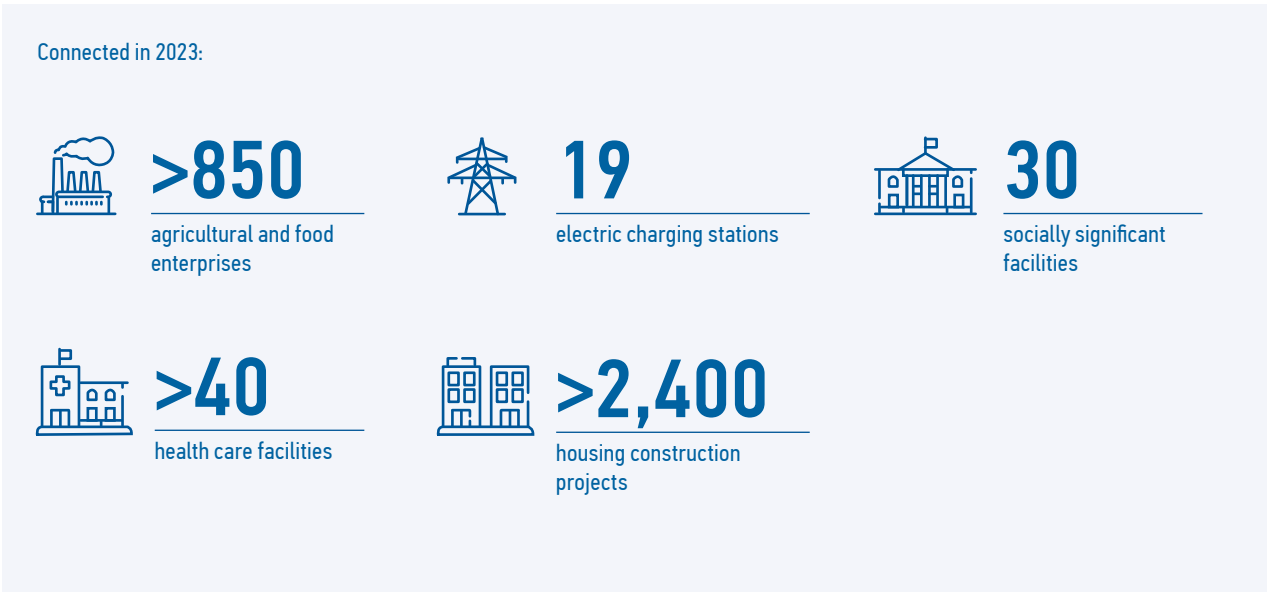
Russia’s southern regions has historically played a significant role in the nation’s food supply. During 2023, the Company completed the grid connection of more than 850 agricultural and food manufacturing plants for a total capacity of 47 MW. The most notable facilities:

- Enterprise for production, storage, primary and deep processing of agricultural products — Dary Kubani Agricultural Products Processing Complex, LLC for 1.1 MW
- Agricultural production land plot of private entrepreneur N.K. Lotsmanov in the Tikhoretsky district for 1.0 MW

- Agricultural production land plot of Kubanyagro-Fasta, LLC in the Tikhoretsky district for 0.8 MW
- Agricultural production facility of Agronova, JSC in the Labinsky district for 0.7 MW
- Agricultural produce processing shop (sausage and juice shop) of TORES, LLC in the Tuapse district for 0.5 MW
- Agricultural production land plot of Betagran Kuban, LLC in the Korenovsky district for 0.5 MW

The Republic of Adygeya and the Krasnodar Territory have been popular destinations for migration in recent years, which has raised housing demand. To meet the demand, the Company allocated electric capacity to cover more than 2,400 housing construction objects, with a total capacity of 171 MW.

A total of 30 socially significant facilities (schools, kindergartens, cultural organisations and sports facilities) with a combined capacity of over 1.9 MW were also connected to the power grid.



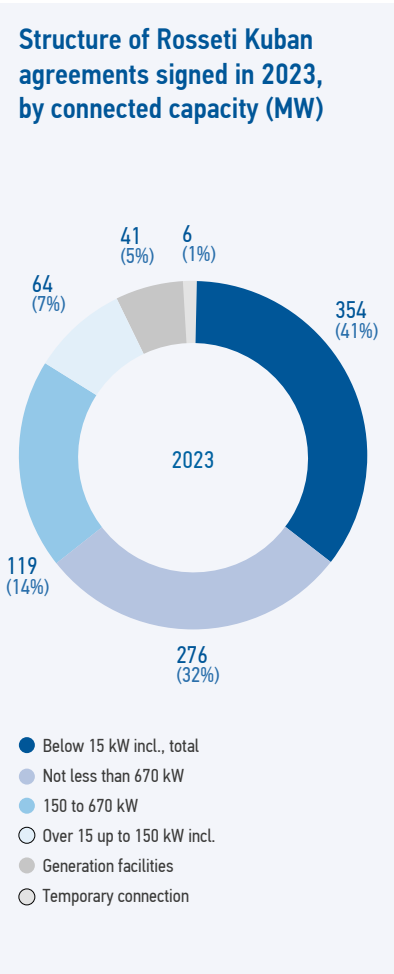
Consumer demand for grid connection in 2023

In 2023, Rosseti Kuban signed 32,368 grid connection agreements for a total capacity of 860 MW with a total value

of RUB 10.7 billion, excluding VAT. Grid connection demand has been steadily increasing since 2021. On average, about

40,000 applications are received per year and at least 32,000–35,000 contracts are concluded.

Connection categories	Number of signed grid connection agreements	
	agreements	total power (MW)
Up to 15 kW inclusive, total	29,793	354
incl. individuals up to and including 15 kW	26,955	320
Over 15 kW to 150 kW inclusive	1,988	119
Over 150 kW and up to 670 kW	269	64
At least 670 kW	113	276
Power generation facilities	70	41
Total, excluding temporary grid connection	32,233	854
Temporary connection	135	6
Total, including temporary grid connection	32,368	860



Amounts of revenue generated and money collected

Revenue for grid connection services for the reporting year amounted to RUB 2,438 million (excluding VAT), which is 107% of the plan and 90% below the revenue for 2022 (RUB 1,282 million). The revenue growth is attributable to the execution of a number of large contracts in 2023, as well as to an increase in the fee rates for the grid connection service for applicants in the category of up to 150 kW after the changes in legislation came into effect on 1 July 2022, resulting in an increase in the average cost of contracts.

In 2023, monetary funds received for grid connection services amounted to RUB 15,206 million (including VAT), which is 13 times higher than the plan and 3 times higher than in 2022 (RUB 4,865 million including VAT). Over-fulfilment of the indicator on cash receipt is associated with receipt of large advances from applicants under grid connection contracts concluded in the fourth quarter of 2022 and payment received earlier than the schedule established by the contracts.

2.44 RUB bln

revenue for grid connection services (excl. VAT, +107 to plan, +90% vs. 2022)

15.20 RUB bln

monetary funds for grid connection services (incl. VAT, x13 vs. plan, x3 vs. 2022)

Grid connection plans for 2024

In 2024, it is scheduled to perform such significant and large-scale grid connection facilities as:

- construction of the Adler Bypass highway under the construction project for the new Goryachiy Klyuch — Adler highway, which will become a high-speed alternate route of the A-147 Dzhubga — Sochi highway, with a capacity of 16.6 MW and a grid connection cost of RUB 1.33 billion, excluding VAT
- New high-speed highway to the Kerch Strait transport crossing with a total capacity of 4.6 MW, the cost of grid connection is RUB 2.22 billion, excluding VAT

- Establishment of the Yablonovsky Industrial Park on the territory of the industrial zone of the Takhtamukaisky District to provide SMEs with preferential access to production space and premises for the purpose of establishing and developing production and innovation companies, the total amount of requested capacity is 50 MW, the cost of grid connection is RUB 485 million, excluding VAT

Planned revenue in 2024 is RUB 4,443 million (excluding VAT).

4.44 RUB bln

planned revenue in 2024 (excl. VAT)

Grid Connection of Generation Facilities

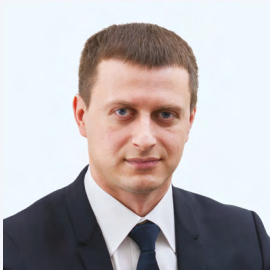
In the reporting period, there were 98 contracts for grid connection of power generation facilities for a total requested maximum capacity (excluding previously connected capacity) of 249.22 MW with a total value of RUB 1,046.94 million, excluding VAT (including 68 contracts for microgeneration facilities). A total of 67 contracts for grid

connection of generation facilities were discharged (for 108.64 MW at a cost of RUB 325.39 million), including 53 contracts for microgeneration facilities.

98 contracts

were in progress during the reporting period

RELIABLE AND EFFICIENT OPERATION OF THE ENERGY SYSTEM



Reliability and security of electricity supply to consumers remain the key criteria of the Company's operations. Rosseti Kuban, PJSC takes exhaustive measures to comply with mandatory requirements of regulatory legal acts on labour protection, environmental, industrial and fire safety. In the reporting year, the Company fulfilled all production programmes aimed at ensuring reliable power supply to consumers in the Krasnodar Territory and the Republic of Adygeya, improving the quality of operation, reliability and efficiency of the Company's power grid facilities, and successfully passing the special climatic and natural periods of 2023 (floods, thunderstorm and fire hazard seasons, high temperature period, heating season).

VLADIMIR MIKHAILOV
Deputy General Director
for Technical Issues — Chief Engineer

In 2023, Rosseti Kuban generally succeeded in achieving the primary goal of its production activity, i.e., keeping the reliability of the power equipment at an appropriate level. Within the specified period of time and to the fullest extent possible, Rosseti Kuban completed the repair programme and took a series of steps to increase the reliability of the power supply to consumers. In addition, the Company obtained a certificate of readiness to work during the 2023/2024 heating season.

The number of process disturbances in 110 kV and above power grids in the reporting period increased by 18.1% year-on-year, but there was a 3.2% decrease in the number of accidents in the 0.4 kV and above grid.

Accidents in the 110 kV and above grid grew mainly due to third-party exposure (23.6% growth).

The Company's reliability indicators (I_{SAIDI} , I_{SAIFI}) in the reporting year did not exceed the target values set by the Regional Energy Commission — Price and Tariff Department of the Krasnodar Territory (RPC-PTD KT).

Reliability indicators of Rosseti Kuban, PJSC in 2023

Indicator	Values set for Rosseti Kuban PJSC by the Regional Energy Commission — Department of Prices and Tariffs of the Krasnodar Territory for 2023		Assessment of achievement (achieved / not achieved)
	Plan approved by the REC for 2023	Actual for 2023	
System average interruption duration index, per point of delivery (I_{SAIDI}), hour	2.8310	3.3403	achieved with allowable deviation
System average interruption frequency index, per point of delivery (I_{SAIFI}), interruptions	1.0974	1.3099	achieved with allowable deviation

Key activities to ensure reliable and uninterrupted power supply to consumers performed in 2023 were directed at:

- Maintaining the rated parameters of production assets — power transmission lines, substation equipment, and relay protection and automation (RPA) devices
- Identifying and eliminating defects in a timely manner based on the power equipment monitoring results
- Ensuring readiness for prevention of and response to disturbances:

- Agreements with contracting and related power grid organisations, as well as with the Russian Ministry of Emergency Situations and the Federal Service for Hydrometeorology and Environmental Monitoring (Rosgidromet) were updated
- 403 teams, 1,884 employees, 778 units of equipment were prepared, including 22 mobile teams (124 employees) equipped with appropriate technical means (49 units), tools, rigging gear, sets of spare parts, communication aids, emergency sets of special clothing, food rations and financial means
- Company's emergency supplies was stocked
- Operational readiness of 121 emergency power supply sources (EPSS) with a total capacity of 14,274.5 kW was checked, of which 110 mobile EPSSs with a total capacity of 13,810.5 kW
- Four combined exercise was conducted on cooperation during response operations with the threat of power supply interruption, involving representatives of the Ministry of Emergency Situations of Russia in the Krasnodar Territory and the Republic of Adygeya, executive bodies of the Krasnodar Territory and the Republic of Adygeya and local self-government authorities



In the reporting period, preparations for the heating season were successfully completed.

Every year, the Company confirms its readiness for operation during the heating season and obtains a respective readiness certificate. By Order No. 1005 of the Ministry of Energy of the Russian Federation dated 3 November 2023, the electric power entities were approved as ready to operate in the 2023/2024 heating season.

The Company's preparation for the flood period was led by the Company's Central Flood Commission (approved by Order No. 35-od dated 23 January 2023 "On Preparations and Tasks for Successful Survival of the 2023 Spring High Water and Flood Period") acting as part of the Kuban Headquarters and similar commissions of the Company's branches. During the preparation and in the course, 78 activities were implemented, including:

- Power grid facilities in potential flood zones were monitored, and the list of such families was updated. According to the monitoring results, up to 335 facilities (2.1% of the total number of power facilities) fall into the potential flooding zone, including 95 main grid facilities (16 35–220 kV substations, 79 sections of 35–110 kV overhead lines) and 240 distribution grid facilities (179 sections with 10–0.4 kV OTL poles and 61 10/0.4 kV transformer substations)
- Training exercises were held (from 25 April to 26 April 2023) with the involvement of management bodies, forces and means of territorial units of functional subsystems of the Russian Unified Emergency Rescue Service of the Krasnodar Territory and the Republic of Adygeya to practice the actions of the Company's management bodies, forces and means in case of emergencies of natural and man-made nature caused by the impact of dangerous meteorological phenomena during the flood period
- A total of 54 anti-accident exercises were conducted in the Company's power grid branches to mitigate potential consequences of flooding of power facilities
- Flood commissions held 11 meetings to review issues on preventing and responding to potential disturbances and/or emergencies at the Company's power facilities during the spring-summer flood period
- Heads of the Executive Office of the Company and Adygeyan Power Grids branch attended two meetings of the Emergency Situations and Fire Safety Committee of the Krasnodar

Territory administration and two meetings of the Emergency Situations Committee and Fire Safety of the Republic of Adygeya on the readiness of power grid equipment in the area of the Company's operational responsibility for the 2023 flood period. There were no claims and concerns from the executive authorities and the Emergency Situations and Fire Safety Committees of the administrations of the above-mentioned constituent entities of the Russian Federation

- In accordance with the approved schedule of inspections of power grid facilities located in high-risk areas, overhead power lines across rivers, 1,865 poles, and 77 site power grid facilities were inspected. No damage was found during the inspections
- Availability and good technical condition of special equipment, vehicles and mechanisms were ensured
- Checks were carried out to ensure that emergency stockpiles were available, as well as places where they were stored. The inspection confirmed compliance with the completeness of equipment, materials and spare parts of the emergency stockpile. Storage conditions for equipment, materials, spare parts, and access routes are capable of ensuring prompt loading of materials and equipment for delivery to the places of possible emergency damage for mitigation
- Checks were carried out to ensure that the teams have all the equipment, gear and protective means, as well as the accessories, special vehicles, machinery and mechanisms are ready for the work, that communication equipment and notification flow charts are in place and in good working order. The checks did not reveal any violations of the storage rules for protective means, tools and appliances

The readiness of watercraft and water pumping equipment was checked. Available watercraft (four small vessels) and 27 motor pumps are ready to be used in case of a flood situation

The Company’s Grid Control Centre every day communicated with the regional centres for hydrometeorology and environmental monitoring of the Krasnodar Territory and the Republic of Adygeya and the Sochi Hydrometeorological Centre, as well as crisis management centres of the Chief Directorates of the Ministry of Emergency Situations of Russia in the Krasnodar Territory and the Republic of Adygeya to obtain operative information on weather conditions and flood situation at the water bodies of the Krasnodar Territory and the Republic of Adygeya.

During the flood period from 1 May 2023 to 30 September 2023, 153 daily hydrometeorological bulletins and 20 storm warnings on adverse meteorological phenomena or a set of adverse meteorological phenomena were received, including information on threats of water level rise in the rivers of the Krasnodar Territory and the Republic of Adygeya, which is 62.5% less than in 2022.

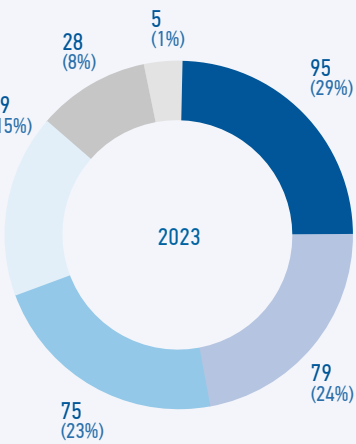


All activities dictated by the Federal Service for Ecological, Technological, and Nuclear Supervision with a deadline in 2023 were fulfilled and decontrolled.

The Headquarters of the Company operate continuously, and its representatives regularly take part in works to ensure the security of power supply in the Krasnodar Territory and the Republic of Adygeya. This is done to provide the reliable operation of the power grid complex under conditions of power supply interruptions and other abnormal situations involving power supply interruptions.

In the reporting year, there was one fire at the Company’s substation, resulting in damage to the main equipment. Based on the results of the investigation into the causes of this accident, emergency response measures were developed and implemented. In 2020–2022, no fires and spontaneous combustion at the Company’s facilities and emergency shutdowns of power grid equipment caused by fire were recorded.

Main causes of accidents in power grids of Rosseti Kuban, PJSC in the 110 kV and above grid in 2023 (accidents/%)



- Exposure to unauthorised persons and organisations not involved in the technological process
- Impact of recurrent natural phenomena
- Unsatisfactory technical condition (ageing of insulation, loss of mechanical strength of wire, change of material properties, etc.)
- Impact of animals and birds
- Defects in design, construction, workmanship
- Impact of organisations involved in the technological process

SALE OF ADDITIONAL (NON-TARIFF) SERVICES



Business diversification and development of additional (non-tariff) services is a strategically important area of Rosseti Kuban’s focus.

The main goals of Rosseti Kuban in this field are to increase the share of non-tariff revenue in the Company’s total revenue and to increase the profitability of non-tariff activities. Rosseti Kuban, PJSC provides a wide range of additional services, including maintenance of consumers’ power grid facilities, arrangement of outdoor lighting, placement of telecommunications equipment, and many others.

ANATOLY ABUSALIMOV
Head of the Department for Development of Non-Tariff Services

In an effort to diversify its business, Rosseti Kuban offers a variety of extra (non-tariff) services in addition to tariff-regulated power transmission and grid connection services.

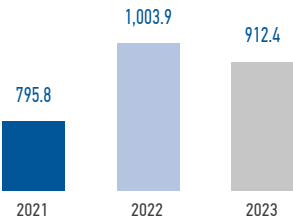
- Equipment leasing and placement services
- Repair and maintenance
- Construction and installation
- Consulting, organisational and technical services
- Other services

In 2023, Rosseti Kuban’s revenue from the sale of additional services totalled RUB 912.4 million, which is 8% more than the target value.

912.4 RUB mln

revenue from the sale of additional services in 2023 (+8% vs. the plan)

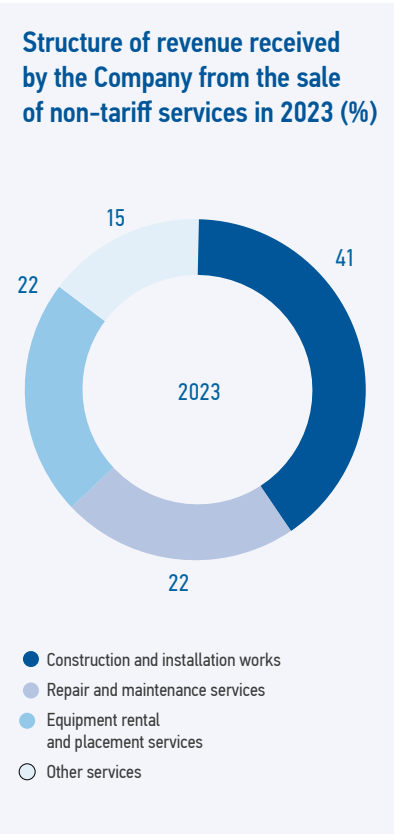
Dynamic profile of revenue from additional services in 2020–2022 (RUB mln)



Structure of revenue from additional services in 2021–2023

Indicator	2021	2022	2023	Change 2023/2022 (%)
Revenue from sales of additional (non-tariff) services related to other activities — total, RUB mln	795.8	1,003.9	912.4	–9.1
including:				
Equipment leasing and placement services, RUB mln	162.6	148.9	199.5	+34.0
Repair and maintenance services, RUB mln	103.9	344.2	200.1	–41.9
Construction and installation, RUB mln	357.4	399.0	375.5	–5.9
Consultancy and organisational & technical services, RUB mln	169.2	108.3	116.0	+7.1
Agency services, RUB mln	0	0	0	0
Communication and information technology services, RUB mln	0.003	0.001	0	–100
Other activity services, RUB mln	2.7	3.5	21.3	6x growth
Other miscellaneous services, RUB mln	0.035	0	0.098	–
Volume (share) of non-tariff revenue in total revenue of Rosseti Kuban, %	3.1	3.4	2.6	–0.8 p.p.

In 2023, the price list for additional (non-tariff) services was updated, according to which the Company provides a full range of services that customers need in order to receive electricity. To date, the price list includes 474 services.



Key projects and major agreements scheduled for 2024

Sr. No.	Name	Non-tariff services of the Company	Volume of revenues (RUB mln)
1	Slavyansk ECO, LLC	construction and installation works	34.2
2	Kubstroy-15, LLC	construction and installation works, reconstruction and retrofitting of the customer's power grid facilities	19.4
3	StroyResource Designated Developer, LLC	construction and installation works	13.1
4	Rostelecom, PJSC	pre-project inspection and design and survey work	11.0
5	Kubanoptprodorg, CJSC	construction and installation works	10.0
6	Budmar-Invest Designated Developer, LLC	design & survey and construction & installation works	8.6
7	ERSO HOLDING, JSC	construction and installation works, reconstruction and retrofitting of the customer's power grid facilities	7.9

Targets for sale of additional services (RUB mln):

Indicators	Plans for 2024	Forecast for 2025	Forecast for 2026	Forecast for 2027	Forecast for 2028
Revenue	895.5	1,780.9	2,866.3	3,704.7	4,592.7
Expenditures	806.0	1,602.8	2,579.6	3,334.2	4,133.4
Gross profit	89.5	178.1	286.6	370.5	459.3

The largest agreements for additional (non-tariff) services implemented in 2023

Sr. No.	Name	Non-tariff services of the Company	Volume of revenues (RUB mln)
1	Rosseti, PJSC (as the legal successor of DEUK-ENES, JSC)	Repair and maintenance	120.7
2	Kubstroy-15, LLC	construction and installation works, reconstruction and retrofitting of the customer's power grid facilities	49.2
3	Talent and Success Educational Foundation	Operational and technical upkeep of power grid equipment	33.3
4	Betagran Kuban, LLC	Design & survey and construction & installation works	19.7
5	Krasnaya Polyana, NJSC	Construction and installation works	17.6
6	Transstroymekhanisatsiya, LLC	Construction and installation works	16.4
7	Energoservice Kuban, JSC	Repairs	16.3
8	Construction Holding Tezis, LLC		15.2
9	Abrau-Durso Wine Tourism Centre, LLC	Construction and installation works	10.0
10	Basalt Designated Developer, LLC		8.0

The Company was involved in two socially significant projects during the reporting year as part of non-tariff activities:

- Grid connection of an apartment block in Primorsko-Akhtarsk
- Construction of two modular packaged transformer substations and a cable line on a land plot for capital construction of a polyclinic and a hospital in Mostovsky District

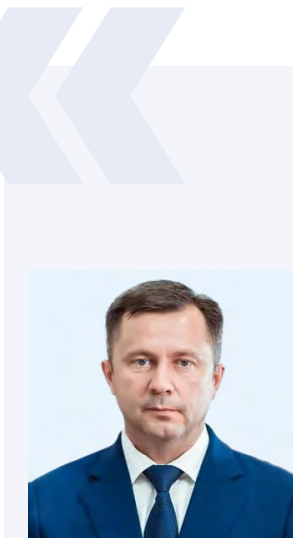
In 2023, the Company carried out construction and installation works, renovation, repair and maintenance of 13 outdoor lighting network facilities.

INVESTMENT ACTIVITIES



Investments are the basis of reliable power supply and the most important component of the Company's performance.

The investment programmes of Rosseti Kuban are drafted in line with the prospective development roadmaps for national electric power industry, technical condition of power grids and available financing sources generated from the tariff-and-balance solutions.



In 2023, the Company commissioned 606 MVA of transformer capacities and 1,052 km of power transmission lines within the framework of investment activities.

In 2023, the renovation of seven priority facilities was completed. The work was done in compliance with the directives of the Government of the Russian Federation in order to create an affordable energy infrastructure for power supply to industrial and investment sites in the Republic of Adygeya and the Krasnodar Territory.

VIKTOR KORZHANEVSKIY
Deputy General Director
for Investment Activities

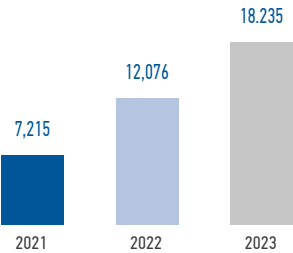
Approval and control over the implementation of the Company's investment programmes are with the remit of the Ministry of Energy of Russia.

In the reporting year, investment activities of Rosseti Kuban, PJSC were pursued in line with the Investment Programme for 2023 approved by Order No. 5@ of the Ministry of Energy of Russia dated 16 November 2023.

Progress of the Investment Programme in 2021–2023

Indicator	2021	2022	2023	Change 2023/2022 (%)
Amount of financing ¹ (RUB mln)	7,215	12,076	18,235	+51.0
Capital investment utilisation (RUB mln)	5,871	11,469	12,579	+9.7
Commissioning as a part of fixed assets (RUB mln)	5,128	8,634	11,960	+38.5
Commissioning as a part of transformer capacities (MVA)	220	579	606	+4.7
Commissioning as a part of power transmission lines (km)	612	1,069	1,052	−1.6

Changes in funding of the Company's capital investments in 2021–2023 (RUB mln)



As the 2023 funding covered the bulk of investment operations in the reporting period for the completion of grid connection agreement, and due to some items of the Company's Development Plan, 2023 funding across Rosseti Kuban as a whole increased by 51% year-on-year.

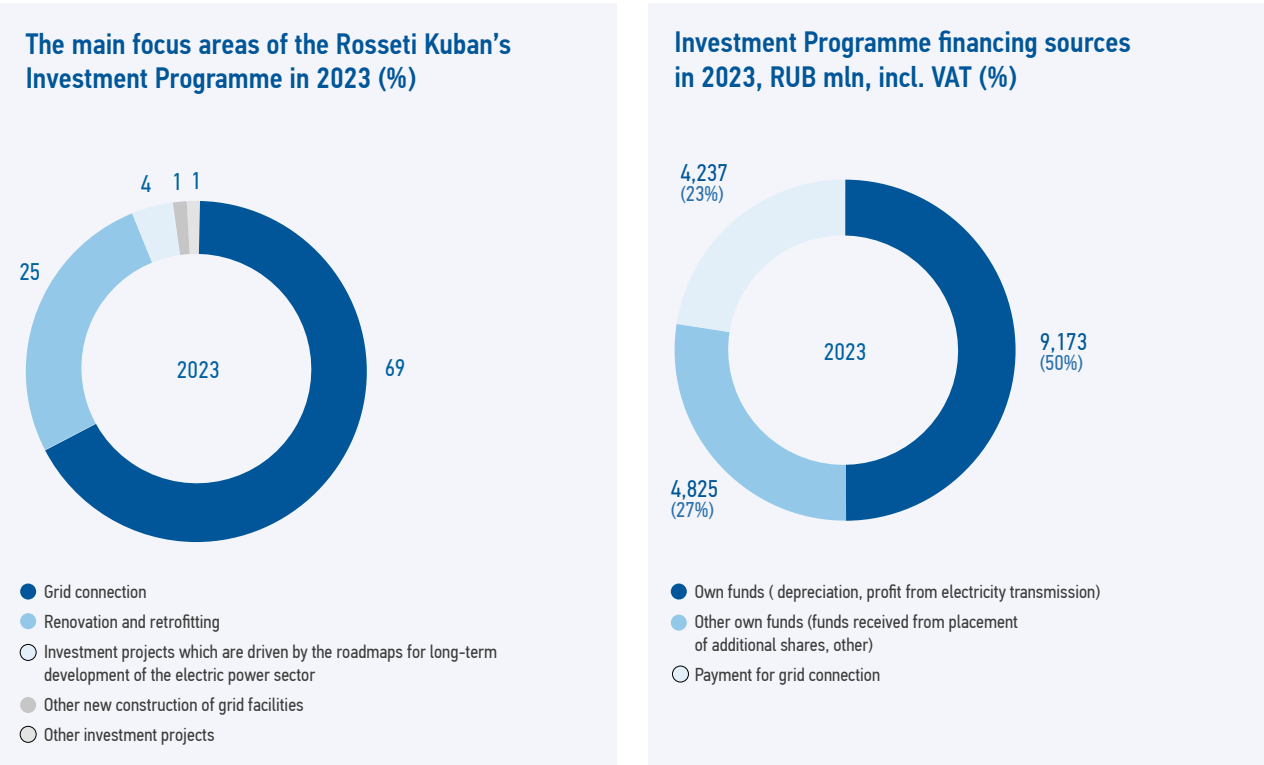
11.96 RUB bln
commissioning as fixed assets in 2023
+38.5% growth vs. 2022

¹ Hereinafter, in the "Investing Activities" section, the amount of capital funding is shown without capitalised interest on loans.

Focus areas and structure of capital funding

Financing structure of Rosseti Kuban in 2021–2023 (RUB mln)

Focus areas of the investment programme of Rosseti Kuban, PJSC	2021	2022	2023	Change 2023/2022 (%)
Grid connection	4,370	7,033	12,621	+79.5
Renovation, upgrading and retrofitting	2,592	4,529	4,498	−0.7
Investment projects under the prospective electric power industry development roadmap	30	93	725	+7.8x
Other new construction of power grid facilities	5	152	159	+4.6
Other investment projects	218	269	232	−13.8
Total	7,215	12,076	18,235	+51.0



Long-term investment programme

Parameters of the Company’s Long-Term Investment Programme for 2024–2027¹

Indicator	2021	2022	2023	2024 (plan)	2025 (plan)	2026 (plan)	2027 (plan)
Amount of financing (RUB mln)	7,215	12,076	18,235	20,155	8,676	7,688	8,238
Capital investment utilisation (RUB mln)	5,871	11,469	12,579	17,418	6,733	6,783	7,144
Commissioning as a part of fixed assets (RUB mln)	5,128	8,634	11,960	17,498	12,006	5,709	8,848
Commissioning as a part of transformer capacities (MVA)	220	579	606	354	339	266	496
Commissioning as a part of power transmission lines (km)	612	1,069	1,052	1,319	832	776	771

¹ Plans for the long-term investment programme of Rosseti Kuban, PJSC were approved by Order No. 5@ of the Ministry of Energy of Russia dated 16 November 2023.

The primary focus of the Rosseti Kuban’s long-term investment programme will be on renovation, upgrading and retrofitting of power grids.

Capital construction quality control

Construction oversight is enforced by Decree No. 468 of the Government of the Russian Federation on the procedure for construction oversight during construction, renovation and overhaul of capital construction facilities dated 21 June 2010. Its aim is to check the compliance of work fulfilled

during the construction, renovation and overhaul of capital construction facilities with the requirements of project design documents, technical regulations, land plot development plan and engineering survey results.

Independent expert and inspection entities were involved in the construction oversight at seven facilities with a voltage of 35 kV and above, where construction and installation operations were carried out in 2023.

Key investment projects with completed construction in 2023

Facility	Construction period		Capacity commissioned		Commissioning volume, RUB mln, excl. VAT
	start	end	km	MVA	
Construction of Yuzhnaya Ozereyevka 110/10 kV substation with installation of two 110/10 kV transformers with a capacity of 10 MVA each	2020	2023	0.00	20	350.81
Construction of 110 kV feeding lines to connect the Yuzhnaya Ozereyevka 110 kV substation	2020	2023	18.07	0	1,130.88
Construction of Yasnaya 110/10 kV substation	2022	2023	0.10	40	253.10
Renovation of Pasechnaya 110/6 kV substation with replacement of 2×16 MVA transformers with 2×40 MVA transformers	2020	2023	2.44	80	882.90
Renovation of Kudepsta 110 kV substation with replacement of transformers from 2x16 MVA to 2x25 MVA	2019	2023	2.19	50	683.17
Renovation of the Adler 110/10/6 kV substation with replacement of 2x25 MVA transformers with 2x40 MVA transformers	2020	2023	3.00	80	774.68
Renovation of the 10 kV distribution grid adjacent to the IKEA 110 kV substation, including from the Termneft, Naberezhnaya, Zapadnaya-2 110 kV substations and the Khomuty 35 kV substation	2022	2023	24.80	0	309.93


INNOVATIVE ACTIVITIES


On 30 March 2021, the Company’s Board of Directors designated innovative development along with the supervisory follow-up of the existing Innovative Development Programme as the priority area of the Company’s activities¹.


Key areas of the current Innovative Development Programme for 2020–2024 with an outlook to 2030²:

- 

Transition to smart 35–110 (220) kV substations
- 

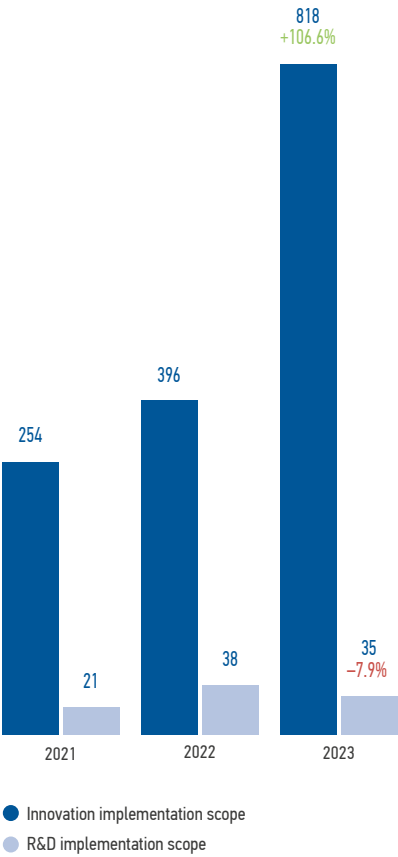
Transition to smart grids with a distributed intellectual automation and control system
- 

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

Key indicators for innovation activities over 2021–2023 (RUB mln)



Company’s main innovative projects implemented in 2023

Project	Project implementation
Creation of a smart metering system in the branches of Rosseti Kuban	<p>Implementation timeframe: 2020–2030</p> <p>In the reporting year, innovative smart electricity meters were installed in all branches of the Company.</p> <p>Smart meters are introduced across the Company within the framework of the Rosseti Kuban’s Investment Programme to create a metering system as required by Federal Law No. 522-FZ dated 27 December 2018 “On Amendments to Certain Legislative Acts of the Russian Federation in Connection with the Development of Electricity (Capacity) Metering Systems in the Russian Federation”. In the reporting year, smart meters also were installed during the grid connection of new consumers of a capacity of up to 15 kW.</p> <p>The project aims to create a smart metering system and integrate it into the innovative systems being established: supervisory control and data acquisition system (SCADA), distribution management systems (DMS), and outage management systems (OMS).</p> <p>The expected effect:</p> <ul style="list-style-type: none">• Reduced operating costs by remotely taking readings and parameters of electricity supply to electricity consumers• Possibility of remote restriction and restoration of power supply to electricity consumers
Development of Rosseti Kuban’s production asset management system (PAMS)	<p>Implementation timeframe: 2022–2024</p> <p>The PAMS development plan for 2023 envisages the implementation of six activities related to the fine tuning of the PAMS in terms of process automation.</p> <p>Five activities were completed:</p> <ul style="list-style-type: none">• Automated planning of multi-year and annual schedules and reporting forms for diagnostic works subject to the requirements of the Company’s centralised executive documents regulating the Diagnostics processes• Automated rate setting of the Company’s emergency reserve, its acquisition, rotation, utilisation and replenishment in PAMS• Automated process of recording and analysing emergency outages at 35 kV and above substations and power lines in the PAMS• Creation of automated vehicle management systems• Automation of control action selection (maintenance and repair / retrofitting and renovation) <p>Work was started to automate the maintenance of the equipment repair schedule, taking into account the integration of the equipment repair schedule with the automated power equipment repair management system. Late implementation of this activity is due to the finalisation of the terms of reference related to the use of domestic software, including databases (Postgres Pro).</p> <p>In addition, the features of PAMS for maintenance and repair, retrofitting and renovation were finalised.</p> <p>The achieved effect from the PAMS Development Plan:</p> <ul style="list-style-type: none">• Increased efficiency of staff time utilisation in real time• Improvement of operational processes, integrated processing of available data in different automated systems in the process of production asset management, expansion of the functionality of the systems• Upgraded control over the creation of production programmes by making baseline data available, on the basis of which the type of technical intervention (maintenance and repair/maintenance and renovation) is chosen• Higher transparency of the Company’s activities, access to information at all management levels of power grid facilities

¹ Minutes No. 426/2021 dated 2 April 2021.
² Approved by the decision of the Board of Directors of Rosseti Kuban, PJSC dated 13 October 2021 (Minutes No. 450/2021 dated 15 October 2021).

Project	Project implementation
Introduction of innovative wire for construction of Novaya-Zapadnaya-2 110 kV transmission line, I circuit with branch lines, Novaya-Zapadnaya-2 110 kV transmission line, II circuit with branch lines to Turgenevskaya substation	Implementation timeframe: 2021–2023 In 2023, Introduction of innovative wire for construction of Novaya-Zapadnaya-2 110 kV transmission line, I circuit with branch lines, Novaya-Zapadnaya-2.110 kV transmission line, II circuit with branch lines to Turgenevskaya substation involved scheduled construction and installation works to introduce innovative high-temperature steel-aluminium wire of domestic production, manufactured by plastic deformation method



Costs in the main areas of innovative development in 2021–2023 (RUB mln (excl. VAT))

Innovative development focus area	2021	2022	2023 (plan)	2023 (actual)
Transition to smart 35–110 (220) kV substations	0.0	0.0	0.0	0.0
Transition to digital smart grids with a distributed intellectual automation and control system	229.1	392.5	453.3	765.1
Transition to integrated business process efficiency and automation of control systems	13.4	3.8	64.1	36.2
Application of advanced technology solutions and materials in power engineering	11.4	0.0	13.7	16.3
Promotion of an innovative development management system and shaping of an innovative infrastructure	4.2	0.5	0.3	0.3



Research and Development

Five R&D projects have been finalised in 2021–2023. In 2023, phases of two R&D projects were accepted.



Among other things, 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.

R&D results in 2023

R&D description	Technical result
Transition to smart 35–110 (220) kV substations Development of a unified IoT platform ¹ for dispatching substation equipment status data	Implementation timeframe: 2021–2023 Technical results received: <ul style="list-style-type: none">• The prototype was tested in laboratory conditions• Working documentation was developed for installation at the implementation site• Programme and methodology of pilot testing were developed• Programme and methodology for training of operating personnel at the implementation site was developed• A patent application was prepared• IoT platforms were delivered to the implementation sites, installation and commissioning works were carried out at the implementation sites• Pilot testing began• Operational staff of the implementation object was trained• Pilot testing was supported, and a report on pilot testing at the implementation site was prepared• Pilot testing was completed
Transition to integrated business process efficiency and automation of control systems Automated classification of accidents based on machine learning methods	Implementation timeframe: 2021–2023 Technical results: <ul style="list-style-type: none">• A server was delivered to deploy a prototype of the System software in the Customer’s infrastructure• System’s software was modified• Operational documentation was amended• Acceptance tests were carried out in accordance with the test programme and methodology• Documents for registration of intellectual property with the Federal Institute of Industrial Property (FIPS) were drafted• The scientific and technical article agreed with the Customer was drafted• A report and presentation to the Scientific and Technical Council were prepared



In 2021–2023, three titles of protection were obtained: two certificates of state registration of a computer programme and one certificate of state registration of a database. During the above period,

five licence agreements were concluded for R&D results, and one R&D result was integrated into the production activities of Rosseti Kuban, PJSC.

¹ IoT means Internet of Things, a set of physical objects that are connected to the Internet and exchanging data. An IoT platform is a software designed to connect the Internet of Things (sensors, controllers and other devices) to the cloud and access them remotely. It is a mediator between the hardware level (sensor level) and the application level.

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 State Tariff Regulation Department of the Krasnodar Territory (STRD-KT) orders. In the Krasnodar Territory, the Republic of Adygeya and the federal territory Sirius, where the Company operates, there are unified prices (tariffs) for each group of electricity consumers.

The main legal acts regulating relations in setting the controllable tariffs and the practice of their application are as follows:

- Federal Law No. 35-FZ "On Electric Power Industry" 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 On Approval of the Guidelines for Determining the Grid Connection Fee No. 490/22 dated 30 June 2022

Tariffs for electricity transmission services

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

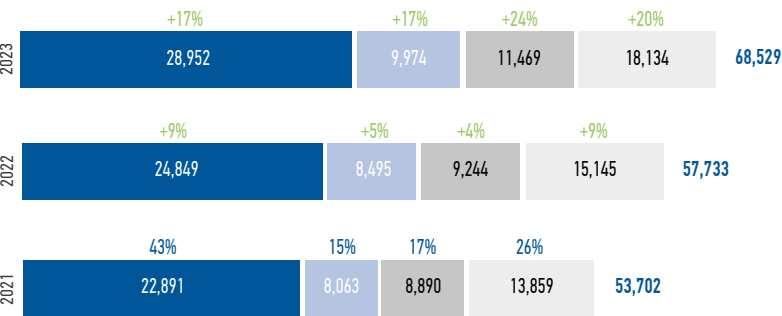
Tariffs for electricity transmission services on the grids of the Krasnodar Territory, the Republic of Adygeya and the Sirius federal territory for 2023 are set by Order of STRD-KT No. 40/2022-e dated 25 November 2022 (amended on 29 June 2023 No. 11/2023-e) with a reduction from 1 July 2023 by 0.1% for consumers of the "other" group to the approved tariffs for the first half of 2023.

Information on tariffs for electricity transmission services in 2023 is available on the Company's official website in the [To Consumers/Electricity Transmission/Tariffs for Electricity Transmission Services](#) section.

Indicators on tariffs for electricity transmission services of the Company for 2021–2023

Indicator	2021	2022	2023	Change 2023/2022 (%)
Required gross revenue (RGR) for electricity transmission approved as part of tariff balance solutions, including: (RUB mln)	53,702	57,733	68,529	+18.7
Own RGR (RUB mln)	22,891	24,849	28,952	+16.5
Expenses for UNPG services (RUB mln)	8,063	8,495	9,974	+17.4
Expenditures on purchase of electricity to compensate for losses (RUB mln)	8,890	9,244	11,469	+24.1
Expenditures on TGO services (according to the effective contractual scheme) including: (RUB mln)	13,859	15,145	18,134	+19.7
• for payment of technological consumption (losses)	4,773	5,349	6,627	+23.9
• for upkeep of power grids of TGOs	9,085	9,797	11,508	+17.5
Common-pot net electricity delivery (mln kWh)	19,483	19,955	21,694	+8.7
Average tariff for electricity transmission services (RUB/kWh)	2.75633	2.89321	3.15887	+9.2

Dynamic structure of RGR from electricity transmission by Rosseti Kuban, PJSC for 2021–2023 (RUB mln)

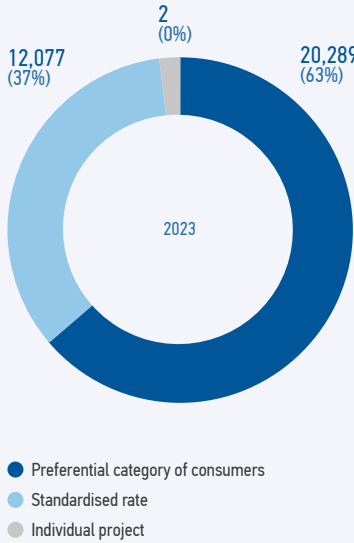


Grid connection fee

By Order No. 38/2022-e of the STRD-KT dated 25 November 2022, standardised tariff rates, preferential rates per 1 kW of requested maximum capacity and formulas for calculating the amount of payment for grid connection of consumer terminals are established for 2023.

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 persons, as approved by Decree 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 STRD-KT separately for each applicant.

Structure of grid connection contracts concluded in 2023, by type of payment for grid connection



The amount of the preferential rate for applicants of the Krasnodar Territory, the Republic of Adygeya and the Sirius federal territory established for 2023 by the decision of the STRD-KT No. 38/2022-e dated 25 November 2022, is RUB 4,256 (including VAT) per 1 kW of the requested maximum capacity. However, for individuals belonging to socially disadvantaged categories (low-income families, veterans, disabled people, Chernobyl victims and families with many children) the fee for grid connection of facilities with capacity of up to 15 kW is set at RUB 1,064 (including VAT) per 1 kW of the requested maximum capacity.

Rosseti Kuban's detailed information on the established standardised tariff rates and the fee rates per unit of maximum capacity for grid connection for 2023 is available on the Company's website in the [To Consumers / Grid Connection / Tariffs for Grid Connection](#) section.

Indicators of grid connection fee of the Company for 2021–2023

Indicators	UoM	2021	2022	2023	Change 2023/2022 (%)
Standardised tariff rates to cover expenses for grid connection of consumer terminals, power grid facilities owned by grid organisations or other entities, for the measures specified in clause 16 of the Guidelines and fee rates per unit of maximum capacity (except subpara. b)	RUB/connection	11,486.68	12,522.51 / since 01.12.2022 — 14,305.13 ¹	14,305.13	+14.2 (since 01.12.2022)
	RUB/kW	636.62	638.66 ²	—	—

¹ Based on the order of STRD-KT No. 38/2022-e dated 25 November 2022, a new rate of RUB 14,305.13 per connection was approved as of 1 December 2022.

² By STRD-KT Order No. 17/2022-e dated 12 September 2022, the rates determining the amount of grid connection fee of territorial grid organisations, per unit of maximum capacity, were abolished from 23 September 2022 as a result of amendments to the legislation.

Financial (Accounting) Statements of Rosseti Kuban, PJSC



The accounting (financial) statement of Rosseti Kuban for 2023 was prepared under 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 2023, as well as its financial performance and cash flows in 2023, in compliance with the accounting (financial) reporting standards set in the Russian Federation.

LYUDMILA LOSKUTOVA

Chief Accountant — Head of the Department of Financial Records, Accounts and Tax Returns

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 2023 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

In accordance with the opinion of the internal audit of the Company on assessment of efficiency and quality of the external audit process of the financial (accounting) statements of Rosseti Kuban, PJSC for 2023:

- Procedures conducted by TsATR — Auditing Services, LLC in the course of the external audit of the RAS financial (accounting) statements of the Company for 2022 comply with the terms of the Agreement and the requirement of Federal Law “On Auditing” No. 307-FZ dated 30 December 2008
- Independent auditor's report on the Company's 2023 financial (accounting) statements was prepared in accordance with Federal Law “On Auditing” No. 307-FZ dated 30 December 2008 and international auditing standards; the report contains an opinion on the entity audited (Rosseti Kuban, PJSC) expressed in the prescribed form

Basic Provisions of the Accounting Policy of Rosseti Kuban, PJSC

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 according to the method of receipt, i.e., purchase for a fee, creation using own resources, construction, 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, within 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 not exceeding RUB 300,000. The useful lives of the lease rights are determined on the basis of the lease terms.

Stock accounting of the Company is in accordance with the Federal Accounting Standard on FAS 5/2019 “Stocks” 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 maintained by the Company in compliance 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 prepared 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 guarantees.

The Company holds a reserve for the impairment of financial investments in case of their sustained considerable decline in their value.

Prior Adjustments

In the Statement of Cash Flows for 2022, line 4329 “Other Payments” reflected transactions involving the conversion of cash into cash equivalents. To correct this material error, the figures in the Statement of Cash Flows for 2022 were modified.



The Company prepared consolidated financial statements in compliance with the requirements of Federal Law No. 208-FZ “On Consolidated Financial Statements” dated 27 July 2010 ([Appendix No. 5](#)).

The consolidated financial statements of Rosseti Kuban and its subsidiaries for the year ended 31 December 2022 were prepared in accordance with Federal Law No. 208-FZ dated 27 October 2010 “On Consolidated Financial Statements and in accordance with International Financial Reporting Standards IAS 1 “Presentation of Financial Statements” and IFRS 10 “Consolidated Financial Statements”:

- Consolidated statement of profit or loss and other comprehensive income
- Consolidated statement of financial position
- Consolidated statement of cash flows
- Consolidated statement of changes in equity
- Notes to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information
- Independent auditor's report

The consolidated financial statements include through consolidation two subsidiaries with 100% share of Rosseti Kuban in their authorised capital: Energoservice Kuban, JSC, Energetik Health Resort, JSC.

Auditor's details

Rosseti PJSC, on behalf of the Company, held a tender in electronic form for the right to contract for services related to the mandatory annual audit of RAS statements and audit of IFRS statements of Rosseti subsidiaries and affiliates for 2023. Following the tender, it was decided to conclude the contract with the sole admitted participant — Leader of the collective participant — “Center for Audit Technologies and Solutions — Audit Services” Limited Liability Company” (INN 7709383532), Legal address: 77 Sadovnicheskaya Nab., bld. 1, Moscow, Russian Federation, 115035, Member of the collective participant — Crowe Audex, LLC (INN 1655301258), Legal address: 8 Safyan St., Kazan, room 24, Republic of Tatarstan, Russian Federation, 420021 (Minutes of the Summary Tender Committee meeting No. 3/58r dated 24 April 2023).

The leader of the collective participant — TsATR — audit services, LLC, member of the collective participant — Crowe Audits, LLC is a member of Self-Regulatory Organization of Auditors Association “Sodruzhestvo” (SRO AAS) included in the master copy of the register of auditors and audit organisations of SRO AAS under the main registration number 12006020327. The Auditor was approved by the resolution of the annual General Meeting of Shareholders of Rosseti Kuban, PJSC (Minutes No. 50 dated 21 June 2023).

Full name of the audit firm:
Limited Liability Company Audit Technology and Solutions Centre — Audit Services.

Abbreviated name of the audit firm:
TsATR — Audit Services, LLC.

Location and postal address:
77 Sadovnicheskaya Nab., bld. 1, Moscow, 115035, Russia.

Tel./fax: +7 (495) 755-97-00.

Website: [b1.ru](#).

The cost of services rendered by the Company's auditor — TsATR — Audit Services, LLC in 2023 for the audit of the Company's RAS accounting (financial) statements and the audit of the Company's IFRS consolidated financial statements totalled RUB 5,111,625.00, including VAT (20%). There are no deferred and overdue payments for services rendered by the auditor.

During 2023, TsATR — Audit Services, LLC did not provide any services to Rosseti Kuban, PJSC that were not related to audit activities.

Results of Financial and Economic Activities



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

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

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 an 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.

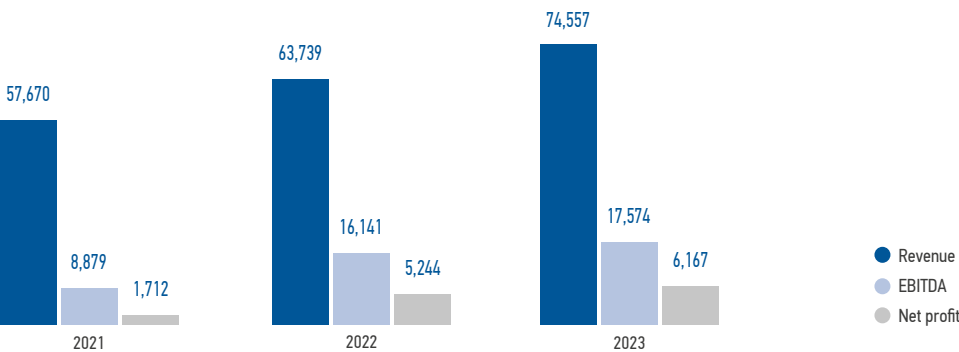
The main factors that influenced the financial result:

- ⊕ 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) statements ¹					
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	EBITDA ²	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.

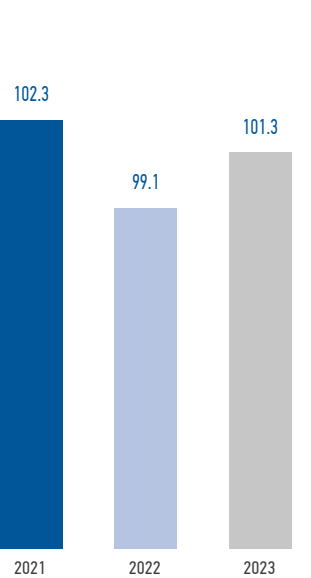
Settlements for electricity transmission services

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

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 (%)



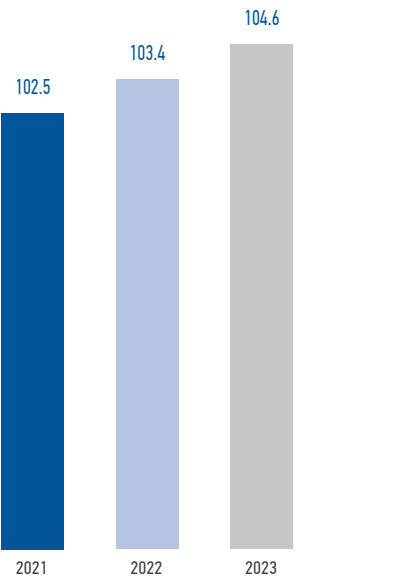
At year-end 2023, receivables for electricity transmission services decreased by RUB 1.3 billion to RUB 6.4 billion as of 31 December 2023.

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.

+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.
Acquisition of power grid facilities	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
Lease of power grid facilities ¹	0	0	0	0	0	0	0	0	0
Other (permanent ownership and rights of use) ²	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 (temporary ownership and rights of use)	6.2	34.0	201.3	61.46	427.96	1,202.21	33.60	249.34	855.67
	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.

IMPLEMENTATION OF THE DIGITAL TRANSFORMATION PROGRAMME

On 18 November 2022, the Board of Directors of the Company approved the updated programme on Digital Transformation of Rosseti Kuban, PJSC for the period until 2030 (Minutes No. 499/2022 dated 21 November 2022), hereinafter referred to as the Programme. It embraces a number of functional areas of the Rosseti Group's digital transformation strategy.

The Programme aims to increase the Company's operational efficiency across all functional areas in both traditional and emerging service markets.

The major goals of the digital transformation



offer new services through the introduction of high-tech solutions



to improve the efficiency of operations and reliability of service delivery, change the logic of processes

Major projects included in the Digital Transformation Programme, broken down by areas of Rosseti Group's digital transformation strategy

Sr. No.	Project	Outcome planned
Operational, technological and situational management		
1	Development of the automated power equipment repair management system (APERMC) in terms of integration with the production asset management system on the 1C platform (hereinafter — PAMS)	Enhancement of the APERMC Design of the APERMC-PAMS integration mechanism
2	Creation of an automated motor transport management system	Automation of transport management
Operation and diagnostics		
3	Works on the development of the PAMS in terms of integration with the APERMC	Integration of the PAMS with the APERMC
4	Automation of multi-year and annual planning schedules and reporting forms for diagnostic works, with due regard for the requirements of the Company's local regulations governing the processes of diagnostics of power grid facilities equipment	Automation of the planning and adjustment of the diagnostics programme considering the requirements of regulatory and technical documentation, the technical condition of the equipment and the maintenance and repair activities carried out. Improvement of the control over the formation of the equipment diagnostics programme. Automation of control over the deadlines for the execution of the diagnostic programme for the equipment of power grid facilities
5	Automated rate setting of the Company's emergency reserve, its acquisition, rotation, utilisation and replenishment in PAMS	Improvement of the control over the state of the emergency reserve. Automation of emergency reserve acquisition and rotation planning, recording and chronological accounting of these operations
6	Automated process of recording and analysing emergency outages at 35 kV and above substations and power lines in the PAMS	Improvement of the planning of maintenance and repair, retrofitting and renovation activities

Sr. No.	Project	Outcome planned
7	Pilot project to automate the methodology for calculating the planned coefficient of non-worked time for the PGR (main power grid enterprises) and the report on labour productivity of personnel engaged in maintenance and repair, using the coefficient of non-worked time.	Automation of the calculation methodology for the planned coefficient of non-worked time by PGR (main power grid enterprises); Report on labour productivity of the personnel engaged in maintenance and repair, taking into account the coefficient of non-worked time
8	R&D: Development of a software package for the assessment and prediction of the technical condition and propagation of defects in 35–110 kV power transformers based on measurements performed by the automated monitoring and diagnostics system, as well as PAMS data, with the provision of relevant recommendations to operating personnel	Software package for the assessment and prediction of the technical condition and propagation of defects in 35–110 kV power transformers based on measurements performed by the automated monitoring and diagnostics system, as well as PAMS data, with the provision of relevant recommendations to operating personnel
9	R&D: Development of a unified IoT platform for dispatching data about the status of substation equipment	An IoT platform software complex designed to collect, process, store and transfer data from various types of monitoring devices into a unified system so that the data can be used for calculating diagnostic parameters and forecasting their development
10	Creation of a distributed automation system in 6–10 kV distribution grids of Seversky PGR, branch of Rosseti Kuban, Krasnodar Power Grids and Dagomyssky PGR branch, Rosseti Kuban, Sochi Power Grids (design and survey)	Upgrading of the distribution grid and automation complex in general, aimed at reducing commercial and technological losses in the 6–10kV distribution grid
Sales of services and commercial electricity metering		
11	Creation of a smart metering system for the retail electricity (capacity) market	Implementation of smart metering information flows within a single enterprise service bus. Adoption of a unified platform for smart electricity metering. Development and implementation of unified data transfer protocols
Information security		
12	Establishment of a system to protect critical information infrastructure facilities of Rosseti Kuban, PJSC	Information security system at significant critical information infrastructure facilities
13	R&D: Automated classification of accidents based on machine learning methods	The system is designed to automate and analyse information security events by configuring and implementing algorithms for automatic classification of local area network node behaviour and user actions based on machine learning methods
Human resources management		
14	Integration of the Company's PAMS with the automated HR management system in line with the standard ToRs	Integration of the PAMS with the automated human resources management system

In the reporting year, the Company was involved in the 14 projects in five functional areas of Rosseti Group's digital transformation strategy. The Programme's project funding plan for 2023 was RUB 204.3 million, the actual project funding amounted to RUB 61 million. During the reporting period, five projects were completed.

The programme contains a plan of transition to the predominant use of domestic radio-electronic products until 2024 and an action plan for software import substitution for 2022–2024.

The share of expenses on procurement of Russian software and related works (services) in the total expenses

on procurement of software and related works (services) in 2023 was 98%, which is 8 p.p. higher than in the Programme. Investments in domestic IT solutions totalled RUB 518 million.

The expenditure on the purchase of Russian radioelectronic products accounted for 79% of the total expenditure on the purchase of radioelectronic products in 2023. Investments in Russian radioelectronic products totalled RUB 143.22 million.

61 RUB mln

funding for digital transformation projects in 2023

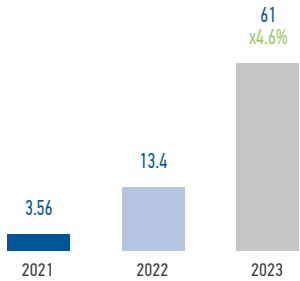
5 projects

in digital transformation completed

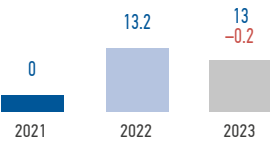
98%

share of expenditures on the purchase of Russian software

Amounts of funding for activities of the Digital Transformation Programme of Rosseti Kuban in 2021–2023 (RUB mln)



Share of managers, specialists and employees trained in digital skills in the average headcount in 2021–2023 (%)



Based on Rosseti's Order No. 345/228 dated 19 July 2022, the Digital Transformation Programme was updated in 2022 to comply with new forms and updated methodological recommendations.

SUSTAINABLE DEVELOPMENT

The Company’s understanding of sustainable development is consistent with the UN definition: “Sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

~90 RUB mln

staff training costs
(+2.7% vs. 2022)

59.0 RUB mln

social package for Company
employees, their family members
and retirees (+41% vs. 2022)

422.7 RUB mln

total Company expenditures on
occupational health and safety
(+16.4% vs. 2022)

-0.8%

reduction of gross air
emissions vs. 2022

Rosseti Kuban PJSC is responsible for reliable, high-quality, and affordable electricity supply to consumers in the regions where it operates and understands the significance of its impact on the environment, society, and the sustainable development of the Krasnodar Territory, the Republic of Adygeya, and their economies.

On 29 December 2023 (Minutes No. 543/2023 dated 29 December 2023), the Company's Board of Directors approved the Sustainable Development Policy of Rosseti, PJSC and the Climate Change Policy of Rosseti, PJSC as the Company's internal documents¹.

-9.2%
reduction in water consumption vs. 2022



The Company's main objective in the area of sustainable development is to maximise its operational pursuits' contribution to the UN SDGs and to generate added value for stakeholders in the context of relevant national and international goals.

Guiding principles for the Company's sustainable development initiatives

Principles	Description
Safety of operations	Electric power assets are classified as high-risk infrastructural facilities. The life and health of employees and the population of the regions where the Company operates is the key priority of the Company. The Company takes all necessary measures to ensure safe operations and prevent electrical injuries among social groups at risk
Conservation of the environment	The Company assumes responsibility for the economic, social and environmental consequences of its activities and strives to minimise their negative environmental impact
Accommodation of stakeholders' expectations and interests	The Company recognises its stakeholders and incorporates their expectations and interests when setting strategic goals and priorities, as well as when conducting operational activities. The Company works to keep all stakeholders' interests in balance and to create welcoming environments that facilitate productive communication
Consistency and transparency	The Company understands the value of having a transparent and constant communication with stakeholders, which involves disclosing information on performance and sustainability plans on a regular basis in compliance with legal requirements. The Company publishes only trustworthy information about the outcomes of its operations, including in the annual report, and guarantees that all stakeholders have access to such information
Mutual respect as the foundation for ethical business practices	A fundamental element of the Company's corporate culture is its dedication to ethical business practices and cultivating respectful relationships. The Company seeks to honour its commitments at all times and in all circumstances. The Company has zero tolerance for corruption and bribery and endeavours to prevent their occurrence. The Company supports and encourages fair competition, in particular, it ensures transparency of the procurement process and does not restrict competition in procurement procedures
Risk management	The Company continuously identifies, assesses, monitors and mitigates risks. It also creates and enhances the risk management process in compliance with industry best practices

¹ Published on the Company's website in the [About the Company / Constitutive and Internal Documents](#) section.

Sustainable development areas
of the Company



Ensuring the economic growth of the Company and the regions where it operates



Environmental protection



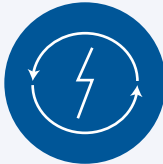
Care for the public

Material topics related to the Company's activities
disclosed in the present Annual Report



1

Environmental aspects of activities



2

Energy saving and energy efficiency



3

Social aspects and employee relations issues



4

Occupational health and safety



5

Consumer relations



6

Fight with corruption, influence peddling and bribery of foreign officials

ENGAGEMENT WITH STAKEHOLDERS

The Company’s stakeholders are state bodies, local authorities, public legal entities, shareholders and investors, other legal entities and individuals who may have an interest in the Company’s performance and (or) may have a significant impact on the Company’s activities and services.

Key stakeholders of the Company

Stakeholders	Stakeholder relations
Internal stakeholders	
Company’s S&As	<p>These parties are interested in disseminating the best corporate governance practices to them and maintaining their image as part of the Rosseti Group.</p> <p>Interaction is effected through the management and control bodies of S&As in accordance with the applicable laws of the Russian Federation and local regulations, joint activities, as well as interaction on current issues within the framework of standard business processes, including reporting.</p>
<hr/>	
<p>For more details, please see Appendix 3 to the present Report.</p>	
<hr/>	
Company personnel Social partners (trade unions, employers' associations)	<p>These parties are interested in an attractive business culture, competitive wages, social and health benefits, opportunities for personal, professional development and work safety.</p> <p>Interaction ways:</p> <ul style="list-style-type: none">• Through the Collective Bargaining Agreement, a succession pool programme and targeted human resources assessment and development projects• Through staff training and qualification improvement• By holding meetings between management representatives and the personnel, professional competitions, cultural and sporting events• Via the Council of Young Professionals and participation in the All-Russian Electrical Trade Union• By onboarding and mentoring for new employees and support for veterans
<hr/>	
<p>For more details, please see the Human Resources Management subsection of the Sustainable Development section.</p>	
<hr/>	
Operating environment	
Investment community (shareholders and investors)	<p>These parties have an interest in the growth of total shareholder return, including dividend yield and capitalisation of the Company, its development, consideration of the interests of all shareholder groups, information transparency and openness of the Company, efficiency of production activities for sustainable development, and a high level of corporate governance. Interaction is through General Meetings of Shareholders, representation in management and control bodies, as well as through the disclosure of information about the Company.</p>
<hr/>	
Consumers of electricity and grid connection services, territorial grid organisations	<p>Interaction is through customer service centres, the power grid services portal of Rosseti Group at www.нортал-тн.ф, and the contact centre with unified federal numbers 8 (800) 100-15-52 and 8 (800) 220-02-20.</p> <p>Individuals can also send messages (claims, complaints, applications, requests) through the online reception desk on Rosseti Kuban’s official website at: https://rosseti-kuban.ru.</p>
<hr/>	
<p>For more details, please see the Customer relations subsection of the Sustainable Development section.</p>	

Stakeholders	Stakeholder relations
Partners (suppliers, contractors, business partners, professional and industry associations, including international ones)	<p>These parties are interested in mutually beneficial and long-term cooperation, stable financial condition of the Company, timely and accurate fulfilment of contractual obligations, transparency in procurement and rejection of corruption.</p> <p>Interaction is through procurement procedures, negotiations, participation in topic-related forums, seminars and conferences with media participation, and through the corporate website.</p>
<hr/>	
<p>For more details, please see the Sustainable Development section.</p>	
<hr/>	
State (federal, regional and local authorities)	<p>This party is interested in ensuring the reliable and sustainable functioning of the energy system, discussing and reviewing government projects and decisions related to industry regulation, cooperating on planning and implementing territorial development programmes in the region of operation, participating in the Energy Strategy of Russia and the Strategy for Development of the Power Grid Complex of the Russian Federation, meeting medium-term and long-term demand for electricity, attracting additional investment to the region, creating new jobs, and increasing tax payments.</p> <p>Interaction is carried out by setting tariffs for regulated activities, approval of investment programmes and reports on their implementation, participation in working groups to develop the electric power industry perspective development roadmap, conclusion of cooperation agreements, reporting to authorities and information disclosure in accordance with Russian legislation, transfer of tax payments, expert discussions, conferences, forums, working meetings and joint events with representatives of the authorities.</p>
<hr/>	
Social environment	
Society (public, social, charitable and environmental organisations, scientific and educational institutions, non-consumers, media)	<p>The said party is interested in reliable energy supply, employment, development of regions of presence, environmental protection, energy efficiency, implementation of social and charitable programmes, development of science and education, introduction of advanced scientific developments and technologies, demand for young promising personnel, full information about the Company's activities.</p> <p>Interaction is through participation in charity projects, publications in the media and on the corporate website, press conferences, PR events, topic-related seminars, forums, competitions, meetings and topic-related events with veterans, students, schoolchildren, etc., application of measures to prevent electrical accidents with the population, participation in research and educational projects.</p>
<hr/>	
<p>For more details, please see the Sustainable Development section.</p>	

CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS

UN Sustainable Development Goals

1NO
POVERTY

2ZERO
HUNGER

3GOOD HEALTH
AND WELL-BEING

4QUALITY
EDUCATION

The Company recognises the importance of all 17 of the UN Sustainable Development Goals.

!

Considering the particulars of its operations, the Company determines nine UN Sustainable Development Goals it can contribute most to.

5GENDER
EQUALITY

6CLEAN WATER
AND SANITATION

7AFFORDABLE AND
CLEAN ENERGY

8DECENT WORK AND
ECONOMIC GROWTH

9INDUSTRY, INNOVATION
AND INFRASTRUCTURE

10REDUCED
INEQUALITIES

11SUSTAINABLE CITIES
AND COMMUNITIES

12RESPONSIBLE
CONSUMPTION
AND PRODUCTION

13CLIMATE
ACTION

14LIFE
BELOW WATER

15LIFE
ON LAND

16PEACE, JUSTICE
AND STRONG
INSTITUTIONS

17PARTNERSHIPS
FOR THE GOALS

➔

About the Company

Strategic Report

Operational Results

Sustainable Development

Corporate Governance Report

UN Sustainable Development Goals with description

Contribution of the Company to the achievement of the goals

Goal 3. Good Health and Well-Being (ensure healthy lives and promote well-being for all at all ages)

3GOOD HEALTH
AND WELL-BEING

The Company strives to ensure the safety of the general public and to preserve the health and welfare of its employees in the conduct of its operations through:

- Safe working conditions and labour protection
- Health and life insurance for personnel
- Promotion of sporting lifestyles

For more details, please see the [Human Resources Management](#), [Occupational Health and Safety](#) subsections.

Goal 4. Quality Education (ensure inclusive and equitable quality education and promote lifelong learning opportunities for all)

4QUALITY
EDUCATION

Employee training is among the priority areas. Recognising the specific nature of knowledge and skills required for work at power grid facilities, the Company assists in the development of employees' professional skills by:

- Training, retraining and professional development of personnel
- Development of the corporate personnel training system
- Enhancement of the training of new specialists for the power grid sector
- Co-operation with vocational universities and colleges

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

Goal 7. Affordable and Clean Energy (ensure access to affordable, reliable, sustainable and modern energy for all)

7AFFORDABLE AND
CLEAN ENERGY

The Company secures reliable, high-quality and accessible electricity supply at affordable charges for the services provided to consumers by:

- Fulfilment of regulatory requirements for the operation of power grids to maintain the established indicators of reliability and quality of power supply to consumers
- Simplification of the procedure for grid connection of consumer terminals and generation facilities (including renewable energy sources)
- Qualitative and timely implementation of investment projects in the area of grid connection
- Minimisation of the consumer's costs in accessing electricity
- Improvement of energy efficiency and reduction of power losses
- Improvement of the customer service quality
- Development of electronic services for customers

For more details, please see the [Customer Relations](#) subsection.

Goal 8. Decent Work and Economic Growth (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all)

8DECENT WORK AND
ECONOMIC GROWTH

Rosseti Kuban, PJSC offers guaranteed opportunities for the comprehensive development of its employees and ensures decent labour conditions by:

- Creation of jobs in the regions of operations
- Appointment of employees primarily from the internal managerial talent pool
- Decent wages and working conditions and respect for employees' rights
- Collective bargaining
- Provision of compensations, social benefits and guarantees to employees
- Higher labour productivity
- Reduction of work-related injuries

For more details, please see the [Human Rights](#), [Human Resources Management](#) subsections.

Goal 9. Industry, Innovation and Infrastructure (build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation)

9INDUSTRY, INNOVATION
AND INFRASTRUCTURE

The Company encourages the innovation and sustainable, green infrastructure through:

- Preservation and upgrade of power grid facilities
- Implementation of investment projects
- Implementation of the digital transformation strategy
- Technological and innovative development

For more details, please see the [Innovation Activities](#) subsection.

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UN Sustainable Development Goals with description

Contribution of the Company to the achievement of the goals

Goal 11. Sustainable Cities and Communities (make cities and human settlements inclusive, safe, resilient and sustainable)



- The Company ensures the safety of cities and settlements through the following:
- Reliability and stability of power supply to consumers
 - Implementing projects within the framework of the national goal: Comfortable and Safe Living Environment
 - Providing grid connection services to consumers, organizing outdoor lighting and metering of electricity
 - Developing a network of charging stations for public and private electric vehicles in the regions of the Company's presence
 - Application of technical architectural solutions that promote the rational use of land in cities and settlements, as well as preserving their architectural scene

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

Goal 12. Responsible Consumption and Production (ensure sustainable consumption and production patterns)



- The Company adheres to the policy of rational consumption and production with the help of the following:
- Improvement of energy efficiency and reduction of losses
 - Preferential use of clean technologies that do not cause significant environmental impact
 - Rational utilisation of natural resources in the course of its activities
 - Mitigating negative environmental impact
 - Effective functioning of the Environmental Management System

For more details, please see the [Electricity Transmission](#), [Environmental Protection](#), [Energy Consumption](#) and [Energy Saving](#) subsections.

Goal 13. Climate Action (Take urgent action to combat climate change and its impacts)



- The Company takes an active part in combating climate change, including through the following:
- Cutting down greenhouse gas emissions
 - Reducing losses in electricity transmission and distribution
 - Development of charging infrastructure
 - Lowering the consumption of fuel and energy resources for the Company's own needs
 - Ensuring that electricity from low-carbon sources is supplied to the grid and delivered to consumers
 - Land reclamation
 - Improving the reliability and adaptability of the power grid complex to dangerous climatic events
 - Attraction of energy saving and an appropriate lifestyle
 - Implementation of measures promoting energy saving and energy efficiency improvement

For more details, please see the [Environmental Protection](#), [Energy Consumption](#) and [Energy Saving](#) subsections.

Goal 15. Life on Land (protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss)



- The Company operates in accordance with the environmental protection requirements, including running the activities in following aspects:
- Biodiversity conservation, including ensuring ornithological safety of electric grid facilities and implementing measures to preserve aquatic biological resources and their habitat
 - Land reclamation and compensatory reforestation
 - Phased decommissioning of equipment containing polychlorinated biphenyls and its subsequent transfer for destruction

For more details, please see the [Environmental Protection](#) subsection.

CUSTOMER RELATIONS



The goal of Rosseti Kuban, PJSC in the area of customer relations is to build a customer-centric model of operations and organisation of services and facilities based on efficient and comfortable interaction with customers through analysing customer experience and meeting the actual needs of both households and businesses.

The Company pays special attention to regularly informing consumers about the services it provides, ensuring comfortable framework for face-to-face service, and improving the accessibility of services through interactive tools.

Rosseti Kuban, PJSC provides customer service through the Electric Grid Services Portal of Rosseti Group ([www.портал-тп.рф](#)), and at customer service offices as well.

In 2023, Rosseti Kuban, PJSC received almost 112,300 requests through interactive customer service tools, of which about 50% were grid connection applications.

Based on the results of 49 inspections carried out on the basis of reports of electricity theft submitted by consumers via the call-centre, off-the-meter electricity worth RUB 539,000 was detected.

In the reporting year, Rosseti Kuban actively cooperated with the representatives of the executive authorities of the Krasnodar Territory and the Republic of Adygeya, the public, businesses and potential consumers of the Company's services with respect to the issues related to the development of the power grid complex and higher availability of power infrastructure".

ALEXANDER CHEPUSOV
Deputy General Director for Development and Power Grid Connection

The main function of the customer relations departments of Rosseti Kuban is to ensure prompt, unhindered resolution of issues related to grid connection, electricity transmission, organisation of electricity metering and additional services for citizens and legal entities in the Company's operational responsibility.

To maintain the high quality of Company services, 13 customer service centres and 41 customer service offices are in operation across the power grid regions.

In order to provide online customer service, Rosseti Kuban, PJSC maintains a 24-hour call centre holding a single federal number: 8 (800) 220-02-20. Call-centre operators inform the residents of the Krasnodar Territory and the Republic of Adygeya about any power supply issues and ongoing recovery work / planned repair schedules. Besides, the call-centre operators take messages from the customers concerning electricity theft and consult them about grid connection and other Company services.

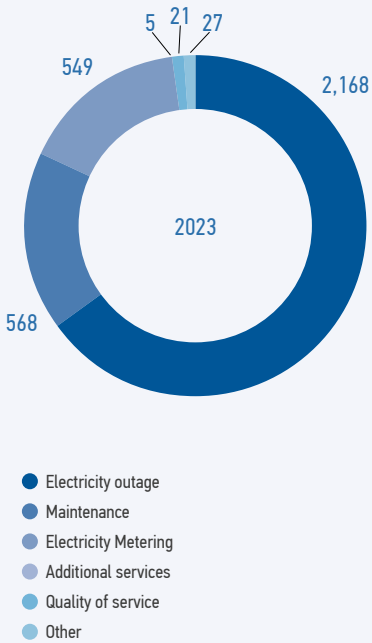
In 2023, 1,432,120 customers contacted the call centre of Rosseti Kuban, PJSC, which is 29% more than in 2022.

In the reporting year, Rosseti Kuban, PJSC received about 7,000 complaints from service consumers, up 1.5% year-on-year.

13 centres
of customer service

41 customer service outlets
in the locations of electric grids

Structure of customer complaints received by the Company in the reporting year



Customer complaints were investigated, and actions scheduled for the reporting year were taken to sort out the relevant causes.

In 2023, Rosseti Kuban, PJSC interacted with consumers both at customer service offices and through the Electric Grid Services Portal of Rosseti Group www.портал-тн.рф, (hereinafter referred to as the GC Portal).

Through the GC Portal, consumers are able to submit online applications and requests for the following:

- Grid connection services
- Installation/replacement of metering devices
- Redistribution of power
- Restoration of grid connection documents
- Additional services, etc.



8 (800) 220-02-20

a 24-hour telephone call centre

Moreover, through the GC Portal, consumers can calculate the cost of grid connection, familiarise themselves with scheduled outages, and take a survey to assess the quality and accessibility of grid connection services.

In 2023, the Company received 112,339 online applications, of which 51,546 were requests for grid connections.

In 2023, Rosseti Kuban received 43,293 packaged applications for grid connections, which resulted in the conclusion of 31,212 agreements for grid connections.

>1.4 mln
consumers contacted in 2023

112,339
online applications
were received by the Company in 2023

Key outcomes of the Company's efforts pertaining to customer relations for 2023

In the reporting period, the Company carried out 49 inspections based on consumer reports about electricity theft that were received through the call centre. As a result of the inspections, unaccounted power supplies totalling about RUB 539,000 were detected.

Over the year, Rosseti Kuban held 25 remote alignment meetings with potential and existing applicants, business representatives and executive authorities of the constituent entities of the Russian Federation on improving the accessibility of the energy infrastructure, including the possibility to submit applications for grid connection in electronic form. About 187 people took part in the alignment meetings.

In January 2023, Rosseti Kuban, PJSC participated in an extended meeting held by Andrey Proshunin, the Vice-Governor of the Krasnodar Territory, on grid connections for privileged and socially disadvantaged categories. Based on the results of the meeting, for the purpose of grid connection of housing for families with many children, a number of municipalities in the Krasnodar Territory submitted applications to Rosseti Kuban, PJSC for grid connection of land plots allocated to such families for individual housing development.

In the reporting year, the Company's Board of Directors approved new customer service quality standards aimed at building a customer-centric business model.

~49 inspections
conducted in 2023

~540,000 RUB
recovered by the Company through the detection of unaccounted electricity consumption

Customer Relations Plan for 2024

To promote the customer-oriented approach and improve the quality of services, Rosseti Kuban scheduled the following for 2024:

- To improve the efficiency of customer service by streamlining the processes for receiving and processing customer feedback
- To upgrade corporate automated systems for handling customer feedback to improve the accuracy and speed of processing

As part of the implementation of new quality standards for customer service, the Company pursues a customer-centric approach, which implies:

- Identification and study of customer needs
- Designing new services and facilities and upgrading the existing ones
- Improving customer satisfaction by providing services and facilities
- Establishing a customer service
- organising the information disclosure process;
- Following the customer service etiquette

- Improving the infrastructure of interaction and feedback tools with service customers
- Conducting research to assess the quality of customer service and analyse the results obtained

HUMAN RIGHTS

Protecting human rights at Rosseti Kuban, PJSC is an important aspect of the Company's activities that contributes not only to sustainable business development but also to strengthening trust of employees and consumers.

The Company respects and observes human rights. First and foremost, it ensures equal opportunities and non-discrimination for all its employees, regardless of their gender, age, race, nationality, religion, or disability. This includes providing a fair system of recruitment, career progression, and workplace safety.

The Company also provides all necessary facilities to ensure interaction with physically challenged consumers.

In particular, the entrance to the main customer service centre is equipped with a lifting platform for low-mobility groups. Applications for most of the services provided by the Company can be submitted through the relevant electronic tools, and grid connection services can be paid online.

The main customer service centre has a specially equipped kids' space for customers with small children.

In addition, the Company's call centre provided employment for two physically challenged people.



In 2023, no complaints about human rights violations from consumers were registered with Rosseti Kuban, PJSC.

HUMAN RESOURCES MANAGEMENT

Results of the HR Policy

The below are the key objectives of Human Resources and Social Policy of the Company intended to meet the targets of the Russian Power Grid Industry Development Strategy:

- Planning the workforce requirements — availability of accurate information on current and forecast labour demand, both quantitative and qualitative, as necessary and sufficient to achieve the Company's objectives
- Recruiting necessary skills when needed
- Improving the performance and increasing labour efficiency across the Company

These key objectives of the Human Resources and Social Policy are met by implementing the range of measures in various aspects of the Company activities and achieving the targets set in the following areas:

- Organisational design
- Headcount management

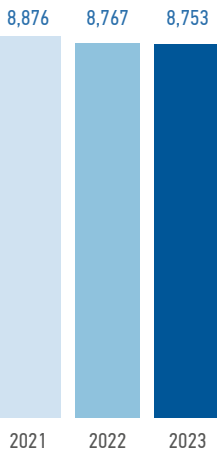
- Human resourcing and personnel development
 - Personnel performance management (personnel motivation)
 - Social benefits and social protection
 - Occupational safety and work culture
- The following actions were taken and put into effect in order to maintain a high level of social protection for Rosseti Kuban employees, to offer workers guarantees and compensations, and to reduce the number of diseases among employees of the Company in 2023:
- Making important amendments and additions to the collective bargaining agreement between the employer and employees of Rosseti Kuban, PJSC for 2023–2025 regarding remuneration, internal labour regulations, and the expansion of benefits, guarantees, and compensations for the Company's employees

- Medical examinations of personnel working in harmful and hazardous labour conditions in all branches of the Company
- Active training of workers to reduce work-related accidents and upgrade staff skills
- Non-recurrent financial assistance to employees and veterans
- Health improvement and recreation of employees and their children
- Fitness and recreational activities, and promoting mass sports in the corporate environment

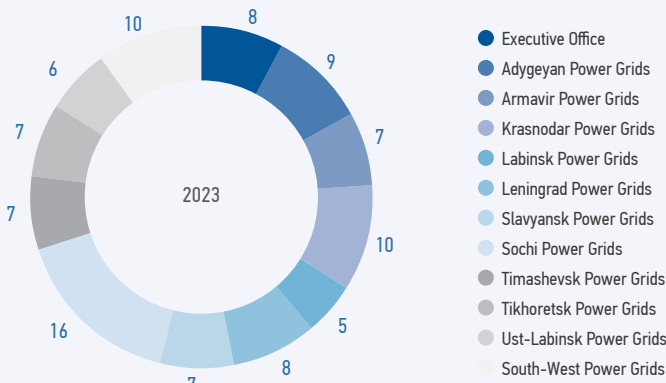
Staff Headcount and Breakdown

The average headcount of Rosseti Kuban, PJSC in 2023 was 8,753, which is 0.2% lower than in 2022. This slight decrease in the average headcount was caused by the natural movement of employees.

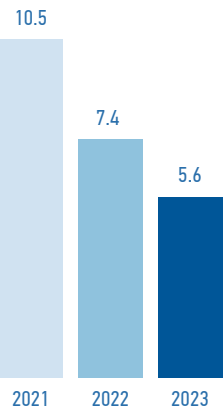
Average headcount of Rosseti Kuban, PJSC in 2021–2023 (persons)



Breakdown of average headcount of Rosseti Kuban, PJSC by branches in 2023 (%)



Changes in active staff turnover rate (%)



5.6%
active staff turnover rate
(–1.8 p.p. vs. 2022)

The employee breakdown by categories is representative of the power grid companies and has remained quite stable for the last three years: blue collars account for 45.1%, managers – for 19.8%, and white collars – for 35.1%.

The average age of the Company's employees in 2023 is 43.7 years (the same as in 2022). Over the past three years, there has been an increase in the share of employees aged 35 to 50 (+1.4 p.p.) against a decrease in the share of employees under 35 (–4.6 p.p.) and the larger share of employees aged over 50 (+3.2 p.p.).

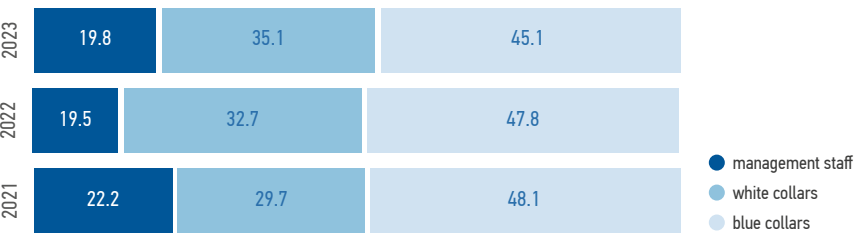
43.7 years
average age of the Company's employees in 2023

In 2023, the Company's staffing level was 91.6%, the production staffing level was 90.7%, and the active turnover rate was 5.6%. In 2023, the Company hired 973 employees, including 836 production workers and engineers (85.9%) and 50 employees (5.1%) for auxiliary positions.

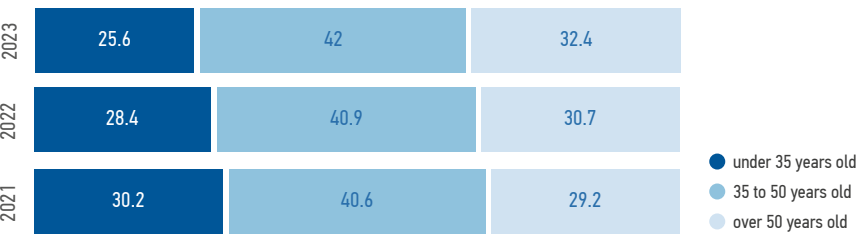
Analysis of voluntary turnover in the Company in 2021–2023 (%)

Voluntary turnover rate	2021	2022	2023	change 2022/2023, p.p.
Total for the Company	10.5	7.4	5.6	– 1.8
By age group:				
• under 35 years old	14.6	11.7	9.1	– 2.6
• 35 to 50 years old	10.2	7.1	5.2	– 1.9
• over 50 years old	6.5	3.9	3.2	– 0.7
By gender:				
• women	9.1	6.5	5.1	– 1.4
• men	10.9	7.8	5.7	– 2.1
By region:				
• Republic of Adygeya	13.9	6.7	6.8	– 0.1
• Krasnodar Territory	10.2	7.5	5.4	– 2.1

Structure of personnel by category in 2021–2023 (%)

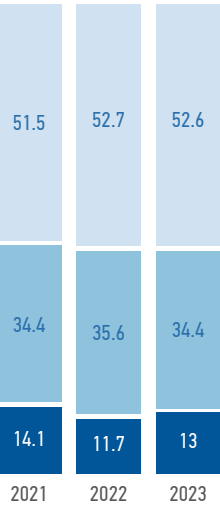


Structure of personnel by age in 2021–2023 (%)



The employees of the Company have a decent level of education; 87% of them have a professional background, and nine of them have a candidate's degree.

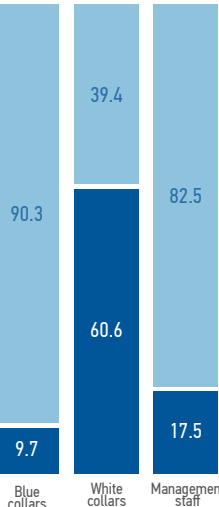
Structure of personnel by education in 2021–2023 (%)



● Basic / secondary general
● Primary / secondary vocational
● Higher vocational

The gender composition of the Company's employees also fits the typical profile of power grid companies. As of 31 December 2023, the share of men working in the Company was 70.9% and that of women was 29.1%.

Staff structure by gender in 2023 (%)



● Women
● Men

87%
of employees have vocational education

9 employees
hold a candidate degree

Staff Training and Development

Employee training is one of the priorities of the Company's human resources and social policies; it is regulated by the following documents:

- Rules for Personnel Management in the Electric Power Industry of the Russian Federation approved by Order No. 796 of the Ministry of Energy of the Russian Federation dated 22 September 2020

- Personnel Management Procedure of Rosseti Kuban, PJSC approved by the Company's Order No. 300-od dated 3 May 2023
- Regulations on Personnel Training at Rosseti Kuban, PJSC, approved by Company Order No. 681-od dated 26 November 2020
- Other regulatory documents and prescriptions and recommendations of the supervisory authorities

The Company's main provider of educational services is the in-house training centre, the Energy Institute for Continuing Education of Kubanenergo (hereinafter referred to as the Institute). In the reporting year, the share of the Institute's trainees was 94% of the total number of the Company's employees trained.

Training of Rosseti Kuban personnel in 2021–2023

Indicator	UoM	2021	2022	2023	Change 2023/2022 (%)
Number of employees who participated in off-the-job training programmes / ratio to average staffing number	people / %	8,530/96	12,609/144	10,319/118	-18.2 / -26 p.p.
• including occupational health and safety / ratio to average staffing number	people / %	1,095/12.33	6,657/76	5,526/62.25	-17.0 / -13.75 p.p.
• including employees trained at in-house training centres / ratio to the total number of employees who received off-the-job training	people / %	7,695/90	11,485/91	9,720/94	-15.4 / +3 p.p.
Number of production personnel who received off-the-job training	people	7,328	10,433	9,510	-8.8
• including hosted by the Institute	people	6,963	10,039	9,116	-9.2
Distribution of the employees who took part in off-the-job training programmes by category (executives, white collars, blue collars)	%	Executives — 40.8% White collars — 18.7% Blue collars — 40.5%	Executives — 52.1% White collars — 20.7% Blue collars — 27.2%	Executives — 43.0% White collars — 16.2% Blue collars — 40.8%	Management staff: -9.1 p.p. White collars: -4.5 p.p. Blue collars: +13.6 p.p.
Number of employees who participated in educational programmes delivered through distance learning	people	2,821	2,894	1,872	-35.3
Average number of training hours per employee by gender	man/hour	Women — 36 Men — 76	Women — 40 Men — 75	Women — 36 Men — 84	Women: + 11.1 Men: -10.7

With the existing ratio of the off-the-job trainees in 2023 to the average headcount, the key indicator (30%) of the Company's Human Resources and Social Policy is achieved.

In 2023, the number of training programmes delivered by the Institute through distance learning decreased due to changes in legislation, which

necessitated training exclusively in the format of face-to-face learning (both theoretical and practical).



10,319 employees

received off-the-job training in 2023, including

5,526 employees

received training in labour and industrial safety

A significant share of the personnel falling under managers and blue-collars categories in the total number of the trained personnel is explained by the mandatory nature of training for such categories and training frequency required by regulatory documents.

Training costs in 2021–2023 (RUB ‘000)

Indicator	2021	2022	2023	Change 2023/2022, %
Total training costs	76,259	87,563	89,899	+2.66
including:				
• by the Institute	65,130	76,681	80,678	+5.21
• by third-party educational institutions	11,128	10,881	9,221	-15.2

~90 RUB mln

staff training costs
(+2.7% vs. 2022)

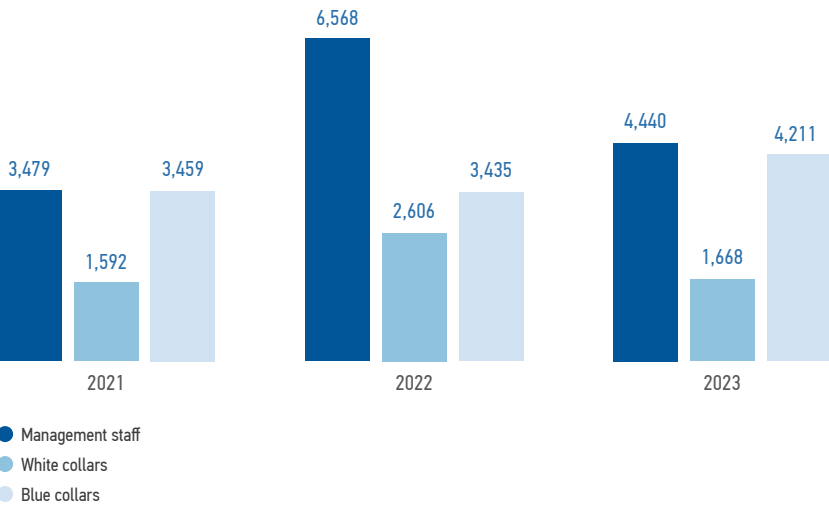
~10,000

trainees are trained annually at the Company’s Institute

Changes in the Company’s personnel training costs (RUB ‘000)



Breakdown of off-the-job trainees by categories in 2021–2023 (people)



Every year, the Institute trains about 10,000 students in more than 350 educational programmes aligned with the requirements of professional standards and applicable regulatory documents.

The Institute provides services in the following areas:

- Training in professional education programmes (training, retraining, advanced training of workers), continuing professional education programmes (professional retraining, advanced training of engineering staff)
- Conducting topic-related workshops and hands-on training aimed at developing corporate and managerial competencies
- Holding championships and vocational skills competitions at various levels under the Skills and Occupations Development Agency methodology
- Hosting conferences, scientific and technical round tables with the participation of manufacturers and developers of state-of-the-art equipment
- Preparing teams for professional skill competitions

The Institute is accredited and has a notification from the Russian Ministry of Labour of its inclusion in the register of organisations providing education in occupational safety and health; the programmes are based on modern, innovative technologies using the latest training tools and methods. During the training period, students are provided with the necessary study materials, visual aids, handouts in the relevant areas of training.

In 2023, Rosseti’s innovative project for live work, which had been launched for the Company’s employees in 2020, was continued.

In 2023, 36 people were trained in the programme of Live Works on Overhead and Cable Power Lines and Switchgear of up to 1,000 V.

From 23 May to 25 May 2023, Rosseti Kuban PJSC hosted the All-Russian Scientific and Technical Conference — Ways to Improve Reliability, Efficiency, and Safety of Energy Production — in Divnomorskoye settlement, Gelendzhik, Krasnodar Territory. The event was attended by heads of the technical and servicing

units of Rosseti South and Rosseti Kuban, as well as managers and specialists of power equipment manufacturers: RiM, JSC, Tavrida Elektrik YuSK, JSC, Energoservice Kuban, JSC, Matrix, JSC, PO Eltehnika, LLC, MIR, Inc, PC Elektrokoncept, TD Uncomtekh, LLC, SVEL Group, JSC, and others. The purpose of the event is to exchange advanced experience and knowledge in the power industry.

The Institute implements the Pre-University project for 11th grade schoolchildren as part of the School—College—University—Work Continuous Education Programme and for the purpose of admission to a specialised higher education institution under appropriate quotas.

In order to provide career guidance to young people, the Institute and a branch of Rosseti Kuban, PJSC hosted Open Doors Days for schoolchildren and students of relevant higher and specialised secondary educational institutions.

The working months for the student energy teams of Rosseti Kuban and Rosseti South were organised, as part of which the following events were held:

- Industrial practice at the Company branches and the first entry in the employment record-book of a future power industry specialist
- Training under additional education programmes
- Professional skills competitions
- Educational and developmental events
- Hackathon
- Independent assessment of participants’ qualifications and obtaining the relevant certificates
- Championship in practical skills of UAV control using DJI Flight Simulator software

The final stage was the holding of developmental events, visionary lectures, a creative competition, and an athletic contest for students in the village of Shepsi, the Krasnodar Territory.

Significant events of 2023 hosted by the Institute:

- Regional professional skills competition, Best in Profession, in the nomination: Best Electrician for Repair and Maintenance of Distribution Network Equipment (23 August 2023 to 25 August 2023). The event was held to improve the interaction between grid companies in the Krasnodar Territory in case of emergency, to enhance the professionalism of distribution grid

operation personnel, and to disseminate the best practices. The competition was attended by teams from Rosseti Kuban, PJSC, Kuban Power Grids, JSC, and Energoservice Kuban, JSC.

- Scientific and technical conference on the development of the Company’s power grid complex. Its participants discussed further prospects for improving the operation of power grids, ensuring compliance with occupational safety in the areas of electric grids, and the peculiarities of the operation of high-voltage overhead lines, substations, and distribution/ cable networks. Within the framework of the conference, a FreshBiz transformation game was held, the goals of which were to practice management strategies, the ability to manage a team under varied conditions, team building, responsibility for decision-making and implementation of decisions made, and determine the level of managerial competence of the participants as well.
- A meeting on systematizing the occupational safety activities run at Rosseti Kuban, PJSC and establishing an occupational safety management system and safety culture at Rosseti Kuban, PJSC in accordance with international practice and the experience of pursuing such objectives in large Russian companies. The purpose of the event was to delve deeper into the strategy of developing and improving the Company’s safety culture.

In addition to the Institute, the key suppliers of educational services to the Company are the following institutions:

- Federal Budget Institution “Learning and Training Centre” of Rostekhnadzor
- State Educational Institution of Supplementary Professional Education “Training and Methodological Centre for Civil Defence and Emergency Situations of the Krasnodar Territory”
- Autonomous Non-Profit Organisation of Additional Professional Education “SoftLine Education”
- Scientific and Educational Centre “EKRA”
- Federal State Autonomous Educational Institution of Additional Professional Education “St. Petersburg Power Engineering Institute of Professional Development”
- Federal State Budgetary Educational Institution of Higher Education “Kuban State Technological University”, etc.

Occupational health and safety and fire safety remain the key areas of training.

To implement the Order of the Ministry of Emergency Situations of Russia No. 806 dated 18 November 2021, advance training (re-training) under the “Fire Safety” programme continues.

In order to ensure the best adaptation to new economic and social conditions and to expand the qualifications of specialists, in 2023, a programme of advance training (re-training) in “Electric Power Engineering and Electrical Engineering” was launched and covered 45 trainees.

To enable employees to improve their competencies in the safe operation of electrical equipment and the power safety of a facility as a whole, the Institute implemented training under the “Relay Protection and Automation” programme for employees of Rosseti Kuban, PJSC and Rosseti South, PJSC. The practical part of the training was hosted by the Private Institution of Additional Professional Education “Interregional Energy Institute of the South”, with the engagement of specialists from RADIUS Avtomatika, JSC.

To develop a talent pool of top and mid-level managers, as well as experienced specialists and those who are in the talent pool for managerial positions, the Russian Presidential Academy of National Economy and Public Administration provided training under the advanced training programmes: “Top Manager. Project Management” and “Top Manager. Modern Technologies in Team Management”.

In 2024, the Company will continue running the advance training (re-training) “Electrical Power Systems and Grids” programme based on a networking cooperation agreement concluded with the Federal State Budgetary Educational Institution of Higher Education “Platov South Russian State Polytechnic University”. The programme is aimed at acquiring knowledge in the design and operation of electric power systems and electric grids of various levels, which will allow trainees to successfully solve practical tasks in their professional activity. At the end of the training, the Platov South Russian State Polytechnic University issues its diplomas about retraining, thus granting the qualification Specialist in the Field of Electric Power Systems and Power Grids and the right to conduct professional activities in the fields of electric power engineering and electrical engineering. In the period from 2021 to 2023, 100 specialists from Rosseti Kuban, PJSC were trained.

Indicators of evaluation procedures of Rosseti Kuban in 2021–2023

Indicator	UoM	2021	2022	2023	Change 2023/2022, %
Number of personnel who underwent evaluation procedures/ ratio to average headcount, including	people	1,840	1,612	1,309	-18.8
• assessment of competences (corporate and managerial), including recruitment, transfer to a new position, selection to the talent pool, etc.	people	1,391	1,200	1,037	-13.6
• independent assessment of qualification (in qualification assessment centres)	people	449	412	272	-34.0
Headcount of talent pools	people	342	325	421	+29.5
• including the management pool	people	242	239	307	+28.5
• including the youth pool	people	100	86	114	+32.6
Share of leading positions filled by the talent pool	%	64.32	62.16	68.47	+6.31 p.p.
Share of leading positions staffed by internal candidates, including from the talent pools	%	63.90	53.80	51.7	-2.1 p.p.

In the reporting year, 272 employees of the Company (3.1% of the average headcount) were sent for independent qualification assessment to the Energia Qualification Assessment Centre (a branch of Energetik

Health Resort, JSC); out of those, 229 successfully passed the professional examination and confirmed their professional qualification. Around 1,037 people took part in the assessment of the Company’s needs in

the comprehensive assessment of managers by the Assessment Centre method, the assessment of the professional competences of specialists and managers, and the psychodiagnostic assessment in 2023.

Social Policy

The key principles of the Social Policy of Rosseti Kuban include the creation of comfortable conditions for employees’ work and rest, higher social security of employees and their better labour/social relations. The Company strives to develop social partnership, improve the social security of employees, and create development prospects for the Company as a whole.

Rosseti Kuban places high importance on social support to energise staff members and raise their commitment to production tasks. The benefits and guarantees in place in the Company, as well as social programmes and employee support

programmes, help attract and retain the most valuable employees, promote staff loyalty to the Company, and facilitate the achievement of the Company’s goals.

While demanding the maximum commitment and improved performance from its staff, the Company acknowledges that it is necessary to provide the employees with extra social benefits and guarantees exceeding those prescribed by law and funded from the Company profits.

The Social Policy of Rosseti Kuban is aligned with the Sectoral Tariff Agreement of the Electric Power Industry of the Russian

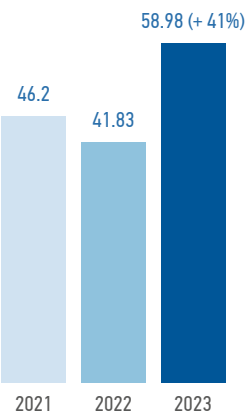
Federation, the collective bargaining agreement, by-laws, rules and other local regulatory documents.

In accordance with the collective bargaining agreement, as part of the social package, the Company’s employees receive financial assistance in connection with childbirth, marriage registration, burial of close relatives, retirement, difficult financial situation (emergency case), status of families with many children, and in case of death of an employee as well. There is also compensation for childcare in pre-schools, etc.

Social benefits for the Company’s employees, their family members and retirees (RUB mln)

Social events	2021	2022	2023
Monetary support for employees and retirees	45.23	40.70	56.81
Compensation payments	0.97	1.13	2.17

Changes in social package in 2021–2023 (RUB mln)



The collective bargaining agreement of the Company covers the support of employees who need better housing conditions through financial aid in partial payment of credit interest. In the reporting period, the Company paid a total of RUB 26.56 million to 287 employees as financial aid.

Being a socially responsible Company, Rosseti Kuban takes care of the Company’s veterans and retirees. Honouring the veterans and providing them with monetary support is an integral component of the Company’s social performance. Rosseti Kuban renders monthly material aid to retirees. In the reporting period, over 2,400 of the Company veterans and retirees received various benefits (monetary support for the Victory Day, the Power Engineer Day, monthly monetary support and on-application monetary support, etc) to the total of RUB 8.55 million.

An important factor in improving the workforce efficiency is the promotion of health and recreation of employees and their children. In the reporting year, more than 700 vouchers were purchased for recreation of employees and their family members, and more than 150 vouchers were purchased for health resort treatment. The Company also provided over 430 discounted vouchers to children’s health camps.

Rosseti Kuban provides its employees with high quality modern medical services through voluntary health insurance and accident insurance contracts.

The social security of employees and non-material incentives are promoted through the non-state pension provision schemes designed to ensure a decent level of well-being of employees at retirement age, to lay the groundwork for the effective solution of HR issues related to recruitment, retainment and motivation.

Rosseti Kuban focuses on the development and maintenance of healthy lifestyle of its employees and arranges health, fitness, and participation sports among the employees and provides them with access to the sports facilities. The outcomes of the reporting year:

- Rosseti Kuban, PJSC teams took part in Rosseti Group corporate sports events in mini-football (1st place), volleyball (2nd place), and chess (6th place in the final of the XIII Open Chess Tournament for power industry employees in memory of Mikhail Botvinnik)
- More than 400 employees of Rosseti Kuban, PJSC participated in the Open Athletic Contest of power industry employees in 7 sports: mini-football, volleyball, table tennis, chess, weight lifting, swimming, and GTO (Ready for Labour and Defence) all-round competitions
- More than 380 employees of Rosseti Kuban, PJSC took part in the Russian Background Walking Championship “Man Walking” in the Corporate Teams category. The team of Armavir Power Grids branch was awarded in the category “Best Team of the Region”
- The chess team of Rosseti Kuban, PJSC took part in the Russian championship among corporate teams as well as in online tournaments among companies and institutions of the fuel and energy complex of Russia
- The basketball team of Rosseti Kuban, PJSC took part in tournaments of the Interregional Amateur Basketball League
- Rosseti Kuban, PJSC employees took part in the Regional Festival of the All-Russian Physical Culture and Sports Complex “Ready for Labour and Defence (GTO)” among labour collectives, as well as in regional and municipal competitions held in the Krasnodar Territory and the Republic of Adygeya

Rosseti Kuban also attaches great importance to cultural-enlightenment events that help unite and rally its personnel, thus improving the corporate culture. The 2023 witnessed the following events in this area:

- Events dedicated to the celebration of the Defender of the Fatherland Day and International Women’s Day (8 March)
- Children’s drawing contest “Rosseti: Children Draw!” as part of participation in the contest among children of the Group’s employees
- Commemoration of Victory Day in the Great Patriotic War of 1941–1945
- Events on the occasion of Children’s Day
- Events to mark Knowledge Day
- Children’s drawing competition “Autumn through the Eyes of Children”
- Corporate children’s creative contest “Energy of Talents”
- New Year’s Eve celebrations: a greeting for veterans, employees and children of the company’s employees

More than 500 children took part in the qualifying and final stages of the children’s competitions, and more than 240 of them were awarded valuable prizes and gifts.

Traditionally, the Company pays great attention to the preparation and celebration of the Power Engineer Day — the professional holiday of the Company.

Youth Policy

The Company’s Youth Policy covers the activities within three key areas:

- Early career guidance of schoolchildren

- Practice-oriented training of personnel in educational institutions of secondary vocational and higher education

- Professional development of junior specialists — employees of the Company

Youth Policy Indicators of Rosseti Kuban PJSC in 2021–2023

Indicator	UoM	2021	2022	2023	Change 2023/2022
Number of schoolchildren participating in career guidance projects of the Rosseti Group	people	71	31	94	+203%
Number of partner universities/colleges in the regions where the Company operates	ea	40	40	41	+3%
Number of university/college students trained under company-sponsored training contracts	people	50	60	80	+33%
Number of university/college students who completed internships with the Company	people	468	741	807	+9%
Number of university/college graduates employed by the Company in the reporting year	people	39	63	62	-2%
Number of young professionals who participated in corporate, regional or federal level competitions, forums, conferences	people	6	10	10	0%

>18,000

schoolchildren participated in career guidance projects of Rosseti Kuban, PJSC in 2023

80 students

are studying at universities under Company-sponsored training contracts

The Company carries out comprehensive work with schoolchildren, including organising open days, career guidance lessons, energy safety lessons, and study tours to the facilities of the Company’s branches. The total number of sponsored schoolchildren participating in career guidance projects run by Rosseti Kuban, PJSC in 2023 was over 18.000. The All-Russian Olympiad for Rosseti Group students is being hosted in order to prepare professionals to fill future staffing demands. For schoolchildren, this is a unique opportunity to test themselves and learn about current issues and trends in the power industry by solving unusual and interesting problems. In 2023, 292 schoolchildren of grades 9 to 11 who represented the regions where the Company operates competed in the competition.

Vocational guidance is offered to schoolchildren in order to develop their interest in the power industry and to help them enter universities and colleges in their fields of study. As of 31 December 2023, 55 cooperation agreements with educational institutions in the region of the Company’s presence were in force, including those with partner universities: Kuban State Agrarian University and Kuban State Technological University.

The main areas of cooperation with universities and colleges are targeted education, practice-oriented training, vocational guidance, and the management of student teams.

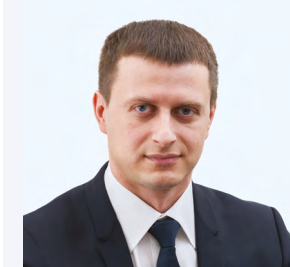
As of the end of the reporting period, 80 students were studying at core universities under Company-sponsored training contracts, of which 28 contracts will be concluded in 2023. The focus areas of Company-sponsored training include Electric Power and Electrical Engineering Agro-Engineering, with major courses: Electrical Technologies and Electrical Equipment, Information Systems and Technologies.

The total number of students who took internships at the Company’s facilities in the reporting year was 807 (741 students in 2022). In 2023, 109 students from partner universities took part in 10 student teams during the summer work season.

The Company also implemented a range of events for student team members to delve deeper into the profession and develop practical skills. Those included training in working professions at the corporate training centre, preparation, and passing a professional exam to obtain the following qualifications: Electrician for Maintenance and Repair of Overhead Transmission Lines (Qualification Level 3) and Electrician for Maintenance of Metering Devices (Qualification Level 3). Practical drills were organised to develop managerial and professional competences: students took part in a hackathon, professional skills competitions, and an athletic contest.

In order to develop the competences of the Company’s young specialists in the field of project activities and implementation of best practices and to promote the formation of inter-corporate communities, five employees of the Company in 2023 became participants of the Forum of Young Specialists’ Communities “Forsazh”, and another five employees took part in the International Engineering Championship (League of Young Specialists).

OCCUPATIONAL HEALTH AND SAFETY



employees in the area of occupational safety are set out in the Labour Code of the Russian Federation and the Regulations on the Health and Safety Management System of Rosseti Kuban, PJSC. Creating a safe and comfortable working environment and eliminating the risk of occupational accidents is one of the prerequisites for the reliable and efficient operation of the company.

In 2023, measures were taken to improve the production culture, prevent occupational injuries among personnel, and improve the system for the safe performance of scheduled and emergency recovery operations.

The key principle of the occupational safety activities of Rosseti Kuban is to recognise and ensure the priority of employees’ lives and health as compared to the results of the Company industrial activities.

The work of power specialists is associated with constant risk, so the Company faces a number of critical tasks to create healthy and safe working conditions and improve technological and labour discipline. Every manager at all levels is responsible for occupational health and safety within their remit and job responsibilities. The responsibilities of the employer, managers, and

VLADIMIR MIKHAILOV
Deputy General Director for Technical Issues — Chief Engineer

The current version of the HSMS Regulations complies with the requirements of the current Russian legislation and interstate standards in the field of occupational safety:

- Labour Code of the Russian Federation;
- Order of the Ministry of Labour of the Russian Federation No. 776n dated 29 October 2021 On Approval of the Model Regulations on the Health and Safety Management System
- National standards GOST R 12.0.007-2009 Occupational Safety Standards System. Labour protection management system in organization. General Requirements on Development, Implementation, Audit and Improvement and GOST R ISO 9000-2015 Quality Management Systems. Fundamentals and vocabulary
- Interstate standards GOST 12.0.230-2007 Occupational Safety Standards System. Occupational safety and health management systems. General Requirements, GOST 12.0.002-2014 Occupational safety standards system. Terms and Definitions, GOST 12.0.230.1-2015 Occupational Safety Standards System. Occupational Safety and Health Management Systems. Guidance for Use of GOST 12.0.230-2007; GOST 12.0.230.2-2015 Occupational Safety System Standards. Occupational Safety and Health Management Systems. Conformity Assessment. Requirements
- International standard ISO 45001:2018 Occupational Health and Safety Management Systems — Requirements with Guidance for Use.

The HSMS Regulations apply to all employees of the Company, at all workplaces, and in all subdivisions.

Occupational Safety

In order to improve the efficiency of the Health and Safety Management System, eliminate and/or minimise vocational risks in the field of occupational health and safety and manage such risks, develop measures aimed at creating safe working conditions, preventing occupational injuries

and work-related diseases, and control compliance with occupational health and safety requirements at all management levels, the Company has Regulations on the Health and Safety Management System (hereinafter, referred to as the HSMS Regulations).

The Company’s main objectives in the field of occupational safety are as follows:

- Creation of a healthy and safe working environment
- Reduction of occupational injuries and work-related diseases
- Mitigation of risks of accidents and incidents at hazardous production facilities
- Cushioning of the risks of road traffic accidents related to production activities
- Exclusion of workplaces with hazardous labour conditions
- Promotion of a high level of corporate safety culture

The management of the Company is in charge of upholding secure working conditions and labour safety at Rosseti Kuban, PJSC, as well as their adherence to the established regulations. The Company fully complies with the requirements of Russian laws regarding the occupational safety obligations of the employer.

The Company identifies and prevents hazards in the course of the following activities:

- Assessment and management of occupational risks, with special attention paid to high-risk jobs
- Special assessment of work environment
- Industrial control of work environment
- Prevention of accidents and elimination of their consequences
- Special-purpose, comprehensive and operational inspections
- Use of instruments, devices, equipment, and/or complexes (systems) of instruments and equipment (if available and feasible) that provide remote video, audio or other recording of work processes and storage of the obtained information

Occupational risk management activities include:

- Analysing the results of hazard identification and assessment of occupational risk levels, including assessment of the adequacy of existing risk management and control measures
- Development (if necessary) and implementation of additional (different from existing) measures to reduce occupational risks and/or new control measures

- Assessment of residual risk levels after implementation and adoption of additional measures to reduce their levels and/or new control measures
- Monitoring the implementation of risk management measures at workplaces, as well as periodic analyses of the effectiveness of such measures

Activities to investigate workplace accidents include:

- Organising the reporting of accidents and occupational diseases to the competent authorities and organisations
- Organising and ensuring a proper and timely investigation of an accident and occupational disease, drawing up investigation materials in accordance with legal requirements

The management of the Company (the Company’s branches) annually analyses and evaluates the achievement of occupational safety goals.

During 2023, systematic work was carried out to improve occupational safety, prevent occupational accidents and improve working conditions:

- Occupational safety and health measures developed in accordance with the Tentative List of Annual Measures to Improve Working Conditions and Occupational Safety and to Eliminate or Reduce Occupational Risks or Prevent their Increase approved by Order No. 771n of the Ministry of Labour of the Russian Federation dated 29 October 2021



Following the functional analysis of the occupational health and safety management system in 2023, the effectiveness of the total corporate efforts of the Company is recognised as satisfactory.

- Comprehensive programmes were implemented to reduce the risk of injuries to the Company’s personnel and third parties from electric shocks at the Company’s power grid facilities
- An annual study of the outcomes of the occupational safety work was conducted, goals for the following year were established, and a list was created to enhance working conditions and occupational safety, remove or decrease occupational risks, avoid injuries, as well as Action Plan for the development and improvement of the Safety Culture
- Quarterly video conference calls were held with the participation of directors, first deputy directors — Chief Engineers and heads of branch divisions
- Monthly occupational health and safety days were held, allowing many employees to be involved in the process of self-supervision and mutual supervision and increasing their knowledge and experience
- In the format of business games with the involvement of specialists in psychophysiological support of the reliability of professional activity of the Company’s branches, classes were held on the functioning of the occupational safety system and timely identification of potential threats and risks to the health and life of the Company’s employees; in two Company’s branches, Adygeyan Power Grids and Labinsk Power Grids, comprehensive inspections of compliance with the requirements of regulatory and technical documents, regulatory and legal acts in the operation of electrical installations, compliance with the requirements of safe operation of hazardous production facilities, organisational and administrative documents of the Company aimed at preventing occupational accidents and third party injuries were undertaken
- Heads of branches, business units and their deputies carried out unannounced inspections of workplaces to check the personnel’s compliance

About the Company	Strategic Report	Operational Results	Sustainable Development	Corporate Governance Report
with occupational safety rules when organising and carrying out work in electrical installations		working conditions, and managing the risks of occupational injuries and occupational diseases.	employees and take sanitary and anti-epidemiological (preventive) measures to ensure the safety of human health.	
In order to update documents and improve the Company’s integrated management system, and in line with the requirements of ISO 45001:2018 Occupational Health and Safety Management Systems — Requirements with Guidance for Use, in the reporting year, the following Company’s standards were approved: Occupational Health and Safety Hazards and Risks, Occupational Health and Safety Planning, and Occupational Health and Safety Monitoring and Measurements.		Rosseti Kuban, PJSC approved the List of High-Risk Jobs with Specific Requirements for Work Organisation and Employee Training. Information on safe methods and techniques for performing such work is communicated to employees as part of induction and on-the-job occupational health and safety briefings.	In order to identify and reduce the level of exposure of employees to harmful and/or hazardous production factors, a special labour assessment is carried out in all divisions of the Company.	
The Company’s policy in the area of occupational health and safety and prevention of occupational injuries and occupational diseases is aimed at preserving the life and health of employees in the course of their labour activity, ensuring safe		Employees performing high-risk work undergo mandatory training in safe work practices at specialised educational institutions.	During 2023, two industrial accidents occurred as a result of electric current exposure. Compared to 2022, the number of accidents decreased from three to two.	
		The Company’s Executive Office and branches annually conduct industrial control over harmful and hazardous factors affecting	No work-related diseases among the Company’s personnel were detected in 2023. No micro-injuries (micro-traumas) related to production activities that did not result in the loss of the personnel’s ability to work were registered in the reporting period.	

Information on work-related injuries and ill-health in the Company for 2021–2023

Indicators	UoM	Period		
		2021	2022	2023
For employees:				
Number of workers involved in work-related fatalities/ number of work-related fatalities	man/accident	0	1/1	1/1
Number of people injured in work-related accidents with severe injuries, number of work-related accidents with severe injuries	man/accident	1/1	0	2/1
For persons who are not employees, but whose work and (or) workplace is controlled by the Company:				
Number of workers involved in work-related fatalities/ number of work-related fatalities	man/accident	0	1/1	0
Number of people injured in work-related accidents with severe injuries, number of work-related accidents with severe injuries	man/accident	0	0	0
Number of work-related diseases that resulted in the death of an employee in the reporting year	–	0	0	0
Number of employees recognised as disabled as a result of a work-related illness in the reporting year	people	0	0	0
Number of persons diagnosed with work-related ill-health during the reporting period	people	0	0	0

A unified helpline is in place in all divisions of the Company to receive automated voice and text messages (SMS) from staff regarding occupational safety concerns, details of rule violations, and recommendations for ways to enhance working conditions, as well as behavioural safety audit is carried out. This is done in an effort to eliminate the underlying causes of injuries and to reduce them. 15 training films on the types of work performed were created, placement of publications and articles on occupational health and safety on the official web pages of the branches was organized; and occupational health and safety competitions in the nominations of the best subdivision and the best team vehicle were held.

The corporate newspaper Safe Labour has been published quarterly since 2022. A strategic session was held with directors, deputy directors for the implementation and development of services, assistant directors for the implementation of non-tariff services, heads of capital construction departments, and heads of power grid regions of branches to cover the topic: Implementation of Safety Culture at Rosseti Kuban, PJSC. Safety Culture Leader. More than 100 managers and specialists took part in the event.

Each team vehicle has posted “Disconnect, Check, and Ground” leaflets with a contact number of the helpline in conspicuous places.

A personnel motivation system has been implemented: the Collective Bargaining Agreement provides for a special type of bonus for work without violations of regulatory occupational health and safety requirements. In 2023, such bonuses were awarded to 306 employees of working trades who worked without violating regulations.

An annual competition is held for the titles “Best Production Unit”, “Best Team Vehicle”, and “Best Team”. The winners of the review competition are awarded with valuable gifts, and the personnel who won first place in the review competition are paid a supplementary payment in the amount of 15% of an employee’s official salary (wage rate) for one year.

A total of 110 publications and articles on the following topics were posted on the web pages of the Company’s branches: “They Should Be Equalled in Labour Safety” and “Man of Labour”. Such posts described the best employees of the branch who work without violating regulatory requirements for occupational safety.

The Company’s personnel at risk for health reasons, in addition to periodic medical examinations, are referred for additional medical examinations.

In order to prevent (mitigate) significant negative impacts on personnel health and ensure the preservation of the lives and health of the Company’s employees, the necessary protective equipment and devices were purchased in 2023 thus improving occupational safety and safe work practices. Annual acquisition order for working wear and shoes was fully completed.

Occupational health and safety (OHS) costs (in total) in 2023 amounted to RUB 422.7 million¹, which is 16.4% more than in 2022.

Specific OHS costs per employee in 2023 were RUB 48,300.

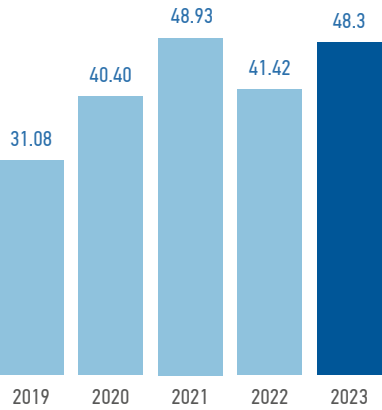
422.7 RUB mln

total occupational health and safety costs borne by the Company, including pre-trip medical examination of drivers (+16.4% vs. 2022)

48,300 RUB

are specific occupational health and safety costs per employee (+16.6% vs. 2023)

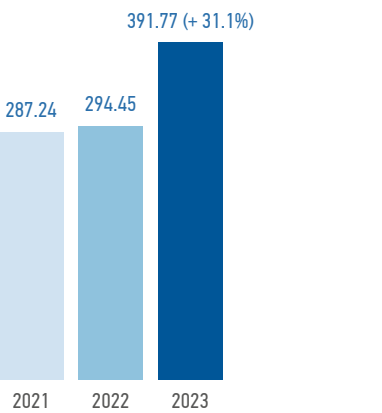
Changes in the Company’s occupational health and safety costs per one person from 2019 to 2023 (RUB ‘000)²



The unit cost of personal protective equipment per employee in 2023 was RUB 31,310, which is 32% higher than in 2022.

In accordance with the Labour Code of the Russian Federation, the financing of measures to improve labour conditions and occupational health and safety in the Company is carried out in the amount of not less than 0.2% of the sum of the costs of manufacture of products (performance of works or services). These measures were actually financed in the amount of 0.63% of the amount indicated.

Changes in expenditures for occupational safety measures for the Company in 2021–2023 (RUB mln)³



¹ Taking into account the costs of pre-trip medical examinations of drivers.

² Excluding expenses on the prevention of coronavirus infection spread.

³ Excluding the cost of pre-trip medical examinations of drivers.

Industrial Safety

The operational supervision for industrial safety is aligned with the Company’s order No. 550–od dated 28 September 2021 “On the Appointment of Persons Responsible for Operational Supervision for Industrial Safety Requirement Implementation at Hazardous Facilities” and with the Regulation of Operational Supervision for Industrial Safety Requirement Implementation at Hazardous Facilities approved by the Order No. 324 dated 9 June 2020 and elaborated in line with the following documents:

- Federal Law No. 116-FZ dated 21 July 1997 “On Industrial Safety of Hazardous Production Facilities” (as amended from time to time)
- Order No. 461 of the Federal Service for Environmental, Technological and Nuclear Supervision dated 26 November 2020 “On Approval of Federal Standards and Rules for Industrial Safety of Hazardous Production Facilities, Safety Rules for Hazardous Production Facilities with Hoisting Equipment”
- Decree of the Government of the Russian Federation No. 2168 dated 18 December 2020 “On the Organisation and Implementation of Production Control over Compliance with Industrial Safety Requirements”

The Company has three hazardous production facilities registered at the Federal Service for Environmental, Technological and Nuclear Supervision (certificate No. A30-00777 dated 13 October 2020). In 2023, the hazardous production facilities were operated following the requirements set out in technical reference documents.

- The following measures were taken at the hazardous production facilities of Rosseti Kuban, PJSC in 2023:
- 127 industrial safety examinations
 - 191 partial technical inspections of equipment
 - 74 full-scale technical inspections of equipment
 - 706 functional checks of safety equipment

In 2023, for the sake of industrial safety training and certification of employees, the following activities were undertaken:

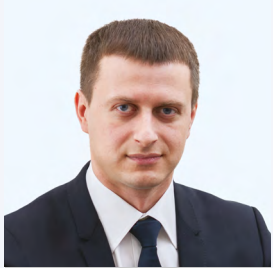
- 179 employees underwent advanced training

- 544 employees were certified by the certification commission of the Company through Rostekhnadzor’s Unified Testing Portal in the Field of Industrial Safety, Safety of Hydraulic Facilities, and Safety in the Electric Power Industry
- 5 employees were certified by the territorial certification commission of Rostekhnadzor

Accounting and investigation of accidents, incidents at hazardous production facilities operated by the Company are performed in accordance with the approved procedure for technological investigation of causes of incidents at hazardous production facilities approved by Order of the Company No. 303–od dated 7 June 2021.



ENVIRONMENTAL PROTECTION



Environmental protection and environmental safety issues are a subject of special attention for the Company. Rosseti Kuban, PJSC uses the most promising technologies aimed at reducing environmental impact in its operations, implements innovations, energy-efficient and energy-saving technologies in compliance with environmental protection requirements, and minimises environmental impact. The Company has all necessary mechanisms to prevent environmental risks.

In 2024, the Company will finalise its campaign to comply with the Stockholm Convention on Persistent Organic Pollutants, along with the cessation of polychlorinated biphenyls in equipment.

Preservation of biodiversity and ensuring ornithological safety are achieved by installing bird diverters and constructing/reconstructing overhead lines featuring self-supporting insulated wires.

VLADIMIR MIKHAILOV
Deputy General Director for Technical Issues — Chief Engineer

The Environmental Policy of the Company sets forth the goals to decrease the negative impact on the environmental compartments and support environmental safety at power grid facilities, upgrade equipment and employ innovative and eco-friendly technologies during renovation, retrofitting and construction of power grids, as well as the rational use of natural resources.

In 2024, the decommissioning of equipment containing trichlorinated biphenyl will be completed in order to stop using polychlorinated biphenyls in equipment and replace it with environmentally safer equipment, which demonstrates the Company's compliance with the Stockholm Convention on Persistent Organic Pollutants ratified by Federal Law No. 164-FZ dated 27 June 2011.

Since the start of the campaign of phased decommissioning of equipment containing persistent organic pollutants with toxic properties, the Company has dismantled 9,144 units of condensers containing trichlorodiphenyl and ensured environmental safety by transferring 412.59 tonnes of waste from those condensers, which is classified as extremely hazardous waste of Class 1, to specialised organisations for deactivation.

Under the contract concluded with the Federal Environmental Operator, 932 units of condensers with trichlorodiphenyl (44.80 tonnes of waste) were prepared for transfer for treatment in 2023. In addition, 731 units of condensers with trichlorodiphenyl (34.26 tonnes of waste), which were dismantled in 2022, were transferred for treatment.

9,144
condensers

containing trichlorodiphenyl dismantled since the start of the phased campaign for equipment containing persistent organic pollutants with toxic properties

412.59 tonnes
of hazardous waste transferred for treatment

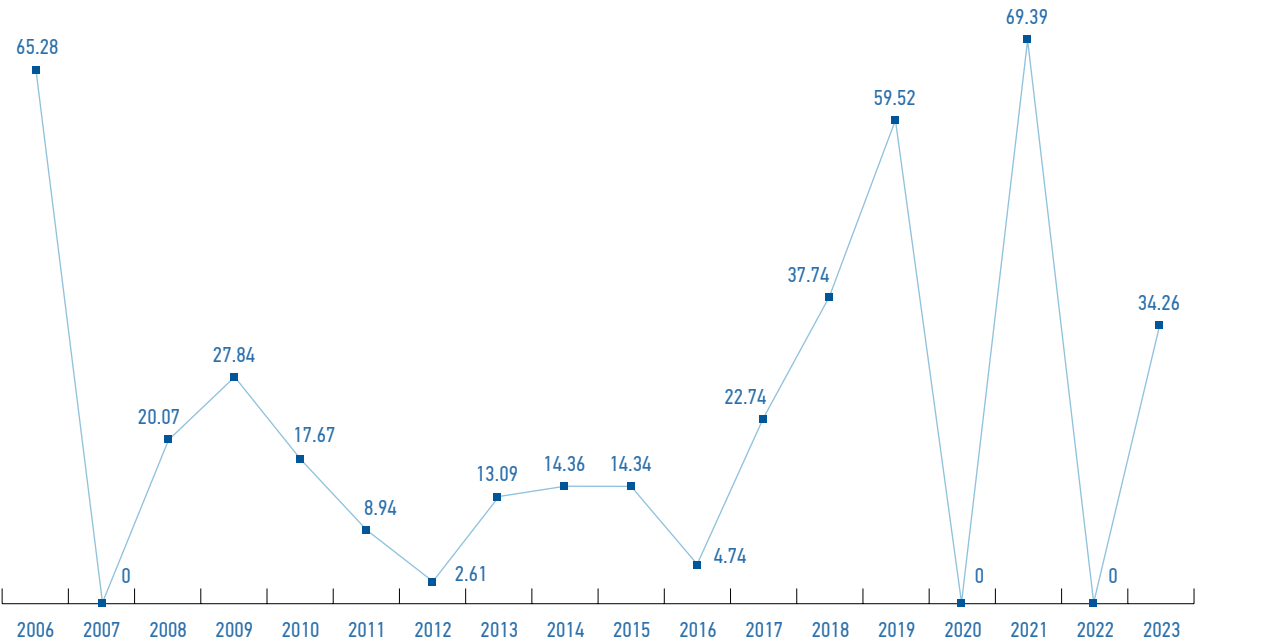
By transmitting the most highly efficient and environmentally friendly type of energy — electricity — to consumers, Rosseti Kuban, PJSC has a negative impact on the components of the natural environment: soil, atmospheric air, surface and underground water, subsoil, flora and fauna, and other organisms.

A total of 69 facilities of Rosseti Kuban, PJSC were registered with the state authorities. The facilities are classified as those with insignificant negative environmental impact and assigned to Category III.

Changes in the Company's environmental indicators over 2021–2023

Indicators	2021	2022	2023	Change 2023/2022, %
Gross pollutant emissions into the air, total, t	64.67	35.04	34.77	- 0.8%
Volume of water consumption, thousand m³	69.89	68.86	62.53	- 9.2%
Volume of waste generated, t	2,711.11	2,696.79	3,498.60	+ 29.7%
Volume of waste transferred for disposal and treatment, t	531.57	411.21	858.61	+108.8%
Payments for adverse environmental effects, RUB '000	170.77	218.58	220.56	+0.9%
Provision of power grid facilities with bird diverters, pcs.	4,217	2,977	2,350	-21.1%

Quantity of waste containing trichlorodiphenyl transferred for treatment (t)



In relation to the 2023 indicators, the gross emission of pollutants into the atmospheric air remained at the level of 2022 (a slight decrease of 1%), and the values of actual emissions did not exceed the maximum permissible concentrations of pollutants. The main sources of atmospheric air pollution are the operation and maintenance (repair) of vehicles, diesel power plants, machine tools (milling, drilling, turning, and sharpening), septic tanks, as well as welding and painting works, chemical analyses of transformer oils, and storage of transformer and motor vehicle oils.

The Company keeps records of direct greenhouse gas emissions, which amount to less than 150,000 tonnes of carbon dioxide per year. Thus, Rosseti Kuban, PJSC does not belong to organisations regulated by Russian legislation on limiting greenhouse gas emissions.

Water consumption is organised using centralised water supply systems and groundwater sources (water intake wells). The Company has entered into contracts with guaranteeing organisations for water supply and disposal. The volume of water consumption and, accordingly, wastewater disposal decreased by 9% in view of a reduced demand for household needs in administrative buildings.

In 2023, there was a 30% increase in the amount of hazard class I and V waste generated compared to 2022 due to the following:

- Decommissioning of condensers containing trichlorodiphenyl in 2022 and their switching to waste status in 2023
- More renovation works at the facilities associated with the generation of scrap reinforced concrete products and scrap aluminium electrical products,

as well as scrap metal associated with the decommissioning of vehicles no longer fit for service

Waste generated by the Company in the course of its production activities is subject to accumulation at production sites for a period not exceeding 11 months, with subsequent provision for its transfer to specialised organisations.

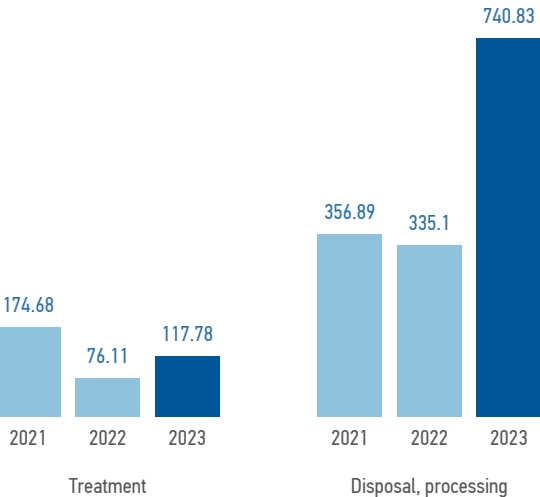
Waste generated is managed in the following way:

- an internal instruction on production and consumption waste management at Rosseti Kuban, PJSC has been issued and is in force
- Waste accumulation locations (sites) have been arranged in accordance with the legislative requirements of the Russian Federation in the field of waste management
- Selective accumulation of waste by type and hazard class is established

- Waste generation and movement are recorded in accordance with Order of the Ministry of Natural Resources and Environment of the Russian Federation No. 1028 dated 8 December 2020
- The personnel is informed about the rules of production waste management
- timely removal of hazard classes I–V wastes from industrial sites and their transfer to specialised organisations for further treatment, recycling, deactivation and/or disposal.

Guided by the basic principles and priority areas of the state waste management policy, Rosseti Kuban, PJSC transferred 99% more waste to specialised organisations for deactivation, recycling, and treatment in 2023 than in 2022.

Waste transferred to specialised organisations (total) (t)



Payments for negative environmental impact are made in due time and in full for the following types of impact:

- Emissions of pollutants into the atmospheric air from stationary sources
- Discharges of pollutants into water bodies
- Storage and landfill of industrial waste (waste disposal)

The total fee in 2023 (RUB 220,560) remained at the level of 2022 (RUB 218,580).

In 2023, there were no inspections of the Company by the federal environmental supervision authorities, and no claims were made regarding the Company's non-compliance with the requirements of environmental and sanitary-epidemiological legislation.

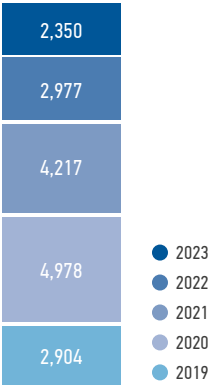
Planning and implementation of environmental protection measures complied with the Environmental Policy of Rosseti Kuban and the obligations to apply the most advanced technical solutions that eliminate the impact of harmful substances on the environment, to prevent environmental risks, and to improve the environmental management system.

To prevent the risk of bird deaths, 35–110 kV overhead lines are equipped with special bird diverters.

In the reporting period, the following measures aimed at reducing the negative environmental impact were implemented:

- 2,350 bird diverters were installed on 35–110 kV overhead lines and 896.19 km of overhead lines were constructed/reconstructed using self-supporting insulated wires to preserve biodiversity and ensure ornithological safety
- 82 oil-filled bushings were replaced with solid-insulated bushings to protect wildlife
- Emergency oil discharge systems and transformer oil receivers at 26 substations were repaired (renovated) to prevent potential environmental contamination
- Six tonnes of transformer oil, after treatment (regeneration), were reused to reduce the use of natural resources

Provision of power grid facilities with bird diverters (pcs.)



2,350 bird diverters

were installed on power grid facilities

896.2 km

of power transmission line were installed with self-supporting insulated wire

82

oil-filled bushings were replaced with solid-insulated bushings

at 26 substations

Emergency oil drainage systems were repaired

The Company's managers and specialists in the field of environmental protection and ecological safety responsible for decision-making when carrying out activities that have or may have a negative impact on the environment passed the necessary training, which is confirmed by relevant documents. Retraining and training of

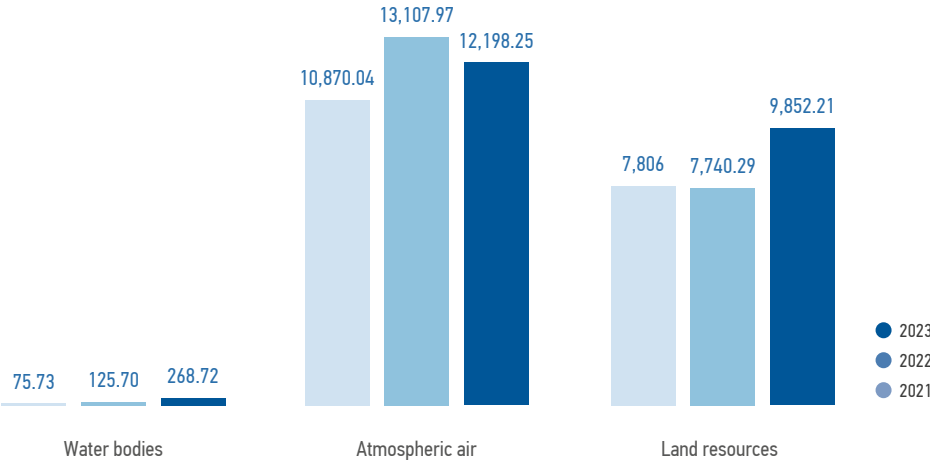
newly hired personnel are carried out on a scheduled basis in specialised training institutions.

In 2023, five employees of Rosseti Kuban, PJSC were trained under the programme "Environmental Protection and Ensuring Ecological Safety at a Facility".

22.3 RUB mln

Company's environmental protection costs in 2023

Current environmental protection costs (RUB '000)



There were no significant changes in current environmental protection costs in 2023 compared to 2022.

The Company keeps its voluntary environmental responsibility mechanisms up to date. Rosseti Kuban's environmental management system has been put in place, assessed and certified as meeting the requirements of ISO 14001 international standard, Environmental Management System, since March 2009. In order to assess the compliance of subdivisions' activities with the Environmental Policy

of Rosseti Kuban, PJSC, legislative requirements and internal regulations, and to identify opportunities for improving the Environmental Management System, the Company's auditors conduct a two-stage internal environmental audit. The audit is conducted by the auditors of the Executive Office with visits to all branches of the Company throughout a year, as well as by the auditors of the branch with visits to the subdivisions of the branch.

All auditors (16 specialists) of the company were trained on the course: Internal Auditor of Environmental Management System per ISO 14001:2015.

In 2023, the supervisory audit of Rosseti Kuban, PJSC conducted by Russian Certification Technologies, LLC did not reveal any non-compliances with the requirements of the international standard ISO 14001:2015 Environmental Management System.

ENERGY CONSUMPTION AND ENERGY SAVING

In the reporting year, the Company performed the work on energy saving and energy efficiency improvement according to the following documents:

- Decree of the Government of the Russian Federation No. 161 dated 11 February 2021 "On Establishing Requirements for Regional and Municipal Energy Saving and Energy Efficiency Improvement Programmes"
- Federal Law of the Russian Federation No. 261-FZ dated 23 November 2009 "On Energy Saving and Enhanced Energy Efficiency, as well as Amendments to Certain Legislative Acts of the Russian Federation"
- Decree of the Government of the Russian Federation No. 340 dated 15 May 2010 "On the Procedure for Setting Requirements for Energy Saving and Energy Efficiency Improvement Programmes of Organisations Engaged in Regulated Activities"
- Decree of the Government of the Russian Federation "On Investment Programmes of Electric Power Industry Entities" No. 977 dated 1 December 2009 (as amended)
- Order of REC-PTD KT "On Approval of Requirements for Programmes in the field of Saving Energy and Improving the Energy Efficiency of Organisations Engaged in Regulated Activities in the Krasnodar Territory" No. 5/2011 dated 31 March 2011
- Law of the Krasnodar Territory "On Energy Saving and Energy Efficiency Improvement in the Krasnodar Territory" No. 1912-KZ dated 3 March 2010
- The Energy Saving and Energy Efficiency Improvement Programme of Rosseti Kuban, PJSC for the period 2023–2027 approved by the decision of the Board of Directors dated 29 June 2022 (Minutes No. 482/2022, hereinafter referred to as the Programme).

To make sure that the Programme is implemented as is right and proper, Rosseti Kuban appointed the persons responsible for arranging and monitoring its fulfilment, and established working groups as well.

Performance targets of the Programme



1

Reduction of electricity losses in transmission and distribution



2

Consumption of energy resources for household needs



3

Number of LED-based lighting devices

Achievement of the Programme's targets:

Actual losses of electricity during transmission and distribution through the power grids at the end of 2023 amounted to 9.49% against the plan of 9.41% set by the Programme

the target was not achieved

Consumption of energy resources for household needs at the end of 2023 was 3.78 ths TFOE against the plan of 4.08 ths TFOE

the target was achieved

The number of lighting devices using LEDs at the end of 2023 is 89% of the total number of used lighting devices against the plan of 75%

the target was achieved

Indicators for energy consumption and energy savings in 2021–2023

Indicators	UoM	2021	2022	2023	Period
					Change 2023/2022, %
Consumption of energy resources for household needs of administrative and industrial buildings	thousand TFOE	4.16	3.90	3.78	-3.1
	RUB mln	123.75	123.39	120.33	-2.5
Consumption of natural resources for household needs of administrative and industrial buildings	thousand m³	69.45	68.43	62.19	-9.1
	RUB mln	2.62	2.41	2.40	-0.4
Motor fuel consumption by motor vehicles and special-purpose vehicles	thousand TFOE	8.79	8.81	8.84	0.3
	RUB mln	303.55	327.67	337.24	

Amount of energy resources used by the Company in 2023

Sr. No.	Types of resources	UoM	Plan 2023	Actual 2023	Variation, %
1.	atomic energy	not used			
2.	thermal energy	Gcal	3,120.54	2,956.50	-5.3
		RUB mln	9.72	7.59	-21.9
3.	electric energy	mln kWh	29.17	27.22	-6.7
		RUB mln	130.36	112.11	-14.0
4.	electromagnetic energy	not used			
5.	petroleum	not used			
6.	motor petrol	thousand litres	4,201.28	4,428.33	+5.4
		RUB mln	183.20	188.00	+2.6
7.	diesel fuel	thousand litres	3,130.32	3,105.39	-0.8
		RUB mln	138.20	149.24	-8.0
8.	furnace fuel oil	not used			
9.	natural gas	thousand m³	116.49	83.50	-28.3
		RUB mln	1.14	0.62	-45.6
10.	coal	not used			
11.	oil shale	not used			
12.	peat	not used			

-5.3%

reduction in heat utilisation

-6.7%

reduction in electricity use vs. 2022

MANAGEMENT SYSTEMS

The Company put in place the following management systems:

Quality Management System (QMS)

QMS is a part of the Company's overall management system with the own organisational structure, processes, procedures and resources necessary for the general quality management.

QMS was implemented at Rosseti Kuban, PJSC and successfully passed certification/recertification audits for compliance with the requirements of ISO 9001 within the period from 2009 to 2022.

In 2023, during the 2-nd surveillance audit, the certification body ROSTECHSERT, LLC confirmed the compliance of the Company's QMS with the requirements of ISO 9001. The Company received confirmation of the validity of the Quality Austria Certificate Reg. No. 25523/0 dated 19 January 2021.

Environmental Management System (EMS)

EMS is a part of the Company's overall management system with its own organisational structure, mechanisms, procedures and resources necessary for management of the environmental aspects of activities through developing and achieving the environmental policy goals.

EMS was implemented at Rosseti Kuban, PJSC and successfully passed certification/recertification audits for compliance with the requirements of ISO 14001 within the period from 2009 to 2022.

In 2023, during the 2-nd surveillance audit, the certification body ROSTECHSERT, LLC confirmed the compliance of the Company's EMS with the requirements of ISO 14001. The Company received confirmation of the validity of the Quality Austria Certificate Reg. No. 04287/0 dated 19 January 2021.

Energy Management System (EnMS)

EnMS is a part of the Company's overall management system, which has a well-defined organisational structure and focuses on fulfilling the provisions stated in the energy policy through the Programme on Energy Saving and Energy Efficiency Improvement.

EnMS was implemented at Rosseti Kuban, PJSC and successfully passed certification/recertification audits for compliance with the requirements of ISO 50001 within the period from 2015 to 2022.

In 2023, during the 2nd surveillance audit, the certification body Russian Register Certification Association confirmed the compliance of the Company's EnMS with the requirements of ISO 50001. The Company received confirmation of the validity of certificate No. 21.2469.026 dated 8 December 2021.

Occupational Health and Safety Management System (OHSMS)

The OHSMS is a part of the general management system that helps manage risks and improve occupational health and safety performance.

The OHSMS was implemented at Rosseti Kuban, PJSC and successfully passed certification/recertification audits for compliance with the requirements of the international standard ISO OHSAS 18001 within the period from 2009 to 2020 and for compliance with the requirements of ISO 45001 within the period from 2021 to 2022.

In 2023, during the 2-nd surveillance audit, the certification body ROSTECHSERT, LLC confirmed

the compliance of the Company's OHSMS with the requirements of ISO 45001. The Company received confirmation of the validity of the Quality Austria Certificate Reg. No. 01101/0 dated 19 January 2021.

Innovation Management System (IMS)

The IMS is part of the Company's overall management system, which defines the basic principles of innovation and scientific & technological development aimed at improving the efficiency of Rosseti Kuban's operations through the development and implementation of new technologies, engineering, production and market launch of new innovative products and services.

The IMS was implemented in Rosseti Kuban, PJSC and successfully passed the certification audit for compliance with GOST R 56273.1-2014/CEN/TS 16555-1:2013 in 2022.

In 2023, during the 1-st surveillance audit, the certification body ROSTECHSERT, LLC confirmed

the compliance of the Company's IMS with the requirements of GOST R 56273.1-2014/CEN/TS 16555-1:2013. The Company received confirmation of the validity of certificate No. ROSS RU.FK11. K00649 dated 21 June 2022.

The Company's management systems comply with the requirements of international standards ISO 9001, ISO 50001, ISO 14001, ISO 45001 and GOST R 56273.1-2014/CEN/TS 16555-1:2013 and are combined in an integrated management system.

Information on availability of certificates

Management system	Certificate validity	Certification authority
ISO 9001 ¹	18.02.2024	ROSTECHSERT, LLC
ISO 14001 ²	18.02.2024	ROSTECHSERT, LLC
ISO 45001 ³	18.02.2024	ROSTECHSERT, LLC
ISO 50001 ⁴	28.12.2024	Russian Register Certification Association
GOST R 56273.1-2014/CEN/TS 16555-1:2013 ⁵	21.06.2025	ROSTECHSERT, LLC

- Main participants of the management systems:
 - Board of Directors of the Company
 - Company's executive bodies — General Director and the Management Board
- Representative of the Company's management on the relevant management system
 - Business unit that supports the functioning of management systems
- Business units of the Company and S&As involved in the functioning of management systems

¹ ISO 9001 — Quality Management System.
² ISO 14001 — Environmental Management System.
³ ISO 45001 — Occupational Health and Safety Management System.
⁴ ISO 50001 — Energy Management System.
⁵ GOST R 56273.1-2014/CEN/TS 16555-1:2013 — Innovation Management System.

Key operating results of the Management Systems

1

Increased reliability and stability of power supply

For more details, see Reliable and Efficient Operation of the Energy System section

2

Higher safety of power supplies

For more details, see Reliable and Efficient Operation of the Energy System section

3

Labour safety and health protection during production activities,
including reduction of total number of accidents in keeping with Labour Safety and Environmental Protection statutory requirements

For more details, please see the Occupational Health and Safety section

4

Enhanced energy efficiency

For more details, please see the Energy Saving and Energy Efficiency Improvement section

5

Environmental safety

For more details, please see the Environmental Protection

6

Enhanced quality level of grid connection services

For more details, please see the Rosseti Kuban Grid Connection section

7

Improved procurement performance

For more details, please see the Innovative Activities section

In general, Management Systems demonstrated positive operating results over the past year.

ANTI-CORRUPTION POLICY OF THE COMPANY

Rosseti and its S&As' Anti-Corruption Policy sets forth a consistent approach to compliance with Clause 13.3 of Federal Law No. 273-FZ dated 25 December 2008 "On Combating Corruption" in part that concerns the Company's obligations to develop and put in place measures to prevent and combat corruption, including:

- Identification and further elimination of causes of corruption (anti-corruption)
- Identification, prevention and suppression of corruption and sundry offences

- Minimisation and (or) liquidation of the consequences of corruption and sundry offences

On 12 September 2023, the Company's Board of Directors approved a new version of the Anti-Corruption Policy of Rosseti Kuban, PJSC¹.

The full text of the Anti-Corruption Policy of the Company is available in the

[About the Company / Anti-Corruption Policy](#) section on the official website of Rosseti Kuban, PJSC.

In the reporting year, Rosseti Kuban, PJSC approved the Anti-Corruption Plan for 2023 by Order No. 107-od dated 20 February 2023.

In 2023, the following was done to promote the Company's Anti-Corruption Policy:

Anti-corruption policy aspect	Measures taken in 2023
Establishment of the inner control and risk management process to prevent and combat corruption	Reports "On the results of anti-corruption monitoring" for 2022 and 6 months of 2023 were prepared and submitted to the Management Board, Audit Committee, and then to the Board of Directors of the Company; the reports were reviewed and taken into account by the Audit Committee and the Board of Directors of the Company without any comments. The 2nd line of defence report for 2022, along with the results of self-assessment of control procedures efficiency and quarterly updated passports of functional risks, business process risks, and Progress report on the Risk Management Action Plan for the Anti-corruption sub-process were prepared and forwarded to the Company's management
Identification and clearing of conflict of interests	The annual declaration of conflicts of interest of employees for 2022 was undertaken; 2,434 declarations were collected. No cases of conflicts of interest and pre-conflict situations were identified. Corporate Ethics Compliance and Conflict of Interest Commission of Rosseti Kuban, PJSC had one meeting. They reviewed the submitted statements of income, property and property liabilities born by the top managers or their immediate family members in 2022. As a result, no signs of affiliation, conflict of interest, or pre-conflict cases were identified. Conflicts of interests were declared for candidates for vacant positions at the Company. In 2023, 197 opinions were issued on the screening of candidates applying for vacant positions at Rosseti Kuban, 51 of which were negative
Development and introduction of standards and procedures to ensure good practice	In 2023, agreements on compliance with the requirements of the Anti-Corruption Policy and the Code of Corporate Ethics and Conduct of Employees were obtained from 56 new hires of the Company. The Company developed and effected three organisational decrees on anti-corruption compliance and the implementation of its Anti-Corruption Policy
Review and verification of reports of possible corruption and sundry abuses	In 2023, the Company received 17 reports of possible corruption and other abuses via the feedback form in the Anti-Corruption Policy section of Rosseti Kuban's website. The Company carefully looked into every such report. None of the reported cases was confirmed
Anti-corruption measures in interaction with partners and subcontractors	Information about signed agreements, additional agreements, and new subcontractors or business partners was added on a daily basis to the Company's automated system for collection and analysis of beneficiary data; in 2023, more than 67,000 agreements and additional agreements were uploaded there. The procurement documentation underwent the approval procedure. In 2023, the Company took part in 698 procurement procedures. For 15 procurement procedures, the initial (maximum) price was reduced to a total amount of RUB 38.12 mln, and 2 procurement procedures totalling RUB 117.95 mln were cancelled. More than 6,700 agreements submitted for procurement procedures include an anti-corruption clause and a beneficiary disclosure obligation for the counterparty

¹ Minutes No. 532/2023 dated 13 September 2023.

Anti-corruption policy aspect	Measures taken in 2023
Joint corporate efforts to prevent and combat corruption	Rosseti Kuban PJSC's declaration of compliance with the Anti-Corruption Charter of Russian Business was updated and sent to the Chamber of Commerce and Industry of the Russian Federation (Certificate of Accession No. 2319 dated 24 September 2015); information on the declaration was updated on the Chamber of Commerce and Industry of the Russian Federation website
Combating bribery of foreign public officials and officials of public international organisations	The Company received no reports on bribery of foreign public officials and officials of public international organisations from representatives of state authorities and law enforcement bodies of the Russian Federation, international and other organisations in 2023
Legal education and development of law-abiding behaviour, counselling and training for employees	<p>The Company continuously updates its legal framework and takes all the necessary measures and anti-corruption procedures to instil zero tolerance to corruption in its employees.</p> <p>Over 2023, 700 employees of the Executive Office and branches of Rosseti Kuban underwent entry training under a programme on preventing and combating corruption.</p> <p>In November 2023, all employees of Rosseti Kuban, PJSC who have labour relations, except for those who received training in 2023, received repeated training and screening testing on the course "Preventing and Combating Corruption in the Rosseti Group" through the corporate educational portal of Rosseti, PJSC.</p> <p>The Company modified its Territory without Corruption stand to increase the efficacy of awareness, education, and other initiatives designed to combat corruption.</p> <p>Along with the representatives of the Corporate Governance Department and Security Department of Rosseti, the representatives of the Company participated in the meetings of the working group, in the meeting of Rosseti Central Commission on Compliance with Corporate Ethics and Conflict of Interest Resolution, in the end-of-year meeting</p>

For 2024, the Company scheduled to approve and pun in place its Annual Anti-Corruption Plan and to enhance the following mechanisms:

1

Identification and clearing of conflict of interests

2

Compliance with anti-corruption procurement standards

3

Prevention of corruption in interaction with partners and subcontractors

ECONOMIC SECURITY OF OPERATIONS

Ensuring the economic security of operations is one of Rosseti Kuban’s most important tasks.

In the reporting year, to achieve this task, the Company was involved in:

- Protecting the Company's interests against external and internal threats of an economic nature
- Combating the unaccounted electricity consumption and an increase in accounts receivable
- Interacting with law enforcement and supervisory authorities
- Checking up:
 - Whistleblowing reports of individuals and legal entities
 - Potential and existing subcontractors of the Company, their business reputation and financial position, and to identify and prevent possible unfair practices on their part

- People recruited in terms of the credibility of their documents and the existence of compromising information about them

The most significant results of economic security activities of the Company in the reporting year:

- RUB 3.8 billion in damage caused by the failure of the Company's counterparty to fulfil its contractual obligations was compensated
- The Company developed a practice of countering illegal encroachments by unscrupulous applicants for grid connections (splitting of land plots, using front persons, etc.)
- The amount of damage prevented in 2023 is 6% more than in 2022

- The process of engaging third-party service providers to recover doubtful and bad debts under enforcement documents was initiated due to the growing number of enforcement documents on debts for electricity transmission services.

3.8

RUB bln

in damages due to non-fulfilment of contractual obligations by the Company's counterparty recovered

Key performance indicators related to economic security of Rosseti, Kuban, PJSC in 2021–2023

Indicators	2021	2022	2023	Change 2023/2022 (%)
Number of audits carried out with the involvement of security divisions in the area of financial and economic activities to detect, prevent and recover (repay) damage	9,771	10,396	2,347	Decrease by 4.4 times (the deviation is due to changes in the grid reporting methodology)
Anti-corruption control of the stages of procurement activities (review of analytical notes, issues submitted to meetings of the Central Procurement Body (Central Tender Commission), anti-corruption expertise of draft agreements, check of procurement participants for possible affiliation with Company employees)	2,124	2,211	1,960	-11.4%
Number of considered reports about possible corruption and fraud received through the hotline	21	11	17	+54.5%
Material damage prevented, based on the results of the work completed, RUB mln	132.20	284.06	302.29	+6.4%
Share of security personnel trained in the Company's human rights policy or specific security procedures and their application, %	29	34	28	-6 p.p.

DISCLOSURE OF INFORMATION

Disclosure System

The Information Policy of Rosseti Kuban is aimed at the complete satisfaction of shareholders, investment community, client, contractor, relevant market regulators, public authorities, employees and other interested parties seeking complete, relevant

and accurate information about the Company and its activities, as well as the free and unhindered access to such information.

The Company has in place [the Regulations on the Information Policy](#) describing the goals, objectives, principles, procedures, and terms of information disclosure and the list of data disclosed.

Principle of information transparency of the Company

Principles	Implementation of principles
Regularity, consistency and timeliness	<ul style="list-style-type: none">Continuity of the information disclosure process, for which the Company has a procedure to coordinate the work of all services and business units related to information disclosure or the activities of which may result in the need to disclose informationDisclosure of information that may materially affect the valuation of the Company and the value of its securities as soon as practicableDisclosure of material information in the Russian FederationTimely provision of information about the Company's position on rumours or unreliable data creating a wrong impression of the Company's situation and the value of its securities, which puts the interests of shareholders and investors at risk
Availability and accessibility	The Company uses a variety of information disclosure channels and methods, primarily electronic, accessible to the majority of stakeholders, which ensure free and unencumbered access of stakeholders to the information disclosed by the Company on a free-of-charge basis and without performing special procedures to become familiar with it
Reliability, completeness and comparability	<p>The Company provides:</p> <ul style="list-style-type: none">Clarity and consistency of the information disclosed and the comparability of the data provided (the ability to compare the Company's performance over different time periods)Objective and balanced nature of the information provided — when covering its activities, the Company does not shy away from disclosing negative information about itself which is material to shareholders and investorsNeutrality in financial and other disclosures, i.e., independence from the interests of any individuals or groups of individuals. Information is not neutral if the choice of its content or form of presentation is intended to achieve certain results or effects

The Company's information transparency is based on the maximum exercise of the rights of shareholders, their representatives, potential investors and other interested parties to receive information on the Company's activities. The prerequisites for this are:

- Protection of restricted information, including information constituting a state, commercial or other secret protected by law, including personal data, as well as insider information
- Compliance with the rules for the distribution and use of insider information as set out in the Company's internal documents

Apart from the data subject to obligatory disclosure, the Company publishes detailed information on its operations, securities and shareholders, as well as its governing and control bodies, significant transactions, and subsidiaries and affiliates. The Company also endeavours to disclose material non-financial information, which helps to form an objective and comprehensive view of the Company's impact on the environment, social sphere, and economy.

In parallel with the disclosure of information in Russian, the Company discloses information about the Company (including the announcement of the shareholders' meeting, the Company's annual report, accounting (financial) statements) in English and provides free access to it.

The disclosure of the information about the Company operations is mostly done through publishing the data on the corporate website, in the news feed of the authorised information agency (Interfax), in printed and electronic media, as well as via meetings, interviews, and briefings with the Company's shareholders and other stakeholders, etc.

The information policy shall be put in effect by the sole executive body of the Company.

The Board of Directors controls the implementation of the Information Policy Regulations by considering the annual reports of the General Director on compliance with the Information Policy.

The Company ensures the preparation and disclosure of the annual report, which provides shareholders and investors with a full picture of the Company's activities and development during the reporting year. For this purpose, in addition to the information required by Russian law, the Company strives to include in the annual report further information as provided for by the Regulation on Information Policy.

The annual reports of the Company for 2015, 2016, and 2018–2021 were shortlisted by relevant annual report competitions held by Moscow Exchange and the RCB media group in the category of the Best Annual Report of a Company of Capitalisation of under RUB 40 billion. The 2022 Annual Report of Rosseti Kuban, PJSC took third place in the 2023 Annual Report Competition held by Moscow Exchange, PJSC in the Best

Corporate Governance Disclosure category, and was also shortlisted for the Grand Prix in the Best Annual Report of a Company with a capitalisation of up to RUB 40 billion category.

Communications with Governmental Bodies and Public Organisations

Building effective information channels with target audiences and implementing the Rosseti Group's unified communication policy is Rosseti Kuban's priority in the area of government relations and public relations.

In the reporting year, Rosseti Kuban, PJSC was actively present in the public space of the regions, providing information support for working meetings of the Company's management with representatives of federal, regional and municipal authorities.

During 2023, the mass media covered a number of working meetings of Rosseti Kuban, PJSC management with the participation of representatives of Rosseti Group, the Ministry of Energy of the Russian Federation, and the authorities of the Krasnodar Territory and the Republic of Adygeya:

- A working meeting chaired by Andrey Proshunin, the Vice-Governor of the Krasnodar Territory, on grid connection of land plots allocated to families with many children for individual housing development (January 2023)
- A working meeting between Boris Ebzeev, Acting General Director of Rosseti Kuban, PJSC, and Veniamin Kondratiev, the Governor of the Krasnodar Territory, on operating in the autumn and winter period, the prospects for upgrading the

region's energy infrastructure, and the results of work to consolidate power grid facilities, which is being carried out in accordance with the Strategy for the Development of Russia's Electric Grid Sector (March 2023)

- A working meeting between Boris Ebzeev, Acting Director General of Rosseti Kuban, PJSC, and Murat Kumpilov, Head of the Republic of Adygeya, on the development of the republic's power grid complex, plans for the renovation and construction of power facilities, and the creation of new power capacities for the implementation of major investment projects in the region (May 2023)
- A meeting of the Government Commission for Electricity Supply Security on the preparation of electric power industry entities of the Southern Federal District for the 2023/2024 heating season, chaired by Nikolai Shulginov, Minister of Energy of the Russian Federation, with the participation of Boris Ebzeev, Acting General Director of Rosseti Kuban, PJSC (August 2023)
- A meeting to prepare the region for the autumn-winter period of 2023/2024 under the leadership of Veniamin Kondratyev, the Krasnodar Territory Governor, with the participation of Edgar Armaganyan, First Deputy General Director of Rosseti Kuban, PJSC (September 2023)

Also in the reporting period, the following PR campaigns were held:

- Information support for the implementation of the Company investment and repair programmes, the preparations to and operations during autumn and winter of 2023/2024
- Prevention of non-contractual and unaccounted consumption of electricity
- Prevention of electric injuries to outsiders, including children and adolescents, at power grid facilities
- Explanation concerning the connection procedures for the Company grids (including the meetings with small and medium-sized business representatives), extending the list of additional services, the fulfilment of energy service contracts for the installation of remote electricity meters for the customers to reduce the electricity losses
- Creation of awareness among the customers in the Krasnodar Territory and the Republic of Adygeya about the acts of illegal electricity meter replacement by third parties
- Informational support for Rosseti Kuban's activities during massive blackouts under hazardous natural phenomena

Social Communications

In 2023, Rosseti Kuban, PJSC continued to implement targeted communication programmes aimed at strengthening its image as a socially responsible company.

In particular, more than 18,000 schoolchildren in the Krasnodar Region and the Republic of Adygeya participated in events held as part of a comprehensive programme to reduce the risk of injuries to personnel and third parties at the power grid facilities of Rosseti Kuban, PJSC in the reporting year. Over 480 lectures and lessons on electrical safety were given to children aged 5 to 17.

To prevent electric trauma among children, topic-related tours and open days were organised. A total of about 70 preventive initiatives were held. The Company’s website and the official corporate page of the VKontakte social network have an information portal called “Prevention of Children’s Electrical Injuries”, where methodological materials for holding thematic talks on children’s electrical safety are posted to help teachers and parents.

To mark the 78th anniversary of the Victory in the Great Patriotic War, the Company’s official social media pages hosted an internal corporate communication project “The Feat of Power Engineer” with photo and video materials about war veterans who worked in power industry. The official company

website continued the historical and memorial project, Virtual Immortal Regiment, where employees could share their family history and tell about their relatives who were heroes of the Great Patriotic War.

As part of the International Festival of Children’s and Youth Scientific and Technical Creativity “Let’s Get Going!”, which took place on 27–29 April 2023 in Sochi, the Company’s employees took part in a roundtable discussion, held thematic quizzes and master classes on electrical safety for schoolchildren and students at the Festival site.

On International Child Protection Day (1 June 2023), Rosseti Kuban, PJSC opened the “Together Brighter” spacialised educational session at the Orlyonok All-Russian Children’s Centre in Tuapse District of the Krasnodar Territory. The Company’s specialists held a lecture entitled “Energy of New Times”, master classes on electrical safety, and an intellectual game called “Energocharging” for the participants of the “Together Brighter” specialised session. The final stage of the events was the presentation of team creative projects on the topic “Energy of New Times”.

In November 2023, the Company’s specialists held thematic educational events for the participants of the All-Russian

Engineering Session “School of Young Power Engineer” at the Smena All-Russian Children’s Centre in Sukko settlement, Anapa, Krasnodar Territory. More than 70 high school and college students from 32 regions of Russia took part in the session. Company specialists held a lecture and a master class entitled “Safe Energy” on electrical safety rules and spoke about innovative equipment at Rosseti Group’s power facilities.

As part of corporate career guidance programmes, in November 2023, Boris Ebzeev, Acting Director General of Rosseti Kuban, PJSC, met in Krasnodar with Vyacheslav Podgainy, Head of the Regional Headquarters of Kuban student teams, and the core activists of the Company’s student power engineering teams. Rosseti Kuban, PJSC and the Krasnodar regional branch of the Russian Student Teams, a youth all-Russian public organisation, signed a cooperation agreement to raise the prestige of power engineering trades among young professionals.

In December 2023, as part of the celebration of the professional holiday Power Engineer Day, the Company held a presentation of a photo exhibition of Soviet posters “Power Engineering Through Time” about the history of the power industry.

Media Communications

To promote brand recognition, positive image, and expand the audience of its media influence, the Company undertook close interactions with the leading regional and industrial media in 2023.

Public media events involving the Company’s staff and management were aimed at building a positive and holistic image of the Company, strengthening its business reputation and increasing its publicity capital.

According to the Scan-Interfax monitoring system, in 2023, the total number of materials (printed, electronic, radio, TV) mentioning Rosseti Kuban, PJSC was about 30,000. Social networks recorded about 8,300 messages (including reposts) initiated by the Company.

During the reporting period, the corporate website of Rosseti Kuban, PJSC posted about 600 news articles on the implementation of production and social programmes. The information was also published on the Company’s official social media accounts.

The Company’s most significant activities reflected in the federal and regional media during 2023:

- Implementation of the investment campaign of Rosseti Kuban, PJSC: upgrade and construction of new power facilities in the Krasnodar Territory and the Republic of Adygeya, including commissioning of new Yasnaya 110 kV substation in Mostovsky District of the Krasnodar Territory
- Eliminating the consequences of the environmental impacts and carrying out restoration on power grid facilities

- Modernisation of electricity metering systems for household and industrial consumers in the area of responsibility of Rosseti Kuban, PJSC
- Prevention of illegal routing of fiber-optic communication lines on transmission line towers
- Prevention of unauthorised electricity consumption and theft of electrical equipment
- Prevention of child electrical injuries
- Communication support for socially oriented and internal corporate projects of Rosseti Kuban, PJSC

In 2023, the Company continued to populate the corporate website with content and improve its structure, striving to meet the standards of quality presentation of mandatory and voluntarily disclosed information in a prompt manner to ensure maximum transparency.

Convention and Exhibition Events

Congress and exhibition events play an important role in business development, facilitating the creation of a network of contacts for joint activities, exchange of experience and active participation in the life of the Company as a whole. The Company pays great attention to such events, which help it strengthen its position in the market.

In June 2023, Boris Ebzeev, Acting General Director of Rosseti Kuban, took part in the St. Petersburg International Economic Forum. Rosseti Kuban, PJSC and ERSO Holding signed a strategic partnership agreement at the Forum to advance scientific and technical collaboration in the development and application of cutting-edge and competitive Russian technologies to boost the effectiveness of the power industry.

In September 2023, the Company’s delegation participated in the All-Russian Week of Occupational Health and Safety, which took place in Sochi. The purpose of this event was to create a unified communication

platform of international level for dialogue between business and authorities aimed at improving legislation on occupational health and safety and promoting healthy lifestyles among employees.

In October 2023, Boris Ebzeev, Acting General Director of Rosseti Kuban, PJSC, took part in the Russian Energy Week 2023 business programme in Moscow, where he held a number of working meetings.

In November 2023, Vladimir Mikhailov, Deputy General Director for Technical Issues — Chief Engineer of Rosseti Kuban, PJSC, participated in the scientific and technical conference on the operation of the electric grid complex of Rosseti Kuban, PJSC, which was held in Krasnodar. The conference discussed measures aimed at improving reliability in the operation of power grids, ensuring compliance with occupational health and safety in power grid regions, and experience in solving problems related to load growth in residential areas.

In January 2024, the Company’s delegation took part in the Power Industry Day at the Russia International Exhibition and Forum in Moscow at the VDNKh Exhibition of Economic Achievements. Rosseti Kuban, PJSC specialists represented the Company at the stands of the regions of southern Russia, held master classes on electrical safety prevention and quizzes on the history of the power industry for visitors to the exhibition.

Moreover, in March 2024, a delegation from Rosseti Kuban, PJSC headed by Boris Ebzeev, Acting General Director, participated in the business and cultural programme of the World Youth Festival, which took place from 1 to 7 March in the Olympic Park of the Sirius Federal Territory.

CHARITY WORK

Charitable activities at Rosseti Kuban, PJSC are carried out on the basis of the Regulations on the Procedure for Forming and Using the Sponsorship and Charity Fund of Rosseti Kuban, PJSC, approved by the decision of the Board of Directors of the Company No. 241/2016 dated 1 June

2016, and the Regulations on Charity Support at Rosseti Kuban, PJSC, approved by the Company’s order No. 75-od dated 7 February 2023.

Charity work is a component of the corporate strategy and portrays the Company as a socially responsible one.

In 2023, the Company implemented more than 20 charity projects and volunteer events. Among others, the Company’s employees took part in social actions dedicated to Victory Day, World Blood Donor Day, Children’s Day, the New Year’s Wish Tree campaign, and other events.

PROCUREMENT

Rosseti Kuban, PJSC performs procurement activity according to Federal Law “On Procurement of Goods, Work, and Services by Certain Types of Legal Entities” No. 223-FZ dated 18 July 2011, other statutory regulations of the effective legislation of the Russian Federation, the Company’s Articles of Association, and the [Unified Procurement Standard of Rosseti, PJSC](#) (Procurement Regulation) (hereinafter referred to as the Standard).

The Standard¹ was approved as an internal document by the decision of the Company’s Board of Directors² dated 26 January 2023. The Central Tender Commission is the Company’s collegial working body for the formation and implementation of a unified procurement policy. It ensures the proper level of competition in procurement, objectivity, impartiality and transparency of procurement procedures, fair and equal treatment of all participants in procurement

procedures and selection of counterparties based on the results of regulated procedures.

Procurement principles:

- Information transparency of procurements
- Equality, fairness, absence of discrimination and unreasonable competition restrictions against the procurement participants
- Appropriate and efficient spending of monetary assets for acquiring the goods, works, services, and compliance with measures to reduce the customer expenditures
- Lack of restriction to participate in procurement by establishing unmeasurable requirements for procurement participants.
- Transparency and manageability of procurement activities

- Professionalism and competence of employees involved in procurement activities of Customers
- Compliance with applicable legislation governing the arrangement of procurement activities, as well as anti-corruption legislation, including the anti-corruption procurement activity standard (Appendix to the Standard)
- The methods to perform procurement procedures and the conditions for their application are determined by the Standard. (Appendix to the Standard)

The methods to perform procurement procedures and the conditions for their application are determined by the Standard.

Procurement methods used by the Company

Competitive procurements

- Tender, auction
- Requests for offers, requests for quotations
- Competitive pre-qualification
- Request for prices based on the results of competitive pre-qualification

Non-competitive procurements

- Pre-qualification
- Request for prices based on the results of competitive pre-qualification
- Price comparison

- Purchase from a single supplier (contractor)
- Procurement through participation in procedures arranged by product sellers

Participation of small and medium-sized enterprises in procurement conducted by Rosseti Kuban, PJSC

Since 2014, the Programme for Partnership between Rosseti Kuban and small and medium businesses has been implemented in the Company within the SME cooperation roadmap. Since 2018. Rosseti Kuban, PJSC joined the partnership programme between the Rosseti Group and SMEs, under which a unified register of partnership programme participants was created, thus making SMEs partners for all S&A of Rosseti, PJSC.

Since 2014, the Company has had an advisory body for ensuring the efficiency of purchases made by Rosseti Kuban, PJSC, including those from SMEs.

In addition to the Company’s employees, the advisory body includes representatives of the following institutions:

- SME Corporation, JSC
- Fund for Infrastructure and Educational Programmes
- Regional branches of the Russian Union of Industrialists and Entrepreneurs
- OPORA RUSSIA, an All-Russian public organisation of small and medium-sized businesses.
- Delovaya Rossiya, an All-Russian public organisation
- Chamber of Commerce and Industry

In order to expand opportunities and encourage the participation of stakeholders (suppliers, contractors) in the procurement of goods, works, and services for Rosseti, PJSC’s needs in accordance with Russian laws on SME development, Rosseti, PJSC has a programme for the development of SMEs for their potential participation in the procurement of goods (works, services) for Rosseti, PJSC’s needs starting from 2023. Rosseti Kuban, PJSC, along with other S&A’s of Rosseti, PJSC ensures the implementation of this programme.

Key Results of the Company’s Procurement Activities in 2023

In 2023, the Company summarised the results of 1,426 procurement procedures for a total of RUB 43,387.3 million. Among them, 1,309 purchases worth RUB 42,246.1 million were made using electronic means of commerce, which is 100% of the total procurement volume (excluding purchases from a single supplier and purchases by participating in procedures organised by non-electronic sellers).

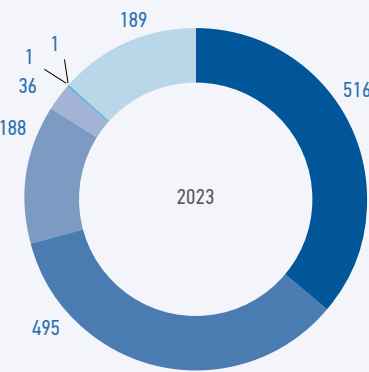
As a result of regulated procurements in the reporting year, the Company obtained an economic effect of RUB 1,585.5 million, which was 3.5% of the total planned annual expenditures for the purchase of goods, works and services.

The results of 30 purchases of innovative and high-tech products totalling RUB 3,629.3 million were summed up as of the end of 2023.

31.4%

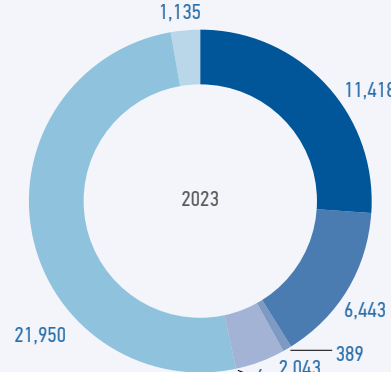
of procurements conducted from SMEs only
(+6.2 p.p. vs. 2022)

Breakdown of the Company’s purchases by type of activity (number)



- New construction and expansion of power grid facilities (RUB 12,232 mln)
- Retrofitting and renovation of power grid facilities (RUB 4,911 mln)
- Energy repair production (RUB 4,693 mln)
- IT procurements (RUB 557 mln)
- R&D (RUB 11 mln)
- Consulting services (RUB 9 mln)
- Other purchases (RUB 20,971 mln)

Breakdown of the Company's purchases by procurement methods (RUB mln)



- Online tender (171)
- Online auction (8)
- Online invitation for proposal (57)
- Request for a quotation based on pre-qualification (527)
- Participation in vender-held procedures (2)
- Purchase from a single supplier based on the results of failed competitive procedures (500)
- Purchase from a single supplier (116)

Indicators of the Company's procurement activities for 2021–2023 (%)

Indicator	2021	2022	2023	Change 2023/2022 (p.p.)
Share of open procurement procedures in total procurement volume	97.2	95.2	97.4	+2.2
Share of procedures conducted using electronic means of commerce (electronic trading platforms) in the total volume of purchases (excluding purchases from a single supplier and purchases through participation in procedures organised by product sellers)	100	100	100	–
Amount of savings achieved ¹	3.3	11.8	3.5	–8.3
Share of procurements from SMEs	82.2	81.2	72.0	–9.2
Share of procurements from SMEs only	19.9	25.2	31.4	+6.2

¹ As amended, approved by the decision of the Board of Directors of Rosseti, PJSC on 29 December 2022 (Minutes No. 604 dated 30 December 2022).

² Minutes No. 508/2023 dated 27 January 2023.

¹ In % of planned stated cost of purchase.

Improvement of Procurement Activities

- The Company purchases goods and services mainly based on tenders from suppliers offering the best price-quality ratio, optimising procurement activity via the following methods:

 - Using techniques to reduce the marginal purchase price
 - Increasing the share of tenders
- Introducing mandatory actions to reduce prices of procurement participants (re-bidding, pre-contractual negotiations)
 - Complying with the Company's Procurement Policy and the Programme for Partnership between Rosseti Kuban and SMEs
- Functioning of the advisory body on ensuring the effectiveness of purchases conducted by Rosseti Kuban, including from SMEs

Supply Chain Management

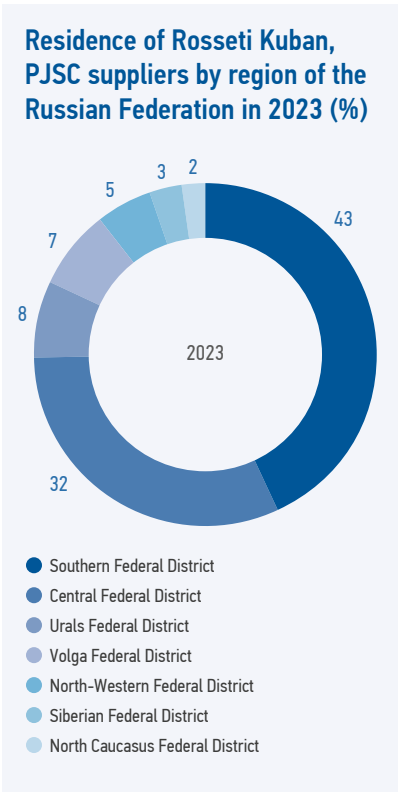
Rosseti Kuban's supply chain management strategy is aimed at optimising the procurement of goods through competitive procedures and framework agreements. This allows for the furnishing of grid connection facilities, including the preferential category of applicants up to 150 kW (loss of income), operation, maintenance, and repair programmes, as well as the Company's emergency stock in due time.

should be noted. In emergency situations (natural phenomena, technological violations, etc.), the process of issuing the necessary material within several hours is organised, which positively affects the overall time for the elimination of breakdowns.

Goods for the needs of Rosseti Kuban, PJSC are supplied from all regions of the Russian Federation where the production of materials and equipment for energy companies is localised. However, regional organisations make up a priority share of suppliers.

In order to furnish the Company's repair programmes for uninterrupted performance of works, delivery of material and technical resources is organised in terms of the need of Q1 — in December of the previous year, in terms of the need of Q2–Q4 — by the end of March of the current year. An optimally organised logistics system allows the Company to carry out its production activities to the fullest extent without disrupting the scheduled work deadlines.

In addition, the efficiency of reception, storage, and the issue of materials and equipment at the Company's warehouses



IMPORT SUBSTITUTION AND RELATIONS WITH EQUIPMENT MANUFACTURERS

In order to ensure technological safety of the power grid sector and reduce dependence on foreign products, equipment, technical devices and works/services of foreign companies and the use of foreign software, Rosseti Kuban is following the import substitution plan of Rosseti, PJSC as well as the response plan in case of restrictions on the use of imported products.

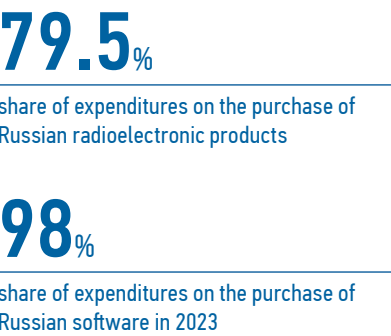
The Company has an action plan in place to determine the level of its dependence on imported products. The main goal of the plan is to identify the technological and economic risks that the Company faces from using imported goods in the event of a significant fluctuation in foreign exchange rates and/or the imposition of sanctions by foreign governments, and to develop effective countermeasures to those risks, which includes by increasing the effectiveness of communication with Russian Federation defence industry enterprises.

In the reporting year, the share of imported equipment in the total volume of purchases of major electrical equipment and materials in the Company was 2.75%, excluding the volume of products purchased from manufacturers in the Republic of Belarus, and 8.04%, including such purchases.

The development of core IT infrastructure and services in 2023 involved as follows:

- Russian software was purchased for the transition to the predominant use of domestic software: operating systems, database management system, virtualisation systems, backup systems, graphic editors, etc.
- Domestic server equipment was purchased for scaling and migration of the corporate software system
- Testing of domestic solutions for backup systems (Cyber Backup by Cyberprotect) and catalogue and virtualisation service (SpaceVM by DACOM M) was carried out
- Server capacities were deployed to introduce an automated information system for processing customer requests

The Company's digital transformation programme contains a plan of transition to the predominant use of domestic radio-electronic products until 2024 and an action plan for software import substitution for 2022–2024. In 2023, the share of expenditures on the purchase of Russian radioelectronic products was 79.5%, and that for Russian software was 98%.



CORPORATE GOVERNANCE REPORT

An important component of the successful operation of Rosseti Kuban, PJSC is effective corporate governance, which contributes to the Company's sustainable development, increased transparency, and improved relations with all stakeholders.

4.9

average score of the Board of Directors' performance assessment for the 2022-2023 corporate year (+0.2 points year-on-year)

92.4 %

of principles of the Corporate Governance Code of the Bank of Russia are fully or partially complied with





It is safe to say that the Company's efforts in the reporting year to improve corporate governance were successful:

The management bodies of the Company made all the decisions that were required and sufficient to guarantee the Company's present and strategic operations in a timely and complete manner. The endeavour involved active participation from all members of the Company's governing bodies.

The Company did not have any corporate conflicts.

The Bank of Russia, a mega-regulator of the financial market, did not reveal any violations of the requirements pertaining to securities circulation and information disclosure by the Company.

The 2022 Annual Report of Rosseti Kuban, PJSC won third place in the 2023 Annual Report Competition held by the Moscow Exchange in the Best Corporate Governance Disclosure category and was shortlisted for the Grand Prix in the Best Annual Report of a Company with a Capitalisation of up to RUB 40 billion category.

YULIA GALINOVA

Deputy General Director
for Corporate Governance

2.71

RUB bln

total amount of dividends accrued
at year-end 2022

4.9

overall average score

of the Board of Directors' performance
assessment for the 2022–2023 corporate
year (+0.2 points vs. the previous year)

162

corporate events

held in 2023

3

place

taken by the Annual Report of Rosseti Kuban,
PJSC following the results of the 2023 Annual
Report Contest

MEMORANDUM OF THE CONTROLLING SHAREHOLDER — ROSSETI, PJSC ON CONTROLLED POWER GRID COMPANIES

Purpose of Ownership and Plans for Controlled Shareholdings

Public Joint Stock Company Federal Grid Company — Rosseti (Rosseti, PJSC) is a public joint stock company with the state share in the authorised capital of 75.2780% of outstanding shares¹.

In January 2023, following the completion of the restructuring through accession of Public Joint Stock Company Russian Grids, Joint Stock Company Far East Energy Management Company — UNPG, Open Joint Stock Company Tomsk Main Grids and Joint Stock Company Kuban Main Grids, Rosseti became the parent company of the Rosseti

Group managing the transmission and distribution grids of the Russian Federation.

Rosseti, PJSC owns controlling stakes in 17 key electricity distribution companies: Rosseti Kuban, PJSC, Rosseti Lenenergo, PJSC, Rosseti Moscow Region, PJSC, Rosseti Volga, PJSC, Rosseti North-West, PJSC, Rosseti Northern Caucasus, PJSC, Rosseti Siberia, PJSC, Rosseti Urals, PJSC, Rosseti Centre, PJSC, Rosseti Centre and Volga Region, PJSC, Rosseti South, PJSC, TDC

PJSC², Rosseti Tyumen, JSC and Rosseti Yantar, JSC, RES, JSC, Energetik, JSC and Electromagistral, JSC.

Rosseti, PJSC considers these controlled shareholdings to be strategic assets which are not planned to be disposed of.

Key Assets-Related Objectives


Rosseti's key objective in managing these subsidiaries is to develop the power grid sector based on cutting-edge innovative

technologies to meet customer demand and the socio-economic growth goals of the Russian Federation.


¹ Including the outstanding shares of the additional issue of securities (state issue number 1-01-65018-D-109D dated 21 August 2023).

² TDC, PJSC renders services under the Rosseti Tomsk brand.


Rosseti, PJSC defined the strategic development priorities for the companies of the Group:




Reliability
Ensuring a reliable, high quality and affordable electricity supply and contributing to the energy security of the Russian Federation



Development
Developing new business areas (non-tariff services and consumer services) through the digital transformation to ensure the Company's resilience to changes in the sector



Efficiency
Ensuring further improvements in the efficiency of the core business, including through digitalisation and innovation



Principles
Implementing the principles of sustainable development

Corporate governance principles

Rosseti, PJSC manages the companies of the Group in accordance with unified corporate standards meant to ensure the efficiency of business processes and their quality control and to mitigate corporate risks as well.

As a controlling shareholder, Rosseti is fully aware of the importance of improving corporate governance in Group companies and is committed to ensuring openness and transparency of their activities and to implementing the recommendations of the Corporate Governance Code in their business practices.

While following best corporate governance practices, Rosseti, PJSC makes sure that every year the number of independent directors on Rosseti Group's Boards of Directors whose shares are traded on exchanges is sufficient to comply with listing rules and corporate governance principles. To ensure the independence and objectivity of Rosseti Group's Boards of Directors of Group's companies, Rosseti plans to maintain the number of independent directors on the boards at least at the current level.

Rosseti's representatives also participate in the annual General Meetings of Shareholders of Group's companies in order to build a dialogue with minority shareholders on the Company's development prospects.

Rosseti, PJSC guarantees compliance with market principles in the conduct of financial and business activities of the Group's companies.

Rosseti, as a controlling shareholder, supports the initiatives of Group companies to protect the rights and interests of minority shareholders.


The dividend policy of the Rosseti Group is founded on the strict observance of shareholder rights as prescribed by Russian law and is targeted at enhancing the investment appeal of Group companies whose securities are admitted to organised trading and the expansion of their market capitalisation




The amount of dividends recommended for payment is set by the Boards of Directors of Rosseti Group companies based on financial results, including those determined on the basis of consolidated IFRS statements.

GENERAL INFORMATION ON CORPORATE GOVERNANCE


Corporate Governance Objectives




Upholding of the rights and interests of shareholders



Growth of shareholder value and investment attractiveness




Profit earning based on the results of the activities




Assurance of efficient management of owned assets


Principles of Corporate Governance of Rosseti Kuban, PJSC




Accountability
In accordance with Russian laws, the Bank of Russia's Corporate Governance Code approved on 21 March 2014, the Board of Directors of the Bank of Russia and as recommended by the letter of the Bank of Russia dated 10 April 2014 No. 06-52/2463 "On the Corporate Governance Code" to be applied by joint stock companies whose securities are admitted to organised trading (hereinafter — the Corporate Governance Code of the Bank of Russia) and international corporate governance standards, the Board of Directors of the Company is accountable to the Company's shareholders



Responsibility
The Company acknowledges and ensures the rights of its shareholders and all stakeholders stipulated by the legislation of the Russian Federation



Transparency
The Company ensures timely disclosure of complete and reliable information on all material facts concerning its activities, including its financial position, performance (including social and environmental), ownership structure and management of the Company, as well as free access to such information for shareholders and other interested parties



Fairness
The Company undertakes to ensure equal and fair treatment of all shareholders, protect their rights and provide all shareholders with the possibility of receiving effective protection in the event that their rights are violated

Key Documents Regulating Corporate Governance in the Company¹

- Articles of Association
 - Provisions regulating the activities of the Company's management bodies (General Meeting of Shareholders, Board of Directors, Management Board)
 - Regulations on Committees under the Board of Directors
- Methodology for assessing the performance of the Board of Directors and Committees under the Board of Directors
 - Corporate Governance Code
 - Auditing Commission Regulations
 - Regulations on the Dividend Policy
 - Provisions on Insider Information and Information Policy
- Regulations on the Corporate Secretary of the Company
 - Protocol for Liaison between the Company and Business Entities with Shares (Stakes) held by Rosseti Kuban, PJSC
 - Policy of Holding Shares of the Company and its subsidiaries and affiliates by members of the Board of Directors, etc.

¹ The documents mentioned herein and other internal corporate governance documents of the Company are published on the website of Rosseti Kuban, PJSC in the [About the Company / Constitutive and Internal Documents](#) section.

Documents regulating the core business processes of the Company



- Anti-Corruption Policy
- Internal Audit Policy
- Internal Control Policy
- Risk Management Policy

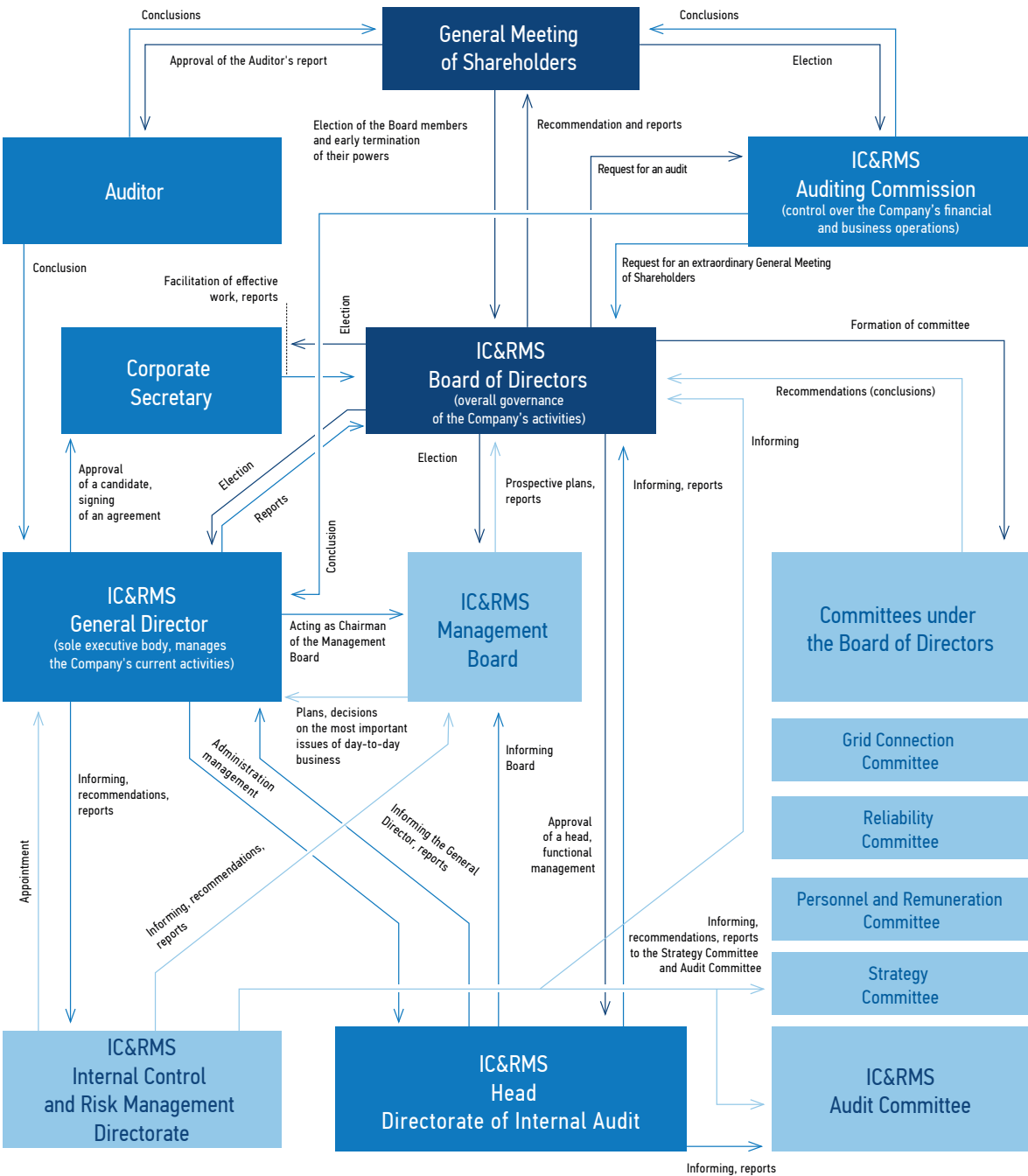


- Sustainable Development Policy
- Environmental Policy
- Climate Policy



- Code of Corporate Ethics and Conduct of Employees, etc.

System of Corporate Governance of Rosseti Kuban, PJSC¹



¹ IC&MS — key participants of the internal Control and Risk Management System.

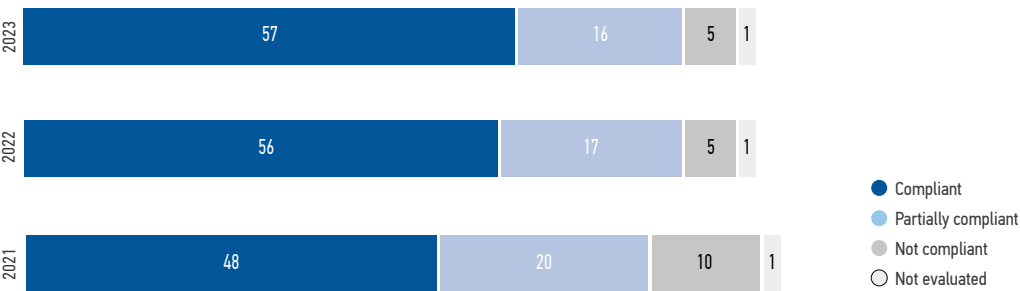
The Company has a Corporate Governance Code in place in order to ensure and protect the rights and interests of all of its shareholders, to improve corporate governance practices, to ensure transparency of the Company's management efficiency and to confirm its commitment to following the recommendations and advanced principles of corporate governance¹.

Rosseti Kuban, PJSC abides by the principles and recommendations of the Corporate Governance Code of the Bank of Russia as well. The report on compliance with Corporate Governance Code in 2023 is available in [Appendix 1](#). The Board of Directors certifies that all report data contain full and reliable information on the Company's compliance with the principles and recommendations of the Corporate Governance Code of the Bank of Russia.



The Company's compliance with the principles of the Bank of Russia's Corporate Governance Code improved in the reporting year compared to 2021–2022.

Compliance with the principles of the Corporate Governance Code of the Bank of Russia (number of principles)



Promotion of Corporate Governance System in 2023

The Company continued to improve its corporate governance in the reporting year.

In 2023, in accordance with Russian law, the annual General Meeting of Shareholders was held in the form of absentee voting, with shareholders being given the opportunity to vote by filling out electronic ballot forms on the official website of the registrar — IRC — R.O.S.T., JSC.

The Board of Directors of the Company approved:

- Policy of Holding Shares of the Company and its subsidiaries and affiliates by members of the Board of Directors of the Company, etc.

- Sustainable Development Policy and Climate Policy of Rosseti, PJSC as the Company's internal documents
- New versions of the Risk Management and Internal Control Policy, Internal Audit Policy, and Regulations on the Protection of Insider Information of Rosseti Kuban, PJSC

The Board of Directors and its committees conducted a self-assessment of their performance for the 2022–2023 corporate year during the reporting year, and they gave their work and organisation a relatively high rating (with a maximum score of 5 and an overall average score of 4.9).

A total of 162 corporate events were held in 2023, including:

- one General Meeting of Shareholders
- 38 meetings of the Board of Directors, with 99.7% attendance by members of this governing body, up 0.5% p.p. year-on-year
- 80 meetings of the committees under the Board of Directors
- 43 meetings of the Management Board

162 corporate events conducted in total in 2023

¹ The current version was approved by the decision of the Board of Directors of Rosseti Kuban, PJSC dated 2 December 2021 (Minutes No. 456/2021 dated 3 December 2021).

Plans for 2024

- The Company will continue to work towards improving corporate governance in 2024 based on an analysis of best practices in the field, the findings of the corporate governance assessment, and an assessment (self-assessment) of the Board of Directors’ and its committees’ operations, including:

 - To update the Articles of Association and internal documents of the Company in line with the recommendations of the Corporate Governance Code of the Bank of Russia
- To ensure that the Company’s activities comply with the requirements of by-laws and conducting the necessary corporate procedures
 - To conduct a self-assessment of the performance efficiency of the Board of Directors and its committees
 - To plan and deliver the corrective action plans based on the results of the corporate governance assessment carried out by the internal audit function
- To supervise the timely and proper implementation of decisions of the Company’s governing bodies
 - To disclose information about the Company in full and timely manner as required by the laws on joint stock companies and the stock market

Corporate Governance Level Assessment

- In the reporting year, the Company’s internal audit function conducted an assessment of corporate governance at the end of the 2022–2023 corporate year in the light of its compliance with the laws of the Russian Federation, principles and recommendations of the Corporate Governance Code of the Bank of Russia, Listing Regulations of the Moscow Exchange and the best corporate practices. The assessment followed the Company’s methodology that complies with the standard methodology for assessing the corporate governance of Rosseti’ S&As approved
- by Rosseti’s Order No. 342 dated 5 August 2020 “On Approval of the Standard Methodology for Assessing Corporate Governance in Rossti’s S&As”.

Objectives of the assessment:

 - To provide the Board of Directors of the Company, the Audit Committee of the Board of Directors of the Company, and the executive bodies of the Company with objective and independent information on the state of corporate governance in the Company and its efficiency
- To make recommendations to improve the Company’s corporate governance

Following the results, the internal audit recognised the Company’s corporate governance as corresponding to the developed practice level; it also noted that the potential for improvement on a number of issues depends on the standing of the main shareholder and other external factors that the Company cannot have influence on.

The results of the assessment of the Company’s corporate governance in the 2022–2023 corporate year by the internal audit function

Component	Maximum score	For reference: 2022–2023 corporate year compliance with the applicable criteria			
		Score of the Company	Compliance with the applicable criteria (%)	for 2021–2022 corporate year (%)	for 2020–2021 corporate year (%)
Shareholders’ rights	71.0	67.0	94.4	94.4	94.4
Board of Directors	154.0	119.0	77.3	76.6	77.6
Executive management	40.0	28.0	70.0	70.0	55.0
Transparency and disclosures	130.0	114.0	87.7	87.7	86.2
Risk management, internal control and internal audit	63.0	61.0	96.8	96.8	96.8
Corporate social responsibility, business ethics and compliance	31.0	31.0	100.0	100.0	100.0
Total score	489.0	420.0	85.9	85.7	84.4

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is a supreme management body of the Company. The General Meeting of Shareholders abides by the laws of the Russian Federation, the Articles of Association of the Company, and the Regulations on the General Meeting of Shareholders.

The competence of the General Meeting of Shareholders is determined by the Federal Law on Joint Stock Companies and the Articles of Associations of the Company.	Date of a General Meeting of Shareholders	16.06.2023
	Date and Number of the Minutes of the General Meeting of Shareholders	21.06.2023 No. 50
	Quorum of a General Meeting of Shareholders (% of total number of outstanding voting shares)	99.69% for all agenda items
	Key resolutions made by the General Meeting of Shareholders	<ul style="list-style-type: none">To approve the annual report and the annual accounts of the Company for 2022.To approve the following distribution of the Company profit (loss) for 2022:<ul style="list-style-type: none">RUB 262,224 thousand — to the reserve fundRUB 2,710,044 thousand — for payment of dividends¹RUB 2,272,209 thousand — for the development of the Company;RUB 0 thousand — to recover losses from previous yearsPay dividends on the Company’s ordinary shares for 2022 in the amount of RUB 766,500 thousand.To elect members to the Company’s Board of Directors and the Auditing Commission.To appoint an association of auditors (collective participant) consisting of TsATR — Audit Services, LLC (leader of the collective participant) and Crowe Audex, LLC (member of the collective participant) as the audit organisation of the Company

1 General Meeting of Shareholders of the Company was held in 2023

In the reporting year, in accordance with the laws of the Russian Federation and pursuant to the decision of the Board of Directors of Rosseti Kuban, PJSC, the General Meeting of Shareholders was held in the form of absentee voting.

The resolutions of General Meeting of Shareholder to be enforced were accomplished.



Resolutions of the General Meeting of Shareholders of Rosseti Kuban, PJSC are published on the corporate website in the About the Company / Management / General Meeting of Shareholders section.

¹ Including:

- interim dividends based on the results of 9 months of 2022 in the amount of RUB 1,943,544 thousand, the decision on payment of which was adopted by the Extraordinary General Meeting of Shareholders of the Company in 2022 (Minutes No. 49 dated 8 December 2022);
- dividends payable — RUB 766,500 thousand.

BOARD OF DIRECTORS

The Board of Directors is a collective governance body executing the general management of the Company’s operations, defining its strategy, controlling the operations of the executive bodies of the Company, the implementation of resolutions made by the General Meeting of Shareholders, and the respect of the legitimate interests of the shareholders of Rosseti Kuban, PJSC.

Main goals and objectives of the Board of Directors:

- To define the development strategy of the Company, which is aimed to enhance its market value and investment attractiveness, to receive maximum profits, and expand assets
- To provide the exercise and protection of the rights and legitimate interests of the shareholders, as well as to assist in corporate conflict resolution
- To provide for full, reliable and objective disclosure of the Company’s information to shareholders and other parties concerned
- To establish effective internal controls
- To conduct regular assessment of executive body activities and the Company’s management operations

To achieve the goals and objectives set, the Board of Directors abides by the following principles:

- Decisions are to be made based on reliable information about the Company’s operations
- Shareholders’ rights to involvement with the management of the Company and the acquisition of the dividends and the Company’s information are not to be restricted
- Interests of various shareholder groups are to be balanced and the Board of Directors shall make decisions that are objective and in the best interests of all of the Company’s shareholders

In its operations, the Board of Directors abides by Federal Law on Joint Stock Companies and other federal laws and regulations of the Russian Federation, the Company’s Articles of Association and the Regulation on the Board of Directors¹.

According to the Articles of Association of Rosseti Kuban, the remit of the Board of Directors was expanded beyond the provisions of Federal Law “On Joint Stock Companies”.

The expenses incurred by the Company for D&O insurance of the members of the Board of Directors in 2023 amounted to RUB 5.5 million

Membership of the Board of Directors

The Company’s General Meeting of Shareholders elects the 11-member Board of Directors, who will serve in that capacity until the following annual General Meeting of Shareholders. If the Board of Directors is elected at an extraordinary General Meeting of Shareholders, the members of the Board of Directors are deemed elected for the period until the date of the next annual General Meeting of Shareholders.

First-time directors are given an opportunity to get an insight into the Company’s strategy, corporate governance, risk management and internal control systems, the allocation of responsibilities among the Company’s executive bodies and other material information on the Company’s operations and financial and business activities.

During the reporting year, there were two compositions of the Company’s Board of Directors:

- elected at the Annual General Meeting of Shareholders of the Company on 16 June 2022 and effective until the election of a new Board of Directors on 16 June 2023 (first composition)
- current composition of the Board of Directors elected at the Annual General Meeting of Shareholders of the Company on 16 June 2023 (second composition)

¹ The Regulation on the Board of Directors of Rosseti Kuban, PJSC is published on the Company’s website in the [About the Company / Constitutive and Internal Documents](#) section.

Current composition of the Board of Directors of Rosseti Kuban, PJSC (second composition)¹

1. DANIIL KRAINSKIY,

Chairman of the Board of Directors, Non-Executive Director²

Year of birth		1979	
Education		Higher. Graduated from Moscow State Law Academy, with major in Jurisprudence, Lawyer	
Primary employment and position held		Deputy General Director for Legal Support of Rosseti, PJSC	
Participation in governing bodies of other organisations, in committees of the Company's Board of Directors for the last 5 years:			
Period			
from	to	Organisation	Position
2018	present time	Rosseti Lenenergo, PJSC	Member of the Board of Directors
	2022	Lenenergo Energy Service Company, JSC	Chairman of the Board of Directors
2019	present time	Rosseti Lenenergo, PJSC	Member of the Management Board
2020	present time	Rosseti Ural, PJSC	Chairman of the Board of Directors
		Rosseti Moscow Region, PJSC	Member of the Board of Directors
		Energotrans, LLC	Member of the Board of Directors and the Management Board of the managing organisation (Rosseti Lenenergo, PJSC)
	2023	Rosseti Northen Caucasus, PJSC, Rosseti Centre, PJSC, Rosseti Siberia, PJSC	Member of the Board of Directors
2021	present time	Rosseti South, PJSC	Chairman of the Board of Directors
		Rosseti Kuban, PJSC	Member of the Strategy Committee of the Board of Directors
	2022	Rosseti North-West, PJSC	Member of the Board of Directors
	2023	TDC, PJSC, Tyvaenergo, JSC, Rosseti Volga, PJSC, STC UES, JSC, Rosseti Tyumen, JSC, Rosseti Yantar, JSC, Rosseti Digital, JSC, STC FGC UES, JSC	Chairman, member of the Board of Directors
2022	present time	Rosseti, PJSC	Member of the Management Board
	2023	CECM UES, JSC	Member of the Board of Directors
2023	present time	Energetik, JSC	Member of the Board of Directors
Tenure on the Board of Directors of the Company		Since 3 June 2021	

¹ Consent to the disclosure of personal information set out in the Corporate Governance Report section was obtained from all people who are or were members of the Company’s governing and control bodies.
Information on the primary employment of the members of the Board of Directors and their positions in governing bodies of other organisations is given in accordance with the data provided by them to the Company as of the end of the reporting year. By ‘the present time’ in this case, the Company means 31 December 2023.

² The status of the Board members (executive, non-executive, independent) is defined by the criteria of the Corporate Governance Code of the Bank of Russia.

2. DMITRY BAKHAREV,

Non-Executive Director

Year of birth	1979		
Education	Higher. Graduated from Moscow Power Engineering Institute (Technical University), with major in Economics and Management at the Enterprise, Engineer-Economist		
Primary employment and position held	First Deputy Head of the Tariff Policy Department of Rosseti, PJSC		
Participation in governing bodies of other organisations, in committees of the Company's Board of Directors for the last 5 years:			
Period			
from	to	Organisation	Position
2018	2022	Did not hold any positions in the Company or in the governing bodies of other organisations	
Tenure on the Board of Directors of the Company		Since 16 June 2023	

3. GRIGORY GLADKOVSKIY,

Non-Executive Director

Year of birth	1984		
Education	Higher. Graduated from the Moscow State Institute of International Relations, with major in Finance and Credit, International Economist with knowledge of foreign languages		
Primary employment and position held	Deputy Chief Engineer of Rosseti, PJSC		
Participation in governing bodies of other organisations, in committees of the Company's Board of Directors for the last 5 years:			
Period			
from	to	Organisation	Position
2018	2018	Did not hold any positions in the Company or in the governing bodies of other organisations	
2019	present time	Operator ASTU, JSC	Member of the Board of Directors
2020		NWEMC, JSC, FTC, JSC	Chairman of the Board of Directors
		ENIN, JSC, STC FGC UES, JSC	Member of the Board of Directors
Tenure on the Board of Directors of the Company		Since 3 June 2021	

4. ANNA ZABORTSEVA,

Independent Director

Year of birth	1985		
Education	Higher. Graduated from the Siberian Academy of Public Service, with major in Finance and Credit, Economist. Completed professional retraining: <ul style="list-style-type: none">• in RANEPA, Master of Business Administration,• at the Higher School of the RANEPA, Master of Public Administration for Executives		
Primary employment and position held	Chairman of the Electricity and Industry Committee of the Krasnodar Territory Branch of OPORA RUSSIA		
Participation in governing bodies of other organisations, in committees of the Company's Board of Directors for the last 5 years:			
Period		Organisation	Position
from	to		
2018	2021	Industrial Technologies, LLC	General Director
2020	2023	OS-Centre, LLC	
2023	present time	Rosseti Kuban, PJSC	Member of the Strategy Committee of the Board of Directors
Tenure on the Board of Directors of the Company		Since 16 June 2023	

5. ALEXANDER KAZAKOV,

Non-Executive Director

Year of birth	1948		
Education	Higher. Graduated from Moscow Engineering and Economic Institute named after S. Ordzhonikidze, with major in Economics, Engineer-Economist. Holds a doctorate decree in Economics		
Primary employment and position held	Professional Director		
Participation in governing bodies of other organisations, in committees of the Company's Board of Directors for the last 5 years:			
Period			
from	to	Organisation	Position
2011	2019	DVEUK, OJSC	Chairman of the Board of Directors
2018	2021	IDGC of Centre, PJSC	Chairman, member of the Board of Directors
	present time	Rosseti Centre and Volga Region, PJSC	
2020	2021	Rosseti Volga, PJSC	Member of the Board of Directors
		Rosseti South, PJSC	Member of the Board of Directors
2021	present time	Rosseti Kuban, PJSC	Member of the Auditing Committee of the Board of Directors
			Personnel and Remuneration Committee under the Board of Directors
2022	present time	Rosseti Volga, PJSC	Member of the Board of Directors
Tenure on the Board of Directors of the Company		Since 3 June 2021	

6. MADINA KALOEVA,

Non-Executive Director

Year of birth	1980		
Education	Higher. Graduated from the North Ossetian State University n.a. K. Khetagurov, with major in Jurisprudence, Lawyer		
Primary employment and position held	Director for Corporate Governance — Head of Corporate Governance Department of Rosseti, PJSC		
Participation in governing bodies of other organisations, in committees of the Company's Board of Directors for the last 5 years:			
Period			
from	to	Organisation	Position
2014	2021	Index of Electric Power Industry of FGC UPS, LLC	Member of the Board of Directors
	present time	UES SakRusenergo, JSC	Member of the Supervisory Board
		MTCES, JSC	Member of the Board of Directors
2015	2021	FGC Asset Management, LLC	Member of the Board of Directors
	2023	IT Energy Service, LLC	
2017	present time	APBE, JSC	Member of the Board of Directors
2021	present time	Rosseti Centre and Volga Region, PJSC, ENIN, JSC	Member of the Board of Directors
	2022	Rosseti Digital, JSC, NWEMC, JSC	
	2023	Kuban Main Power Grids, JSC, STC UES, JSC, Rosseti Technical Customer Centre, JSC	
	2021	DVEUK-UNPG, JSC	
2022	present time	Rosseti Yantar, JSC, Rosseti Tyumen, JSC	Member of the Board of Directors
		Rosseti Kuban, PJSC	Member of the Strategy Committee of the Board of Directors
	2023	Rosseti North-West, PJSC	Member of the Board of Directors
		Rosseti Kuban, PJSC	Member of the Auditing Committee of the Board of Directors
2023	present time	Rosseti Siberia Tyvaenergo, PJSC	Member of the Board of Directors
Tenure on the Board of Directors of the Company		Since 31 August 2021	

7. KONSTANTIN KRAVCHENKO,

Non-Executive Director

Year of birth	1973		
Education	Higher. Graduated from Voronezh Polytechnic Institute, with major in PGR Design and Technology, Design & Process Engineer. Holds a candidate degree in Technical Science		
Primary employment and position held	Deputy General Director for Digital Transformation of Rosseti, PJSC		
Participation in governing bodies of other organisations, in committees of the Company's Board of Directors for the last 5 years:			
Period			
from	to	Organisation	Position
2018	2020	Did not hold any positions in the Company or in the governing bodies of other organisations	
2021	present time	Rosseti Digital, JSC, MTCES, JSC, Rosseti Centre and Volga Region, PJSC, Rosseti Tyumen, JSC, IT Energy Service, LLC	Member of the Board of Directors
	2022	Chitatekhenergo, JSC	Acting General Director of Rosseti Digital, JSC — managing company Chitatekhenergo, JSC
		Infrastructure Investments-3, LLC	Member of the Board of Directors
	2023	Rosseti Siberia, PJSC, FTC, JSC	
			Rosseti Digital, JSC
2022	present time	Rosseti South, PJSC	Member of the Board of Directors
	2023	NWEMC, JSC	
Tenure on the Board of Directors of the Company		Since 30 December 2021	

8. MIKHAIL MEDVEDEV,

Independent Director

Year of birth	1969		
Education	Higher. Graduated from the Saint-Petersburg State University of Economics and Finance, with major in Finance and Credit, Economist		
Primary employment and position held	Advisor to the Director General of Avangard, JSC		
Participation in governing bodies of other organisations, in committees of the Company's Board of Directors for the last 5 years:			
Period			
from	to	Organisation	Position
2017	2021	Rosseti Kuban, PJSC	Member of the Reliability Committee of the Board of Directors
2019	present time		Member of the Strategy Committee of the Board of Directors
2023			Member of the Auditing Committee of the Board of Directors
Tenure on the Board of Directors of the Company		Since 16 June 2017	

9. ALEXEY MOLSKIY,

Non-Executive Director

Year of birth	1980		
Education	Higher. Graduated from Moscow Power Engineering Institute, with major in Power Systems and Grids, Engineer, and Economics and Management of Electric Power Enterprises, Engineer-Economist		
Primary employment and position held	Deputy General Director for Investments and Capital Construction of Rosseti, PJSC		
Participation in governing bodies of other organisations, in committees of the Company's Board of Directors for the last 5 years:			
Period			
from	to	Organisation	Position
2014	2023	NPP Market Council Association	Member of the Supervisory Board
	present time	UES SakRusenergo, JSC	Chairman of the Supervisory Board
2016	2020	FGC UES, PJSC	Member of the Management Board
2015	present time	TaigaEnergoStroy, JSC	Member of the Board of Directors
	present time	CECM UES, JSC	
2019	2023	Tomsk Main Power Grids, OJSC	Chairman, member of the Board of Directors
	2020	Energosetproekt, JSC	Chairman of the Board of Directors
2020	present time	RNC CIGRE	Member of the Presidium
		Rosseti Moscow Region, PJSC, Energocentre, JSC	Member of the Board of Directors
		Rosseti Kuban, PJSC	Chairman of the Grid Connection Committee of the Board of Directors
	2023	Rosseti, PJSC	Member of the Management Board
		Yantarenergosbyt, JSC	Member of the Board of Directors
2021	present time	Rosseti Volga, PJSC, Rosseti Northen Caucasus, PJSC, Rosseti Digital, JSC	Member of the Board of Directors
	2021	Rosseti South, PJSC	
	2023	TDC, PJSC, Rosseti Siberia Tyvaenergo, JSC, Rosseti North-West, PJSC, Rosseti Centre, PJSC, Rosseti Siberia, PJSC, Rosseti Tyumen, JSC, Rosseti Technical Customer Centre, JSC	
2022	present time	Rosseti, PJSC	Member of the Management Board
		Rossetti Lenenergo, PJSC, STC FGC UES, JSC, Mobile GRES, JSC	Member of the Board of Directors
	2022	IDGC of Urals, OJSC	
Tenure on the Board of Directors of the Company		Since 3 June 2021	

10. VLADIMIR KHARITONOV,

Non-Executive Director


Year of birth	1978		
Education	<p>Higher. Graduated from Peoples' Friendship University of Russia, with major in Power Engineering, Master of Engineering and Technology.</p> <p>Holds a candidate degree in Technical Science.</p> <p>Underwent professional retraining at the RANEPa under the MBA programme "Top Manager", with major in Management</p>		
Primary employment and position held	Deputy General Director — Chief of Staff of Rosseti, PJSC		
Participation in governing bodies of other organisations, in committees of the Company's Board of Directors for the last 5 years:			
Period			
from	to	Organisation	Position
2018	2021	FTC, JSC, STC UES, JSC	General Director
2021	2022	REC FGC UPS, JSC	
2021	present time	RNC CIGRE Association	Deputy Chairman
2019	present time	Rosseti Property Management, JSC, FTC, JSC	Member of the Board of Directors
		Digital Energy Association	Member of the Management Board
2022	present time	Rosseti Centre and Volga Region, PJSC, Rosseti Digital, JSC	Member of the Board of Directors
2023	present time	Rosseti Volga, PJSC, Rosseti North-West, PJSC, Rosseti Tyumen, JSC, ENIN, JSC, STC FGC UES, JSC	Member of the Board of Directors
		Rosseti, PJSC	Member of the Management Board
Tenure on the Board of Directors of the Company		Since 16 June 2023	

11. BORIS EBZEEV,

Executive Director

Year of birth	1975		
Education	Higher. Graduated from Lomonosov Moscow State University, with major in Law, Lawyer. Holds a candidate degree in Legal Sciences		
Primary employment and position held	Chairman of the Management Board, General Director of Rosseti South, PJSC; Chairman of the Management Board, Acting General Director of Rosseti Kuban, PJSC (part-time)		
Participation in governing bodies of other organisations, in committees of the Company's Board of Directors for the last 5 years:			
Period			
from	to	Organisation	Position
2014	present time	Rosseti South, PJSC	Chairman of the Management Board, General Director
	2019	Donenergo, JSC	
2015	present time	Rosseti South, PJSC	Member of the Board of Directors
2018	present time	VMES, JSC	
2021	present time	Rosseti Kuban, PJSC	Chairman of the Management Board, Acting General Director (part-time)
Tenure on the Board of Directors of the Company		Since 31 August 2021	

First composition of the Board of Directors



Members of the Board of Directors of the Company elected at the Annual General Meeting of Shareholders of the Company on 16 June 2022 and effective until the election of a new Board of Directors on 16 June 2023 (first composition)¹

1. DANIEL KRAINSKIY,

Chairman of the Board of Directors, Non-Executive Director² (for biography, please see above, in the [Current Members of the Board of Directors of Rosseti Kuban, PJSC \(second composition\)](#) subsection)

2. GRIGORY GLADKOVSKIY,

Non-Executive Director (for biography, please see above, in the [Current Members of the Board of Directors of Rosseti Kuban, PJSC \(second composition\)](#) subsection)

3. YURI GONCHAROV,

Non-Executive Director

Year of birth	1977		
Education	Higher. Graduated from: <ul style="list-style-type: none">• Moscow State Mining University, with major in Management, Master of Management• Moscow Institute of Economics, Politics and Law, with major in Jurisprudence, Bachelor of Jurisprudence		
Primary employment and position held	Chief Advisor of Rosseti, PJSC		
Participation in governing bodies of other organisations, in committees of the Company's Board of Directors for the last 5 years:			
Period			
from	to	Organisation	Position
2014	2023	Rosseti Tyumen, JSC	Member of the Board of Directors
		IDGC of Urals, PJSC	Chairman, member of the Board of Directors
2017	2019	IDGC of Siberia, PJSC	Member of the Board of Directors
2018		MOESK, PJSC	Member of the Board of Directors
2020	2023	Rosseti Northern Caucasus, PJSC	Member of the Board of Directors
	2022	Rosseti Centre and Volga Region, PJSC, Rosseti North-West, PJSC	
	2021	Rosseti Lenenergo, PJSC	
2021	2023	Rosseti Volga, PJSC, Rosseti Centre, PJSC	Member of the Board of Directors
	2022	Rosseti Kuban, PJSC	Member of the Auditing Committee of the Board of Directors
2022	2022	NWEMC, JSC	Member of the Board of Directors
Tenure on the Board of Directors of the Company		31 August 2021 to 16 June 2023	

¹ Information on the primary employment of the Board members and their positions in governing bodies of other organisations is given in accordance with the data provided by them to the Company.

- for persons newly elected to the Company's Board of Directors on 16 June 2023 — as of the end of the reporting year,
- for persons who served the full term as members of the Company's Board of Directors by 16 June 2023 — as of 28 February 2023.

² The status of the Board members (executive, non-executive, independent) is defined by the criteria of the Corporate Governance Code of the Bank of Russia.

4. ALEXANDER KAZAKOV,

Non-Executive Director (for biography, please see above, in the [Current Members of the Board of Directors of Rosseti Kuban, PJSC \(second composition\)](#) subsection)

5. MADINA KALOEVA,

Non-Executive Director (for biography, please see above, in the [Current Members of the Board of Directors of Rosseti Kuban, PJSC \(second composition\)](#) subsection)

10. ALEXEY POLINOV,

Non-Executive Director

Year of birth	1978		
Education	Higher. Graduated from Moscow State Construction University, with major in Economics and Management at Enterprise (in construction), Economist. Holds a candidate decree in Economic Sciences		
Primary employment and position held	Chief Advisor of Rosseti, PJSC		
Participation in governing bodies of other organisations, in committees of the Company's Board of Directors for the last 5 years:			
Period			
from	to	Organisation	Position
2019	2023	Rosseti Lenenergo, PJSC	Member of the Management Board
2021	2023	Rosseti Lenenergo, PJSC, Rosseti North-West, PJSC, Rosseti South, PJSC, Rosseti Moscow Region, PJSC, Rosseti Siberia, PJSC, IDGC of Urals, OJSC, Rosseti Yantar, JSC, Rosseti Tyumen, JSC, Rosseti Digital, JSC, FGC Asset Management, LLC, CECM UES, JSC	Member of the Board of Directors
	2022	Rosseti Tyumen, JSC, FGC Asset Management, LLC	
2022	present time	Rosseti, PJSC	Member of the Management Board
	2023	Rosseti Centre, PJSC, Rosseti Northen Caucasus, PJSC	Member of the Board of Directors
Tenure on the Board of Directors of the Company		3 June 2021 to 16 June 2023	

6. KONSTANTIN KRAVCHENKO,

Non-Executive Director (for biography, please see above, in the [Current Members of the Board of Directors of Rosseti Kuban, PJSC \(second composition\)](#) subsection)

7. MIKHAIL MEDVEDEV,

Independent Director (for biography, please see above, in the [Current Members of the Board of Directors of Rosseti Kuban, PJSC \(second composition\)](#) subsection)

8. ALEXEY MOLSKIY,

Non-Executive Director (for biography, please see above, in the [Current Members of the Board of Directors of Rosseti Kuban, PJSC \(second composition\)](#) subsection)

9. BORIS EBZEEV,

Executive Director (for biography, please see above, in the [Current Members of the Board of Directors of Rosseti Kuban, PJSC \(second composition\)](#) subsection)

11. VIKTOR YAVORSKIY,

Independent Director

Year of birth	1955		
Education	Higher. Graduated from Moscow Power Engineering Institute, with major in Automated Control Systems, System Engineer		
Primary employment and position held	President of OSBI-CLASS AUDIT AND CONSULTING GROUP, LLC		
Participation in governing bodies of other organisations, in committees of the Company's Board of Directors for the last 5 years:			
Period			
from	to	Organisation	Position
2002	2023	Technology Centre, LLC	General Director
2006	2023	OSBI-CLASS AUDIT AND CONSULTING GROUP, LLC	President
2013	2023	OPORA RUSSIA, an All-Russian public organisation of small and medium-sized businesses	Member of the Presidium of the Management Board
2014	2023	TORI-AUDIT, LLC	General Director
2015	2019	Tyumenenergo, JSC	Member of the Board of Directors
2020	2023	Rosseti Kuban, PJSC	Chairman of the Audit Committee of the Board of Directors
Tenure on the Board of Directors of the Company		20 June 2021 to 16 June 2023	

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share of independent directors in both compositions of the Board of Directors

50.5

years old

Average age of the members of the Board of Directors in the first composition

47.5

years old

Average age of the members of the Board of Directors in the second composition

Structure of the Company's Board of Directors in 2023, persons

S. No.	Membership of the Board of Directors	First composition of the Board of Directors (16.06.2022 to 16.06.2023)	Second composition of the Board of Directors (since 16.06.2023)
1	In terms of expertise:		
	• economics and management	6	7
	• jurisprudence	4	3
	• electrical power, engineering	3	3
2	By tenure on the Board of Directors:		
	• 1-2 years	3	3
	• 3-5 years	7	7
	• over 5 years	1	1
3	By age:		
	• 31–40 years old	1	2
	• 41–50 years old	7	7
	• 51 and over years old	3	2
4	Gender composition:		
	• men	10	9
	• women	1	2

All people who were members of the Board of Directors of the Company in 2023 are citizens of the Russian Federation.

- None of the members of the Board of Directors:
- Owned the shares of the Company and its S&As or made transactions with them during the reporting year¹
 - Took training courses at the expense of the Company
 - Had family ties with people who are members of the bodies that manage and/or control the financial and economic activities of the Company
 - Was held administratively liable for financial improprieties, offence regarding tax and fees or security market, or had any criminal record for economic crimes or crimes against the state
- Hold positions in the management bodies of commercial organisations during the period when bankruptcy proceedings were initiated against these organisations and/or one of the bankruptcy procedures provided for by the insolvency legislation of the Russian Federation was introduced
 - Had any conflicts of interest (including those related to participation in the governing bodies of the Company's competitors) in the reporting year
 - Received any loans (borrowings) from the Company

Performance of the Board of Directors

In 2023, a total of 38 Board meetings were conducted, four of those were in a mixed format (in person and absentia), and the rest — in absentia (by polling).

38

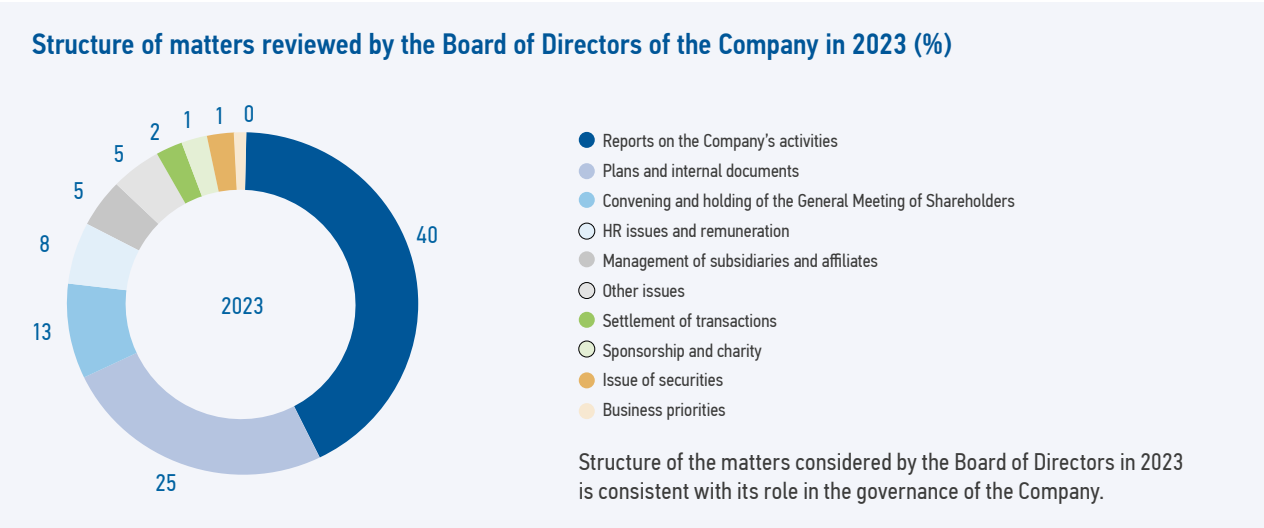
Board meetings held in 2023

99.7%

attendance at meetings (+0.5 p.p. vs. 2022)

Activity of the Board of Directors

Indicator	2021	2022	2023
Number of the Board meetings held	47	44	38
• Including in person (in mixed format)	4	3	4
Number of issues discussed	184	162	144
• Including decisions taken	184	162	144
Number of tasks given to the Company's executive bodies	26	34	20
Average attendance of the Board meetings by the Board members (%)	87.7	99.2	99.7



¹ According to the data provided to the Company by the Board members.

Key resolutions made by the Board of Directors of Rosseti Kuban, PJSC in the reporting year

The following long-term Company plans and programmes were approved:

- Updated programme for the renovation of power grid facilities
- Company's Development Plan
- New version of the non-core asset disposal programme

The following annual and quarterly plans and programmes of the Company were approved:

- Business Plan
- Time-phased-action plan to reduce overdue receivables for electricity transmission services and to resolve disputes
- Procurement plan
- Insurance coverage programme
- Lists of KPIs and functional KPIs of the Company's management personnel, their target values and the procedure for their calculation

The following internal documents of the Company were approved:

- Policy of Holding Shares of the Company and its subsidiaries and affiliates by members of the Board of Directors of the Company, etc.
- Quality policy
- Sustainable Development Policy and Climate Policy of Rosseti, PJSC as internal documents of the Company
- New revisions of the following documents:
 - Internal Control and Risk Management Policy
 - Internal Audit Policy
 - Regulations on Labour Remuneration and Material Incentives for High-Ranking Executives
 - Anti-Corruption Policy
 - Provisions on corporate identity management
 - Regulations on Insider Information Protection
 - Standards of customer service quality

The following resolutions were taken:

- On the Company's adherence to the amendments to the Uniform Procurement Standard of Rosseti, PJSC (Procurement Regulations)
- On the approval of the Company's listing prospectus
- On self-assessment of the performance of the Board of Directors and its committees

The following documents were reviewed:

- Reports of the General Director on various aspects of the Company's financial and business activities and the implementation of the Board's resolutions

During the mixed-format meeting in the reporting year, the Board of Directors:

- reviewed progress reports on the business plan and investment programme, on the progress of priority investment projects, on the implementation of the Company's Development Plan, and on the use of financial support funds by the Company
- approved the Company's Development Plan

Participation of the Board members of Rosseti Kuban, PJSC in meetings of the Board of Directors and its committees in 2023

Full name	Composition of the Board of Directors	Number of meetings attended by a Board member (from those he/she was able to attend) ¹					
		Board of Directors	Reliability Committee	Audit Committee	Strategy Committee	Personnel and Remuneration Committee	Grid Connection Committee
Daniil Krainskiy	First and second	38 out of 38	–	–	25 out of 25	–	–
Grigory Gladkovskiy	First and second	38 out of 38	–	–	–	–	–
Alexander Kazakov	First and second	38 out of 38	–	15 out of 15	–	13 out of 13	–
Madina Kaloeva	First and second	38 out of 38	–	9 out of 9	25 out of 25	–	–
Konstantin Kravchenko	First and second	38 out of 38	–	–	–	–	–
Mikhail Medvedev	First and second	38 out of 38	–	6 out of 6	25 out of 25	–	–
Alexey Molskiy	First and second	38 out of 38	–	–	–	–	8 out of 8
Boris Ebzeev	First and second	38 out of 38	–	–	–	–	–
Yuri Goncharov	First	15 out of 15	–	–	–	–	–
Alexey Polinov	First	13 out of 15	–	–	–	–	–
Viktor Yavorskiy	First	15 out of 15	–	9 out of 9	–	–	–
Dmitry Bakharev	Second	23 out of 23	–	–	–	–	–
Anna Zabortseva	Second	23 out of 23	–	–	11 out of 11	–	–
Vladimir Kharitonov	Second	23 out of 23	–	–	–	–	–

The work plan for the second half of 2023 — first half of 2024 was approved by the decision of the Board of Directors dated 31 October 2023 (Minutes No. 536/2023 dated 1 November 2023). It covers the following focus areas:

- Strategic development of the Company
- Mid-term and short-term planning of the Company’s operations
- Workflow management of the Board of Directors
- Follow-up on the resolutions of the Board of Directors and the General Meeting of Shareholders

The plan includes:

- Essential issues to be considered at the Board meetings
- Deadline for consideration of issues accurate to within a month
- Format of meetings (with the right to define the final format of the meeting by the Chairman of the Board of Directors, in accordance with para. 6.12 of the Regulations on the Board of Directors)
- List of people (Company’s executive bodies) responsible for the preparation of issues to be considered at the meetings of the Board of Directors.

Performance appraisal of the Board of Directors

The Board of Directors and its committees conducted a self-assessment of their performance for the 2022–2023 corporate year during the reporting year, and they gave their performance a relatively high rating (with a maximum score of 5 and an overall average score of 4.9).

4.9 points

average internal score of the Board of Directors’ performance

¹ Information on the participation of the Board’s members in committees work is given only for the period when those persons were sitting on the Board of Directors.

Results of the self-assessment of the Board performance

Sr. No.	Assessment criteria	Average score ¹	Assessment statement
1	The Board performing key functions in the management of the Company: <ul style="list-style-type: none">• Shaping and overseeing the implementation of the strategy• Ensuring the establishment and effective operation of the internal control and risk management system and overseeing its effectiveness• Evaluating the performance of senior management, implementing an effective incentive system	4.9	The track record of the Company’s Board of Directors is fairly highly rated by the majority of Board members. The Board of Directors is actively involved in the work of the executive bodies, assessing their work and shaping their incentive system. The Board of Directors utilises various tools to monitor the executive bodies, including regular management reports on various areas of activity
2	Safeguarding of assets	4.9	The practice of the Board of Directors in terms of ensuring competitive procurement and control over the implementation of the procurement policy is highly appreciated. The practice of the Board of Directors in terms of control over material controlled organisations is sufficiently in line with the recommendations of the Corporate Governance Code and is also highly appreciated by the members of the Board of Directors. The Board of Directors’ expanded authority to analyse and approve material transactions gives it more control over the safeguarding of the Company’s assets
3	Composition and structure of the Board of Directors	4.8	In general, the main competencies required for effective operation are evenly distributed among the members of the Company’s Board of Directors. Members of the Board of Directors have expertise in accounting and corporate finance, strategic management, corporate governance, risk management, as well as in areas specific to the Company’s business. Independent directors are able to create their own opinions based on their professional qualifications, experience, and independence. They are also able to make fair and unbiased decisions without consulting the Company’s executive bodies, certain shareholder groups, or other stakeholders
4	Organisation of the work of the Board of Directors, including: <ul style="list-style-type: none">• Management of the Board activity• Infrastructural support• Interaction of the Board of Directors with the Company’s management• Interaction of the Board of Directors with Board Committees	4.8	The practice of organising the work of the Board of Directors of Rosseti Kuban, PJSC in terms of organisational, legal, information and infrastructure support, interaction of the Board of Directors with committees of the Board of Directors and the Company’s management is generally effective
5	Chairman of the Board of Directors: <ul style="list-style-type: none">• Ensures organisation of efficient work of the Board of Directors, preparation and holding of its meetings• Ensures a constructive and open atmosphere when discussing matters at meetings of the Board of Directors• Ensures and encourages discussion of debatable and controversial issues by members of the Board of Directors• Members of the Board of Directors freely interact with the Chairman of the Board of Directors	5	The Chairman of the Board of Directors of the Company ensures efficient operation of the Board of Directors and organisation of its meetings




Minutes of the meetings of the Board of Directors of Rosseti Kuban, PJSC are published on the Company’s website in the About the Company / Management / Board of Directors section.


¹ The maximum score is 5.

COMMITTEES UNDER THE BOARD OF DIRECTORS


In order to provide for the efficient general governance of Rosseti Kuban, PJSC by its Board of Directors, the following committees were established.




Reliability Committee




Audit Committee



Strategy Committee



Personnel and Remuneration Committee



Grid Connection Committee

The committees have the status of collegial advisory bodies to the Board of Directors.

Main tasks and functions of the Committees:

- Preliminary consideration of the issues within the competence of the Board of Directors or under investigation of the Board of Directors to oversee the activities of the Company's executive bodies
- Development of necessary recommendations for the Board of Directors and executive bodies of Rosseti Kuban, PJSC
- Consideration of other issues by order of the Board of Directors

The activities of each of the Committees are governed by respective Regulations¹.

The personal compositions of the committees (with the exception of the Audit Committee and Strategy Committee) and their chairpersons are elected by the Board of Directors of the Company from candidates nominated by members of the Board of Directors, for a term until the first meeting of the new Board of Directors.

Members of Audit and Strategy Committees are elected for a term until the next election of the respective committee.

The work of the committees is aligned with the action plans created after considering the action plan of the Board of Directors, decisions made by the Board

of Directors and committees, suggestions made by the committee members, and the General Director.

On 4 October 2023, the Board of Directors reviewed the Committees' progress reports for the 2022/2023 corporate year².

In the reporting year, all issues to be pre-considered by the Board Committees were considered by them in a timely manner. Members of the Committees carried out a self-assessment of their performance for the 2022/2023 corporate year, rating their work and its organisation quite highly and confirming their compliance with the Committee Regulations.

Results of the self-assessment of the Board committee performance

Sr. No.	Committees under the Board of Directors	Performance assessment — average score ¹
1	Reliability Committee	4.9
2	Audit Committee	5.0
3	Strategy Committee	4.8
4	Personnel and Remuneration Committee	4.7
5	Grid Connection Committee	4.8

There is a remuneration for the participation of committee members in committee meetings. The overall remuneration amount for the members of the Board Committees

in 2023 amounted to RUB 2,864,000. The Company has no outstanding remuneration to the committee members.

2,864,000 RUB

total amount of remuneration paid to the members of the committees under the Board of Directors in 2023

¹ The maximum score is 5.

¹ The Regulations on the Board of Directors' Committees of Rosseti Kuban, PJSC are published on the Company's website in the [About the Company / Constitutive and Internal Documents](#) section.
² The reports of Board Committees are published on the Company's website in the [About the Company / Management / Committees under the Board of Directors](#) section.



Reliability Committee

Committee establishment date	15 September 2006
Date and number of the minutes of the Board meeting, at which the Regulations on the Committee (as amended) were approved	No. 281/2017, dated 21 July 2017
Key tasks of the Committee	<div>Drawing up and giving recommendations (conclusions) to the Board of Directors on the following aspects of its activities:</div> <div><div><div>• Expert evaluation of production programmes, plans for technical retrofitting, renovation, new construction and repair of power grid facilities, analysis of their development and execution in terms of ensuring the requirements for reliability of operation and technical condition of the power grids</div><div>• Evaluation of the completeness and adequacy of measures taken based on accident investigation results, as well as control over their implementation</div><div>• Expert evaluation of the quality of investigations of the causes of disturbances (accidents)</div><div>• Expert evaluation of the Company’s emergency planning activities (emergency preparedness, set-up and execution of emergency restoration procedures at power grid facilities)</div><div>• Expert evaluation and implementation control for the programmes of prevention and personnel and third-party injury risk mitigation at the power installations of Rosseti Kuban, PJSC</div><div>• Control and assessment of the Company’s technical services performance in terms of ensuring operational reliability and safety of power grids</div><div>• Expert evaluation of the internal technical control system in the Company</div><div>• Expert evaluation of the occupational safety management system</div><div>• Expert evaluation of the environmental policy implementation programme</div><div>• Expert evaluation of the fire and industrial safety system</div></div></div>
Members of the Board of Directors in office in the reporting year	<div>The members of the Committee serving from 14 September 2022 to 27 June 2023¹</div> <div><div>1. Palina Kanyuka (Committee Chairwoman), Head of Production Activity Department of Rosseti, PJSC</div><div>2. Vladimir Mikhailov, Deputy General Director for Technical Issues — Chief Engineer, Member of the Management Board of Rosseti Kuban, PJSC</div><div>3. Alexander Pilyugin, Deputy Director of Rosseti branch — Technical Supervision Centre</div></div> <div>Current membership of the Committee elected on 14 August 2023:</div> <div><div>1. Palina Kanyuka (Committee Chairwoman), Acting Deputy Chief Engineer — Head of the Production Operations Department of Rosseti, PJSC</div><div>2. Vladimir Mikhailov, Deputy General Director for Technical Issues — Chief Engineer, Member of the Management Board of Rosseti Kuban, PJSC</div><div>3. Alexander Pilyugin, Deputy Director of Rosseti branch — Technical Supervision Centre</div></div>

¹ The positions of the members of the Board Committees are given at the date of their election.

About the Company	Strategic Report	Operational Results	Sustainable Development	Corporate Governance Report
Performance results of the Committee in the reporting year	Indicator	2021	2022	2023
	Number of Committee meetings held	14	17	20
	• Including in person (in mixed format)	–	–	–
	Number of issues discussed	30	41	32
	Share of issues preliminarily considered by the Committee with preparation of recommendations to the Board of Directors in the total number of issues considered (%)	33.3	34.1	40.6
	Average attendance of the Committee meetings by the Committee members (%)	88.8	100	97.9
	In the reporting year, the Committee provided the Board of Directors with recommendations on the following crucial issues:			
	• On approval of the Company's internal documents:			
	– Sustainable Development Policy and Climate Policy of Rosseti, PJSC as internal documents of the Company			
	– Updated programme for the renovation of power grid facilities of the Company			
• On consideration of the following reports:				
– On the fulfilment of the investment programme				
– On implementation of the development plan for the production asset management system				
– On implementation of the digital transformation programme, including the action plan for the transition to the predominant use of domestic software and the plan for the procurement and use of Russian radioelectronic products				
– On achievement of readiness for heating season				
– On delivery on the action plan for the transition to the predominant use of domestic software				
– On the work done by the Reliability Committee in the 2022–2023 corporate year				
In the reporting year, the Committee also considered the following issues:				
• Maintenance and repair programme of power facilities				
• Quality assessment of the accident cause investigations and assessment of the adequacy and sufficiency of actions to neutralise them				
• Information on the level of reliability of the services provided by the Company				
• Company's management reports:				
– On the Company's performance during the heating and flood periods				
– On the preparedness to the operation in the autumn and winter, heating and flood periods				
– On the delivery of the maintenance and repair programme for the Company's facilities				
– On the implementation of the action plan to de-bottleneck the reliable power supply to the Company's customers				
– On implementation of comprehensive programmes to reduce injury risks for personnel and third parties at the Company's facilities				

Audit Committee

Committee establishment date	16 October 2009
Date and number of the minutes of the Board meeting, at which the Regulations on the Committee (as amended) were approved	No. 233/2016 dated 18 March 2016, as amended by No. 253/2016 dated 28 October 2016 and No. 494/2022 dated 26 October 2022
Key tasks of the Committee	<ul style="list-style-type: none">• To review the Company’s financial statements and supervision of their preparation• To monitor the reliability and efficiency of the internal control system, risk management system and corporate governance practices• To control over external audits and selection of the auditor• To ensure independence and objectivity of the internal audit function• To control over the efficiency of the system for countering unfair practices of the Company’s employees or third parties
Members of the Board of Directors in office in the reporting year	<p>The members of the Committee serving from 1 August 2022 to 1 August 2023:</p> <ol style="list-style-type: none">1. Viktor Yavorskiy (Committee Chairman), member of the Management Board Presidium of All-Russian Non-Governmental Organisation of Small and Medium Business OPORA RUSSIA, General Director of TORI-AUDIT, LLC, member of the Board of Directors of Rosseti Kuban, PJSC2. Yuri Goncharov, Chief Advisor of Rosseti, PJSC, member of the Board of Directors of Rosseti Kuban, PJSC3. Alexander Kazakov, member of the Board of Directors of Rosseti Kuban, PJSC <p>Current membership of the Committee elected on 1 August 2023:</p> <ol style="list-style-type: none">1. Anton Ulyanov (Committee Chairman), Internal Audit Director — Head of the Internal Audit Department of Rosseti, PJSC, Chairman of the Internal Audit Commission of Rosseti Kuban, PJSC2. Alexander Kazakov, member of the Board of Directors of Rosseti Kuban, PJSC3. Mikhail Medvedev, adviser to General Director of Avangard, JSC, member of the Board of Directors of Rosseti Kuban, PJSC

Performance results of the Committee in the reporting year

Indicator	2021	2022	2023
Number of Committee meetings held	17	15	14
• Including in person (in mixed format)	3	3	3
Number of issues discussed	54	43	44
Share of issues preliminarily considered by the Committee with preparation of recommendations to the Board of Directors in the total number of issues considered (%)	43.4	44.2	45.5
Average attendance of the Committee meetings by the Committee members (%)	96.2	100	100

In the reporting year, the Committee provided the Board of Directors with conclusions (recommendations) on the following critical issues:

- On approval of the following:
 - Report on the implementation of the action plan and the results of the internal audit activity, including the results of the self-assessment, as well as measures to develop and improve the internal audit activity
 - New edition of the Risk Management and Internal Control Policy, Internal Audit Policy, Anti-Corruption Policy
 - Work plan and budget of the Internal Audit Function
- On consideration of the candidate of the Company’s external auditor for auditing of the Company’s statements for 2023 and on determination of the compensation paid for these services
- On consideration of the following reports (information):
 - Internal audit report on the evaluation of measures to identify and dispose of non-core assets
 - Anti-corruption monitoring report
 - Internal audit report regarding the efficiency of the internal control and risk management systems of the Company
 - Internal audit report regarding the corporate governance performance for 2022–2023 corporate year
 - RAS financial statements of the Company
 - Report of the Audit Committee of the Board of Directors on its work for the 2022–2023 corporate year

In the reporting year, the Audit Committee of the Board of Directors also considered the following:

- Information of the external auditor regarding key problems in the Company’s financial statements
- IFRS consolidated financial statements
- The opinion of the internal audit of the Company on the efficiency and quality of the external audit process of the Company’s financial statements
- Reports (information) of the Company’s management:
 - On implementation of the corrective measures to eliminate gaps identified by the Company’s Auditing Commission, Company’s internal audit, third-party control and supervision bodies on measures taken to address the information about potential cases of unfair practices of employees, and following the results of investigations made
 - On non-standard operations and events of the Company, as well as regarding the formation of a reserve on doubtful debts and estimated liabilities

Strategy Committee

Committee establishment date	5 February 2010
Date and number of the minutes of the Board meeting, at which the Regulations on the Committee (as amended) were approved	No. 358/2019 dated 16 August 2019
Key tasks of the Committee	<div>To develop recommendations (conclusions) concerning the following issues and submission of them to the Board of Directors:<ul style="list-style-type: none">Strategic development and business prioritiesCompany's innovation developmentOrganisation of business processesBusiness planningDividend PolicyRisk managementEfficiency assessment for the operations of the Company and its S&As</div>
Members of the Board of Directors in office in the reporting year	<div>The members of the Committee serving from 5 September 2022 to 29 August 2023:<ol style="list-style-type: none">Marina Lavrova (Committee Chairwoman), Deputy Head of Economics Department of Rosseti, PJSCAlekos Antoniadès, Acting Investment Director — Head of Investment Planning Department of Rosseti, PJSCKonstantin Guselnikov, General Director of Fininvestkonsalt, LLCKirill Iordanidi, Deputy General Director for Economics and Finance of Rosseti South, PJSC, Deputy General Director for Economics and Finance (part-time) and member of the Management Board of Rosseti Kuban, PJSCMadina Kaloyeva, Director for Corporate Governance — Head of the Corporate Governance Department of Rosseti, PJSC, member of the Board of Directors of Rosseti Kuban, PJSCDaniel Krainskiy, Deputy General Director for Legal Support of Rosseti, PJSC, Chairman of the Board of Directors of Rosseti Kuban, PJSCYulia Leshchevskaya, Acting Deputy General Director for Strategy of Rosseti, PJSCMikhail Medvedev, adviser to General Director of Avangard, JSC, member of the Board of Directors of Rosseti Kuban, PJSCDmitriy Mikheev, Head of the Department for Service Sales of Rosseti, PJSC</div> <div>Current membership of the Committee elected on 29 August 2023:<ol style="list-style-type: none">Alexey Polinov (Committee Chairman), Deputy Director General for Economics and Finance of Rosseti, PJSCAlekos Antoniadès, Acting Investment Director — Head of Investment Planning Department of Rosseti, PJSCKonstantin Guselnikov, General Director of Fininvestkonsalt, LLCAnna Zabortseva, Chairman of the Electric Power and Industry Committee of the Krasnodar Territory Branch of OPORA RUSSIA, member of the Board of Directors of Rosseti Kuban, PJSCKirill Iordanidi, Deputy General Director for Economics and Finance of Rosseti South, PJSC, Deputy General Director for Economics and Finance (part-time) and member of the Management Board of Rosseti Kuban, PJSCMadina Kaloyeva, Director for Corporate Governance — Head of the Corporate Governance Department of Rosseti, PJSC, member of the Board of Directors of Rosseti Kuban, PJSCDaniel Krainskiy, Deputy General Director for Legal Support of Rosseti, PJSC, Chairman of the Board of Directors of Rosseti Kuban, PJSCYulia Leshchevskaya, Acting Deputy General Director for Strategy of Rosseti, PJSCMikhail Medvedev, adviser to General Director of Avangard, JSC, member of the Board of Directors of Rosseti Kuban, PJSC</div>

Performance results of the Committee in the reporting year

Indicator	2021	2022	2023
Number of Committee meetings held	25	23	25
• Including in person (in mixed format)	3	2	–
Number of issues discussed	50	48	50
Share of issues preliminarily considered by the Committee with preparation of recommendations to the Board of Directors in the total number of issues considered (%)	90	89.6	94.0
Average attendance of the Committee meetings by the Committee members (%)	99.6	100	100

Recommendations were made to the Board of Directors concerning the following critical issues:

- On proposals to the General Meeting of Shareholders regarding the amount of dividends on the Company's shares, the procedure for their payment and the determination of the record date (on which the list of persons entitled to receive dividends is drawn up)
- On approval of the following:
 - Sustainable Development Policy and Climate Policy of Rosseti, PJSC as internal documents of the Company
 - New version of the risk management and internal control policy, non-core asset disposal programme
 - Company's business plan
 - Development plan
 - Preferred risk (risk appetite)
 - Time-phased-action plan to reduce overdue amount for electricity transmission services rendered and to resolve disputes
 - Lists of KPIs and functional KPIs of the management staff and their target values
 - Reports on the achievement of the KPIs of the Company's General Director and on the delivery of the innovation development programme, digital transformation programme
 - List of investment projects subject to technological and pricing audit
 - Updated non-core asset register of the Company
- On approval of amendments to the investment programme
- On consideration of the following reports:
 - Report of the Strategy Committee of the Board of Directors on the work done in the 2022–2023 corporate year
 - On execution of the business plan, investment programme, development plan of the Company, use of funds for financial support of the development plan
 - On the progress on the higher-priority investment projects
 - On the organisation, functioning and effectiveness of internal control and risk management systems
 - Action plan for the transition to the predominant use of domestic software, etc.

Personnel and Remuneration Committee

Committee establishment date	6 August 2010			
Date and number of the minutes of the Board meeting, at which the Regulations on the Committee (as amended) were approved	No. 194/2014 dated 1 August 2014			
Key tasks of the Committee	<p>To develop recommendations (conclusions) concerning the following issues and submission of them to the Board of Directors:</p> <ul style="list-style-type: none">Establishing criteria for selecting and evaluating candidates for the Board of Directors and executive bodies of the CompanyEstablishing principles and criteria for determining the remuneration of members of the Company's governing bodiesDetermining the material terms of employment agreements with Board members and executive bodiesConducting regular assessment of the performance of the Director General and members of the Management BoardDetermining remunerations for the members of the Board of Directors			
Members of the Board of Directors in office in the reporting year	<p>The members of the Committee serving from 20 June 2022 to 27 June 2023:</p> <ol style="list-style-type: none">Alexander Kazakov (Chairman of the Committee), member of the Board of Directors of Rosseti Kuban, PJSCYulia Kuznetsova, Acting Deputy General Director for HR Management of Rosseti, PJSCIrina Kosinskaya, Deputy Head of HR Management Department of Rosseti, PJSC <p>Current membership of the Committee elected on 14 August 2023:</p> <ol style="list-style-type: none">Daria Borisova (Chairman of the Committee), HR Director, Rosseti, PJSCAlexander Kazakov, member of the Board of Directors of Rosseti Kuban, PJSCKonstantin Suvorovskiy, Head of the Remuneration, Organisational Design and Personnel Administration Department at Rosseti, PJSC			
Performance results of the Committee in the reporting year	Indicator	2021	2022	2023
	Number of Committee meetings held	18	13	13
	• Including in person (in mixed format)	–	–	–
	Number of issues discussed	28	26	18
	Share of issues preliminarily considered by the Committee with preparation of recommendations to the Board of Directors in the total number of issues considered (%)	82.1	69.2	72.2
	Average attendance of the Committee meetings by the Committee members (%)	98.8	100	100
<p>Recommendations were made to the Board of Directors concerning the following issues:</p> <ul style="list-style-type: none">On the evaluation of the Board of Directors and its committees and on consideration of the resultsOn changes to the composition of the Company's Management BoardOn approval of the terms and conditions of labour remuneration and the amount of the maximum annual remuneration of the Company's executivesOn approval of the agreement to the Company's collective bargaining agreement for 2023–2025On approval lists of KPIs and functional KPIs of the management staff and their target valuesOn approval of General Director KPI achievement reportsOn review of the report of the Personnel and Remuneration Committee on works performed in the 2022–2023 corporate yearOn approval of the Corporate Secretary performance report <p>In addition, the Personnel and Remuneration Committee of the Board of Directors reviewed the status of the management and youth talent pools and approved their members</p>				

Grid Connection Committee

Committee establishment date	11 October 2011			
Date and number of the minutes of the Board meeting, at which the Regulations on the Committee (as amended) were approved	No. 281/2017 dated 19 July 2017			
Key tasks of the Committee	<p>To develop recommendations (conclusions) concerning the following issues and submission of them to the Board of Directors:</p> <ul style="list-style-type: none">Improvement of the legal framework of the anti-trust law and provision of equal-opportunity access to the grid connection servicesImprovement of the Company's internal standards for ensuring equal-opportunity access to the grid connection servicesDevelopment of principles and criteria for assessing the Company's performance efficiency regarding connecting customers to power gridsAssessment of the Company's performance related to grid connection of consumersAssessment of the Company's performance efficiency in the improvement of power grid development plans in the regions of presenceAnalysis of the current situation in the Company and the preparation of suggestions for the Board of Directors concerning customers' grid connection and the future development of the grid in general			
Members of the Board of Directors in office in the reporting year	<p>Members of the Committee serving between 17 August 2022 and 27 June 2023, current members of the Committee elected on 14 August 2023:</p> <ol style="list-style-type: none">Alexey Molskiy (Committee Chairman), Deputy General Director for Investment and Capital Construction of Rossetti, PJSC, member of the Board of Directors of Rosseti Kuban, PJSCMarina Gazdanova, Deputy Head of Grid Connection and Infrastructure Development Department — Head of Additional Services and Customer Services Development Department of Rosseti, PJSCDmitry Zhuravlev, Deputy General Director for Development and Grid Connection of Rosseti South, PJSCOleg Klinkov, Director for Customer Relations — Head of Technological Development Department of Rosseti, PJSCAlexander Chepusov, Acting Deputy General Director for Development and Grid Connection of Rosseti Kuban, PJSC			
Performance results of the Committee in the reporting year	Indicator	2021	2022	2023
	Number of Committee meetings held	10	8	8
	• Including in person (in mixed format)	1	2	–
	Number of issues discussed	16	17	15
	Share of issues preliminarily considered by the Committee with preparation of recommendations to the Board of Directors in the total number of issues considered (%)	25.0	23.5	20.0
	Average attendance of the Committee meetings by the Committee members (%)	95.0	100	100
<p>Recommendations were made to the Board of Directors on the approval of customer service quality standards and consideration of the Grid Connection Committee's progress report for the 2022–2023 corporate year.</p> <p>Review of the following management reports:</p> <ul style="list-style-type: none">On the implementation of measures to improve the accessibility of energy infrastructureOn interaction with the system operator and executive authorities of the Krasnodar Territory and the Republic of Adygeya when considering power industry development schemes and programmesOn the Company's current activities in connection of consumers to the power gridOn the preparation of comprehensive development programmes for power grids with a voltage of 35 kV or above in the Krasnodar Territory and the Republic of AdygeyaOn the progress on the roadmap for the development of additional (non-tariff) servicesOn decommissioning of electricity generation facilities				

EXECUTIVE BODIES

The General Director, who is the sole executive body, and the Management Board (the collective executive body) are in charge of executive management of Rosseti Kuban, PJSC.

The General Director and the Management Board are accountable to the General Meeting of Shareholders and the Board of Directors.	are also elected by the Board of Directors, as suggested by the General Director, in the number to be determined by a decision of the Board of Directors.	The General Director and the members of the Management Board act in good faith and the best interests of the Company and all of its shareholders. To prevent any conflicts of interests and the related adverse impacts for the Company, the members of the Management Board shall disclose to the Company all and any information about their business activities outside the interests of the Company.
Pursuing Following the Articles of Association of the Company, the General Director is elected by the Board of Directors and chairs the Management Board. All the Management Board members	Each member of the Management Board, including its chairperson, shall have the experience, knowledge and qualifications necessary for the proper discharge of the duties entrusted to him/her.	

General Director

According to the Articles of Association of Rosseti Kuban, the General Director is change of the executive management of the Company according to decisions of the General Meeting of Shareholders, the Board of Directors and the Management Board.	The General Director shall act on behalf of the Company without a power of attorney, subject to the restrictions stipulated by the legislation of the Russian Federation, the Article of Association and decisions of the Board of Directors of Rosseti Kuban, PJSC.	<ul style="list-style-type: none">The General Director regularly submits to the Board of Directors reports on the Company's performance results, including reports on implementation of the duties and resolutions of the General Meeting of Shareholders and the Board of Directors by the General Director
All of the aspects of current operations management in the Company, except for matters reserved for the General Meeting of Shareholders, the Board of Directors, and the Management Board, fall within the remit of the General Director.	Relations of the General Director with the Board of Directors: <ul style="list-style-type: none">The Board of Directors approves the Procedure for Calculating and Evaluating KPIs of the General Director, their target values and reports on their performance	The functions of the sole executive body (General Director) of the Company in the reporting year were performed by Boris Ebzeev (Acting General Director, part-time) ¹ .

Management Board

The Management Board is responsible for the implementation of the Company's goals, strategy and policy and manages the day-to-day operations within its remit.	<ul style="list-style-type: none">To ensure a high level of income from the Company's assets and the maximum profit from the Company's operations	on how the Management Board fulfils the resolutions of the General Meeting of Shareholders and the Board of Directors
The key objectives of the Management Board: <ul style="list-style-type: none">To uphold the rights and legitimate interests of the Company's shareholdersTo prepare suggestions on the Development Strategy of the CompanyTo implement the financial and economic policy of the Company, drawing up decisions on the major issues related to its current economic operations and coordinating the operation of its departmentsTo increase the efficiency of the internal control and risk monitoring systems	Relations of the Board of Directors and Management Board of the Company: <ul style="list-style-type: none">The Board of Directors elects the members of the Management Board, establishes the remuneration and compensation paid to them, monitors the compliance of the Management Board's activities with the Company's approved strategy, and hears the Management Board's progress reports on the Company's approved strategyThe Management Board develops and submits prospective plans for the implementation of the Company's core activities, business plan, annual report, follow-up report	The Company's Management Board acts in compliance with the Articles of Association and the Regulations on the Management Board ² approved by the resolution of the General Meeting of the Shareholders.

Composition of the Management Board

During the reporting year, the number of members of the Company's Management Board decreased from 9 to 7 members as L Loskutova and O. Nishchuk were removed from the Management Board.

¹ For more details on Boris Ebzeev, please see the Composition of the Board of Directors and Composition of the Management Board subsections of the [Corporate Governance Report](#) section of this Report.
² The Regulation on the Management Board of Rosseti Kuban, PJSC is published on the Company's website in the [About the Company / Constitutive and Internal Documents](#) section.

Current membership of the Management Board at the end of the reporting year

1. BORIS EBZEEV, Chairman of the Management Board

Year of birth	1975		
Education	Higher. Graduated from Lomonosov Moscow State University, with major in Law, Lawyer. Holds a candidate degree in Legal Sciences		
Information on employment of a member of the Management Board and on participation in governing bodies of other organisations over the last 5 years:			
Period			
from	to	Organisation	Position
2014	present time	Rosseti South, PJSC	Chairman of the Management Board, General Director
	2019	Donenergo, JSC	Member of the Board of Directors
2015	present time	Rosseti South, PJSC	Member of the Board of Directors
2018	present time	VMES, JSC	Chairman of the Board of Directors
2021	present time	Rosseti Kuban, PJSC	Member of the Board of Directors, Chairman of the Management Board, Acting General Director (part-time)
Date of entry of the Chairman of the Company's Management Board into office		18 May 2021	

2. EDGAR ARMAGANYAN

Year of birth	1984		
Education	<div>Higher. Graduated from:</div> <ul style="list-style-type: none">• Kuban State Agrarian University, with major in Electrification and Automation, Engineer• Moscow Institute of Entrepreneurship and Law, with major in Organisation Management, Manager <div>Additional education:</div> <ul style="list-style-type: none">• Bauman Moscow State Technical University, major in Management with Professional Status of Organisation Controlling• Kuban State University, with major in Jurisprudence: Civil Law Relations		
Information on employment of a member of the Management Board and on participation in governing bodies of other organisations over the last 5 years:			
Period			
from	to	Organisation	Position
2009	present time	Rosseti Kuban, PJSC	First Deputy General Director — Director of Sochi Power Grids Branch
2016		Energoservice Kuban, JSC	Chairman of the Board of Directors
Date of election to the Management Board		28 August 2014	

3. YULIA GALINOVA

Year of birth	1978		
Education	Higher. Graduated from the International Institute of Economics and Law, with major in Jurisprudence, Lawyer		
Information on employment of a member of the Management Board and on participation in governing bodies of other organisations over the last 5 years:			
Period			
from	to	Organisation	Position
2014	2021	Rosseti Kuban, PJSC	Deputy Head of the Legal Support Department
2021	present time		Deputy Director General for Corporate Governance
Date of election to the Management Board		30 September 2021	

4. JULIANNA JABRAILOVA

Year of birth	1981		
Education	Higher. Graduated from: <ul style="list-style-type: none">• Kuban Institute of International Business and Management, with major in Finance and Credit, Economist• Kuban State Agrarian University, with Bachelor's degree in Agro-Engineering		
Information on employment of a member of the Management Board and on participation in governing bodies of other organisations over the last 5 years:			
Period			
from	to	Organisation	Position
2014	present time	Rosseti South, PJSC	Deputy General Director — Head of the Office
2016			Member of the Management Board
2016		Energetik Recreation Facility, JSC	Chairman of the Board of Directors
2017		Rosseti South, PJSC	Director of Kubanenergo branch (part-time)
2018		ERA of Russia Association	Member of the Supervisory Board
2021		Rosseti Kuban, PJSC	Deputy General Director — Head of the Office (part-time)
Date of election to the Management Board		30 June 2021	

5. KIRILL IORDANIDI

Year of birth	1985		
Education	<p>Higher. Graduated from:</p> <ul style="list-style-type: none">• University of Indianapolis (Indiana, USA), with major in Economics and Finance• International College (Intercollege, Republic of Cyprus), with major in Management• South Russian State University of Economics and Service, with Master's degree in Management <p>Completed professional retraining under the MBA programme on "Management and regulation of economic activities in the international electric power industry" with professional qualifications in "Master of Business Administration" at the Moscow State Institute of International Relations (University) of the Ministry of Foreign Affairs of Russia</p>		
Information on employment of a member of the Management Board and on participation in governing bodies of other organisations over the last 5 years:			
Period			
from	to	Organisation	Position
2016	2021	Rosseti South, PJSC	Head of the Department of Economics
2017	present time	Energetik Recreation Facility, JSC	Member of the Board of Directors
	2021	Sokolovskoye Agricultural Enterprise, JSC	Chairman, member of the Board of Directors
2018	2018	IDGC of South, PJSC	Deputy Director for Economics and Finance (part-time) of Volgogradenergo branch
2019	2021	YugSroyMontazh, LLC	Member of the Board of Directors
2021	present time	Rosseti South, PJSC	Deputy General Director for Economics and Finance, member of the Management Board
	2021	Rosseti Kuban, PJSC	Assistant General Director, Acting Deputy General Director for Economics and Finance (part-time)
	present time		Deputy General Director for Economics and Finance (part-time), member of the Strategy Committee of the Board of Directors
Date of election to the Management Board		30 September 2021	

6. VIKTOR KORZHANEVSKIY

Year of birth	1977		
Education	Higher. Graduated from Serikbayev East Kazakhstan Technical University, with major in Instrumentation, Electrical Engineer		
Information on employment of a member of the Management Board and on participation in governing bodies of other organisations over the last 5 years:			
Period			
from	to	Organisation	Position
2015	2018	Technical Customer Centre, JSC	Deputy General Director for Capital Construction
2019	2020	Rosseti Kuban, PJSC	Head of the Capital Construction Department; then Head of the Capital Construction Department and Acting Deputy General Director for Capital Construction without release from the main work defined by the employment agreement
2020	present time	Rosseti Kuban, PJSC	Deputy General Director for Investments
		Energoservice Kuban, JSC	Member of the Board of Directors
Date of election to the Management Board		27 August 2020	

7. VLADIMIR MIKHAILOV

Year of birth	1982
Education	<div>Higher. Graduated from:</div> <div><div><div>• South Russian State Technical University (Novocherkassk Polytechnic Institute), with major in Electrical Systems and Grids, Engineer</div><div>• FSBE Kuban State Agrarian University n.a. I. Trubilin, with Master's degree in State and Municipal Management</div></div><div>Completed a professional retraining course in occupations:</div><div><div><div>• Safety of technological processes and production in power engineering and power supply, South Russian State Technical University (Novocherkassk Polytechnic Institute)</div><div>• Management, MSTU n.a. N.E. Bauman</div></div><div>Completed the advanced training courses on:</div><div><div><div>• Information Security. Security of restricted access information that does not contain information constituting a state secret using cryptographic and non-cryptographic methods», Informzaschita Training Centre, an autonomous non-profit organisation of additional professional education</div></div></div></div></div>

Information on employment of a member of the Management Board and on participation in governing bodies of other organisations over the last 5 years:

Period		Organisation	Position
from	to		
2011	2018	Kubanenergo, PJSC	Director of Krasnodar Power Grids branch
2020	2021	Southern Energy Company, LLC	Executive Director
2022	2022	Rosseti Kuban, PJSC	Assistant Director General of Business Administration in the Department of Business Administration, Acting Deputy Director General for Technical Affairs — Chief Engineer
	present time	Rosseti Kuban, PJSC	Deputy General Director for Technical Affairs — Chief Engineer, member of the Reliability Committee of the Board of Directors
		Energoservice Kuban, JSC	Member of the Board of Directors
Date of election to the Management Board		11 October 2022	

All members of the Company's Management Board are citizens of the Russian Federation

43 years

average age of members of the Management Board

2 women

serve on the Management Board

None of the Management Board members held any positions in the governing bodies of any commercial organisations when bankruptcy procedures were initiated and/or implemented against these companies as specified by the insolvency (bankruptcy) laws of the Russian Federation.

- None of the Company's Management Board:
- Owned the Company shares or closed transactions with them during the reporting year¹
 - Made any transactions with the Company in the reporting year
 - Received any loans (credits) from the Company

- Had family ties with people who are members of the bodies that manage and/or control the financial and economic activities of the Company
- Was held administratively liable for financial improprieties, offence regarding tax and fees or security market, or had any criminal record for economic crimes or crimes against the state
- Had any conflicts of interest with the Company

Performance of the Management Board

Indicator	2021	2022	2023
Number of meetings held	43	46	43
• In person	2	—	—
Number of issues discussed	157	215	191



¹ According to the data provided to the Company by the Management Board members.

CORPORATE SECRETARY

The Board of Directors of Rosseti Kuban, PJSC elects the Corporate Secretary¹ in order to duly comply with the procedure for preparing and holding the General Meeting of Shareholders and for organising the activities of the Board of Directors.

The Corporate Secretary is the official of Rosseti Kuban that makes sure that the Company complies with the laws of the Russian Federation, the Articles of Association, and internal documents that guarantee the exercise of rights and legal interests of the Company's shareholders.

The Corporate Secretary reports to the Board of Directors, which determines the provisions of the Corporate Secretary contract, the amount and the payment procedures for the remuneration, and the bonus principles.

The Corporate Secretary submits an annual report on his/her work to the Board of Directors for approval, which is to be previously reviewed by the Personnel and Remuneration Committee of the Board of Directors.

Persons who acted as the Company's Corporate Secretary during the reporting year

1. OLGA RUSSU

Year of birth	1967		
Education	<p>Higher. Graduated from:</p> <ul style="list-style-type: none">• Krasnodar Polytechnic Institute, with major in Economics and Organisation of Food Products Industry, Economist Engineer• Ural Academy of Public Service, with major in Jurisprudence, Lawyer <p>Completed professional retraining in organisational management at Bauman Moscow State Technical University based at Kubanenergo Training Centre</p> <p>Graduated from advanced training courses in Corporate Secretary speciality at Russian School of Management</p>		
Primary employment and position held	Chief Specialist of the Corporate Support Department of Rosseti Kuban, PJSC		
Participation in governing bodies of other organisations over the last 5 years:			
Period			
from	to	Organisation	Position
2018	2023	Did not hold positions in the governing bodies of other organisations	
Period of acting as the Company's corporate secretary	20 July 2011 to 8 June 2023		

¹ The functions, appointment and displacement procedures, rights and duties of the Corporate Secretary are aligned with the Regulations on the Corporate Secretary as approved by the Board of Directors (published on the website of Rosseti Kuban, PJSC in the [About the Company / Constitutive and Internal Documents](#) section).

2. EKATERINA DIDENKO

Year of birth	1975		
Education	<p>Higher. Graduated from Kuban State Agrarian University, with major in Jurisprudence, Lawyer.</p> <p>Completed professional retraining at Bauman Moscow State Technical University under the programme on Management. Controlling in the Electric Power Industry.</p> <p>Graduated from advanced training courses at Non-State Educational Institution “Moscow International Institute of Econometrics, Informatics, Finance And Law” under the programme on Fundamentals of Property Management in RAO UES of Russia S&As</p>		
Primary employment and position held	Head of the Corporate Support Department of Rosseti Kuban, PJSC		
Participation in governing bodies of other organisations over the last 5 years:			
Period			
from	to	Organisation	Position
2016	2021	Energetik Health Resort, JSC	Member of the Board of Directors
2018	2020	Energoservice Kuban, JSC	
Period of acting as the Company's corporate secretary	Since 8 June 2023		

Persons who acted as the Corporate Secretary of Rosseti Kuban, PJSC in the reporting year:

- Did not own the Company shares or made transactions with them during the reporting year¹
- Had no family ties with people who are members of the bodies that manage and/or control the financial and economic activities of the Company
- Was not held administratively liable for financial improprieties, offence regarding tax and fees or security market, or had any criminal record for economic crimes or crimes against the state

- Did not hold positions in governing bodies of commercial organisations during the period, when bankruptcy proceedings and/or one of the bankruptcy procedures under the Russian insolvency (bankruptcy) laws were initiated against these organisations
- Had no conflicts of interest (including those related to participation in the management bodies of the Company's competitors) in the reporting year
- Received no loans (credits) from the Company

On 15 June 2023, the Board of Directors approved the Corporate Secretary's report for the 2022/2023 corporate year containing, inter alia:

- Statistical information on holding meetings of the Board of Directors
- Information on absence of observations from Board members and their committees on the activities of the Company's Corporate Secretary
- Information on the functions performed by the Corporate Secretary of the Company in the reporting period as the secretary of the General Meeting of Shareholders of the Company, support of the current activities of the Board of Directors, etc.

¹ According to the data provided to the Company by the persons who acted as the Corporate Secretary in the reporting year.

AUDITING COMMISSION

The Auditing Commission is a permanent, elected internal control body of Rosseti Kuban, PJSC.

The Auditing Committee periodically reviews the financial and economic activities of the Company, the activities of its business units and separate subdivisions and the Company's governing bodies through documentary and field audits (inspections):

- Legitimacy and economic feasibility of the business and finance transactions carried out by the Company during the period audited
- Completeness and accuracy of the representation of business and financial transactions in the Company's documents

Tasks of the Auditing Commission:

- To control over the Company's financial and business operations
- To conduct independent assessment of the reliability of the data contained in the annual report of the Company and annual accounting statements
- To confirm the fairness of the representations contained in the Company's report on interested-party transactions

The Company's Auditing Commission acts in the interests of the Company's shareholders. The Company's Auditing Committee is accountable to the General Meeting of Shareholders of the Company and reports annually to the General Meeting of Shareholders of the Company.

The competence of the Auditing Commission is defined by Federal Law No. 208-FZ dated 26 December 1995 "On Joint Stock Companies", as well as the Articles of Association and Regulations on the Auditing Commission of the Company.

Pursuant to Article 24.4 of the Company's Articles of Association, the remit of the Auditing Commission covers:

- Inspection (audit) of the financial, accounting, payment and settlement and other documentation of the Company related to the Company's financial and economic activities for the compliance with the legislation of the Russian Federation, the Articles of Associations and internal documents of the Company
- Checking and analysis of the financial condition of the Company, its solvency, the functioning of the internal control system and the risk management system, liquidity of assets, the ratio of own and loaned funds, correctness and timeliness of accruals and payment of interest on bonds, income on other securities
- Control over the expenditure of the Company's funds under the approved business plan and budget of the Company
- Control over the generation and use of the reserve and other special funds of the Company
- Verification of the timeliness and correctness of settlement transactions with counterparties and the budget, as well as settlement transactions for remuneration, social insurance, accrual and payment of dividends and other settlement transactions
- Monitoring of the compliance with the established procedure for writing off debts of insolvent debtors to the Company's losses
- Verification of the Company's business operations carried out under the concluded agreements

- Verification of the compliance with the use of material, labour and financial resources, financial and economic activities of current agreements, norms and standards, approved estimates and other documents regulating the activities of the Company
- Control over the safety and use of fixed assets
- Verification of the cash account and property of the Company, the efficient use of assets and other resources of the Company, identifying the causes of non-production losses and expenses, determining reserves for improving the financial condition of the Company
- Verification of the compliance with the requirements to eliminate violations and deficiencies identified by the Auditing Commission of the Company
- Drawing-up of recommendations for the governing bodies of the Company
- Other actions (measures) related to the audit of the financial and economic activities of the Company

The Auditing Commission abides by the laws of the Russian Federation, the Articles of Association of the Company and the Regulations on the Auditing Commission¹.

The Auditing Commission consists of five members.

¹ The Regulation on the Auditing Commission is published on the Company's website in the [About the Company / Constitutive and Internal Documents](#) section.

Members of the Auditing Commission

During the reporting year, there were two compositions of the Company's Auditing Commission.

Members of the Auditing Committee elected at the annual General Meeting of Shareholders of the Company held on 16 June 2023¹

1. ANTON ULYANOV

Chairman

Year of birth	1979
Education	Higher. Graduated from: <ul style="list-style-type: none">• State Educational Institution of Higher Professional Education "Moscow State Law Academy", with major in Jurisprudence Completed professional retraining courses in: <ul style="list-style-type: none">• Institute of Internal Auditors Association, Consultant Auditor• IVA Training Centre, LLC, Internal Auditor. Professional level• Consulting, Training and Methodological Centre of the Audit Chamber of Russia, LLC, Head of an independent internal control unit. Professional Standard "Specialist in Internal Control (Internal Controller). Level 7"

Positions held or being held by a member of the Auditing Committee in the Issuer and in governing bodies of other organisations for the last three years in chronological order, including part-time positions (indicating the period during which the person held the said positions):

Period		Organisation	Position
from	to		
2020	2022	Did not hold any positions in the Company or in the governing bodies of other organisations	
2022	2023	Rosseti Centre and Volga Region, PJSC, Rosseti Siberia, PJSC, Rosseti Volga, PJSC, Rosseti Northen Caucasus, PJSC	Member of the Board of Directors
2022	2023	Mobile GTES, JSC	Member of the Board of Directors
2023	present time	Rosseti Kuban, PJSC	Chairman of the Auditing Commission, Chairman of the Audit Committee of the Board of Directors

2. VIKTOR TSARKOV

Year of birth	1977
Education	Higher. Graduated from: <ul style="list-style-type: none">• Moscow Institute of Economics, Management and Law, with major in Finance and Credit• Russian Academy of Public Administration under the President of the Russian Federation, with major in State and Municipal Management Completed advanced training in: <ul style="list-style-type: none">• Institute of Internal Auditors Association, qualification "Chief Auditor (7th level of qualification)", date of issue — 23 November 2023

Positions held or being held by a member of the Auditing Committee in the Issuer and in governing bodies of other organisations for the last three years in chronological order, including part-time positions (indicating the period during which the person held the said positions):

Period		Organisation	Position
from	To		
2020	2021	Did not hold any positions in the Company or in the governing bodies of other organisations	
2021	present time	Rosseti Kuban, PJSC	Member of the Auditing Commission

¹ Minutes No. 50 dated 21 June 2023.

3. SVETLANA TRISHINA

Year of birth	1979
Education	Higher. Graduated from: <ul style="list-style-type: none">Amur State University, with major in Finance and Credit <p>Completed professional retraining courses in:</p> <ul style="list-style-type: none">International Academy of Expertise and Assessment, with major in Internal Audit and Control in Commercial Organisations and advanced training courses in Internal Audit <p>Completed advanced training in:</p> <ul style="list-style-type: none">Enterprise Reform Centre, LLC, qualification certificate (Ministry of Labour Order No. 398n) Code E qualification 7 "management (governance) of the internal audit service", date of issue — 1 December 2021

Positions held or being held by a member of the Auditing Committee in the Issuer and in governing bodies of other organisations for the last three years in chronological order, including part-time positions (indicating the period during which the person held the said positions):

Period		Organisation	Position
from	to		
2020	2021	Did not hold any positions in the Company or in the governing bodies of other organisations	
2021	present time	Rosseti Kuban, PJSC	Member of the Auditing Commission

4. ELENA ROPTANOVA

Year of birth	1974
Education	Higher. Graduated from: <ul style="list-style-type: none">Samara State Academy of Economics, with major in Economics and Management at Enterprises <p>Completed advanced training in:</p> <ul style="list-style-type: none">Institute of Internal Auditors Association, qualification "Internal Audit Expert (7th level of qualification)", date of issue — 13 October 2022

Positions held or being held by a member of the Auditing Committee in the Issuer and in governing bodies of other organisations for the last three years in chronological order, including part-time positions (indicating the period during which the person held the said positions):

Period		Organisation	Position
from	to		
2020	2023	Did not hold any positions in the Company or in the governing bodies of other organisations	
2023	present time	Rosseti Kuban, PJSC	Member of the Auditing Commission

5. OLGA OSTROUKHOVA

Year of birth	1975
Education	Higher. Graduated from: <ul style="list-style-type: none">Moscow State Mining University, with major in Informatics and Computer Science, and a Bachelor's degree in Engineering and TechnologyMoscow State Mining University, with major in Information and Software CAD, Master's degree in Engineering and TechnologyMoscow State University of Economics, Statistics and Informatics (MESI), with major in Finance and Credit <p>Completed advanced training in:</p> <ul style="list-style-type: none">State Budgetary Educational Institution "Professional" Centre on the programme "Accounting and Taxation"Institute of Internal Auditors Association, qualification "Chief Auditor (7th level of qualification)", date of issue — 10 October 2022

Positions held or being held by a member of the Auditing Committee in the Issuer and in governing bodies of other organisations for the last three years in chronological order, including part-time positions (indicating the period during which the person held the said positions):

Period		Organisation	Position
from	to		
2020	2023	Did not hold any positions in the Company or in the governing bodies of other organisations	
2023	present time	Rosseti Kuban, PJSC	Member of the Auditing Commission

Composition of the Auditing Commission elected at the Annual General Meeting of Shareholders of the Company on 16 June 2022¹ and effective from 17 June 2022 to 16 June 2023

1. SVETLANA KOVALEVA,

Chairwoman

Year of birth	1980
Education	Higher. Graduated from: <ul style="list-style-type: none">Civil Aviation Academy, with major in JurisprudenceNational Research University MPEI, with major in Production Management and Project Management

Positions held or being held by a member of the Auditing Committee in the Issuer and in governing bodies of other organisations for the last three years in chronological order, including part-time positions (indicating the period during which the person held the said positions):

Period		Organisation	Position
from	to		
2020	2021	Did not hold any positions in the Company or in the governing bodies of other organisations	
2021	2023	Rosseti Kuban, PJSC	Chairwoman of the Auditing Commission

¹ Minutes No. 48 dated 21 June 2022.

2. ALEXANDER RYBALCHENKO

Year of birth	1972		
Education	Higher. Graduated from: <ul style="list-style-type: none">Syktyvkar State University, with major in Finance and Credit		
Positions held or being held by a member of the Auditing Committee in the Issuer and in governing bodies of other organisations for the last three years in chronological order, including part-time positions (indicating the period during which the person held the said positions):			
Period			
from	to	Organisation	Position
2020	2022	Did not hold any positions in the Company or in the governing bodies of other organisations	
2022	2023	Rosseti Kuban, PJSC	Member of the Auditing Commission

3. NATALYA TSYGANOVA

Year of birth		1980	
Education		Higher. Graduated from: <ul style="list-style-type: none">• Moscow Academy of Entrepreneurship under the Government of Moscow, with major in Jurisprudence	
Positions held or being held by a member of the Auditing Committee in the Issuer and in governing bodies of other organisations for the last three years in chronological order, including part-time positions (indicating the period during which the person held the said positions):			
Period			
from	to	Organisation	Position
2020	2022	Did not hold any positions in the Company or in the governing bodies of other organisations	
2022	2023	Rosseti Kuban, PJSC	Member of the Auditing Commission

4. VIKTOR TSARKOV

5. SVETLANA TRISHINA

The Annual General Meeting of Shareholders of the Company held on 16 June 2023 re-elected [V. Tsarkov](#) and [S. Trishina](#) to the Auditing Commission. For more details about them, please see above.

Members of the Auditing Commission have no shares in the authorised capital of Rosseti Kuban, PJSC and its S&As.

There were no transactions between the Company and the members of the Auditing Commission in 2023. Rosseti Kuban, PJSC did not file claims against members of the Auditing Commission.

Based on the questionnaires provided by the members of the Auditing Commission, the Company considers that:

- The members of the Auditing Commission have no family ties (spouses, parents, children, adoptive parents, adopted children, siblings, grandparents,

grandchildren) with members of the Board of Directors, members of the collegial executive body, a person holding the position (performing functions) of the sole executive body of Rosseti Kuban, PJSC

- The members of the Auditing Commission were not held administratively liable for violations in the field of finance, taxes and fees, securities market, or criminally liable (including record of conviction) for economic and (or) public-order crimes
- The members of the Auditing Commission did not hold positions in governing bodies of commercial organisations during the period, when bankruptcy proceedings

and/or one of the bankruptcy procedures under Article 27 of the Federal Law “On Insolvency (Bankruptcy)” were initiated against those organisations

Track Record of the Auditing Commission

During 2023, the Auditing Commission of the Company held five meetings in the form of joint attendance, which dealt with issues related to planning the work of the Auditing Commission, the election of its Chairman and Secretary, as well as issues directly related to the conduct of audits.

Decisions of the Company’s Auditing Commission are published on the Company’s official website¹.

In 2023, the Company’s financial and economic activities for 2022 were subject to auditing procedure.

The audit programme covered the following issues (Minutes of the meeting of the Auditing Commission No. 2 dated 24 January 2023):

- Assessment of accuracy of the accounting (financial) statements formed as of 31 December 2022
- Business and financial analysis of the Company as at 31 December 2022
- Assessment of the consistency of the Company’s Annual Report 2022

- Checking whether the legislation of the Russian Federation regarding compliance with the procedure for concluding interested-party transactions is complied with
- Verification of the Company’s activities related to the organisation of technological and price audit of progress reports on the investment programme of the Company, as well as measures to eliminate violations and shortcomings contained in the conclusions of expert organisations based on the results of technological and price audit of progress reports on the investment programme of the Company
- Analysis of the internal control and risk management system
- Review of the financial management structure (liquidity and treasury operations)
- Verification of fulfilment of Corrective Action Plans approved based on the results of the Company’s audits in previous years
- Other issues

The Report of the Auditing Committee was approved by the decision of the Company’s Auditing Committee dated 28 April 2023 (Minutes No. 3 dated 28 April 2023), according to which an opinion was expressed on the reliability of the data in all material respects contained in the Company’s annual report for 2022 and the Company’s annual accounting (financial) statements for 2022.

There were no facts of distortion of the information contained in the report on interested party transactions concluded in 2022.

This Report was included in the materials provided to the Company’s shareholders in preparation for the annual General Meeting of Shareholders of the Company in 2023.

¹ Decisions of the Auditing Commission meetings are published on the Company’s website <https://rosseti-kuban.ru> в разделе in the [About the Company / Control of Business Activity / Auditing Commission](#) section.



REMUNERATION SYSTEM FOR MANAGEMENT AND CONTROL BODIES

Remuneration of Members of the Board of Directors

Remuneration and reimbursement of expenses to the Company's Board members in the reporting year were accrued and paid in accordance with the Regulations on Payment of Remuneration and Compensation to Members of the Company's Board of Directors as amended¹ (hereinafter referred to as the Regulations).

According to the Regulation, the remuneration to the members of the Board of Directors is paid quarterly in the period starting from the candidate election to the Board and finishing at the end of the Board's office.

The amount of remuneration for sitting on the Board of Directors for each of the Board members was calculated

against the overall number of the Board of Directors meetings in the reporting quarter and the number of meetings every Board member attended.

The remuneration consists of base and additional parts:

- The base part of the remuneration S (1) is calculated as per the formula:

$$S(1) = R_{base} / 4 \times 100 / 130 \times (n/m),$$

where:

- R_{base} — is the amount of the base annual remuneration by reference to the Company's revenue under RAS calculated for the last completed reporting year before the election of the Company's Board of Directors.

The amount of the Company's revenue under RAS calculated for the last completed reporting year before the election of the Company's Board of Directors	R _{base} (RUB)
Over RUB 200 bln	3,000,000
Over RUB 70 bln	2,700,000
Over RUB 30 bln	2,200,000
Over RUB 10 bln	1,600,000
Over RUB 1 bln	1,000,000
Over RUB 600 mln	800,000
Less than RUB 600 mln	600,000

- n — the number of meetings of the Board of Directors (irrespective of the form of a meeting) attended by a Board member in the reporting quarter
- m — the total number of meetings of the Board of Directors (irrespective of the form of a meeting) in the reporting quarter

- additional part — premiums expressed in % relative to the remuneration base part:
 - 30% — for the Chairman of the Company's Board of Directors
 - 20% — for the Chairman of a specialised Committee under the Board of Directors
 - 10% — for the membership in a specialised committee under the Company's Board of Directors

Premiums for performing the duties of a Chairman and/or Board member are not paid if there are no Committee meetings held within the reporting quarter.

Remuneration is not paid to the members of the Board of Directors if they did not take part in more than 50% of the meetings held in the reporting quarter.

¹ Approved by the decision of the Annual General Meeting of Shareholders of Kubanenergo, PJSC dated 20 June 2019 (Minutes No. 42 dated 20 June 2019).

The remuneration is paid to the members of the Board of Directors within 30 calendar days after the end of the reporting quarter.

The Regulation on Remuneration Payment to the Board of Directors:

- Does not apply to the members of the Board of Directors that are simultaneously members of executive bodies
- States that remunerations are not accrued and paid to the Chairman or members of the Company's Board of Directors if the federal legislation restricts or prohibits them to receive any payments from commercial organisations
- Provides the right of the Board members to receive reimbursement of expenditures associated with attending the meetings

of the Board of Directors, its Committee, General Meetings of Shareholders of the Company according to the rules for reimbursement of travel expenses valid at the time of the meeting and established for top managers of the Company

Remuneration accrued and paid to members of the Company's Board of Directors (RUB '000)

Indicator	2021 ¹	2022	2023 ²
Basic remuneration for participation in meetings of the Board of Directors	14,478	15,991	16,321
Premium of 30% to the Chairman of the Board of Directors	496	508	508
Premium of 20% to the Chairman of a dedicated committee under the Board of Directors	545	999	643
Premium of 10% for membership in a dedicated committee under the Board of Directors	959	719	846
Total	16,478	18,217	18,318

The Company did not pay any other remunerations to the members of the Board of Directors.

The Company has no remuneration or reimbursement payments overdue to the Board of Directors members.

The expenses of the Board of Directors members were not reimbursed in the reporting year.

The Company did not provide any loans (credits) to the Board of Directors members.

Remuneration of Members of Executive Bodies

In accordance with the decision of the Board of Directors of the Company on 29 June 2023³ members of the Management Board of the Company are classified as senior managers of the Company.

if a senior manager is elected as a member of the Management Board of the Company, remuneration is paid by means of an additional payment for membership in the collegial executive body (Management Board) of the Company in the amount corresponding to the minimum wage under Article 133 of the Labour Code of the Russian Federation.

For the members of executive bodies, the Company has no remuneration or reimbursement payments overdue.

In accordance with the Regulations on Remuneration and Material Incentives for Senior Managers of Rosseti Kuban, PJSC⁴,

Remuneration and reimbursement of expenses paid to the members of the Company's executive bodies (RUB '000)

Indicator	2021	2022	2023
Remuneration for sitting on the Management Board	1,506	1,667	802
Salary	28,324	38,185	56,169
Bonuses	21,528	36,204	24,902
Reimbursement of expenses	1,437	2,291	1,433
Other types of remuneration	3,284	2,192	1,640
Total	56,079	80,539	84,946

¹ Subject to accrual and payment of remuneration for Q4 2021 in January 2022.

² Subject to accrual and payment of remuneration for Q4 2023 in January 2024.

³ Minutes No. 524/2023 dated 30 June 2023.

⁴ Approved by resolution of the Board of Directors of the Company dated 29 June 2023 (Minutes No. 524/2023 dated 30 June 2023).

Remuneration and Reimbursement for the Auditing Commission Members

According to the effective Regulation on the Remuneration and Reimbursement Paid to the Auditing Commission of the Company¹, the members of the Auditing Commission receive remunerations depending on the results of the work during the corporate year and their involvement with the work of such controlling body.

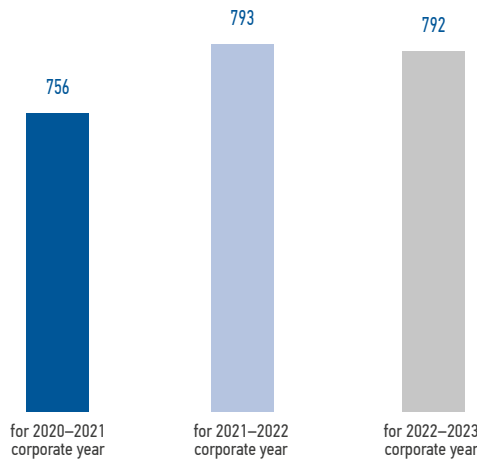
- The remuneration amount for the Auditing Commission is calculated while taking into consideration the following:
- Size of the base part of the remuneration set according to the Company RAS profits for the financial year
 - Personal involvement modifier for the Auditing Commission members, reflecting their participation in meetings and inspections, as well as their fulfilment of additional duties as Chairman or Secretary of the Auditing Commission.

No remuneration is paid to a member of the Auditing Commission who has not participated in more than half of the meetings held during his/her membership in the Auditing Commission.

Reimbursement of expenses related to the participation in the meetings of the Auditing Commission is performed to the extent of the real expenditures according to the standard regulations.

The expenses of the Auditing Commission members were not reimbursed in the reporting year. For the members of the Auditing Commission, the Company has no remuneration or reimbursement payments overdue.

Remuneration accrued and paid to the members of the Auditing Commission (RUB '000)



¹ The Regulations on Payment of Remuneration and Compensation to Members of the Auditing Commission, approved by the decision of the Annual General Meeting of Shareholders of the Company dated 25 May 2018 (Minutes No. 40 dated 28 May 2018), are published on the Company's website in the [About the Company / Constitutive and Internal Documents](#) section. The Regulation is applied to the members of the Auditing Commission, in respect of which the federal law prescribes a restriction or prohibition on receipt of any payments from commercial organisations.

MATERIAL TRANSACTIONS MADE BY ROSSETI KUBAN, PJSC IN 2023

Sr. No. Categories of material transactions		Material terms of the transaction (parties, subject, price, validity period) in the reporting year
1	Transactions recognised as major transactions under Chapter X of the Federal Law on Joint Stock Companies	Rosseti Kuban, PJSC did not carry out such transactions in the reporting year
2	Interested-party transactions (Chapter XI of the Federal Law on Joint Stock Companies)	In the reporting year, the Company concluded one interested-party transaction. The Report on interested-party transactions concluded by the Company in 2023 is given in Appendix 2 to this Report



Sr. No.	Categories of material transactions		Material terms of the transaction (parties, subject, price, validity period) in the reporting year
3	Transactions for the sale of shares (interests) in Rosseti Kuban-controlled subsidiaries and affiliates that have of a significant importance to the Company and result in the loss of control over those legal entities		Rosseti Kuban has no S&As that are of significant importance to it
4	Transactions with property of Rosseti Kuban, PJSC (including several interrelated transactions) made by the Company, the value of which exceeds the amount specified in the Company's Articles of Association or which is material to its business operations	Transactions (including several interrelated transactions) involving non-current assets of the Company amounting to more than 10% of the book value of such assets according to the financial statements as at the last reporting date	No such transactions were made
		Transactions (including several interrelated transactions) related to the acquisition, alienation or possibility of alienation of property comprising fixed assets, intangible assets, construction in progress, the purpose of which is to carry out core activities in cases (amounts) determined by individual decisions of the Board of Directors of Rosseti Kuban, or, if the specified cases (amounts) are not determined by the Board of Directors of the Company	
		Transactions (including several interrelated transactions) involving the disposal in any manner (or the transfer of rights in any order) of immovable property and/or equipment used directly for the core activities of the Company, with a book value exceeding 5% of the book value of the Company's assets, or the encumbrance of said property in any manner	
		Transactions (including several interrelated transactions) related to the acquisition, alienation or possibility of alienation of property comprising fixed assets, intangible assets, construction in progress, the purpose of which is generation, transmission, dispatching, distribution of electricity and heat in cases (amounts) determined by individual decisions of the Board of Directors of the Company, or, if the specified cases (amounts) are not determined by the Board of Directors of the Company	
5	Establishment of a legal entity controlled by Rosseti Kuban, PJSC that is material to its operations	Transactions (including several interrelated transactions) related to the acquisition, alienation or possibility of alienation of property comprising fixed assets, intangible assets, construction in progress, the purpose of which is not associated with generation, transmission, dispatching, distribution of electricity and heat in cases (amounts) determined by individual decisions of the Board of Directors of the Company, or, if the specified cases (amounts) are not determined by the Board of Directors of the Company	
		Transactions for more than five (5) years on the transfer for temporary possession and use or temporary use of real estate, power grid facilities or the receipt for temporary possession and use or temporary use of real estate, in cases (amounts) determined by individual decisions of the Board of Directors of the Company, or if such cases (amounts) are not determined by the Board of Directors of the Company	

INTERNAL AUDIT

The objective of the internal audit is to assist the Board of Directors and executive bodies of the Company in improving the efficiency of the Company's management and improving its financial and economic activities.

Such assistance is effected through a systematic and consistent review and assessment of risk management, internal control and corporate governance systems as tools to provide reasonable assurance of achieving the Company's objectives.

The risk-based approach is applied in organising the functioning of the internal audit system in the Company. Internal audit activities in the Company take into account information on ESG factors, risks and opportunities related to such factors that have a significant impact on the Company's development and performance indicators, as well as other issues of the Company's sustainable development.

The Internal Audit Function is a subdivision responsible for the implementation of the internal audit function in the Company.

The Internal Audit Function is functionally accountable to the Board of Directors, while the latter:

- Establishes principles and approaches of organisation of the internal audit, as well as approves internal documents defining the Company's policy in terms of the internal audit
- Controls and organises the Internal Audit activities, among other things, approves the Regulation on Internal Audit Department, action plan, progress report on action plan, and internal audit budget, preliminary approves the resolutions of the Company's sole executive body concerning the appointment or dismissal (at the employer's initiative) of the Internal Audit Head, disciplinary penalties, approves employment contract and remuneration provisions for the Internal Audit Head, considers the quality assessment results for internal audit

The goals and objectives, organisational and functional principles, roles and responsibilities of the Internal Audit Directorate are set out in the Internal Audit Policy of the Company approved by the resolution of the Board of Directors (Minutes No. 521/2023 dated 16 June 2023).

The function of the Company's internal audit is regulated by the following key documents:

- The Company's Internal Audit Policy and the Code of Ethics for Internal Auditors approved by resolution of the Board of Directors on 15 June 2023 (Minutes No. 521/2023 dated 16 June 2023)
- Regulations on the Internal Audit Function of the Company approved by the decision of the Board of Directors of the Company dated 18 April 2022 (Minutes No. 473/2022 dated 21 April 2022)
- The Company's Internal Audit Assurance and Quality Improvement Programme approved by the decision of the Company's Board of Directors dated 18 April 2022 (Minutes No. 473/2022 dated 21 April 2022)
- Corporate standards for the internal audit functions and the practical application standards elaborated in compliance with the international standards for the professional practice of internal auditing

The feedback from the Audit Committee is submitted to the Head of Internal Audit during the interactions with the Audit Committee including the participation in its meetings, the analysis of its resolutions/recommendations concerning the issues in the competence of the internal audit, and also by polling the members of Audit Committee.

The satisfaction index of the Audit Committee of the Board of Directors with the performance of the internal audit function for 2023 is rated as "fully compliant". The satisfaction was rated under following the Programme on Assurance and Improvement of Internal Audit Quality in the Company by means of a questionnaire survey.

The Company put an action plan in place for the development and improvement of the Company's internal audit activities for the period from 2020 to 2024, approved by a resolution of the Company's Board of Directors dated 30 March 2020 (Minutes No. 383/2020 dated 2 April 2020) and amended by a resolution of the Company's Board of Directors dated 19 February 2021 (Minutes No. 420/2021 dated 24 February 2021). In terms of events planned for 2023, the action plan for improvement of Company's internal audit is implemented to the fullest extent.

In 2019, KPMG, JSC conducted an external independent assessment of the Company's internal audit activity (conducted at least once every 5 years; the next one — in 2024). Based on the results of the above assessment, KPMG, JSC received an opinion, according to which the Company's internal audit activity "generally complies" with the International Professional Standards for Internal Auditing, the Code of Ethics developed by the Institute of Internal Auditors and the Internal Audit Policy of the Company.

SHARES AND DIVIDENDS

Authorised capital and authorised shares

Indicator	At the beginning of 2023	As at the end of 2023
Type, category, kind, form of issuance of securities	Ordinary registered uncertified shares	
Nominal value of each share		RUB 100
Authorised capital		33,465,783,700
Number of outstanding shares	363,300,457	398,966,076
State registration number of the securities issue and state registration date	No. 1-02-00063-A dated 8 July 2003 (main issue), No. 1-02-00063-A dated 1 April 2021 (additional share issue)	
Presence/absence of a special right of the Russian Federation to participate in the Company's management ("golden share")	No special right of the Russian Federation to participate in the management of the Company ("golden share")	
Availability of authorised shares in accordance with the Articles of Association	142,649,400 ordinary shares with a total par value of RUB 14,264,940,000	
Number of own shares on the Company's balance sheet		0
Number of shares of the Company owned by its controlled entities		0

The placement of additional issue shares, which commenced in 2021, continued in the reporting year. The authorised capital of the Company did not change over the reporting year.

of Association and other by-laws, not to disclose confidential information and information that constitutes trade

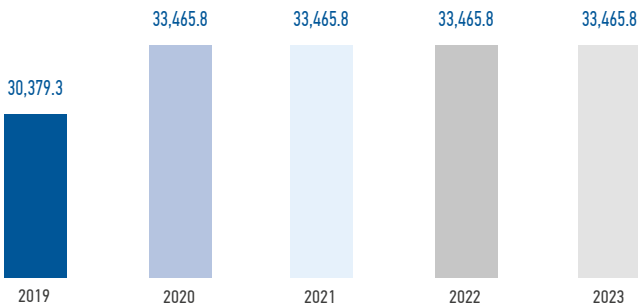
secrets, to bear the risk of losses related to the Company's activities within the value of their shares.

The Company did not place any preferred shares.

The Articles of Association of Rosseti Kuban, PJSC states that each registered ordinary share of the Company grants the equal scope of rights to its holder. The rights of the shareholders are specified in the [Company's Articles of Association](#).

Shareholders are bound to abide the statutory requirements of the Russian Federation, the Company's Articles

Change in the Company's authorised capital (RUB mln)



Issue of Additional Shares

During the reporting year, in accordance with the decision of the General Meeting of Shareholders dated 24 February 2021 to increase the authorised capital, the Company placed additionally issued shares, the state registration of which was made by the Bank of Russia on 1 April 2021.

The listing prospectus containing the conditions of the placement of securities and registered by the Bank of Russia also

on 1 April 2021 provided for a maximum placement period of one year from the date of state registration of this additional issue of securities.

On 25 April 2022, the Bank of Russia registered a prospectus for the Company's securities providing for the extension of the offering period of additional shares until 1 April 2023 by extending the deadline for the collection of offers to 2 March 2023.

On 25 May 2023, the Bank of Russia registered a prospectus for the Company's securities providing for the extension of the offering period of additional shares until 1 April 2024 by extending the deadline for the collection of offers to 1 March 2024.

Information on additional issue of securities

Issue goals	Financing of measures to create energy infrastructure for investment projects in the Republic of Adygeya, renovation of power supply centres in the Sochi energy district, including reimbursement of costs incurred by the Company, increasing the financial stability of Rosseti Kuban and reducing its debt load
Number of securities of additional issue to be placed	69,583,132
Share placement price	RUB 100 per one share
Form of payment for shares	Monetary funds
Period of preemptive right for the acquisition of additionally issued shares	10 April 2021 to 3 February 2022
Number of the Company's securities placed as a result of shareholders exercising their pre-emptive right to purchase securities	9,003,528
Period for collection of offers for acquisition of shares of additional issue (including extension)	11 February 2022 to 1 March 2024
Number of the Company's securities placed by public subscription as of 31 December 2023	55,304,711
Share of placed shares in the total volume of additional issue as of 31 December 2023	92.4%
Volume of raised investments as of 31 December 2023	RUB 6.43 bln
Information on the additional issue of Rosseti Kuban shares on the Company website	Home / For Shareholders and Investors / Information Disclosure / Disclosure of Information at Specific Stages of the Securities Issue Procedure / Additional stock issues of Rosseti Kuban, PJSC (state registration number 1-02-00063-A dated 1 April 2021)

Share Capital

The Company's major shareholder as of 31 December 2023 was Rosseti, PJSC, owning 99.72% of the Company's voting shares. In this case, the Russian Federation indirectly owned voting shares of Rosseti Kuban by virtue of its predominant interest in Rosseti, PJSC (75% of the authorised capital).

The Company does not have any other shareholders who own more than 5% of Rosseti Kuban's shares.

The Company has no information about any shareholder agreement made.

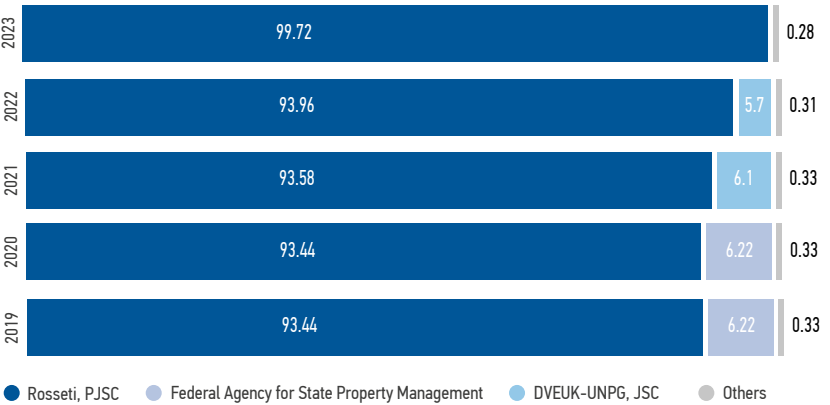
There are no cross-holdings of the Company's shares.

The following companies ceased operations on 9 January 2023:

- Public Joint Stock Company Russian Grids (abbreviated Rosseti, PJSC) — the Company's largest shareholder
- Joint Stock Company Kuban Main Grids
- Joint Stock Company Tomsk Main Grids
- Joint Stock Company Far East Energy Management Company — UNPG (also a shareholder of the Company)

The said companies ceased their activities in connection with their merger with Public Joint Stock Company Federal Grid Company — Rosseti (abbreviated name — Rosseti, PJSC, formerly — FGC UES, PJSC). The latter is the universal legal successor of the above entities and has acquired ownership of all shares of Rosseti Kuban, PJSC owned by the above-mentioned shareholders of the Company.

Share capital structure of Rosseti Kuban in 2019–2023 (%)



Statistical information on registered persons in the shareholder register of Rosseti Kuban, PJSC as of 31 December 2023

Type of personal account / other account and category of registered person	Number of shares	% of issued shares	% of placed shares
Account of unidentified persons	3,364	0.0008	0.0009
Emission account	5,724,893	1.3049	
Legal entities — owners (15 accounts)	397,850,464	98.4191	99.7204
Individuals — owners, including co-ownership accounts (1,786 accounts)	329,258	0.0815	0.0825
Nominee holders of Central Securities Depository (2 accounts)	782,990	0.1937	0.1963
TOTAL in the register: (1,805 accounts)	404,240,969	100.0000	100.0000

Equity Market and the Company’s Capitalisation

Shares of Rosseti Kuban, PJSC are traded on tier 3 of the List of Securities Admitted to Trading on the Moscow Exchange; ticker: KUBE, ISIN code: RU0009046767.

The Company’s market capitalisation at the end of 2022 was RUB 20.38 billion, and at the end of 2023, including outstanding shares of additional issue — RUB 107.88 billion.

107.88 RUB bln
capitalisation of the Company as of the end of 2023 (5.3x growth vs. 2022)

The maximum level of capitalisation in 2023 was RUB 292.47 billion, the minimum level was RUB 20.13 billion. In the reporting year, the share price rose by 376% (closing price calculation) on the back of a 43% increase in the MICEX Index and a 32% decrease in the MICEX Power Index.

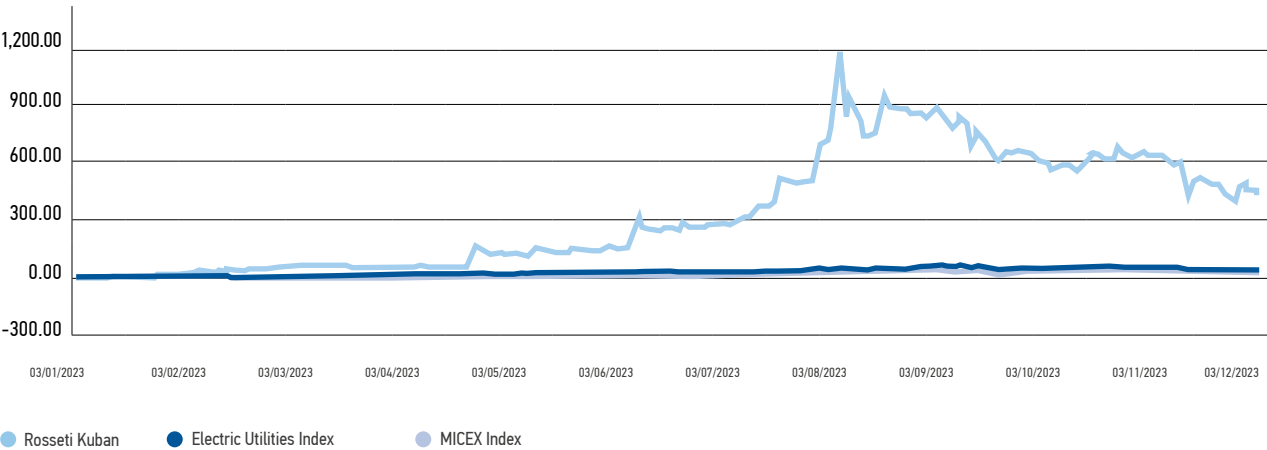
376%
growth in price per share for the reporting year (calculated at the closing price)

Information on the current quotations and transaction prices is available in Russian and English:

<https://www.moex.com/>

<https://rosseti-kuban.ru/>

Changes in the share price of Rosseti Kuban, PJSC (RUB)



Movements of price per one share of Rosseti Kuban, PJSC in 2023

Closing price (end of 2022)	Minimum price, RUB	Maximum price, RUB	Closing price (end of 2023), RUB	Relative gain for the period (%)
56.5	55.4	764	270.4	376

Quotations and traded value

Indicator	2021	2022	2023	2023/2022 (relative growth, %)
Weighted average price at the end of the period, RUB	66.7	56.3	270.4	380.28
Market capitalisation on the last trading day, RUB bln (including outstanding additional shares)	22.46	20.38	107.88	429.34
Trading volume, mln shares	0.8	2.51	15.45	515.54
Trading volume, RUB mln	60.3	156.16	4,138.97	2,550.47

4,138.97
RUB mln/15.45 mln shares

The trading volume of the Company’s stock on the Moscow Exchange in 2023

Consequently, 2023 saw a significant increase in trading activity; as compared to the same indicator in 2022, the trade volume climbed by more than 26 times (in terms of money).

The Company’s shares are not included in the stock index calculation bases.

Dividends

The Dividend Policy of the Company is the set of principles and methods used in the Company to determine the ratio between the capitalised portion of the Company profits and the amounts paid as dividends, as well as the system of relations and principles for determining the procedures and the terms of dividend payment, the establishment of Company responsibility for the dividend payment.

The Dividend Policy of the Company is aligned with the Regulations on the Dividend Policy approved by the resolution of the Board of Directors on 31 January 2018 (Minutes No. 297/2018 dated 1 February 2018) and published on the corporate website in the [About the Company/ Constitutive and Internal Documents](#) section.

Main principles of the Company’s Dividend Policy:

- Complying the Company’s dividend accrual and payment practices with the legislation of the Russian Federation and corporate governance standards
- Striking an optimal balance of interests of the Company and its shareholders
- Determining the size of dividends in the amount of not less than 50% of net profit measured on the basis of financial statements, including consolidated financial statements prepared under International Financial Reporting

Standards and calculated in accordance with the procedure established by the Regulations on Dividend Policy

- Ensuring that dividend payments can be made on a quarterly basis if the relevant criteria are met
- Ensuring the maximum transparency (reliability) of the dividend calculation mechanism and dividend payout procedures
- Supporting the positive dynamics of dividend payment volumes provided that the net profits of the Company increase
- Making the information on the Company’s Dividend Policy available to the shareholders and other interested parties
- Maintaining the required level of the financial and technical conditions in the Company (Investment Programme implementation), supporting the Company development prospects

Profit distribution according to RAS for 2020–2022¹ (RUB ‘000)

Indicator	For 2020 (Annual General Meeting of Shareholders 2021)	For 2021 (Annual General Meeting of Shareholders 2022)	For 2022 (Annual General Meeting of Shareholders 2023)
Retained earnings (uncovered loss) of the reporting period, including:	(1,501,278)	1,711,834	5,244,477
Reserve fund	–	85,592	262,224
Profit for development	–	694,019	2,272,209
Dividends	–	932,223	2,710,044
			(interim dividends based on the results of 9 months of 2022 (Minutes of the Extraordinary General Meeting of Shareholders No. 49 dated 08.12.2022) — RUB 1,943,544 thousand); dividends payable — RUB 766,500,000)
Recovery of losses of prior periods	–	0	0

¹ Decisions on the distribution of profits for 2020–2022 were adopted by resolutions of the Annual General Meeting of Shareholders of the Company dated 3 June 2021 (Minutes No. 45 dated 4 June 2021), dated 16 June 2022 (Minutes No. 48 dated 21 June 2022), dated 5 December 2022 (Minutes No. 49 dated 8 December 2022), and dated 16 June 2023 (Minutes No. 50 dated 21 June 2023).

On 5 December 2022, the extraordinary General Meeting of Shareholders of the Company decided to pay dividends on ordinary shares of the Company from the net profit of the Company for the nine months of 2022 in the amount of RUB 1,943,544 thousand in cash.

On 16 June 2023, the extraordinary General Meeting of Shareholders of the Company decided to pay dividends on ordinary shares of the Company from the net profit of the Company for 2022 in the amount of RUB 766,500 thousand in cash.

In accordance with the Company’s Articles of Association, the annual General Meeting of Shareholders will decide on the distribution of profits based on the results of 2023.

History of dividend payments made by the Company in 2021–2023

	Dividend period, year			
	2020	2021	9 months of 2022	2022
Number and date of the Minutes of the General Meeting of Shareholders, when the dividend payment decision was made		No. 48 dated 21.06.2022	No. 49 dated 08.12.2022	No. 50 dated 21.06.2023
Record date of making a list of persons entitled to dividends for the particular dividend period		27.06.2022	16.12.2022	30.06.2023
Volume of declared (accrued) dividends for the shares of this category (type) per one share, RUB	The General Meeting of Shareholders of the Company (Minutes No. 45 dated 4 June 2021) decided not to pay dividends based on the 2020 results	2.71262	5.4823041072	2.0022935
Cumulative declared (accrued) dividends for all shares of this category (type), RUB		932,223,000	1,943,544,000	766,500,000
Total amount of dividends paid on all Company shares of one category (type), RUB		931,824,726.15	1,942,796,062.32	766,184,712.30
Payment term for the declared dividends on the Company’s shares		10 and 25 working days ¹		
Form of payment and other provisions for the declared dividends on the Company’s shares		Monetary funds		
Causes of non-distribution of declared dividends		The questionnaire contains no dividends allocation details to be provided by a registered person		

There are no dividend arrears owed by the Company.

¹ For nominee shareholder that is securities market professional trustee, the term of payment is ten working days maximum, and for other registered shareholders — 25 working days from the record date.

COUNTERING THE MISUSE OF INSIDER INFORMATION AND MARKET MANIPULATION

The Company monitors compliance with the requirements of the Russian Federation legislation on combating the misuse of insider information and market manipulation.

Pursuant to Article 4, paragraph 1 of Federal Law No. 224-FZ dated 27 July 2010 “On Combating the Misuse of Insider Information and Market Manipulation and Amending Certain Legislative Acts of the Russian Federation”, Rosseti Kuban, PJSC is an insider issuer. Rosseti Kuban PJSC is particularly focused on the use and protection of insider information that can have a significant impact on the cost of the Company’s financial instruments.

As an issuer, Rosseti Kuban, PJSC is responsible for maintaining the list of the Company’s insiders. The List of Insiders is a confidential document that includes individuals and legal entities that are given insider information of the Company by virtue of employment or other duties.

In the reporting period, Rosseti Kuban, PJSC received 11 requests from Moscow Exchange, PJSC to provide a list of insiders.

In 2023, the Company had Own List of Insider Information of Rosseti Kuban, PJSC in place, approved by the Company’s Order No. 671-od dated 24 October 2022, as amended by the Company’s Order No. 908-od dated 28 December 2023.

The primary internal document of the Company that governs interactions pertaining to the use and safeguarding of information classified as insider information is the [Regulations on the Protection of Insider Information of Rosseti Kuban, PJSC](#). The Board of Directors of the company approved a new version of the Regulations in November 2023 (Minutes No. 540/2023 dated 27 November 2023).

The Company discloses insider information on the corporate website <https://rosseti-kuban.ru/aktsioneram-i-investoram/informatsiya-dlya-insayderov-obschestva/> and on the website of Interfax-CRCI, LLC — information disclosure server <https://www.e-disclosure.ru/portal/company.aspx?id=2827>.



No cases of violation of the requirements of the laws of the Russian Federation on combating the misuse of insider information and market manipulation were found in the reporting year.

REFERENCE INFORMATION

CONTACT DETAILS

Full company name	Public Joint Stock Company Rosseti Kuban
Abbreviated name	Rosseti Kuban, PJSC
The Company is not in the List of Strategic Enterprises and Joint Stock Companies approved by Decree of the President of the Russian Federation No. 1009 dated 4 August 2004	
Location	Krasnodar, Russian Federation
Postal Address	2A Stavropolskaya St., Krasnodar, Russian Federation, 350033
Information about State Registration as a Legal Entity	State Registration Certificate No. 127 dated 10 February 1993 Primary State Registration Number: 1022301427268
Constituent entity of the Russian Federation, where the Company is registered	Krasnodar Territory
Banking Details	INN/KPP 2309001660/997650001 S.A. 40702810330020101989 in the Krasnodar Branch of Sberbank, PJSC No. 8619, Krasnodar C.A. 30101810100000000602 BIK 040349602
Contact Phone/Fax	+7 (861) 212-24-03 / +7 (861) 268-24-93
Email	telet@rosseti-kuban.ru
Web-page address	https://www.rosseti-kuban.ru/

Contacts for shareholders

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Chief Specialist of the Corporate Support Department

 +7 (861) 212-26-72

 yurchenkoai@rosseti-kuban.ru

Contacts for investors and financial analysts

Yekaterina Didenko
Head of the Corporate Support Department

 +7 (861) 212-23-09

 didenkoe@rosseti-kuban.ru

Contacts for customers

Aleksey Dolgikh
Head of the Physical Service Department — Main Customer Service Centre

 +7 (861) 212-28-13

 dolgihav@rosseti-kuban.ru

Company's website www.rosseti-kuban.ru – For Consumers / Consumer Service System / Interactive Feedback (Internet Reception Desk) section

Internet-reception desk

 8-800-220-0-220 (24/7)

 Rosseti Group's power grid services portal www.portal-np.pf.

Contacts of customer service centres

Branch of Rosseti Kuban, PJSC	Contact Phone	Email
Main Consumer Service Centre of the Executive Office of Rosseti Kuban, PJSC	+7(861)212-22-22	client.service@rosseti-kuban.ru
Adygeyan Power Grids	+7 (8772) 53-52-02	client.service@ades.rosseti-kuban.ru
Armavir Power Grids	+7 (86137) 6-98-03	uslugi@armes.rosseti-kuban.ru
Labinsk Power Grids	+7 (86169) 6-91-53	cok@labes.rosseti-kuban.ru
Leningrad Power Grids	+7 (86145) 7-35-00	kazantsevali@Lenes.rosseti-kuban.ru
Slavyansk Power Grids	+7 (86146) 4-33-14	klient@slaves.rosseti-kuban.ru
Sochi Power Grids	+7 (8622) 69-02-42 (Sochi) +7 (862) 227-03-27 (Sochi, Adler District)	tsoksochi@sochies.rosseti-kuban.ru
Timashevsk Power Grids	+7 (86130) 23-2-65	cok@times.rosseti-kuban.ru
Tikhoretsk Power Grids	+7 (86196) 7-04-17	goryainovane@tikhes.rosseti-kubanru
Ust-labinsk Power Grids	+7 (86135) 5-03-43	uslugi@ules.rosseti-kuban.ru
South-West Power Grids	+7 (8617) 64-34-33 +7 (8617) 64-34-45 (Novorossiysk), +7 (86133) 2-09-50 (Anapa)	novolatoe@uzes.rosseti-kuban.ru

For jobseekers

Rosseti Kuban, PJSC	Full name of a person responsible for staff recruitment	Contact Phone Number, Email
Executive Office	Natalia Novikova, Chief Specialist of the HR Training and Development Group	+7 (861) 212-26-36 novikovani@rosseti-kuban.ru
Adygeyan Power Grids	Lyubov Arabkina, Head of HR Department	+7 (8772) 53-54-30 ArabkinaLA@ades.rosseti-kuban.ru
Armavir Power Grids	Tatiana Ostanina, Specialist of the HR Management Department	+7 (86137) 6-98-57 ostaninata@armes.rosseti-kuban.ru
Krasnodar Power Grids	Maria Marchenko, Leading Specialist of the HR Department	+7 (861) 255-73-35 MarchenkoMV@krdes.rosseti-kuban.ru
Slavyansk Power Grids	Tatiana Lebedeva, Head of HR Department	+7 (86146) 4-15-37 LebedevaTV@slaves.rosseti-kuban.ru
Sochi Power Grids	Olga Smirnova, Deputy Head of HR Department	+7 (862) 269-04-60 smirnovaof@sochies.rosseti-kuban.ru
South-West Power Grids	Oksana Lomakina, Cat. I Specialist in the Recruitment and Personnel Development Section of the HR Management Department	+7 (8617) 67-84-37 lomakinaoa@uzes.rosseti-kuban.ru
Labinsk Power Grids	Yana Brykalova, Cat. I Specialist of the HR Management Department	+7 (86169) 6-95-25 Brikalova@labes.rosseti-kuban.ru
Leningrad Power Grids	Olga Shkredova, Head of HR Department	+7 (86145) 7-03-01 ShkredovaOV@Lenes.rosseti-kuban.ru
Timashevsk Power Grids	Iraida Bednaya, Head of HR Department	+7 (86130) 2-32-23 BednayaIV@times.rosseti-kuban.ru
Tikhoretsk Power Grids	Marina Savelyeva, Head of HR Management Department	+7 (86196) 7-47-73 savelevamg@tikhes.rosseti-kuban.ru
Ust-labinsk Power Grids	Irina Telyatnikova, Leading Specialist of the HR Department	+7 (86135) 9-13-37 TelyatnikovalA@ules.rosseti-kuban.ru

Rosseti Kuban’s press service

+7 (861) 212-24-68

Media request email: sadymva@rosseti-kuban.ru

Branches of Rosseti Kuban, PJSC as of 31 December 2023

Branch	Location
Adygeyan Power Grids	358 Shovgenova St., Maikop, Republic of Adygeya, Russia
Armavir Power Grids	54 Vorovskogo St., Armavir, Krasnodar Territory, Russia
Krasnodar Power Grids	131 Pashkovskaya St., Krasnodar, Krasnodar Territory, Russia
Labinsk Power Grids	334 Mira St., Labinsk, Krasnodar Territory, Russia
Leningrad Power Grids	6 302 Divizii St., Leningradskaya stanitsa, Krasnodar Territory, Russia
Slavyansk Power Grids	49 Stroitel'naya St., Slavyansk-on-Kuban, Krasnodar Territory, Russia
Sochi Power Grids	42 Konstitutsii SSSR St., Sochi, Krasnodar Territory, Russia
Timashevsk Power Grids	176 Lenina St., Timashevsk, Krasnodar Territory, Russia
Tikhoretsk Power Grids	62 Dzerzhinskogo St., Tikhoretsk, Krasnodar Territory, Russia
Ust-labinsk Power Grids	4 Krasnodarskaya St., Ust-Labinsk, Krasnodar Territory, Russia
South-West Power Grids	1 Vostochnyi mol, Novorossiysk, Krasnodar Territory, Russia

REGISTRAR’S DETAILS

Full company name	Joint Stock Company “Independent Registrar Company R.O.S.T.”
Abbreviated name	IRC — R.O.S.T., JSC
INN/OGRN	7726030449/1027739216757
Location	18 Stromynka St., bldg 5B, Moscow, 107076
Licence to holding a register:	
number	045-13976-000001
date of issue	3 December 2002
period of validity	Unlimited
issuing authority	Russian Federal Securities Committee
Contact Phone/Fax	+7 (495) 780-73-63 / +7 (495) 989-76-50
Email	info@rrost.ru
Web-page address	www.rrost.ru

IRC — R.O.S.T., JSC keeps a register of the Company’s shareholders since 16 December 2010.

There are no transfer agents at IRC — R.O.S.T., JSC that can provide services to people registered as shareholders of Rosseti Kuban, PJSC.

TERMS AND ABBREVIATIONS

Average Headcount — an overall number of employees for each calendar day of a period including holidays (banking holidays) and days-off divided by the number of calendar days in the period.

c.u. — conventional units for electric equipment.

Commercial Metering of Electricity (Capacity) — the process of measuring the amount of electricity and determining the amount of capacity, as well as collecting, storing, processing, transmitting the results of these measurements and generating, including by calculation, data on the amount of electricity (capacity) produced and consumed for mutual settlements for the supplied electricity and capacity, as well as for services related to the said supplies.

Common-Pot Tariffs for Electricity Transmission — uniform tariffs for electricity transmission services in the Krasnodar Territory and the Republic of Adygeya for all consumers of electricity transmission services irrespective of which power grid organisation they are connected to, differentiated according to the voltage levels.

Corporate Year — a period between the election of members of the Board of Directors and the Auditing Commission at the General Meeting of Shareholders and the next annual General Meeting of Shareholders.

Delivery to the Grid — the amount of electric power received in the distribution grid from the delivery points of the Uniform National Power Grid, generation points and other related systems, formed according to the voltage level on the balance responsibility border.

Disturbances (accident) — an unauthorised disconnection of normal power grid operations.

EBITDA — 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.

Electricity Metering Device — a measuring device designed to determine the amount of active and/or reactive electrical energy that passed through it in a certain period of time to the place of consumption of electrical energy.

EPSS — Emergency Power Supply Sources.

FEC — Fuel & Energy Complex.

Grid Connection — a technical connection of consumer terminals (power units) of legal and natural entities to the power grids of the company that provides electricity transmission services.

Grid Organisation, Distribution Grid Company — an organisation responsible for transmission and/or distribution of electricity in power grids.

Guaranteeing Supplier — a commercial organisation obliged to enter in contracts for electricity sale and purchase with any electricity consumer or a person acting on behalf of such consumer willing to buy electricity in accordance with Federal Law No. 35-FZ on Electrical Power dated 26 March 2003 or voluntarily assumed liabilities.

Electricity Losses:

- Actual (Reported) Electricity Losses** — a difference between the amount of electric power supplied to the power grid from other grids or power producers and the amount of electric power consumed by the power receivers connected to the grid and transferred to other grid operators;
- Standard Electricity Losses** — calculated loss values set by authorised federal executive bodies for the aggregated electricity transmission lines and other facilities owned by the grid operator and differentiated according to the voltage levels; the cost of normal losses of electricity is included in the amount of the payment for the transmission of electricity (tariff);
- Excessive (Commercial) Electricity Losses** — a difference between actual and standard electricity losses, paid to the full extent by the operator of the grid where these excessive losses occurred.

Net Delivery — the amount of electric power transmitted (supplied) via distribution grids to power supply points of consumers and (or) downstream grid operators, which was formed according to the voltage level on the balance responsibility borders. It corresponds with the physical process of electricity transmission via power grids.

OTL — Overhead Transmission Line.

PAMS — Production Asset Management System.

PBU — Accounting Regulations.

PDGA — distribution power grid areas in branches of the Company’s branches, comprising and controlling (via the Head of distribution power grid region) several grid sections and the following groups: operational dispatch group, mechanical aid group, and energy transport group.

PG — Power Grids.

PGR — Power Grid Regions in the Company’s Branches.

Power Centre — substation, substation equipment and adjacent distribution grids.

PTL — Power Transmission Line.

R&D — Research and Development.

RAS — Russian Accounting Standards.

Related Grid Organisation — a grid operator that is a legal owner of the power grid facilities connected directly to the power grids of other operators (it relates to).

Required Gross Revenue, own RGR of the Company — an economically feasible amount of funds necessary for the organisation to perform regulated activities within the reporting period of regulation without the costs of services of territorial grid companies, Rosseti, PJSC, and the purchase of electricity to compensate losses.

Required Gross Revenue, regional RGR — an economically feasible amount of funds necessary for grid organisations functioning in the Krasnodar Territory and the Republic of Adygeya to perform regulated activities related to power transmission during the reporting period of regulation.

S&A — Subsidiaries and Affiliates of the Company or Rosseti, PJSC.

SS — Substation.

STRD-KT — State Tariff Regulation Department of the Krasnodar Territory – an executive authority of the Krasnodar Territory in the field of state regulation of tariffs.

Technical Electricity Metering — metering to control electricity consumption within power plants, substations, businesses, buildings, flats, etc. Meters used for technical metering are called technical meters.

Technical Losses — losses of electric power in power grid lines and equipment due to the physical processes occurring when transmitting power in accordance with the specifications and operating modes of grids and equipment, taking into consideration the power consumption of substations.

TGO (territorial grid organisation) — a commercial organisation that owns power grid facilities by right of property or other grounds set forth in federal laws and provides electricity transmission services using those, performs proper grid connection of power recipients (power units) of legal and natural entities to power grids, apart from signing power transmission contracts using the power grid facilities outside the Uniform National (Russian) Power Grid.

TS — Transformer Substation.

UNPG — Unified National Power Grid (of Russia).

Volume of Services Rendered — the amount of electric power transmitted via the power grid facilities owned by the grid company on any grounds compliant with the laws of the Russian Federation.

UNITS OF MEASUREMENT

‘000 — thousand

bln — billion

Gcal — gigacalorie

h — hour

km — kilometre megavolt-ampere

kV — kilovolt

kVA — kilovolt-ampere

kW — kilowatt

kWh — kilowatt-hour

m — metre

min — minute

mln — million

MVA — mega volt-ampere

MW — megawatt

p.p. — percentage point

pcs — pieces

RUB — Russian Rouble

s — second

t — tonne

TFOE — tonne of fuel oil equivalent

W — watt

APPENDIX 1

REPORT ON COMPLIANCE BY ROSSETI KUBAN, PJSC WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

APPROVED BY THE BOARD OF DIRECTORS OF THE BANK OF RUSSIA
ON 21 MARCH 2014 AND RECOMMENDED FOR USE BY THE BANK
OF RUSSIA (LETTER OF THE BANK OF RUSSIA NO. 06-52/2463
DATED 10 APRIL 2014)

This report on compliance with the principles and recommendations of the Corporate Governance Code of the Bank of Russia (hereinafter — the Report) was considered by the Board of Directors of Rosseti Kuban, PJSC at its meeting held on 8 May 2024 (Minutes dated 8 May 2023 No. 556/2024/2024).

The Board of Directors certifies that all report data contain full and reliable information on the Company's compliance with the principles and recommendations of the Corporate Governance Code of the Bank of Russia.

Rosseti Kuban, PJSC shall assess compliance with the principles and recommendations of the Corporate Governance Code based on the Methodology recommended by the Bank of Russia in Letter No. IN-06-28/102 dated 27 December 2021 on disclosure of a report on compliance with the principles and recommendations of the corporate governance code in the annual report of a public joint stock company.

This Report is an appendix to the Annual Report of Rosseti Kuban, PJSC for 2023, which describes the most significant aspects of the corporate governance model and practices.

			Status ¹ of compliance with the corporate governance principle	Explanations ² of deviations from the criteria for assessing compliance with the principle of corporate governance
No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles		
1	2	3	4	5
1.1	The Company must ensure equal and fair treatment of all shareholders in the exercise of their right to participate in the management of the Company			
1.1.1	The company creates the most favourable conditions for shareholders for participation in the general meeting, conditions for developing a reasonable position on the agenda of the general meeting, coordination of their actions, and the opportunity to express their opinion on the issues under consideration	<p>1. The company provides an affordable way to communicate with the public such as a hotline, e-mail or a forum on the Internet, which allows shareholders to express their views and send questions about the agenda during preparation to the general meeting.</p> <p>These methods of communication were organised by the company and made available to shareholders in preparation for each general meeting held during the reporting period</p>	complied with partially complied with not complied with	
1.1.2	The process for distributing notice of a general meeting and supplying meeting materials helps shareholders to adequately prepare for attending the meeting	<p>1. In the reporting period, the notice of the general meeting of shareholders was posted (published) on the company's website no later than 30 days before the date of the general meeting, unless a longer period is stipulated by law.</p> <p>2. The notice of the meeting lists the documents required for admission to the venue.</p> <p>3. Shareholders were provided with access to information on the persons being initiators of the agenda items and nominating the candidates for the board of directors and the audit commission (if establishment of the same is stipulated by the company's articles of association)</p>	complied with partially complied with not complied with	<p>Pursuant to Articles 2 and 3 of Federal Law No. 25-FZ dated 25 February 2022 "On Amendments to the Federal Law "On Joint-Stock Companies" and Suspension of Certain Provisions of Legislative Acts of the Russian Federation", by decision of the Board of Directors (Supervisory Board) of a joint-stock company in 2023, the General Meeting of Shareholders may be held in the form of absentee voting.</p> <p>The Board of Directors of Rosseti Kuban, PJSC decided to convene the annual General Meeting of Shareholders in the form of absentee voting (Minutes No. 519/2022 dated 12 May 2023). For this reason, the notice of meeting did not specify the documents required for admission to the premises.</p> <p>Holding the annual General Meeting of Shareholders of Rosseti Kuban, PJSC in the form of absentee voting is a forced measure. Rosseti Kuban, PJSC provides an opportunity for shareholders to properly prepare for participation in the General Meeting of Shareholders</p>
1.1.3	During the preparation and conduct of the general meeting, the shareholders had an opportunity to receive information on the meeting and materials hereto easily and in a timely manner, to ask questions to the executive bodies and members of the board of directors of the company, and communicate with each other	<p>1. During the reporting period, shareholders were given an opportunity to ask members of the company's executive bodies and members of the company's board of directors questions in the course of preparations to the annual general meeting of shareholders and during the meeting as well.</p> <p>2. The position of the board of directors (including the special opinions added to the minutes, if any) on each item of the agenda of the general meetings held during the reporting period was specified in the materials for the general meeting.</p> <p>3. The company provided authorized shareholders with access to the list of persons eligible for participation in the general meeting of shareholders, starting from the date when this list was received by the company; this applies to all such meetings in the reporting period</p>	complied with partially complied with not complied with	
1.1.4	A shareholder's right to demand that the general meeting of shareholders be convened, nominate candidates to the governing bodies and propose agenda items for the general meeting was exercised without unnecessary elements of complexity	<p>1. The company's articles of association stipulates a deadline for shareholders to submit proposals for inclusion on the agenda of the annual general meeting of shareholders; such deadline should be at least 60 days after the end of the relevant calendar year.</p> <p>2. In the reporting period, the company did not reject proposals regarding agenda items or candidates nominated to the company's bodies because of misprints and other minor drawbacks in a shareholder's proposal</p>	complied with partially complied with not complied with	
1.1.5	Each shareholder had an opportunity to freely exercise the right to vote in the simplest and most convenient for him/her way	<p>1. The company's articles of association provides for the possibility of completing the electronic form of the ballot on the website (its address is specified in the notice of the general meeting of shareholders)</p>	complied with partially complied with not complied with	

¹ The "complied with" status shall be indicated only if the company's corporate practices meet all the criteria for compliance with the principle of corporate governance listed in the third column of the Code Compliance Report Form. If the company's corporate practices meet only some of the compliance criteria or do not meet any of them, the fourth column of the Code Compliance Report Form indicates the status of compliance with the Code principle as "partially complied with" or "not complied with" respectively.

² Specified for each assessment criterion (compliance criterion) of the corporate governance principle in case the company complies with only part of the criteria or does not comply with any of the criteria for assessing compliance with the principle.

No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
1.1.6	The procedure for holding the general meeting established in the company provides all persons present at the meeting with equal opportunities for expressing their opinions and asking questions	<div>1. When general meetings of shareholders were held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was provided for reports on agenda items and time for discussion of these issues, and shareholders were given the opportunity to express their opinions and ask questions of interest on the agenda.</div> <div>2. The company invited candidates to the management and control bodies of the company and took all necessary steps to ensure their participation in the general meeting of shareholders, at which their nominations were put to a vote. The nominees to the management and control bodies of the company who were present at the general meeting of shareholders were available to answer questions from shareholders.</div> <div>3. The sole executive body, the accounting officer, the chair or other members of the audit committee of the board of directors were available to answer questions from shareholders at the general meetings of shareholders held during the reporting period.</div> <div>4. In the reporting period, the company used telecommunication means for remote access of shareholders to participate in general meetings, or the board of directors made a reasonable decision that there was no need (possibility) to use such means in the reporting period</div>	complied with partially complied with not complied with	In accordance with Federal Law No. 519-FZ dated 19 December 2022 “On Amendments to Certain Legislative Acts of the Russian Federation and Suspension of Certain Provisions of Legislative Acts of the Russian Federation”, the Annual General Meeting of Shareholders of Rosseti Kuban, PJSC in 2023 was held in the form of absentee voting; therefore, the above criteria for assessing compliance with this corporate governance principle are not applicable
1.2	The shareholders are given equal and equitable opportunities to receive a share of the company’s profits by receiving dividends			
1.2.1	The company has developed and implemented a transparent and clear mechanism for determining the amount of dividends and their payment	<div>1. The company’s regulation on the dividend policy was approved by the board of directors and disclosed on the company’s website.</div> <div>2. If the dividend policy of a company compiling the consolidated financial statements uses the indicators of the company’s statements to determine the amount of dividends, then the appropriate provisions of the dividend policy account for the consolidated indicators of the financial statements.</div> <div>3. Justification of the proposed distribution of net profit, including the payment of dividends and the company’s own needs, and assessment of its compliance with the dividend policy adopted by the company, with explanations and economic justification of the need to direct a certain portion of net profit to its own needs in the reporting period were included in the materials for the general meeting of shareholders, the agenda of which includes an item on profit distribution (including the payment (declaration) of dividends)</div>	complied with partially complied with not complied with	
1.2.2	The company does not make a decision on dividend payment if such a decision is economically infeasible and may create a misleading impression as to the company’s operations, despite formal compliance of such decision with the legislation	<div>1. The regulations on company’s dividend policy, in addition to the statutory restrictions, define the financial/ economic circumstances the company should not decide to pay dividends under</div>	complied with partially complied with not complied with	
1.2.3	The company does not allow a deterioration in terms of dividend rights of existing shareholders	<div>1. In the reporting period, the Company did not take any actions causing deterioration in terms of dividend rights of existing shareholders</div>	complied with partially complied with not complied with	
1.2.4	The company aims to ensure that shareholders do not have any other ways to receive profit (income) from the company, except as dividends and liquidation value	<div>1. During the reporting period, there were no other ways for the entities controlling the company to receive profit (income) at the company’s expense other than dividends (e.g., through transfer pricing, unjustified provision of services to the company by the controlling entity at inflated prices, through internal loans substituting dividends to the controlling entities and (or) its controlled entities)</div>	complied with partially complied with not complied with	
1.3	The corporate governance system and practices should ensure equitable treatment of all shareholders owning shares of one class (type), including minority (small) shareholders and foreign shareholders, and equal treatment of them by the company			
1.3.1	The company made sure that its governing bodies and controlling entities treat each and every shareholder fairly, while also preventing abuse of minority shareholders by major shareholders	<div>1. During the reporting period, the company’s controlling entities did not abuse their rights in relation to the company’s shareholders, there were no conflicts between the company’s controlling entities and the company’s shareholders, and if there were, the board of directors paid due attention to the same</div>	complied with partially complied with not complied with	

			Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles		
1.3.2	The company does not take any actions which cause or may cause artificial redistribution of corporate control	1. There were no quasi-treasury shares in the company, or they did not participate in voting in the reporting period	complied with partially complied with not complied with	
1.4	Shareholders have reliable and effective methods to record ownership of shares and an opportunity to freely and quickly dispose of their shares			
1.4	Shareholders have reliable and effective methods to record ownership of shares and an opportunity to freely and quickly dispose of their shares	1. The technology and service conditions of the company registrar meet the needs of the company and its shareholders and ensure that shareholder rights are regarded and exercised in the most efficient manner	complied with partially complied with not complied with	
2.1	The board of directors is responsible for the strategic management of the company; it formulates the basic principles and approaches to the development of the risk management and internal control system, supervises the work of the company's executive bodies and performs other core functions			
2.1.1	The board of directors is responsible for making decisions related to the appointment and dismissal of executive bodies, including due to improper performance of their functions. The board of directors also ensures that the company's executive bodies act in accordance with the approved development strategy and the company's key areas of business	<div>1. The board of directors has the power to appoint and dismiss members of executive bodies, as well as to determine the terms and conditions of their contracts; those powers are stipulated in the articles of association.</div> <div>2. During the reporting period, the nominations (appointments, personnel)¹ committee reviewed the compliance of the professional qualifications, skills and experience of the members of the executive bodies in respect of the current and expected needs of the company as dictated by the approved strategy of the company.</div> <div>3. In the reporting period, the board of directors reviewed the report(s) of the sole executive body and the collegial executive body (if any) on the implementation of the company's strategy</div>	complied with partially complied with not complied with	<div>Criterion 1 is complied with.</div> <div>Criterion 2 was partially complied with in the reporting year.</div> <div>In 2023, the Personnel and Remuneration Committee reviewed and made recommendations to the Board of Directors regarding:<ul style="list-style-type: none">Approval of the report on achievement of key performance indicators (KPIs) of the Company's General Director for 2022 (target (planned) KPI values were achieved for all indicators),On Approval of the Report on KPI "Innovation Performance Efficiency" of the General Director» for 2022 (the target (planned) value of KPI "Innovation Performance Efficiency" was achieved).</div> <div>In the reporting year, there was no need to reshuffle staff and/or extend employment agreements with members of the Management Board.</div> <div>Criterion 3 is complied with. The Company, as part of the unified distribution complex of the Russian Federation and the Rosseti Group, strives to achieve the goals set by the Russian Federation and the development strategy of Rosseti, PJSC and its S&As until 2030. During the reporting year, the Board of Directors regularly reviewed reports on the Company's implementation of strategic programmes and indicators:<ul style="list-style-type: none">Company's business planInvestment programmeReport on the organisation, operation and effectiveness of the risk management systemKPIs of the General DirectorDevelopment plan for the production asset management systemDigital transformation programme activities, etc.</div> <div>Non-compliance is time-limited. In 2023, The Board of Directors of the Company approved the lists of KPIs and functional KPIs of the Company's management personnel, their target values for 2023–2025 and the procedure for their calculation. Accordingly, the Personnel and Remuneration Committee of the Board of Directors will review and provide recommendations to the Board of Directors on the achievement of target KPIs and functional KPIs of the Company's management personnel (members of the Management Board), i.e., on the compliance of professional qualifications, skills and experience of the members of the executive bodies with the current and expected needs of the Company as dictated by the approved strategy of the Company. In view of the above, starting from 2024, the Company plans to achieve compliance with the Code components</div>
2.1.2	The board of directors decides on the main long-term strategic targets for the company's operations, assesses and approves key performance indicators and the company's main business goals, assesses and approves the strategy and business plans for the company's core business areas	1. In the reporting period, the board of directors addressed issues related to the implementation and review of the strategy, approval of the financial and economic plan (budget) of the company, as well as consideration of criteria and indicators (including interim indicators) related to the implementation of the company's strategy and business plans	complied with partially complied with not complied with	

¹ Hereinafter referred to as the nominations committee.

No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
2.1.3	The board of directors determines the principles and approaches to the development of the risk management and internal control system in the company	<ol style="list-style-type: none"> 1. The principles of and approaches to the organisation of the risk management and internal control system in the company are determined by the board of directors and stipulated in the company's internal documents, which determine the risk management and internal control policy. 2. In the reporting period, the board of directors approved (revised) an acceptable amount of risks (risk appetite) of the company or the audit committee and (or) risk committee (if any) considered the expediency of submitting the issue of revising the company's risk appetite for consideration by the board of directors 	complied with partially complied with not complied with	
2.1.4	The board of directors shapes the company's policy on the payment of remunerations and (or) compensations (reimbursement) to the members of the board of directors, executive bodies or other key executives of the company	<ol style="list-style-type: none"> 1. The company developed, approved (by the board of directors) and implemented the policy (policies) on remunerations and compensations (reimbursement) to the members of the board of directors, executive bodies and other key executives of the company. 2. In the reporting period, the meetings of the board of directors addressed issues related to the said policy (policies) 	complied with partially complied with not complied with	
2.1.5	The board of directors is instrumental in preventing, identifying and resolving internal conflicts between the company's bodies, its shareholders and employees	<ol style="list-style-type: none"> 1. The board of directors plays a key role in preventing, identifying and resolving internal conflicts. 2. The company created a system for identifying transactions involving a conflict of interest and a system of measures for resolving such conflicts 	complied with partially complied with not complied with	
2.1.6	The board of directors is instrumental in ensuring the transparency of the company, timeliness and completeness of information disclosure by the company, and easy access of shareholders to the company's documents	<ol style="list-style-type: none"> 1. The company's internal documents define the persons responsible for implementing the information policy 	complied with partially complied with not complied with	
2.1.7	The board of directors oversees the company's corporate governance practice and plays a key role in the company's significant corporate events	<ol style="list-style-type: none"> 1. During the reporting period, the board of directors reviewed the results of a self-assessment and/or an external assessment of the company's corporate governance practices 	complied with partially complied with not complied with	
2.2	The board of directors is accountable to the company's shareholders			
2.2.1	Information on the performance of the board of directors is disclosed and presented to shareholders	<ol style="list-style-type: none"> 1. The annual report of the company for the reporting period includes information on attendance of meetings of the board of directors and committees by individual directors. 2. The annual report includes information on the main results of performance assessment (self-assessment) of the board of directors carried out in the reporting period 	complied with partially complied with not complied with	
2.2.2	The chair of the board of directors is available for communication with the company's shareholders	<ol style="list-style-type: none"> 1. The company has a transparent procedure in place to ensure that shareholders can send their enquires to and receive feedback from the chair of the board of directors (and, where applicable, the senior independent director) 	complied with partially complied with not complied with	
2.3	The board of directors is an effective and professional governing body of the company capable of making objective independent judgements and take decisions in the interests of the company and its shareholders			
2.3.1	Only persons having an impeccable business and personal reputation and the knowledge, skills and experience required for making decisions within the competence of the board of directors and for efficient performance of its functions are elected to the board of directors	<ol style="list-style-type: none"> 1. In the reporting period, the board of directors (or the nomination committee) assessed candidates for the board of directors from the point of view of experience, knowledge, business reputation, lack of conflict of interest, etc. 	complied with partially complied with not complied with	<p>During the reporting year, the Board of Directors and its Personnel and Remuneration Committee did not conduct the assessment procedure for nominees to the Board of Directors.</p> <p>However, data on the education and work experience of the nominees to the Board of Directors is included in the set of pre-reading materials of general meetings of shareholders and is published on the Company's official website.</p> <p>In addition, a questionnaire survey is conducted for the elected members of the Board of Directors to obtain detailed information on the Board members, their education, work experience, ownership of the Company's shares, positions held in other organisations, etc.</p> <p>Based on the analysis of the personal data, the current and previous composition of the Company's Board of Directors includes persons with high professional qualifications and work experience in various industries.</p> <p>Non-compliance is time-limited. The Company intends to achieve the compliance with the criterion in the future</p>

No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
2.3.2	The members of the board of directors are elected under a transparent procedure, through which shareholders can obtain information about the candidates to the extent sufficient to form an opinion about their personal and professional qualities	1. In all cases when the agenda of a general meeting of shareholders held in the reporting period included election to the board of directors, the company provided its shareholders with biographical details of all candidates for the board of directors, results of assessment of compliance of their professional qualifications, skills and experience with the current and expected needs of the company (such assessment to be carried out by the board of directors (or its nomination committee)), as well as information on whether the candidate met the criteria of independence in accordance with recommendations 102–107 of the Code and the written consent of the candidates for election to the board of directors	complied with partially complied with not complied with	In the reporting period, when holding General Shareholders' Meetings, the agenda of which included the election of the Board of Directors, the Company did not present to the shareholders the results of the Board of Directors' assessment of the candidates' professional qualifications, experience and skills compliance with the current and expected needs of the Company. To comply with this criterion, the Company intends to develop amendments to the Company's internal documents concerning the above provisions. Non-compliance is time-limited. The Company intends to achieve the compliance with the criterion in the future
2.3.3	The composition of the Board of Directors is balanced, including in terms of its members' qualifications, experience, knowledge and business skills, and have shareholders' confidence	1. During the reporting period, the board of directors analysed its own needs in terms of professional qualifications, experience and skills and identified the competencies required by the board of directors in the short and long term	complied with partially complied with not complied with	
2.3.4	The number of members of the company's board of directors makes it possible to organise its work most effectively, including the opportunity to form board committees, as well as gives the company's substantial minority shareholders an opportunity to elect their candidate to the board of directors	1. During the reporting period, the board of directors considered whether the number of the board of directors' members meets the company's needs and the interests of shareholders	complied with partially complied with not complied with	
2.4	An adequate number of independent directors sit on the board of directors			
2.4.1	A person shall be qualified as an independent director if he or she has sufficient professional skills, experience and independence to form his/her own opinion, is able to make objective and fair judgements independently of the executive bodies of the company, individual groups of shareholders or other stakeholders. It should be noted here that under normal circumstances a candidate (an elected member of the board of directors) associated with the company, its substantial shareholder, substantial counterparty, competitor or the government cannot be considered independent	1. In the reporting period, all independent members of the board of directors met all independence criteria specified in recommendations 102–107 of the Code or were recognised as independent by the board of directors	complied with partially complied with not complied with	
2.4.2	The company assesses whether candidates for the board of directors meet the independence criteria, and a regular analysis is carried out to determine whether independent members of the board of directors meet those criteria. When carrying out such assessment, the content should prevail over the form	1. In the reporting period, the board of directors (or the nomination committee) formed an opinion on the independence of each candidate nominated to the board of directors and provided the shareholders with the relevant statement. 2. During the reporting period, the board of directors (or the board of directors' nomination committee) reviewed the independence of the current board of directors' members at least once (after they were elected). 3. The company has developed procedures stipulating the actions to be taken by a member of the board of directors if he or she ceases to be independent, including the obligation to inform the board of directors of the same in a timely manner	complied with partially complied with not complied with	Criteria 1 and 2 are not complied with. In the reporting period, the Board of Directors and Personnel and Remuneration Committee did not carry out the assessment of each candidate and member of the Board of Directors. In the reporting year, the Company determined the independence status of the Board of Directors members by criteria specified by the Code. The Company twice a year requested information from the members of the Board of Directors as necessary and sufficient for public disclosure and clarification of their status. The methodology approved by the Board of Directors established an approximate list of self-assessment criteria, including the criterion concerning the independence of Directors. Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code in the future. Criterion 3 is complied with.

No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
2.4.3	Independent directors comprise at least one third of the elected members of the board of directors	1. Independent directors comprise at least one third of the membership of the board of directors	complied with partially complied with not complied with	<p>In the reporting period, the Board of Directors includes two Independent Directors, which is less than one third of Independent Directors.</p> <p>Given the majority shareholder's predominant participation in the Company's authorised capital (99.72%), the Company has no ability to influence compliance with this component of the Code.</p> <p>At the same time, the proportion of Independent Members in the Board of Directors currently meets the requirements for corporate governance of the issuer established by the Listing Rules of the Moscow Exchange.</p> <p>Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code in the future.</p> <p>The risks associated with incomplete implementation of the Code's recommendations are mitigated by the effective organisation of independent directors' activities in the Company.</p> <p>There is no information on the planned increase in the number of nominated independent directors, hence no increase in their number is currently foreseen</p>
2.4.4	Independent directors play a key role in preventing internal conflicts in the company and in significant corporate actions taken by the company	1. Within the reporting period, the independent directors (who had no conflict of interest) made a preliminary assessment of significant corporate actions involving potential conflict of interest and submitted the results of such assessment to the board of directors	complied with partially complied with not complied with	<p>Partially complied with.</p> <p>Independent directors (who do not have a conflict of interest) make a preliminary assessment of material corporate actions related to a potential conflict of interest only as part of the review of materials of the Strategy Committee of the Board of Directors, and as part of the consideration of materials sent to members of the Board of Directors.</p> <p>The Company's Articles of Association do not define the very notion of material corporate actions.</p> <p>However, the matters specified in the Corporate Governance Code relating to material actions:</p> <ul style="list-style-type: none">• Reorganisation of the Company• Acquisition of 30 per cent or more of the voting shares of the Company (acquisition)• Execution of major transactions by the Company• Increase or decrease in the authorised capital of the Company• Listing and delisting of the Company's shares• are referred to the competence of the Board of Directors or the General Meeting of Shareholders in accordance with applicable law and the Articles of Association of the Company. <p>Most of these matters (with the exception of share delisting) fall within the remit of the Strategy Committee of the Board of Directors.</p> <p>Non-compliance is time-limited. The Company plans to include in the Articles of Association and internal documents of the Company provisions regulating legal relations related to material corporate actions taken by the Company, subject to the relevant decision of the majority shareholder</p>
2.5	The chair of the board of directors ensures that the functions assigned to the board of directors are performed as efficiently as possible			
2.5.1	The board of directors is chaired by an independent director, or a senior independent director is selected from among elected independent directors to coordinate the activities of the independent directors and communicate with the chair of the board of directors	1. The chair of the board of directors is an independent director or a senior independent director has been selected from among independent directors ¹ . 2. The role, rights and duties of the chair of the board of directors (and, if applicable, of the senior independent director) are properly specified in the company's internal documents	complied with partially complied with not complied with	<p>Criterion 1 is not complied with.</p> <p>The Chair of the Board of Directors is not an Independent Director.</p> <p>The Company's Board of Directors has not selected the Senior Independent Director at the lack of initiative of the Board of Directors members concerning election of the senior independent director.</p> <p>The Company has no opportunity to affect the compliance with the criterion.</p> <p>Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code in the future.</p> <p>Criterion 2 is complied with.</p>
2.5.2	The chair of the board of directors creates a constructive atmosphere at the meetings, encourages open discussion of agenda items, and supervises the implementation of the resolutions adopted by the board of directors	1. The performance of the chair of the board of directors was assessed as part of the procedure for assessment (self-assessment) of the performance of the board of directors in the reporting period	complied with partially complied with not complied with	

¹ It is recommended to indicate in the fifth column of the Code Compliance Report Form which of the two alternative approaches allowed by the principle is being implemented in the company and to explain the reasons for the chosen approach.

No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
2.5.3	The chair of the board of directors takes necessary measures to ensure timely provision of the members of the board of directors with information required to adopt resolutions on agenda items	1. The duty of the chair of the board of directors to take measures to ensure timely provision of the members of the board of directors with full and reliable information on agenda items of the meeting of the board of directors is stipulated in the company's internal documents	complied with partially complied with not complied with	
2.6 Members of the board of directors act reasonably and in good faith in the interests of the company and its shareholders on the basis of sufficient information, exercising due diligence and care				
2.6.1	In decision-making, members of the board of directors take into consideration all available information, provided that there is no conflict of interest, with equal treatment of the company's shareholders, and within the limits of common business risk	1. The company's internal documents stipulate that a member of the board of directors shall inform the board of directors if there is a conflict of interest in relation to any issue on the agenda of the meeting of the board of directors or a board committee prior to discussion of that issue. 2. The company's internal documents stipulate that a member of the board of directors shall refrain from voting on any issue in relation to which he or she has a conflict of interest. 3. The company has established a procedure which allows the board of directors to obtain professional advice on issues within its competence at the expense of the company	complied with partially complied with not complied with	Criteria 1 and 2 are complied with. Criterion 3 is complied with partially in terms of the members of the Board of Directors, which are also members of the Board Committees. The norm that allows to a member of the Board of Directors and its Committee to get professional advice on issues concerning his/her competence at the Company's expense is contained in the Regulations on the Committees. However, the Regulations on the Board of Directors do not provide for this procedure. The Company will make appropriate amendments to the Regulations on the Board of Directors of the Company in the future provided that there is a corresponding position of the majority shareholder. Non-compliance is time-limited.
2.6.2	The rights and responsibilities of the members of the board of directors are clearly worded and set out in the company's internal documents	1. The company has adopted and published an internal document which clearly determines the rights and responsibilities of the members of the board of directors	complied with partially complied with not complied with	
2.6.3	Members of the board of directors have sufficient time to perform their duties	1. Individual attendance of the meetings of the board of directors and committees, as well as sufficient time to work on the board of directors, including its committees, is analysed as part of the procedure for assessment (self-assessment) of the board of directors' performance in the reporting period. 2. In accordance with the company's internal documents, members of the board of directors shall inform the board of directors of their intention to join the governing bodies of any other organisations (apart from organisations controlled by the company), and of the fact of such an appointment	complied with partially complied with not complied with	Criterion 1 is complied with. Criterion 2 is not complied with. The internal documents do not stipulate that members of the board of directors shall inform the board of directors of their intention to join the governing bodies of any other organisations (apart from organisations controlled by or affiliated with the company), and of the fact of such an appointment. But in the real world, the Company: • Quarterly requests the data on held positions from the members of the governing bodies • Monitors open sources of information on joining the members of the Company's Board of Directors to the governing or control bodies of other organisations on a regular basis Non-compliance is time-limited. The Company plans to achieve compliance with the indicated recommendation of the Code in the future
2.6.4	All members of the board of directors have equal access to the company's documents and information. Newly elected members of the board of directors are provided with sufficient information on the company and the work of the board of directors in the shortest time possible	1. In accordance with the company's internal documents, the members of the board of directors have the right to obtain information and documents necessary for the members of the board of directors to perform their duties relating to the company and its controlled entities, and the executive bodies of the company should ensure that relevant information and documents are provided. 2. The company has a formalised induction programme for newly elected members of the board of directors	complied with partially complied with not complied with	
2.7 Meetings of the board of directors, preparation for them and participation of the members of the board of directors in the meetings enable efficient work of the board of directors				
2.7.1	Meetings of the board of directors are held when necessary, given the scale of the company's operations and challenges facing the company at any particular time	1. The board of directors held at least six meetings in the reporting year	complied with partially complied with not complied with	
2.7.2	The company's internal documents set out a procedure for preparing and holding meetings of the board of directors, ensuring that the members of the board of directors are able to prepare for them properly	1. The company has approved an internal document which determines the procedure for preparing and holding meetings of the board of directors and stipulates, among other things, that notification of the meeting shall be generally given at least five days before the date of such meeting. 2. During the reporting period, the members of the board of directors who were not present at the meeting venue were given the opportunity to participate in the discussion of agenda items and vote remotely via conference calls and video conferencing	complied with partially complied with not complied with	

No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
2.7.3	The format of the meeting of the board of directors depends on the importance of agenda items. The most important issues are addressed at in-person meetings	1. The company's articles of association or internal documents stipulate that the most important issues (including those listed in recommendation 168 of the Code) should be considered at in-person meetings of the board of directors	complied with partially complied with not complied with	<p>The list of issues that must be considered by the Board of Directors at face-to-face meetings is set out in the Regulation on the Board of Directors and does not completely correspond to the list given in the Recommendation 168 of the Code.</p> <p>At the same time, according to these Regulations, the form of a meeting of the Board of Directors is determined by the Chair of the Company's Board of Directors taking into account the importance of agenda items.</p> <p>The Company has no opportunity to affect the compliance with the criterion.</p> <p>Non-compliance is time-limited. The Company will achieve compliance with this element of the Code in the future provided that the majority shareholder position is appropriate</p>
2.7.4	Resolutions concerning the most important issues of the company's business are adopted at the meeting of the board of directors by a qualified majority or by a majority of votes cast by all elected members of the board of directors	1. The company's articles of association stipulate that resolutions concerning the most important issues specified in recommendation 170 of the Code shall be adopted at a meeting of the board of directors by a qualified majority comprising at least 3/4 of votes, or by a majority of votes cast by all elected members of the board of directors	complied with partially complied with not complied with	<p>The Company's Articles of Associations do not stipulate that resolutions concerning the most important issues specified in recommendation 170 of the Code shall be adopted at the meeting of the Board of Directors by a qualified majority comprising at least three quarters of votes, or by a majority of votes cast by all elected members of the Board of Directors.</p> <p>Non-compliance is time-limited. In the future, the Company will achieve compliance with the above recommendation of the Code provided that there is a position of the majority shareholder to make appropriate amendments to the Company's Articles of Association.</p> <p>After the said amendments to the Articles of Association of the Company, the Company will fully comply with this recommendation.</p> <p>The risks associated with incomplete implementation of the Code's recommendations are mitigated by the traditionally high attendance of meetings by Board members and the Company's decision-making procedures: decisions made by the Board of Directors are based on the consensus of all Board members, and key decisions are preliminarily debated within the Board committees</p>
2.8	The board of directors establishes committees for preliminary consideration of the most important issues related to the company's business			
2.8.1	An audit committee consisting of independent directors has been established for preliminary consideration of any issues related to the monitoring of the company's financial and business operations	1. The board of directors has formed the audit committee, consisting of independent directors only. 2. The company's internal documents set out the duties of the audit committee, including those specified in recommendation 172 of the Code. 3. At least one member of the audit committee who is an independent director has experience in and knowledge of preparation, analysis, assessment and audit of accounting (financial) statements. 4. The meetings of the audit committee were held at least once a quarter in the reporting period	complied with partially complied with not complied with	<p>Criterion 1 is not complied with. The Audit Committee has</p> <p>one independent director. In the reporting year, the number of independent members of the Board of Directors was insufficient to make up the Audit Committee solely from independent directors.</p> <p>The Company has no opportunity to affect the compliance with the criterion.</p> <p>Non-compliance is time-limited. The Company will achieve compliance with this element of the Code in the future provided that the majority shareholder position is appropriate</p> <p>Criteria 2–4 are complied with.</p>
2.8.2	A remuneration committee consisting of independent directors and chaired by an independent director who is not the chair of the board of directors was established for preliminary consideration of any issues related to the establishment of an efficient and transparent remuneration practice	1. The board of directors has formed the remuneration committee, consisting of independent directors only. 2. The chair of the remuneration committee is an independent director who is not the chair of the board of directors 3. The company's internal documents determine the tasks of the remuneration committee, including but not limited to the tasks contained in recommendation 180 of the Code, as well as the conditions (events), upon the occurrence of which the remuneration committee considers revision of the company's remuneration policy for the members of the board of directors, executive bodies and other key executives	complied with partially complied with not complied with	<p>Criterion 1 is not complied with. The Personnel and Remuneration Committee of the Board of Directors of the Company does not currently include independent directors.</p> <p>Criterion 2 is partially complied with. The Chair of the Personnel and Compensation Committee of the Board of Directors of the Company is neither the Board's Chair nor an independent director.</p> <p>Criterion 3 is partially complied with. The Regulations on the Personnel and Remuneration Committee of the Board of Directors of the Company set out the tasks, which are partially in line with the recommendations of the Code. The Regulations do not define the conditions (events), upon the occurrence of which the Committee considers the revision of the Company's policy on remuneration of members of the Board of Directors of the Company, executive bodies and other key executives.</p> <p>Non-compliance is time-limited. The Company plans to achieve compliance with criteria 1 and 2 in the future if the shareholder decides to do so.</p> <p>In order to fulfil criterion 3, the Company plans to submit proposals to the Company's shareholders to make appropriate amendments to these Regulations</p>
2.8.3	A nomination (appointment, personnel) committee consisting mostly of independent directors has been established for preliminary consideration of any issues related to workforce planning (succession planning), professional composition and performance of the board of directors	1. The board of directors has established the nomination committee (or another committee performs its duties specified in recommendation 186 of the Code ¹) consisting mostly of independent directors. 2. The company's internal documents set out the duties of the nomination committee (or another committee with shared functions), including those specified in recommendation 186 of the Code. 3. In the reporting period, in order to form the board of directors that best meets the company's goals and objectives, the nomination committee organized interaction with shareholders, not limited to the largest shareholders, in the context of selecting candidates to the board of directors of the company, either individually or jointly with other committees of the board of directors or the company's authorised subdivision in charge of relations with shareholders	complied with partially complied with not complied with	<p>Criterion 1 is partially complied with. The Company established the Personnel and Remuneration Committee. It does not include independent directors.</p> <p>Criterion 2 is partially complied with. Among the tasks specified in the Code's recommendations, the Personnel and Remuneration Committee was assigned only those pertaining to:</p> <ul style="list-style-type: none">determination of criteria for selecting candidates to the Board of Directors, Management Board members and to the position of the Company's sole executive body, as well as their preliminary assessment;regular assessment of the performance of the person who performs the functions of the sole executive body, members of the Management Board and preparation of proposals for the Board of Directors on the possibility of their reappointment. <p>The Company has no possibility of influencing compliance with these criteria.</p> <p>Non-compliance is time-limited. The Company plans to achieve compliance with this recommendation of the Code in the future, subject to a relevant shareholder decision.</p> <p>Criterion 3 is not applicable in 2023 because, due to the presence of the majority shareholder with a 99.72% stake, the votes of other shareholders are insufficient to elect at least one nominee to the Board of Directors</p>

¹ If the tasks of the nominations committee are implemented within another committee, state its name.

No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
2.8.4	Given the scale of business and the risk level, the company's board of directors made sure that the membership of its committees meets all objectives of the company's operations. Additional committees have been either formed or considered unnecessary (the strategy committee, the corporate governance committee, the ethics committee, the risk management committee, the budget committee, the health, safety and environment committee, etc.)	1. In the reporting period, the company's board of directors considered whether the structure of the board of directors is appropriate to the scope, nature, business goals, needs, and risk profile of the company. Additional committees were either formed or considered unnecessary	complied with partially complied with not complied with	
2.8.5	The membership of committees is determined so that it would enable a comprehensive discussion of issues for preliminary consideration, taking into account different opinions	1. The audit committee, remuneration committee, and nomination committee (or the relevant committee with a combined function) were chaired by independent directors in the reporting period. 2. The company's internal documents (policies) contain provisions whereby persons who are not members of the audit committee, the nomination committee or the remuneration committee (or the relevant committee with a combined function) may only attend meetings of the committees by invitation of the chair of the relevant committee	complied with partially complied with not complied with	Criterion 1 was only met for the Audit Committee in the period until 1 August of the reporting year. The Company has no opportunity to affect the compliance with the criterion. Criterion 2 is complied with.
2.8.6	The chairs of the committees regularly inform the board of directors and its chair on the performance of their committees	1. In the reporting period, the chairs of the committees regularly reported to the board of directors on the performance of their committees	complied with partially complied with not complied with	
2.9	The board of directors arranges an assessment of the performance of the board of directors, its committees and members			
2.9.1	The performance assessment of the board of directors is aimed at determining the level of efficiency the of the board of directors, its committees and members, whether their work meets the company's development needs, as well intensifying the work of the board of directors and identifying opportunities for the improvement of its performance	1. The company's internal documents stipulate the procedures for assessing (self-assessing) the board of directors' performance. 2 The assessment (self-assessment) of the board of directors' performance carried out in the reporting period included an assessment of the work of the committees, an individual assessment of each member of the board of directors and the board of directors as a whole. 3. The results of the assessment (self-assessment) of the board of directors' performance carried out during the reporting period were reviewed at an in-person meeting of the board of directors	complied with partially complied with not complied with	Criterion 1 is complied with. Criterion 2 is partially complied with. In the reporting year, a self-assessment of the quality of the Board's performance for the 2022–2023 corporate year was carried out, which included an assessment of the performance of the Board as a whole, its Chair and each committee. There was no individual assessment of the Board members, except for the Chair. Criterion 3 is partially complied with. The results of the self-assessment of the Board's quality of work carried out during the reporting period were reviewed by the Board of Directors in absentia As set out in the Regulations on the Board of Directors of the Company, the form of the Board meeting shall be determined by the Chair of the Board of Directors of the Company. Non-compliance is time-limited. The Company plans to achieve compliance with this recommendation of the Code from 2024 onwards
2.9.2	The performance of the board of directors, committees and members of the board of directors is assessed on a regular basis at least once a year. An external organisation (consultant) is engaged at least once every three years to carry out an independent assessment of the board of directors' performance	1. An external organisation (consultant) was engaged to perform an independent assessment of performance of the board of directors at least once during the last three reporting periods	complied with partially complied with not complied with	The Company did not engage an external organisation (consultant) to carry out an independent assessment of the quality of work of the Board of Directors in the last three reporting periods, as the self-assessment of the quality of work of the Board of Directors for the 2022–2023 corporate year took place for the second time in 2023. Non-compliance is time-limited. The company plans to engage an external consultant to conduct an independent assessment of the Board's work quality for 2023–2024
3.1	The company's corporate secretary facilitates efficient ongoing communication with shareholders, coordinates the company's efforts aimed at protecting the shareholders' rights and interests and supports efficient work of the board of directors			
3.1.1	The corporate secretary has knowledge, expertise and qualification sufficient for performing his or her duties; he or she should also have an excellent reputation and find shareholders' credence	1. The company's website and the annual report contain biographical information on the corporate secretary (including information on age, education, qualifications, experience), as well as information on positions in management bodies of other legal entities held by the corporate secretary for at least the last five years	complied with partially complied with not complied with	

			Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles		
3.1.2	The corporate secretary is sufficiently independent of the company's executive bodies and has the necessary powers and resources to carry out his or her tasks	<div>1. The company adopted and disclosed an internal document: the regulations on the corporate secretary.</div> <div>2. The board of directors approves the candidate for the position of corporate secretary, terminates his/her powers and considers the payment of additional remuneration to him/her.</div> <div>3. The company's internal documents stipulate the corporate secretary's right to request and receive company documents and information from management bodies, subdivisions and officers of the company</div>	complied with partially complied with not complied with	
4.1	The amount of remuneration paid by the company is sufficient for attracting, motivating and retaining employees who have the competence and qualification required by the company. Remuneration is paid to the members of the board of directors, executive bodies and other key executives of the company in accordance with the remuneration policy adopted by the company			
4.1.1	Remuneration paid by the company to the members of the board of directors, executive bodies and other key executives is sufficient to motivate them to work efficiently, enabling the company to attract and retain competent and qualified specialists. At the same time, the company avoids paying remuneration that is larger than necessary and seeks to prevent an unreasonably large gap between the amounts of remuneration paid to the said persons and the company's employees	1. Remuneration of members of the board of directors, executive bodies and other key executives of the company is determined based on the results of a comparative analysis of remuneration levels in comparable companies	complied with partially complied with not complied with	
4.1.2	The company's remuneration policy was developed by the remuneration committee and approved by the board of directors\ The board of directors supported by the remuneration committee monitors the adoption and implementation of the remuneration policy in the company and, if necessary, revises it and makes adjustments to it	1. During the reporting period, the remuneration committee reviewed the remuneration policy (policies) and (or) practices of its (their) implementation, assessed their efficiency and transparency, and, if necessary, submitted respective recommendations to the board of directors for revision of the said policy (policies)	complied with partially complied with not complied with	
4.1.3	The company's remuneration policy includes transparent mechanisms for determining the amount of remuneration for the members of the board of directors, executive bodies and other key executives of the company; in addition, it regulates all types of payments, benefits and privileges provided to the said persons	1. The remuneration policy (policies) of the company includes (include) transparent mechanisms for determining the amount of remuneration for the members of the board of directors, executive bodies and other key executives of the company; in addition, it (they) regulates (regulate) all types of payments, benefits and privileges provided to the said persons	complied with partially complied with not complied with	

No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
4.1.4	The company formulates the policy on reimbursement of expenses (compensation), which defines the expenses to be reimbursed and the service level, which may be provided to members of the board of directors, executive bodies and other key executives of the company. This policy may constitute a part of the company's remuneration policy	1. The remuneration policy (policies) or other internal documents of the company establish the procedures for reimbursement of expenses incurred by members of the board of directors, executive bodies and other key executives of the company	complied with partially complied with not complied with	
4.2	The system of remuneration for the members of the board of directors ensures that the directors' financial interests are aligned with the long-term financial interests of shareholders			
4.2.1	The company pays fixed annual remuneration to the members of the board of directors. The company does not pay remuneration for participating in individual meetings of the board of directors or committees under the board of directors. The company does not offer short-term or additional financial incentives to the members of the board of directors	1. In the reporting period, the company paid remuneration to the members of the board of directors in accordance with the remuneration policy adopted by the company. 2. In the reporting period, the company did not apply any forms of short-term motivation or additional material incentives to the members of the board of directors, the payment of which depends on the results (indicators) of the company's performance. No remuneration was paid for participation in individual meetings of the board of directors or the committees under the board of directors	complied with partially complied with not complied with	
4.2.2	Long-term ownership of the company's shares is the most important factor, ensuring that financial interests of members of the board of directors are aligned with long-term interests of shareholders. At the same time, the company does not make the right to sell shares dependent on compliance with certain performance targets, and the members of the board of directors do not participate in stock options plans	1. If an internal document (documents), namely the company's policy (policies) on remuneration, stipulates (stipulate) that members of the board of directors are to be provided with shares, clear rules regarding the ownership of shares by the members of board of directors, which are aimed at encouraging long-term ownership of such shares, should be introduced and detailed	complied with partially complied with not complied with	
4.2.3	The company's internal documents do not provide for any additional payments or compensations in case of early dismissal of the members of the board of directors due to a change of control over the company or other circumstances	1. The company's internal documents do not provide for any additional payments or compensations in case of early dismissal of the members of the board of directors due to a change of control over the company or other circumstances	complied with partially complied with not complied with	
4.3	The system of remuneration for members of executive bodies and other key executives of the company ensures that the remuneration is linked to the company's performance and reflects their personal contribution to such performance			
4.3.1	Remuneration paid to the members of executive bodies and other key executives of the company is determined in such a way as to ensure a reasonable and justified ratio of fixed components of remuneration to its variable components, which depend on the company's performance and an employee's personal (individual) contribution to such performance	1. In the reporting period, annual performance indicators approved by the board of directors were used to determine variable components of remuneration for the members of executive bodies and other key executives of the company. 2. During the last assessment of the system of remuneration for the members of executive bodies and other key executives of the company, the board of directors (the remuneration committee) made sure that the company used an effective combination of fixed and variable components of remuneration. 3. When determining the amount of remuneration payable to the members of executive bodies and other key executives of the company, consideration is given to the risks borne by the company in order to avoid creating incentives for taking excessively risky management decisions	complied with partially complied with not complied with	

No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
4.3.2	The company has implemented a long-term incentive plan for the members of executive bodies and other key executives involving the use of the company's shares (options or other derivatives for which the company's shares are underlying assets)	1. If the company introduced a long-term incentive programme for members of executive bodies and other key executives of the company using company shares (financial instruments based on company shares), the programme stipulates that the right to sell such shares and other financial instruments shall not arise earlier than three years after provision of the same. At the same time, the right to sell them is related to achievement of certain performance targets of the company	complied with partially complied with not complied with	The assessment of compliance with the criterion in this paragraph cannot be given as the Company does not have a long-term incentive programme for senior managers using the Company's shares (financial instruments based on the Company's shares)
4.3.3	The amount of compensation ('golden parachute') paid by the company in the event of early dismissal of members of executive bodies or key executives on the company's initiative and in the absence of wrongdoings on their part does not exceed twice the size of the fixed component of annual remuneration	1. The amount of compensation ('golden parachute') paid by the company in the event of early dismissal of members of executive bodies or key executives on the company's initiative and in the absence of wrongdoings on their part did not exceed twice the size of the fixed component of annual remuneration in the reporting period	complied with partially complied with not complied with	
5.1	The company has in place an effective risk management and internal control system aimed at providing reasonable assurance that the company would achieve its goals			
5.1.1	The board of directors established the principles of and approaches to organizing a risk management and internal control system in the company	1. Functions of the company's various governing bodies and divisions within the risk management and internal control system are clearly defined in internal documents/ the relevant policy of the company approved by the board of directors	complied with partially complied with not complied with	
5.1.2	The company's executive bodies ensure the creation and support of an efficient risk management and internal control system in the company	1. The company's executive bodies have ensured the distribution of duties, powers and responsibility in the sphere of risk management and internal control among heads of subdivisions and divisions accountable to them	complied with partially complied with not complied with	
5.1.3	The risk management and internal control system of the company gives a fair, objective and clear picture of the current situation in the company and its prospects and ensures integrity and transparency of the company's statements. It also ensures that risks taken by the company are reasonable and acceptable	1. The company has the anti-corruption policy approved. 2. The company has developed a convenient, safe and confidential method (hotline) for informing the board of directors or its audit committee about violations of the law, internal procedures or the corporate code of ethics	complied with partially complied with not complied with	
5.1.4	The company's board of directors takes necessary measures to make sure that the company's risk management and internal control system is in line with the principles of and approaches to its organisation formulated by the board of directors and that it functions efficiently	1. During the reporting period, the board of directors (audit committee and/or risk committee, if any) organised an assessment of the reliability and effectiveness of the risk management and internal control system. 2. During the reporting period, the board of directors reviewed the results of the assessment of the reliability and efficiency of the company's risk management and internal control system; information on the results of the review is included in the company's annual report	complied with partially complied with not complied with	

No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
5.2	The company organises internal audit in order to make an independent and systematic assessment of the reliability and performance of the risk management and internal control system and the corporate governance practice			
5.2.1	To conduct internal audit, the company has in place a separate subdivision or has engaged an independent third-party organisation. Functional accountability and administrative accountability of the internal audit subdivision are delineated. The internal audit subdivision is functionally accountable to the board of directors.	1. To conduct internal audit, the company has created a separate subdivision responsible for internal audit which is functionally accountable to the board of directors, or an independent third-party organisation has been engaged following the same accountability principles	complied with partially complied with not complied with	
5.2.2	The internal audit subdivision assesses the reliability and effectiveness of the risk management and internal control systems as well as the corporate governance, and applies generally accepted internal auditing standards	1. During the reporting period, internal audit assessed the reliability and effectiveness of the risk management and internal control system. 2. In the reporting period, internal audit assessed corporate governance practices (individual practices), including information interaction procedures (along with those related to internal control and risk management) at all management levels of the company, and interaction with stakeholders as well	complied with partially complied with not complied with	
6.1	The company and its operations are transparent to shareholders, investors and other stakeholders			
6.1.1	The company put in place an information policy ensuring effective communication between the company, its shareholders, investors and other stakeholders	1. The board of directors approved the company's information policy, which is developed in line with the recommendations of the Code . 2. During the reporting period, the board of directors (or one of its committees) considered the efficiency of information exchange between the company, shareholders, investors and other stakeholders and the expediency (need) to revise the company's information policy	complied with partially complied with not complied with	
6.1.2	The company discloses information on the system and practice of corporate governance, including detailed information on compliance with the principles and recommendations of the Code	1. The Company discloses information on its corporate governance system and general corporate governance principles used by it, including disclosure on the company's website. 2. The company discloses information on the membership of executive bodies and the board of directors, independence of its members and their membership in the committees of the board of directors (as defined in the Code). 3. If there is an entity controlling the company, the company publishes a memorandum of this entity detailing plans of such entity concerning corporate governance in the company	complied with partially complied with not complied with	
6.2	The company discloses comprehensive, up-to-date and accurate information on the company in a timely manner to ensure that its shareholders and investors are able to make informed decisions			
6.2.1	The company discloses information in accordance with the principles of regularity, consistency and promptness, as well as availability, accuracy, comprehensiveness and comparability of data disclosed	1. The company has established a procedure that ensures coordination of work of all subdivisions and employees of the company who are related to disclosure of information or whose activities may result in the need to disclose information. 2. If the company's securities are traded on foreign organised markets, the disclosure of material information in the Russian Federation and on such markets is simultaneous and equivalent during the reporting year. 3. If foreign shareholders own a considerable number of shares in the company, information was disclosed not only in Russian but also in one of the prevailing foreign languages during the reporting year	complied with partially complied with not complied with	Criterion 1 is complied with. Criteria 2 and 3 are not applicable to the Company.

No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
6.2.2	The company avoids using a formal approach to information disclosure and discloses material information on its operations even if the law does not require disclosing such information	<div>1. The company's information policy defines approaches to disclosure of information on other events (actions) which have a material effect on the value or quotation of its securities, disclosure of which is not required by law.</div> <div>2. The company discloses information on its capital structure in the annual report and on its website, in accordance with Recommendation 290 of the Code.</div> <div>3. The company shall disclose information on controlled entities that are material to the company, including key areas of their activities, mechanisms for ensuring accountability of controlled entities, the authority of the company's board of directors to determine strategy and assess performance of controlled entities.</div> <div>4. The Company discloses non-financial reports – a sustainability report, an environmental report, a corporate social responsibility report or another report containing non-financial information, including factors related to the environment (inter alia, environmental and climate change-related factors), society (social factors) and corporate governance, except for the report of the issuer of equity securities and the annual report of a joint stock company</div>	<div>complied with</div> <div>partially complied with</div> <div>not complied with</div>	<div>Criteria 1 and 2 are complied with.</div> <div>Criterion 3 is not applicable to the Company due to the absence of subsidiaries and affiliates that are significant to the Company.</div> <div>Criterion 4 is not complied with due to the absence of statutory requirements. The Annual Report for 2023 contains non-financial information as prescribed by the Recommendations on Disclosure by Public Joint Stock Companies of Non-Financial Information Related to Activities of Such Companies issued by the letter of the Bank of Russia No. IN-06-28/49 dated 12 July 2021.</div> <div>Non-compliance is time-limited. The Company plans to achieve compliance with the elements of the Code in the future</div>
6.2.3	Being one of the most important means of communication with shareholders and other stakeholders, the annual report contains information enabling an assessment of the company's performance during the year	<div>1. The annual report of the company contains information on the results of the assessment by the audit committee of the effectiveness of the external and internal audit process.</div> <div>2. The company's annual report contains information on the company's environmental and social policy</div>	<div>complied with</div> <div>partially complied with</div> <div>not complied with</div>	
6.3	The company provides equal and easy access to information and documents at the shareholders' request			
6.3.1	Shareholders can exercise their right of access to company documents and information without unnecessary difficulties	<div>1. The company's information policy (internal documents defining the information policy) defines a non-onerous procedure for providing access to the company's information and documents upon shareholders' requests.</div> <div>2. The information policy (internal documents defining the information policy) contains provisions stipulating that if a shareholder requests information on organisations controlled by the company, the company shall make the necessary efforts to obtain such information from the relevant organisations controlled by the company</div>	<div>complied with</div> <div>partially complied with</div> <div>not complied with</div>	
6.3.2	When the company provides information to shareholders, a reasonable balance is maintained between the interests of individual shareholders and those of the company, as the company is interested in maintaining confidentiality of important commercial information which may have a material effect on its competitiveness	<div>1. In the reporting period, the company did not reject shareholders' requests for information, or, if it did, it gave reasons for the refusal to provide information.</div> <div>2. In the cases stipulated by the company's information policy, shareholders are informed that the information is confidential and undertake to keep it confidential</div>	<div>complied with</div> <div>partially complied with</div> <div>not complied with</div>	

No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
7.1	Actions that have or may have a substantial impact on the company’s authorised capital structure and financial position and, accordingly, on the shareholders’ position (significant corporate actions) are taken on equitable terms safeguarding the rights and interests of the shareholders and other stakeholders			
7.1.1	Significant corporate actions include reorganisation of the company, purchase of 30 or more percent of the company’s voting shares (acquisition), making major transactions, an increase or reduction of the authorised capital of the company, listing and delisting of the company’s shares, as well as other actions that may result in a significant change of shareholders’ rights or infringement of their interests. The company’s articles of association provides a list (criteria) of transactions or other actions constituting significant corporate actions, and such actions fall within the competence of the company’s board of directors	1. The company’s articles of association define a list (criteria) of transactions or other actions that constitute significant corporate actions. Making decisions about significant corporate actions is within the competence of the board of directors, according to the company’s articles of association. In cases when the legislation specifically states that the exercise of corporate actions falls within the competence of the general meeting of shareholders, the board of directors provides the shareholders with the relevant recommendations	complied with partially complied with not complied with	<p>The Company’s Articles of Associations does not provide a list of transactions or other actions constituting significant corporate actions and establishes criteria for their definition.</p> <p>However, decision-making on matters relating to material actions referred to in recommendation 303 of the Code (e.g., restructuring of the Company, increase/decrease in the authorised capital of the Company, decision-making on the participation of the Company in other organisations, decision-making on applying for delisting of the Company’s shares and (or) equity securities convertible into its shares, decision-making on consent or subsequent approval of major transactions, approval of other transactions of the Company and its controlled entities) in accordance with the current legislation and the Articles of Association of the Company are the competence of the Board of Directors or the General Meeting of Shareholders. When any matters, including significant corporate actions, are put to shareholders at a General Meeting of Shareholders, the Board of Directors will make recommendations to shareholders accordingly.</p> <p>The Company plans to include in the Articles of Association and internal documents of the Company detailed provisions regulating legal relations related to material corporate actions taken by the Company, subject to the relevant decision of the majority shareholder</p>
7.1.2	The board of directors plays a key role in making decisions or recommendations with regard to significant corporate actions; the board of directors relies on the opinion of independent directors of the company	1. The company has established a procedure whereby independent directors express their opinions on significant corporate actions before those actions are approved	complied with partially complied with not complied with	<p>This procedure is not set out in the internal documents of the Company. The Company has no opportunity to affect the compliance with the criterion.</p> <p>The Company will include provisions in the Articles of Association and internal documents of the Company regulating the possibility for independent directors to declare their position on material corporate actions prior to their approval, provided that there is a corresponding position of the majority shareholder</p>
7.1.3	When making significant corporate actions affecting the rights and legitimate interests of shareholders, equal conditions are provided for all shareholders of the company, and in case of insufficiency of statutory mechanisms aimed at the protection of shareholders, additional measures are taken to protect the rights and legitimate interests of shareholders of the company. At the same time, the company is guided not only by compliance with the formal requirements of the law but also by the corporate governance principles set out in the Code	1. The company’s articles of association, taking into account the peculiarities of the company’s operations, stipulate that the competence of the board of directors shall include approval of other transactions that are significant to the company, in addition to those provided for by law. 2. During the reporting period, all significant corporate actions were approved prior to their implementation	complied with partially complied with not complied with	
7.2	The company ensures that significant corporate actions are taken in a manner that enables the shareholders to receive full information on such actions, provides them with an opportunity to influence such actions and guarantees that their rights are observed and properly protected when such actions are taken			
7.2.1	Information on significant corporate actions is disclosed, and an explanation of the reasons, conditions and consequences of such actions is provided	1. If the company performed significant corporate actions during the reporting period, the company disclosed information on such actions to shareholders in a timely and detailed manner, including disclosing the reasons, conditions and consequences of such actions	complied with partially complied with not complied with	

No.	Corporate governance principles	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations of deviations from the criteria for assessing compliance with the principle of corporate governance
7.2.2	The rules and procedures for the implementation of significant corporate actions are set forth in the company's internal documents	<div>1. The company's internal documents determine the cases and procedure for engaging an appraiser to determine the value of property to be alienated or acquired under a major transaction or an related-party transaction.</div> <div>2. The company's internal documents establish the procedure for engaging an appraiser to carry out an assessment of the company's shares, for the purposes of purchase or buyback.</div> <div>3. If there is no formal interest of a member of the board of directors, the sole executive body, member of the collegial executive body of the company or an entity being a controlling entity of the company or an entity entitled to give instructions binding on the company in transactions of the company, but if there is a conflict of interest or other actual interest, the internal documents of the company provide that such entities shall not participate in voting on approval of such transaction</div>	<div>complied with</div> <div>partially complied with</div> <div>not complied with</div>	<div>Criteria 1 and 2 are complied with.</div> <div>Criterion 3 is not complied with.</div> <div>The company will consider a possibility of corresponding changes development in case of necessity.</div> <div>Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code in the future.</div> <div>If there is no formal interest of a member of the Board of Directors, the sole executive body, member of the collegial executive body of the Company or an entity being a controlling entity of the Company or an entity entitled to give instructions binding on the Company in transactions of the Company, but if there is a conflict of interest or other actual interest, the internal documents of the Company do not prohibit for such entities to participate in voting on approval of such transaction.</div> <div>Given the nature of the activities of Rosseti Group, which includes the Company, transactions with legal entities controlled by Rosseti Kuban, PJSC, as well as with the Company's controlling entity (Rosseti, PJSC) and other entities controlled by Rosseti, PJSC, are related-party transactions.</div> <div>Legislation is currently moving towards simplifying the procedure for companies to enter into related-party transactions, as well as reducing the overall number of transactions recognized as related-party transactions. Thus, Federal Law No. 343-FZ dated 3 July 2016 introduced since 1 January 2017 a new procedure for related-party transactions through notification of members of management bodies, and also expanded the list of transactions that are not recognised as related-party transactions, including those with a price threshold, until which transactions can be concluded without the corporate actions provided for in Chapter XI of Federal Law No. 208-FZ dated 26 December 1995 "On Joint Stock Companies".</div> <div>In the Company's opinion, the formal interest criteria established by the Federal Law "On Joint Stock Companies" and, accordingly, the related cases of non-participation in voting on the approval of transactions are sufficient to ensure optimal protection of the rights and interests of shareholders and investors. Stipulation in the internal documents of cases when members of the Board of Directors of the Company and other persons do not participate in voting on approval of a transaction in the absence of formal interest, but in the presence of a conflict of interest or other actual interest, could make it difficult for the Company to operate due to the increased number of transactions recognized as related-party transactions.</div> <div>In addition, in view of the current lack of relevant guidance and/or explanations from the regulator, it is difficult to determine cases of actual interest other than those provided for in the Federal Law "On Joint Stock Companies"</div>

APPENDIX 2

Approved by
resolution of the Board of Directors
of Rosseti Kuban, PJSC
dated 8 May 2024 (Minutes No. 556/2024) dated 08.05.2024)

Data were validated
by resolution of the Auditing Commission
Rosseti Kuban, PJSC
dated 4 April 2024
(Minutes No. 4/2024 dated 26.04.2024)

Acting General Director
Rosseti Kuban, PJSC
B. Ebzeev

Krasnodar
2024

REPORT ON RELATED-PARTY TRANSACTIONS CONCLUDED BY ROSSETI KUBAN IN 2023

Sr. No.	Transaction	Date of transaction	Material conditions of the transaction (parties, subject, price ¹ , period of validity)	Person(s) who is/are interested in transaction	Related-party transaction notice (letter details)	Authority that made the decision on the authorisation of the transaction or its succeeding approval (if available – Minutes details)
1	2	3	4	5	6	7
1	Agreement on rendering a range of communication services No. RTs-04-1614-23/407/30-1541	04.09.2023	<p>Parties to the Agreement:</p> <ul style="list-style-type: none">Rosseti Kuban, PJSC (Customer)Rosseti Digital, JSC (Operator) <p>Subject of the Agreement:</p> <p>The Operator undertakes to render services to the Customer, and the Customer undertakes to accept and pay for the services rendered in accordance with the terms and conditions of the Agreement. The range and list of services, as well as additional rights and obligations of the Parties, are defined by supplementary agreements and service order forms to such supplementary agreements.</p> <p>Consent between the Parties on rendering a particular service shall be deemed to have been reached on the date of signing of the supplementary agreement hereto. If a supplementary agreement provides for signing an order form to it, consent between the Parties on rendering the specific service shall be deemed to be reached the moment the order form to such a supplementary agreement is signed.</p> <p>Price of the Agreement:</p> <p>The maximum price of services hereunder, including all and any supplementary agreements and order forms thereto, may not exceed RUB 242,518,445 (Two hundred forty-two million five hundred eighteen thousand four hundred forty-five) 76 kopecks, including all taxes and fees payable under the laws of the Russian Federation.</p> <p>Term of service under the Agreement:</p> <p>The term of service will be specified in supplementary agreements and/or service order forms hereunder.</p> <p>The term of service specified in a supplementary agreement (the relevant service order form) will be automatically extended for each subsequent year within the validity period of the Agreement until the Customer or the Operator notifies the other Party in writing of the termination of the next annual service period, 30 calendar days prior to the expected date of termination.</p> <p>Validity period of the Agreement:</p> <p>The Agreement enters into force from the date of its signing by both Parties, extends to the Parties' relations arising starting from 18.05.2023 and is valid for 5 years.</p>	<ol style="list-style-type: none">Rosseti, PJSC is the controlling party of Rosseti Kuban, PJSC and Rosseti Digital, JSC, which are parties to the transactionKonstantin Kravchenko, a member of the Board of Directors of Rosseti Kuban, PJSC, who is also a member of the Board of Directors of Rosseti Digital, PJSCAlexey Molsky, a member of the Board of Directors of Rosseti Kuban, PJSC, who is also a member of the Board of Directors of Rosseti Digital, PJSCVladimir Kharitonov, a member of the Board of Directors of Rosseti Kuban, PJSC, who is also a member of the Board of Directors of Rosseti Digital, PJSC	dated 18.08.2023 No. RK/1200/246-rs	The issue of consent to enter into a transaction planned to be concluded on the terms specified in the Notice was not brought before the Board of Directors of the Company due to the fact that the Company had not received a claim to that effect.

¹ The price of property or services to be alienated or acquired is determined by the Company's Board of Directors on the basis of market value, in accordance with Article 77 of Federal Law No. 208-FZ dated 26 December 1995 "On Joint Stock Companies".

APPENDIX 3

INFORMATION ON NON-CORE ASSETS OF ROSSETI KUBAN, PJSC PARTICIPATION OF ROSSETI KUBAN, PJSC IN COMMERCIAL AND NON-COMMERCIAL ORGANISATIONS

Non-core asset register of the Company

Pursuant to Russian Presidential Decree No. 596 dated 7 May 2012 and Russian Government Order No. 894-r dated 10 May 2017 (as amended), a new version of the Non-core Asset Disposal Programme was approved by the Board of Directors’ resolution dated 24 November 2023 (Minutes No. 540/2023 dated 27 November 2023).

Prior to the above resolution, the Company had in place the Programme approved by the resolution of the Board of Directors dated 27 December 2021 (Minutes No. 460/2021 dated 28 December 2021).

The Programme defines the basic principles, the mechanism for identifying and disposing of non-core assets, establishes the criteria for classifying assets as non-core, the procedure for maintaining the non-core asset register and reporting on the progress of the non-core asset register.

By resolution of the Board of Directors of the Company dated 7 March 2024 (Minutes No. 547/2024 dated 7 March 2024), an up-to-date register of non-core assets generated in line with the programme requirements was approved (the register is published on the Company’s website at: [About the Company / Non-core Assets](#)).

By resolution of the Company’s Board of Directors dated 27 March 2023 (Minutes No. 514/2023 dated 28 March 2023), subject to amendments approved by resolution of the Company’s Board of Directors dated 7 June 2023 (Minutes No. 520/2023 dated 8 June 2023) and 24 November 2023 (Minutes No. 540/2023 dated 27 November 2023), the non-core asset register of Rosseti Kuban, PJSC was approved to be effective in 2023.

In the reporting year, the Company did not dispose of non-core assets due to the absence of bids on the electronic trading platform of Roseltorg, JSC.

Participation of Rosseti Kuban in Commercial Organisations

As of 31 December 2023, Rosseti Kuban owned stakes in three joint stock companies, including two subsidiaries.

Information on Participation in Subsidiaries, Affiliates and Other Business Entities (Commercial Organisations) in 2023

Abbreviated corporate name of a company	Region of operation	Core business	Purpose of participation	Rosseti Kuban's share in the authorised capital of the company as at 31.12.2023	Financial performance for 2023		Dividends received in the reporting year on shares held by the company, RUB '000
					Revenue, RUB '000	Net profit, RUB '000	
Core companies							
Energoservice Kuban, JSC	Krasnodar Territory	Design, installation and commissioning of metering units for electricity, gas and process equipment, hot and cold water supply	Holding of shares	100	1,722,494	15,112	3,943
Non-core companies							
Energetik Health Resort, JSC	Krasnodar Territory	Organisation of recreation and health improvement for children and adults, primarily employees of Rosseti Kuban, PJSC and their families; organisation and holding of seminars and conferences	Holding of shares	100	118,710	6,316	0
RITEK-SOYUZ, JSC (The legal entity is declared insolvent (bankrupt), with insolvency proceedings instituted against it)	Krasnodar Territory	Organisation, implementation and support of research and development, engineering, construction and installation and commissioning works; monitoring and controlling	Holding of shares	1	0	0	0
Turbogaz, CJSC (dissolved, excluded from the Unified State Register of Legal Entities on 24.11.2023)	Krasnodar Territory	Development of energy saving technologies; manufacturing, operation, maintenance and repair of power plants; production and sale of electricity	Holding of shares	4	0	0	0

About the Company	Strategic Report	Operational Results	Sustainable Development	Corporate Governance Report
<p>In the reporting year, a long-term financial investment in Turbogaz, CJSC in the amount of RUB 2,000 was written off the Company's balance sheet due to the termination of its activity according to the entry in the Unified State Register of Legal Entities No. 2232301588320 dated 24 November 2023.</p> <p>Blocks of shares of the above joint stock companies, other than Turbogaz, CJSC, are included in the non-core asset register.</p> <p>The disposal method for blocks of shares is "retention of interest". The method of disposal is established prior to making a separate systemic decision regarding these assets.</p> <p>The size of the stake in the voting shares of RITEK-SOYUZ, CJSC owned by the Company does not allow it to independently make decisions on the functioning of these commercial organisations, including determining the composition of their management and control bodies.</p> <p>Interaction of Rosseti Kuban, PJSC with subsidiaries is based on the requirements of the legislation of the Russian Federation, articles</p>	<p>of association and internal documents of the Company and its S&As, including the procedure for interaction of the Company with business entities, shares (interests) in which the Company holds, approved by the Board of Directors of the Company (Minutes No. 69/2009 dated 27 March 2009).</p> <p>The main objectives of the Company's interaction with S&As:</p> <ul style="list-style-type: none">• Stable financial development and profitability of S&As• Protection of the rights and interests of shareholders of the Company and S&As• Higher investment attractiveness of the Company and subsidiaries by providing the investment community with complete, timely, reliable information about the activities of S&As, as well as the balance and predictability of corporate policy in general• Development and implementation of a coordinated and effective investment policy of S&As <p>S&As are managed and controlled by the Company through the following corporate governance mechanisms:</p> <ul style="list-style-type: none">• In accordance with the Articles of Association of Rosseti Kuban, PJSC, the functions of general	<p>meetings of shareholders of 100% S&As are performed by the Management Board of the Company</p> <ul style="list-style-type: none">• Overall management of S&As is carried out by their Boards of Directors, the majority of whose members are representatives of Rosseti Kuban, PJSC• Position of Rosseti Kuban, PJSC on the main issues of the agenda of General Meetings of Shareholders and meetings of the Boards of Directors of S&As is determined by the Board of Directors of the Company• Financial and economic activities of S&As are regularly controlled by their Auditing Commissions, consisting of representatives of Rosseti Kuban <p>The operational management of each S&A is within the remit of the sole executive body — the Director General. The Articles of Association of S&As do not include language allowing for collective executive bodies (Management Boards).</p> <p>Detailed information on S&As of Rosseti Kuban, PJSC is published on the Company's website in the About the Company / Subsidiary Companies section.</p>		

Data on activities of Energetik Health Resort, JSC in the reporting year

Changes of financial and economic indicators of Energetik Health Resort, JSC for 2021–2023

Sr. No.	Name	2021 ¹	2022	2023
1	Revenue, RUB '000	88,411	91,458	118,710
2	Gross profit, RUB '000	–651	4,069	8,780
3	Net profit (retained profit / uncovered loss), RUB '000	2,968	2,220	6,316
4	Return on equity (ROE) ² , %	9.18	5.84	14.95
5	Return on total assets (ROTA) for profit before tax ³ , %	6.6	6.3	14.3
6	Net profitability index, %	3.4	2.4	5.3
7	Product (sales) profitability, %	–0.7	4.4	7.4
8	Amount of uncovered loss as of the reporting date, RUB '000	-	-	-
9	Ratio of uncovered loss as at the reporting date and balance sheet currency, %	-	-	-

¹ The figures for 2021 are based on the balance sheet for 2022 (As at 31 December 2021 column), the income statement for January — December 2022 (For January — December 2021 column).

² Return on equity (ROE) is calculated under the following methodology: return on equity (ROE) = net profit / average equity * 100%.

³ Return on total assets (ROTA) on profit before tax is calculated under the following methodology: return on total assets (ROTA) on profit before tax = profit before tax / average total assets * 100%.

Information on material transactions made by Energetik Health Resort, JSC in 2023

In 2023, Energetik Health Resort, JSC did not conclude:

- Transactions outside the ordinary course of business recognised as major transactions in accordance with the current legislation of the Russian Federation,

- Transactions of expenditure for it that are recognised as related-party transactions in accordance with the applicable laws of the Russian Federation and require approval by the governing bodies of S&As; pursuant to clause 2.11, Art. 2 of the Articles of Association of Energetik Health Resort, JSC, the provisions of Chapter XI of the Federal Law on Joint Stock Companies shall not apply to transactions profitable for this company that are made with legal entities directly or indirectly controlled by Rosseti, PJSC,

- Sale and purchase agreements for shares, participatory interest, shares in economic partnerships and companies of Energetik Health Resort, JSC,
- Transactions with property (including interrelated transactions), the value of which exceeds the amount specified in the Articles of Association of S&As or which is material to the business activities of S&As.

No legal entities controlled by Energetik Health Resort, JSC, which are material for the activities of Energetik Health Resort, JSC, were established in 2023.

Data on activities of Energoservice Kuban, JSC in the reporting year

Changes of financial and economic indicators of Energoservice Kuban, JSC for 2021–2023

Sr. No.	Name	2021 ¹	2022	2023
1	Revenue, RUB '000	1,738,640	2,035,829	1,722,494
2	Gross profit, RUB '000	145,853	143,960	132,522
3	Net profit (retained profit / uncovered loss), RUB '000	877	7,886	15,112
4	Return on equity (ROE) ² , %	1.1	10.9	18.4
5	Return on total assets (ROTA) for profit before tax ³ , %	1.5	1.1	1.9
6	Net profitability index, %	0.1	0.4	0.9
7	Product (sales) profitability, %	3.0	1.7	1.5
8	Amount of uncovered loss as of the reporting date, RUB '000	-	-	-
9	Ratio of uncovered loss as at the reporting date and balance sheet currency, %	-	-	-

¹ The figures for 2021 are based on the balance sheet for 2022 (As at 31 December 2021 column), the income statement for January — December 2022 (For January — December 2021 column).

² Return on equity (ROE) is calculated under the following methodology: return on equity (ROE) = net profit / average equity * 100%.

³ Return on total assets (ROTA) on profit before tax is calculated under the following methodology: return on total assets (ROTA) on profit before tax = profit before tax / average total assets * 100%.

Information on material transactions made by Energoservice Kuban, JSC in 2023

- In 2023, Energoservice Kuban, JSC did not conclude:
- Transactions outside the ordinary course of business recognised as major transactions in accordance with the current legislation of the Russian Federation,
 - Transactions of expenditure for it that are recognised as related-party transactions in accordance with the applicable laws of the Russian Federation and require approval by the governing bodies of S&As; pursuant to clause 2.11, Art. 2 of the Articles of Association of Energoservice Kuban, JSC, the provisions of Chapter XI of the Federal Law on Joint Stock Companies shall not apply to transactions profitable for this company that are made with legal entities directly or indirectly controlled by Rosseti, PJSC,
 - Sale and purchase agreements for shares, participatory interest, shares in economic partnerships and companies of Energoservice Kuban, JSC.

In the reporting year, Energoservice Kuban, JSC entered into three transactions with the property of Energoservice Kuban, JSC (including interrelated transactions), the value of which exceeds the amount specified in the Articles of Association of S&As or which is of material importance for the economic activities of S&As:

1. Bank guarantee agreement No. 540H00IH8 dated 10 May 2023 between Energoservice Kuban JSC and Sberbank, PJSC on the following material terms and conditions:

- Parties to the agreement:**
- Energoservice Kuban, JSC — the Principal
 - Sberbank, PJSC — the Guarantor

Subject of the Agreement:
Provision of an agreement/contract performance guarantee; advance payment guarantee; tender guarantee; quality guarantee, including in accordance with the requirements of Federal Law No. 44-FZ dated 5 April 2013 “On Contractual System in Procurement of Goods, Works, Services for State and Municipal Needs”, in accordance with the requirements of Federal Law No. 223-FZ dated 18 July

2011 “On Procurement of Goods, Works, Services by Certain Types of Legal Entities” with the limit not exceeding RUB 120,000,000.00 during the term of the Agreement.

Agreement Price: The sum of simultaneously effective guarantees (Limit) may not exceed RUB 120,000,000.00. The Guarantor’s fee is 2.5% per annum.

Validity of the Limit: from the date of the Agreement until 8 May 2026.

Conclusion of the Agreement was approved by the decision of the Board of Directors of Energoservice Kuban, JSC, Minutes No. 135/2023 dated 2 October 2023.

2. Supplementary Agreement No. 3 dated 24 April 2023 to the agreement on bank guarantees No. 5400/744 dated 28 April 2021 concluded between Energoservice Kuban, JSC and Sberbank, PJSC, hereinafter referred to as the Agreement, on the following material terms and conditions:

- Parties to Supplementary Agreement No. 3:**
- Energoservice Kuban, JSC — the Principal
 - Sberbank, PJSC — the Guarantor

The subject matter and price of the Agreement, as amended by Supplementary Agreement No. 3:
The Guarantor providing security for the performance of the Principal’s obligations under Agreement No. 407/30-196 dated 24 February 2021 for the performance of works, services for the construction/ renovation of the facility of Sochi Power Grids, a branch of Rosseti Kuban, PJSC “Renovation of Kudepsta 110 kV substation with replacement of transformers from 2x16 MVA to 2x25 MVA” (hereinafter referred to as the Agreement), and security for the Principal’s refund of advance payments under the Agreement.

Agreement price:
During the term of the Agreement, the total amount of the simultaneously valid Guarantees (hereinafter – the Limit) may not exceed RUB 146,435,897.49.

Validity of the Limit: from the date of the Agreement until 29 June 2023.

Conclusion of the Supplementary Agreement was approved by the decision of the Board of Directors of Energoservice Kuban, JSC, Minutes No. 128/2023 dated 29 May 2023.

3. Revolving Credit Line Agreement No. 153/23-VKL dated 11 December 2023 between Energoservice Kuban, JSC and RNKB Bank (PJSC) on the following material terms and conditions:

- Parties to the agreement:**
- Energoservice Kuban, JSC — the Borrower
 - RNKB Bank (PJSC) — Lender, Bank

Subject of the Agreement:
Opening of a revolving credit line (hereinafter referred to as the Credit Line) with a debt limit of RUB 100,000,000.00 (One hundred million roubles 00 kopecks) (hereinafter referred to as the Debt Limit) within 18 months from the date of the Agreement.

- Credit amount: RUB 100,000,000.00 (One hundred million roubles 00 kopecks)
- Form of crediting: revolving credit line;
- Intended use of the loan: replenishment of working capital and financing of current operations, including investment activities;

Term of the credit line: 18 months;

Agreement price (loan interest rate):
the key rate of the Bank of Russia + 3% per annum, but not more than 16% per annum for the loan period or RUB 24,000,000.00 (Twenty-four million) (VAT exempt).

Conclusion of the Agreement was approved by the decision of the Board of Directors of Energoservice Kuban, JSC, Minutes No. 138/2023 dated 27 November 2023.

No Energoservice Kuban’s controlled legal entities that are material to Energoservice Kuban’s operations were established in 2023.

Participation of Rosseti Kuban in Non-commercial Organisations

Sr. No.	Non-commercial organisation	Organisation details	Purpose of participation	Financial parameters
1	Energy Institute for Advanced Training — Further Professional Education Institution of Public Joint Stock Company of Energy and Electrification of Kuban	<p>Established on 10 September 2004 by decision of the Board of Directors of Kubanenergo, JSC (Minutes No. 3 dated 30 July 2004).</p> <p>Core activities:</p> <ul style="list-style-type: none">meeting the needs of Rosseti Kuban’s specialists in obtaining knowledge about the latest achievements in the electric power industry, advanced domestic and Western experience in the electric power industry;organising and delivering advanced training and professional retraining for Rosseti Kuban’s specialists;organising and holding scientific research, scientific-technical and experimental work, consulting activities;scientific expertise of programmes, projects, recommendations, other materials and materials by the job scope	Providing Rosseti Kuban, PJSC with qualified personnel through professional training, professional retraining and professional development of the Company’s employees, improving their business qualities, preparing them for new job functions	–
2	Union "Interregional Construction "Alliance Self-Regulatory Organisation"	<p>The main objectives of the Union are:</p> <ul style="list-style-type: none">To prevent harm to life or health of individuals, property of individuals or legal entities, state or municipal property, environment, life or health of animals and plants, objects of cultural heritage (historical and cultural monuments) of the peoples of the Russian Federation due to defects of works that affect the safety of capital construction objects and are carried out by members of the Union;To improve the quality of construction, renovation, and capital repair of capital construction facilities;To protect the rights and legitimate interests of the Union’s members	Compliance with current legislation and elimination of the risk of administrative liability under Clause 1, Art. 9.5.1 of the Code of Administrative Offences of the Russian Federation	<p>The monthly membership fee to NOSTROI¹ is RUB 7,000.</p> <p>Quarterly additional targeted membership fee for NOSTROI needs is RUB 1,700.</p>
3	Energoprojekt Association	The scope of the Association members’ activities covers all types of design works that influence the safety of capital construction facilities, including particularly hazardous, technically complex, unique facilities, as well as nuclear facilities	Compliance with current legislation and elimination of the risk of administrative liability under Clause 1, Art. 9.5.1 of the Code of Administrative Offences of the Russian Federation	<p>The monthly membership fee is RUB 23,000.</p> <p>Quarterly targeted membership fee for NOPRIZ² needs is RUB 1,625 thousand.</p>
4	All-Russian Branch Association of Employers of the Electric Power Industry "Energy Employment Organisation Association of Russia" (ERA of Russia Association)	<p>Main goals:</p> <ul style="list-style-type: none">To defend and promote the interests of electric power employers, including in relations with government authorities and trade unions, and to consolidate the aggregate resource of the Association’s members to influence the state’s socio-economic policy;To regulate social and labour relations in the electric power industry, improve the efficiency of social partnership, contribute to maintaining social stability in the work teams of electric power organisations, improve the efficiency of human resources management, and enhance the return on investment in personnel and the development of human capital;To contribute to the creation of favourable conditions for doing business in general and the development of the electric power industry in particular, to participate in the development and implementation of projects to improve the economic efficiency of electric power organisations and increase labour productivity;To develop the national system of professional qualifications and its sectoral segment, to promote the development of sectoral vocational education, to fulfil employers’ needs in training skilled personnel, etc.	<ul style="list-style-type: none">To promote the Company’s interests, including in relations with public authorities and trade unions;To improve the effectiveness of social partnership, to help maintain social stability in work teams;To foster labour and other socio-economic cooperation with other organisations	The annual membership fee is RUB 2.0 mln

¹ NOSTROI — the National Association of Builders.
² NOPRIZ — the National Association of Surveyors and Designers.

About the Company		Strategic Report	Operational Results	Sustainable Development	Corporate Governance Report
Sr. No.	Non-commercial organisation	Organisation details	Purpose of participation	Financial parameters	
5	Non-Profit Partnership Territorial Grid Organisations Association	NPP TGO Association consolidates, represents and protects the professional interests of participants of the partnership in government bodies of all levels, infrastructure, non-commercial and public organisations. The partnership platform is a centre for communication of partnership participants and dissemination of the best business practices in the power grid complex. The Supervisory Board of NPP TGO Association includes the Heads of the specialized offices of the Energy Committee of the State Duma of the Russian Federation, the Ministry of Energy of Russia	Association and promotion of activities of commercial organisations that provide electric power transmission services using power grid facilities. Improvement of efficiency and reliability of power supply to consumers. Creation of an efficient competitive electricity market in the Russian Federation. Formation of favourable conditions for attracting investments in the electric power industry	The amount of the entrance fee (one-time) fee is RUB 300,000. The quarterly current (regular) membership fee is RUB 100,000.	
6	Union "Chamber of Commerce and Industry of the Krasnodar Territory"	Promotion of interaction between business entities and local authorities, all-round development of trade and economic, investment and scientific and technical cooperation between entrepreneurs of the Krasnodar Territory and entrepreneurs of foreign countries. Coordination and representation of the interests of all members of the Chamber, entrepreneurs and their associations, regardless of ownership, subordination and location within the Krasnodar Territory	<ul style="list-style-type: none">Representation of interests in co-operation with the administration of the Krasnodar Territory, Krasnodar, and the administrations of cities and districts of the Territory;Cultivation of business relations with major Kuban companies	The annual membership fee of the Company is RUB 20,000.	
7	Association "Non-Profit Partnership Market Council for Organising an Efficient System of Wholesale and Retail Electricity and Capacity Trade"	<p>The main objectives (subject) of the activities of NPP Market Council Association are:</p> <ul style="list-style-type: none">To ensure the functioning of the commercial infrastructure of the market;To ensure effective interconnection of the wholesale and retail markets;To create favourable conditions for attracting investments in the electric power industryTo ensure a common standing of wholesale and retail market participants in the development of regulatory documents that govern the functioning of the electric power industry;To organise, on the basis of self-regulation, an efficient system of wholesale and retail trade in electricity, capacity, other goods and services admitted to circulation on the wholesale and retail markets in order to ensure energy security of the Russian Federation, unity of economic space, freedom of economic activities and competition on the wholesale and retail markets, observance of the balance of interests of producers and buyers of electricity and capacity, satisfaction of public needs for reliable and stable electricity and capacity supply, and the development of an efficient system of wholesale and retail trade in the wholesale and retail markets.	Ensuring the compliance of Rosseti Kuban, PJSC with the requirements of the wholesale market in the event that the functions of a guaranteeing supplier are assigned to Rosseti Kuban, PJSC	The amount of the entrance fee (one-time fee) is RUB 1 million. The amount of quarterly current (regular) membership fee is to be determined by the Supervisory Board of NPP Market Council Association. In 2023, it was RUB 330,000 per quarter	
8	Self-Regulatory Organisation Association of Persons Engaged in Energy Inspection "EnergoProfAudit"	<p>EnergoProfAudit SRO Association was established under Federal Law No. 261 dated 23 November 2009 "On Energy Saving" (261-FZ) as one of the first in 2010 and entered into the State Register of SROs in the field of energy inspection of the Ministry of Energy of the Russian Federation No. SRO-E-015 dated 27 August 2010.</p> <p>Currently, SROs:</p> <ul style="list-style-type: none">Provides services on expert examination and registration of reporting documentation based on the results of energy audits;Actively contributes to the development of energy conservation and energy efficiency improvement at Rosseti's S&As;Develops regulatory technical documentationDevelops promising areas, including the implementation of Russia's environmental policy and environmental laws regarding the assessment of the carbon footprint of enterprises. <p>EnergoProfAudit SRO Association is a member-organisation of the Technical Committee for Standardisation TC No. 039 "Energy Saving, Energy Efficiency, Energy Management", the main goals and objectives of which are to improve the efficiency of standardisation work in the field of energy saving, energy efficiency and energy management at the national and interstate level.</p>	<p>Possibility to carry out energy inspection activities.</p> <p>Receives from the SRO:</p> <ul style="list-style-type: none">Assistance in the development of energy saving and energy efficiency improvementRegulatory Technical Documentation	The quarterly current (regular) membership fee is RUB 240,000.	

APPENDIX 4

ANNUAL FINANCIAL STATEMENTS

OF ROSSETI KUBAN, PJSC

FOR 2023 UNDER RAS AND

THE AUDITOR’S REPORT

ON ITS RELIABILITY

The audit report
of an independent auditor
regarding the
accounting (financial) statements of the **Public Joint Stock Company**

Rosseti Kuban for 2023

March 2024

**Independent Auditor's
Report
on accounting (financial) statements
of "Rosseti Kuban" Public Joint-Stock Company**

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**Independent Auditor's
Report**

To the Shareholders and the Board of Directors
of the Public Joint Stock Company
Rosseti Kuban

Opinion

We have audited the accounting (financial) statements of Public Joint Stock Company Rosseti Kuban (hereinafter referred to as the "Company"), consisting of

- ▶ the balance sheet as of December 31, 2023;
- ▶ the statement of financial results for 2023;
- ▶ appendices to the Balance Sheet and the Statement of Financial Results:
 - ▶ statement of changes in equity for 2023;
 - ▶ statement of Cash Flows for 2023;
 - ▶ Notes to the Balance Sheet and the Statement of Financial Results including a significant accounting policies.

In our opinion, the attached accounting (financial) statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, as well as its financial results and cash flows for 2023 in accordance with the rules for the preparation of accounting (financial) statements established in the Russian Federation.

Basis for our audit opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under these standards are further described in the Auditor's "Auditor's responsibility for the audit of accounting (financial) statements" section of our opinion.
We are independent of the Company in accordance with the ethical requirements of the Code of Professional Ethics for Auditors and the Rules on Independence of Auditors and Audit Organisations applicable to our audit of the accounting (financial) statements in the Russian Federation and the International Code of Ethics for Professional Accountants (including International Standards on Independence) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is adequate and appropriate to provide a basis for our audit opinion.



Key audit issues

Key audit issues are issues that, according to our professional judgment, were the most significant to our audit of the accounting (financial) statements for the current period. These issues were considered in the context of our audit of the accounting (financial) statements as a whole and in the formation of our opinion on these statements, and we do not express a separate opinion on these issues. With respect to each of the issues below, our description of how the relevant matter was addressed in our audit is given in this context.

We have fulfilled the responsibilities described in the Auditor's Responsibility for the Audit of the Accounting (Financial) Statements section of our opinion, including in relation to these issues. Accordingly, our audit included the implementation of procedures developed in response to our assessment of the risks of material misstatement of the accounting (financial) statements. The results of our audit procedures, including those conducted during the consideration of the following issues, serve as a basis for our audit opinion on the accompanying accounting (financial) statements.

Key audit issue	How the relevant key issue was addressed in our audit
Recognition and measurement of revenue from transmission services	
Recognition and measurement of revenue from transmission services was one of the most significant issues of our audit due to the specific nature of the mechanisms of operation of the electricity market, which leads to disagreements between power grid, energy retail and other companies regarding the volume and cost of electricity transferred. The amount of revenue disputed by counterparties is material to the accounting (financial) statements of the Company. Management's assessment of the probability of resolving disagreements in its favor is to a great degree subjective. Revenue is recognised when, subject to assumptions, disagreements are resolved in favour of the Company.	We reviewed the accounting policy applied with respect to the recognition of revenue from transmission services, studied the system of internal control over the recording of this revenue, checked the determination of the corresponding amounts of revenue based on the concluded contracts for the transmission of electricity, on a sample basis received confirmations of accounts receivable balances from counterparties, conducted an analysis of the results of litigation settlements in relation to the disputed amounts of services rendered, if any, and assessment of the current procedures for confirming the volumes of transmitted electricity.
Information on revenue from electricity transmission services is disclosed in paragraph 18.1 of the Notes to the balance sheet and income statement.	
Impairment of receivables	
The issue of impairment of receivables was one of greatest importance for our audit due to the material balances of receivables as of December 31, 2023, as well as the fact that management's assessment of the possibility of recovering these receivables is based on assumptions, in particular, on the forecast of the solvency of the Company's customers.	We studied the Company's accounting policy in relation to receivables to determine impairment allowance, and also reviewed the assessment procedures made by the Company's management, including analysis of the payment of trade receivables, analysis of dates of maturity and delinquency, and analysis of customer solvency.
Information on the impairment of receivables is disclosed in paragraph 11.2 of the Notes to the balance sheet and income statement	We conducted audit procedures in relation to the information used by the Company to determine the impairment of receivables, as well as the structure of receivables by terms of maturity, and tested the calculation of accrued provisions.



Key audit issue	How the relevant key issue was addressed in our audit
Recognition, measurement and disclosure of provisions and contingent liabilities	
Recognition, measurement and disclosure of provisions and contingent liabilities in relation to litigation and claims of counterparties (including territorial power grid and energy retail companies) were among the most significant issues of our audit due to the fact that they require significant judgments of management in relation to material amounts of balances of payments with counterparties disputed in the framework of litigation or in the process of pre-trial settlement. Information on reserves and contingent liabilities is disclosed in paragraph 15 and 16 of the Notes to the balance sheet and income statement.	The audit procedures included an analysis of decisions made by courts of various instances and consideration of management's judgments regarding the assessment of the likelihood of an outflow of economic resources due to the resolution of disputes, an examination of the compliance of the prepared documentation with the provisions of existing contracts and legislation, an analysis of disclosures in the Notes to the balance sheet and income statement on contingent and estimated liabilities.
Impairment of property, plant and equipment	
In accordance with clause 38 of FSBI 6/2020, "Fixed Assets", the Company conducted, as of December 31, 2023, an impairment test in the manner prescribed by International Financial Reporting Standard (IAS) 36, "Impairment of Assets", entered into force on the territory of the Russian Federation by order of the Ministry of Finance of the Russian Federation dated December 28, No.217n (registered by the Ministry of Justice of the Russian Federation on February 2, 2015, registration No.40940). The value in use of property, plant and equipment representing a significant share of the Company's capital assets as of December 31, 2023 was determined using the method of forecasting cash flow. The issue of testing property, plant and equipment for impairment was one of the most material to our audit, as the balance of property, plant and equipment constitutes a significant part of all assets of the Company at the reporting date, and also because the process of management evaluating the value in use is complex, largely subjective and based on assumptions, in particular, on the forecast of the volumes of electricity transmission, transmission tariffs, as well as operating and capital expenditures, which depend on the expected future market or economic conditions in the Russian Federation, including such as long-term growth rates of tariffs and discount rate. The Company disclosed the information on the deliverables of the analysis of fixed assets for impairment in clause 5 of the "Notes to the balance sheet and income statement".	As part of our audit procedures, we have, among other things, estimated the Company's assumptions and techniques, in particular those relating to projected electricity transmission revenues, tariff solutions, operating and capital costs, long-term growth rates of tariffs and discount rate. We have tested the input data included in the model and tested the arithmetic accuracy of the model used to determine the recoverable amount in the impairment test of property, plant and equipment. We engaged internal evaluation experts to analyze the model used to determine recoverable amount in the impairment test of property, plant and equipment. We also reviewed the sensitivity of the model to changes in key measurement indicators and the disclosures of the Company about the assumptions on which impairment testing results are most dependent.



Other information included in the Annual Report for 2023

Other information includes information contained in the annual report 2023, but does not include the accounting (financial) statements and our audit report thereon. Management is responsible for other information. The annual report 2023 is expected to be provided to us after the date of this audit report.

Our opinion on the accounting (financial) statements does not apply to other information and we will not provide a conclusion with confidence in any form with respect to this information.

In connection with our audit of the accounting (financial) statements, it is our responsibility to familiarize ourselves with the other information and in this case to consider whether there are material inconsistencies between the other information and the accounting (financial) statements or our knowledge obtained during the audit and whether the other information contains any other material misstatement. If, based on our work, we conclude that such other information contains a material misstatement, we are required to report that fact. We have no knowledge of such facts.

The responsibility of the management and Audit Committee of the Board of Directors for the accounting (financial) statements

Management is responsible for the preparation and fair presentation of these accounting (financial) statements in accordance with the accounting (financial) reporting rules established in the Russian Federation, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the accounting (financial) statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing information related to going concern, as appropriate, and for reporting on a going concern basis, unless management intends to liquidate the Company, cease activities, or management has no realistic alternative to such activities.

The Audit Committee of the Board of Directors is responsible for supervision over the preparation of the Company's accounting (financial) statements.

Auditor's Responsibility for the Audit of the Accounting (Financial) Statements

Our objectives are to obtain reasonable assurance that the accounting (financial) statements are generally free from material misstatement due to fraud or error and to issue an audit opinion containing our opinion. Reasonable assurance represents a high degree of certainty, but is not a guarantee that an audit conducted in accordance with International Auditing Standards will always reveal a material misstatement if any. Misstatements may be the result of fraud or error and are considered material if it can reasonably be assumed that individually or collectively they could have an impact on users' economic decisions made on the basis of these accounting (financial) statements.



As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and we remain professional skeptics throughout the audit process. Besides, we perform the following:

- identify and assess the risks of material misstatement of the accounting (financial) statements due to fraud or errors; design and perform audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk that a fraud-induced material misstatement will not be detected is greater than the risk that an error-based material misstatement will not be detected, as fraud may include collusion, forgery, omission, misrepresentation of information or actions bypassing the system of internal control;
- delve into the internal control system that is relevant to the audit for the purpose of developing audit procedures that are appropriate in the circumstances, rather than for the purpose of expressing an opinion on the effectiveness of the Company's internal control system;
- assess the appropriate nature of the accounting policies used and the reasonableness of the estimates calculated by management and the related disclosures;
- conclude about the lawfulness of the management in applying the going concern assumption and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw, in our auditor's report, attention to the related disclosures in the financial statements; or, if such disclosure is inappropriate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. Future events or conditions may, however, cause the Company to be unable to continue as a going concern;
- evaluate the presentation of the accounting (financial) statements in general, and its structure and content in particular, including information disclosure, and we also evaluate whether the accounting (financial) statements present underlying transactions and events in such a way that their fair presentation is ensured.

We maintain communication with the Audit Committee of the Board of Directors, bringing to its attention, among other things, information about the planned volume and timing of the audit, as well as substantive audit remark, including significant deficiencies in the internal control system, if we identify them during the audit process.

We also provide the Audit Committee of the Board of Directors with a statement that we have observed all relevant ethical requirements related to independence and have informed these individuals of all relationships and other matters that may reasonably be considered to influence the independence of the auditor and, where appropriate, of actions taken to address threats or precautions.



Of the issues that we have brought to the attention of the Audit Committee of the Board of Directors, we identify issues that were most relevant to the audit of the accounting (financial) statements for the current period and which are therefore key audit issues. We describe these issues in our audit report, except cases when public disclosure of these issues is prohibited by law or regulation, or when in extremely rare cases we conclude that, that information on any issue should not be reported in our opinion, since it can reasonably be assumed that the negative consequences of reporting such information will exceed the socially significant benefits of reporting it.

The head of the audit, based on the results of which this independent auditor's report was issued, - Tatyana Leonidovna Okolotina.

<signature>
Tatyana Leonidovna Okolotina,
acting on behalf of the Limited Liability Company
Center for Audit Technologies and Solutions - Audit Services
on the basis of the unnumbered power of attorney dated January 18, 2024,
head of the audit, which resulted in the auditor's report
(ORNZ 21906110171)

March 15, 2024

Information about the auditor

Name: "Center for Audit Technologies and Solutions - Audit Services" Limited Liability Company
The entry was made in the Unified State Register of Legal Entities on December 5, 2002 and assigned the state registration number 1027739707203.
Location: 115035, Russia, Moscow, Sadovnicheskaya embankment, 77, bld. 1.
The "Center for Audit Technologies and Solutions - Audit Services" Limited Liability Company is a member of the "Commonwealth" Self-Regulatory Organization of Auditors Association (SRO AAS). The "Center for Audit Technologies and Solutions - Audit Services" Limited Liability Company is included in the control copy of the register of auditors and audit organizations under the main registration number 12006020327.

Information about the audited entity

Name: "Rosseti Kuban" Public Joint Stock Company
The entry was made in the Unified State Register of Legal Entities on September 17, 2022, and the state registration number assigned is: 1022301427268.
Location: 2a Stavropolskaya street, Krasnodar, Krasnodar Territory, Russia, 350033.

Balance sheet
As of December 31, 2023

Organization "Rosseti Kuban" PJSC		OKUD form 0710001	
Taxpayer Identification Number		Date (day, month, year) according to OKPO 31 12 2023	TIN 00104604
		2309001660	
Type of economic activity transmission of electricity and technological connection to distribution networks		to OKVED 2 35.12	
Organizational and legal form/form of ownership Public Joint Stock Company		according to OKOPF/OKFS 12247 15	
Unit of measurement: thousand rubles		according to OKEI 384	
Location (address) 2A Stavropolskaya St., Krasnodar, 350033			
Accounting statements are subject to mandatory audit <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO			
Name of the audit organization/last name, first name, patronymic (if any) of the individual auditor "TSATR - Audit Services" Limited Liability Company			
Identification number of the taxpayer of the audit organization/individual auditor		TIN 7709383532	
Main state registration number of the audit organization/individual auditor		OGRN / OGRNIP 1027739707203	

Notes	Name of indicator	Code	As of December 31 2023	As of December 31 2022	As of December 31 2021
	ASSET				
	I. FIXED ASSETS				
1.1	Intangible assets	1110	41,199	52,643	92,247
1.2	Research and development results	1120	55,535	52,214	21,578
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
2.1-4.1	Fixed assets	1150	87,123,570	78,118,655	71,345,800
	Profitable investments in material values	1160			
9.1-9.5	Financial investments	1170	45,687	45,688	39,840
17.2	Deferred tax assets	1180	1,953,747	2,200,526	2,429,612
6	Other fixed assets	1190	380,064	154,746	1313,158
	Total for Section I	1100	89,599,802	80,624,472	74,062,235
	II. CURRENT ASSETS				
7	Inventories	1210	3,691,806	1,923,736	1,924,864
	Value added tax on acquired valuables	1220	3,103	1,433	5,007
11.1	Accounts receivable	1230	6,443,929	7626,134	6,547,358
	Financial investments (excluding cash equivalents)	1240			
10	Cash and cash equivalents	1250	12,972,380	4,118,182	1,964,719
8	Other current assets	1260	3,669,436	1,573,337	974,558
	Total for Section II	1200	26,780,654	15,242,822	11,416,506
	BALANCE	1600	116,380,456	95,867,294	85,478,741

Notes	Name of indicator	Code	As of December 31 2023	As of December 31 2022	As of December 31 2021
	LIABILITY				
	III. EQUITY AND LIABILITIES				
12.1	Authorized capital (share capital, authorized fund, contributions of partners)	1310	39,896,608	36,330,046	34,182,568
	Own shares repurchased from shareholders	1320	(-)	(-)	(-)
	Revaluation of capital assets	1340	-	-	-
12.3	Additional capital (without revaluation)	1350	6,481,916	6,481,916	6,481,916
12.2	Reserve capital	1360	772,036	509,812	424,221
	Retained profit (uncovered loss)	1370	7,069,866	1,931,825	(351,364)
	Total for Section III	1300	54,220,426	45,253,599	40,737,341
	IV. LONG-TERM LIABILITIES				
13.1-13.3	Borrowed funds	1410	15,880,000	16,931,543	16,036,315
17.2	Deferred tax liabilities	1420	4,212,557	3,746,979	3,610,868
	Estimated liabilities	1430	-	-	
14	Other liabilities	1450	13,746,293	4,070,948	4,295,806
	Total for Section IV	1400	33,838,850	24,749,470	23,942,989
	V. SHORT-TERM LIABILITIES				
13.1-13.3	Borrowed funds	1510	4,308,840	3,990,281	4,834,192
14	Accounts payable	1520	20,674,214	18,898,158	12,739,058
	Revenue of the future periods	1530	729,944	549,634	292,170
15	Estimated liabilities	1540	2,323,469	2,358,399	2,802,883
	Other liabilities	1550	284,713	67,753	130,108
	Total for Section V	1500	28,321,180	25,864,225	20,798,411
	BALANCE	1700	116,380,456	95,867,294	85,478,741

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Head

<signature>

(signature)

K.A. Iordanidi

(printed full name)

Chief Accountant

<signature>

(signature)

L.V. Loskutova

(printed full name)

« 15 » March 2024

Income statement
for January-December 2023

Organization "Rosseti Kuban" PJSC

Taxpayer Identification Number

Type of economic activity transmission of electricity and technological connection to distribution networks

Organizational and legal form/form of ownership Public Joint Stock Company

Unit of measurement: thousand rubles

OKUD form

Date (day, month, year) according to OKPO

TIN

to OKVED 2

according to OKOPF/OKFS

according to OKEI

Codes

0710002

31 12 2023

00104604

2309001660

35.12

12247 16

384

Notes	Name of indicator	Code	For January - December 2023	For January - December 2022
18.1	Revenue	2110	74,557,482	63,738,857
18.2	Cost of sales	2120	(62,056,731)	(52,991,184)
	Gross profit (loss)	2100	12,500,751	10,747,673
	Selling expenses	2210	(-)	(-)
	Management expenses	2220	(60,788)	(162,561)
	Profit (loss) due to sales	2200	12,439,963	10,585,112
	Income from participation in other organizations	2310	3,943	-
18.3	Interest receivable	2320	438,913	109,410
18.4	Interest payable	2330	(2,346,000)	(2,662,572)
18.5	Other income	2340	2,960,395	3,557,740
18.5	Other expenses	2350	(4,949,797)	(4,409,261)
	Profit (loss) before tax income	2300	8,547,417	7,180,429
	Profit tax ⁷	2410	(2 224 392)	(1 980 742)
17.1	including current income tax	2411	(1,516,833)	(1,632,827)
17.2	deferred income tax	2412	(707 559)	(347 915)
17.2	Other	2460	(156 505)	44,790
	Net income (loss)	2400	6,166,520	5,244,477

Notes	Name of indicator	Code	For January - December 2023	For January - December 2022
	Result of the revaluation of non-current assets, which is not included in the net profit (loss) of the period	2510	-	-
	Result of other operations, which is not included in the net profit (loss) of the period	2520	-	-
	Tax on income from operations, the result of which is not included in the net profit (loss) of the period		-	-
	Cumulative financial result of the period	2500	6,166,520	5,244,477
12.5	For reference	2900	164287	15,1080
12.5	Underlying profit (loss) per share, rubles			
12.5	Diluted profit (loss) per share, rubles	2910	164287	15,1080

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K.A. Iordanidi

(printed full name)

Chief Accountant

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L.V. Loskutova

(printed full name)

« 15 » March 2024

Statement of Changes in Equity
For 2023

Organization
Taxpayer Identification Number

"Rosseti Kuban" PJSC

OKUD form
Date (day, month, year)
according to OKPO

31122023

Codes
0710002
12
00104604
2309001660

2023

Type of economic activity

transmission of electricity and technological connection to distribution networks

Organizational and legal form/form of ownership
Public Joint Stock Company

to
OKVED 2

Unit of measurement: thousand rubles

according to OKOPF/OKFS
according to OKEI

12247

16

384

1. Capital flow

Name of indicator	Code	Authorized capital	Own shares repurchased from shareholders	Extra capital	Reserve capital	Retained profit (uncovered loss)	Total
The amount of capital as of December 31, 20 21 for 2022	3100	34,182,568	(-)	6,481,916	424,221	(351 364)	40,737,341
Capital increase - total:	3210	2,147,478				5,244,548	7,392,026
Including net profit:	3211	X	X	X	X	5,244,477	5,244,477
property revaluation	3212	X	X		X	-	
income that is attributable directly to capital increases	3213	X	X		X	71	71
additional issue of shares	3214	2,147,478			X	X	2,147,478
increase in the par value of shares	3215	-	-		X	-	X
reorganization of a legal entity	3216	-			-	•	

Name of indicator	Code	Authorized capital	Own shares repurchased from shareholders	Extra capital	Reserve capital	Retained profit (uncovered loss)	Total
Capital decrease - total:	3220	(-)	-	(-)	(-)	(2,875,768)	(2,875,768)
Including loss:	3221	X	X	X	X	(-)	(-)
property revaluation	3222	X	X	(-)	X	(-)	(-)
expenses that are attributable directly to the capital decrease	3223	X	X	(-)	X	(-)	(-)
decrease in the par value of shares	3224	(-)		-	X	(-)	(-)
reduction in the number of shares	3225	(-)			X	(-)	(-)
reorganization of a legal entity	3226		-		-	(-)	(-)
dividends	3227	X	X	X	X	(2,875,768)	(2,875,768)
Change in additional capital	3230	X	X		-		X
Change in reserve capital	3240	X	X	X	85,591	(85 591)	X
The amount of capital as of December 31, 2023 For 2023	3200	36,330,046	(-)	6,481,916	509,812	1,931,825	45,253,599
Capital increase - total:	3310	3,566,562				6,166,765	9,733,327
Including net profit:	3311	X	X	X	X	6,166,520	6,166,520
property revaluation	3312	X	X		X		
income that is attributable directly to capital increases	3313	X	X		X	245	245

additional issue of shares	3314	3,566,562	-		X	X	3,566,562
increase in the par value of shares	3315	-	-		X	-	X
reorganization of a legal entity	3316	-	-			-	
Capital decrease - total:	3320	(-)		(-)	(-)	(766,500)	(766,500)
Including loss:	3321	X	X	X	X	(-)	(-)
property revaluation	3322	X	X	(-)	X	(-)	(-)
expenses that are attributable directly to the capital decrease	3323	X	X	(-)	X	(-)	(-)
decrease in the par value of shares	3324	(-)	-	-	X	-	(-)
reduction in the number of shares	3325	(-)	-	-	X	-	(-)
reorganization of a legal entity	3326		-	-		(-)	(-)
dividends	3327	X	X	X	X	(766,500)	(766,500)
Change in additional capital	3330	X	X	-		-	X
Change in reserve capital	3340	X	X	X	262,224	(262 224)	X
The amount of capital as of December 31, 20 23	3300	39,896,608	(-)	6,481,916	772,036	7,069,866	54,220,426

Name of indicator	Code	As of December 31 2021	Change in capital for 2022		As of December 31 for 2022
			from net profit (loss)	due to other factors	
Capital - total before adjustments	3400	41,088,705		2,233,069	43,321,774
adjustment due to:	3410				
change in accounting policy	3420	-			
error fixes	3500	41,088,705		2,233,069	43,321,774
after adjustments					
including:					
Retained profit (uncovered before adjustments	3401	(351 364)	5,244,477	(2 961 288)	1,931,825
adjustment due to:	3411				
change in accounting policy	3421	-		-	
error fixes	3501	(351 364)	5,244,477	(2 961 288)	1,931,825
after adjustments					
other capital items subject to (by items)					
before adjustments	3402	41,088,705		2,322,069	43,321,774
adjustment due to:	3412				
change in accounting policy	3422	-		-	
error fixes	3502	41,088,705	-	2,322,069	43,321,774
after adjustments					

3. Net assets

Name of indicator	At 31 December 2023	As of December 31 2022	As of December 31 2021
Net assets	Code 3600 54 950 370	45 803 233	41 029 511

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K.A. Iordanidi
(printed full name)

Chief Accountant

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(signature)

L.V. Loskutova
(printed full name)

« 15 » March 2024

Notes
1. Indicate the year preceding the previous one.
2. Indicate the previous year.
3. Indicate the reporting year.

Statement of Cash Flows
for January-December 2023

Organization "Rosseti Kuban" PJSC

Taxpayer Identification Number

Type of economic activity transmission of electricity and technological connection to distribution networks

Organizational and legal form/form of ownership Public Joint Stock Company

Unit of measurement: thousand rubles

OKUD form

Date (day, month, year)

according to OKPO

TIN

to

OKVED 2

according to OKOPF/OKFS

according to OKEI

Codes		
0710005		
31	12	2023
00104604		
2309001660		
35.12		
12247	16	
384		

Name of indicator	Code	For January - December 2023	For January - December for 2022
Cash flows from current operations			
Income - total	4110	74,538,586	55,852,392
including:			
from the sale of products, goods, works and services	4111	72,738,054	54,658,297
lease payments, license payments, royalties, commissions and other similar payments	4112	57,500	51,522
from the resale of financial investments	4113	-	
other income	4119	1,743,032	1,142,573
Payments - total	4120	(53,750,939)	(43,765,402)
including:			
to suppliers (contractors) for raw materials, materials, works, services	4121	(36,487,890)	(28,851,519)
in connection with the remuneration of employees	4122	(7,060,757)	(6,321,114)
interest on debt obligations	4123	(2,085,946)	(2,352,859)
corporate income tax	4124	(1,913,907)	(1,850,641)
other payments	4129	(6,202,439)	(4,389,269)
Balance of cash flows from current operations	4100	20,787,647	12,086,990

Name of indicator	Code	For January - December 2023	For January - December for 2022
Cash flows from investment operations			
Income - total	4210	1,261,047	668,398
including:			
from the sale of non-current assets (except for financial investments)	4211	649	54,899
from the sale of shares of other organizations (participatory interests)	4212	-	
from the return of loans granted, from the sale of debt securities (rights to claim funds from other persons)	4213		
dividends, interest on debt financial investments and similar proceeds from participation interest in other organizations	4214	403,171	104,103
other income	4219	857,227	509,396
Payments - total	4220	(15,150,218)	(10,020,904)
including:			
in connection with the acquisition, creation, modernization, reconstruction and preparation for the use of fixed assets	4221	(15,130,569)	(9,954,239)
in connection with the acquisition of shares of other organizations (participation interests)	4222	(-)	(-)
in connection with the acquisition of debt securities (the rights to claim funds from other persons), the provision of loans to other persons	4223	11	(-)

interest on debt obligations included in the cost of an investment asset	4224	(2,980)	(41,980)
other payments	4229	(16,669)	(24,685)
Balance of cash flows from investment operations	4200	(13 889 171)	(9 352 506)
Cash flows from financial transactions Income - total	4310	12,184,626	17,787,403
including:			
obtaining credits and loans	4311	8,618,064	15,683,201
cash deposits of owners (participants)	4312	-	
from issuance of shares, increase in participation	4313	3,566,562	2,104,202
from the issuance of bonds, promissory notes and other debt securities, etc.	4314		
other income	4319	-	-

NOTES TO THE BALANCE SHEET AND STATEMENT
OF FINANCIAL RESULTS
FOR 2023

Name of indicator	Code	For January - December 2023	For January - December for 2022
Payments - total	4320	(10,228,904)	(18,368,423)
including:			
to owners (participants) in connection with the redemption of shares (participatory interests) of the organization from them or their withdrawal from the membership	4321	(-)	(-)
for the payment of dividends and other payments for the distribution of profits in favor of the owners (participants)	4322	(867,393)	(2,752,208)
in connection with the redemption (repurchase) of promissory notes and other debt securities, repayment of credits and loans	4323	(9,361,511)	(15616,215)
other payments	4329	(-)	(-)
Balance of cash flows from financial transactions	4300	1,955,722	(581,020)
Balance of cash flows for the reporting period	4400	8,854,198	2,153,464
Balance of cash and cash equivalents at the beginning of the reporting period	4450	4,118,182	1,964,718
Balance of cash and cash equivalents at the end of the reporting period	4500	12,972,380	4118182
The magnitude of the impact of changes in the foreign exchange rate against the ruble	4490	-	-

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K.A. Iordanidi

(printed full name)

Chief Accountant

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(signature)

L.V. Loskutova

(printed full name)

« 15 » March 2024

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I. General

Company Information

The principal activity of "Rosseti Kuban" Public Joint Stock Company ("Rosseti Kuban" PJSC hereinafter referred to as the "Company") is the provision of services related to the electricity transmission and distribution through electrical networks and the provision of services related to the technological connection of consumers to the networks.

Address (location): 2A Stavropolskaya Street, Krasnodar, Russian Federation, 350033

The Company's principal shareholder as of December 31, 2023, December 31, 2022 and December 31, 2021 is "Rossiyskie Seti" Public Joint Stock Company (hereinafter referred to as "Rosseti" PJSC or the "Parent Company").

As of December 31, 2023, the participation of "Rosseti" PJSC in the Company's authorised capital was 99.72% (93.96% as of December 31, 2022 and 93.58% as of December 31, 2021).

As of December 31, 2023 The Company has 11 branches. Branches at their location perform a part of the Company's functions due to their production capacities within the limits established by the legislation of the Russian Federation and the Company's internal regulatory documents.

The number of employees of the Company as of December 31, 2023 was 8,881 (December 31, 2022 - 9,106, December 31, 2021 - 8,981).

The Board of Directors of "Rosseti Kuban" PJSC was elected by resolution of the Annual General Meeting of Shareholders of the Company (Minutes No. 50 dated June 21, 2023) with 11 members.

The Audit Commission of "Rosseti Kuban" PJSC was elected by resolution of the Annual General Meeting of Shareholders of the Company (Minutes No. 50 dated June 21, 2023) with 5 members.

The Board of Directors of "Rosseti Kuban" PJSC (Minutes No. 520/2023 dated June 8, 2023) determined the number of members of the Management Board of the Company to be 7 persons.

The sole executive body of the Company in accordance with the Charter is the General Director.

Business environment in which the Company operates

The Company operates in the Russian Federation and is therefore exposed to risks related to the state of the economy and financial markets of the Russian Federation.

The economy of the Russian Federation manifests some characteristics typical of emerging markets. The country's economy is especially sensitive to oil and gas prices. Legal, tax and regulatory systems continue to develop and are subject to frequent changes, as well as admit the possibility of different interpretations.

External sanctions against Russian companies and individuals continue in 2023. These circumstances have resulted in volatility in the Russian ruble exchange rate, increased volatility in the financial and commodity markets, and have significantly increased the level of uncertainty in the environment in which businesses operate in the Russian Federation. The extent and duration of these events remain uncertain and may affect the Company's financial position and results of operations. The future economic situation in the Russian Federation is dependent on external factors and measures undertaken by the Government of the Russian Federation.

The Company takes all necessary measures to assure the stability of its own activities. These accounting (financial) statements reflect the Management's view of the impact that the business environment in the Russian Federation has on the Company's operations and financial position. The actual impact of future business conditions may differ from current estimates by the management.

II. Information on accounting policies

1. Basis for drafting

The accounting statements have been prepared 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 December 6, 2011, federal accounting standards and other accounting regulations approved by the Ministry of Finance of the Russian Federation. Indices of the accounting (financial) statements are presented in thousand rubles (unless otherwise indicated). Negative values are presented in parentheses.

2. Foreign currency assets and liabilities

There were no business operations denominated in foreign currency during the current reporting period.

3. Short-term and long-term assets and liabilities

In the balance sheet, financial investments, receivables, payables, liabilities regarding loans and borrowings, lease liabilities, and estimated liabilities are classified as short-term if their circulation (repayment) period does not exceed 12 months after the reporting date. The remaining assets and liabilities are presented as long-term.

4. Intangible assets

Intangible assets (IA) include:

- exclusive right to an invention, industrial design, utility model;
- exclusive right to computer programmes, databases (software);
- exclusive right to a trade mark, name of place of origin for goods;
- other items that fulfil the criteria for classification as IA.

The useful life of IA is reviewed by the Company on an annual basis to determine whether it needs to be updated. In the event of a material change in the duration of the period during which the Company intends to use the asset, its useful life is subject to clarification. If the useful life is changed, the new depreciation rate is based on the remaining useful life.

The depreciation of intangible assets is performed on a straight-line basis - based on the actual (original) cost of intangible assets on a straight-line basis over the useful life of the asset.

Adjustments arising from changes in useful lives or depreciation methods are accounted for and reported as changes in estimates.

Intangible assets are verified for impairment and changes in carrying value due to impairment are accounted for in accordance with the procedure prescribed by International Accounting Standard (IAS) 36 "*Impairment of Assets*" introduced in the Russian Federation by Order No. 217n of the Ministry of Finance of the Russian Federation dated December 28, 2015 (see paragraph 8 of the section "Information on Accounting Policies").

Intangible assets are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment.

5. Property, plant and equipment

Composition and valuation of property, plant and equipment

Property, plant and equipment include buildings, structures other than power lines, power transmission lines and their accessories, machinery and equipment, production and household inventory, including other facilities, land plots and natural resource facilities, investment property with a useful life of more than 12 months.

When recognising items of property, plant and equipment, the cost limit of 100 thousand rubles per unit is used, which is set by the Company taking into account the materiality of information about the items.

Expenses on acquisition, creation of assets below the limit are recognised as an expense in the period in which it is incurred. Special clothing (special tooling) intended for use for a long period of time, i.e. a period of more than 12 months or the normal operating cycle, if it exceeds 12 months, with a value exceeding the limit set by the Company is recognised as property, plant and equipment.

Significant expenses on restoration of property, plant and equipment (repairs, etc.) occurring at certain long time intervals (more than 12 months) during the useful life of an item of property, plant and equipment are also recognised as independent inventory items (components of property, plant and equipment). Significant expenses are expenses exceeding 30% of the initial cost of similar items in the group to which the item of property, plant and equipment being repaired belongs.

Acquired items of property, plant and equipment, the rights to which are subject to state registration, are recognised as property, plant and equipment on the date when they are ready for use, irrespective of the fact of state registration of ownership rights or the submission of documents for such registration. The recognition of costs in the carrying amount of an item of property, plant and equipment is discontinued when the item is brought to a condition that ensures that it is capable of operating in the manner intended by the Management.

When recognised in the accounting records, an item of property, plant and equipment is measured at cost. The initial cost of an item of property, plant and equipment is the total amount of capital investments related to the item, made before the item of property, plant and equipment is recognised in the accounting records.

The balance sheet shows property, plant and equipment at cost less accumulated depreciation and impairment.

Depreciation of property, plant and equipment

The cost of property, plant and equipment is covered through depreciation. Depreciation of property, plant and equipment is calculated on a straight-line basis.

The elements of depreciation (useful life, residual value and method of depreciation) of property, plant and equipment are determined upon recognition of this asset in the accounting records and are subject to review for compliance with the conditions of use of the property, plant and equipment at the end of each reporting year, as well as at the occurrence of circumstances indicating a possible change in the elements of depreciation. Based on the results of such review, if necessary, the Company makes a decision to change the relevant elements of depreciation. The resulting adjustments are recognised in the accounting records as changes in estimates.

Depreciation is not suspended (including in cases of idle time or temporary cessation of use of property, plant and equipment), except for the case when the residual value of an item of property, plant and equipment becomes equal to or exceeds its carrying value. If the residual value of such an item of property, plant and equipment subsequently falls below its carrying value, depreciation is renewed.

Land plots are not depreciated.

Impairment of property, plant and equipment

Property, plant and equipment are verified for impairment and changes in carrying value due to impairment are accounted for in accordance with the procedure prescribed by International Accounting Standard (IAS) 36 "*Impairment of Assets*" introduced in the Russian Federation by Order No. 217n of the Ministry of Finance of the Russian Federation dated December 28, 2015 (see paragraph 8 of the section "Information on Accounting Policies").

Disposal of property, plant and equipment

The financial result from disposal of property, plant and equipment (the difference between income and expense arising on disposal) is recognised in the statement of financial results within other income or other expenses.

6. Capital investments in progress

Investments in fixed assets include real estate assets not completed and not put into operation, equipment requiring installation, as well as other assets to be included in fixed and intangible assets in the future, including tangible assets intended for use in the process of acquisition, creation, improvement and (or) restoration of property, plant and equipment.

Capital investments in property, plant and equipment include the Company's expenses for their acquisition, creation, improvement and (or) restoration (completion, retrofitting, modernisation, reconstruction, replacement of parts, significant costs of repairs, technical inspections, maintenance with a periodicity of more than 12 months or more than a normal operating cycle exceeding 12 months). Costs in the form of fees for technological connection to electricity and other infrastructure networks are included in the actual costs forming the initial cost of property, plant and equipment if such costs are associated with new construction, reconstruction, modernisation of fixed assets and provided that such costs are incurred before an item of property, plant and equipment is put into operation.

Equipment not requiring installation, which is in stock and intended for projects under construction, is recognised as capital investments in progress.

When making capital investments in property, plant and equipment on terms of deferred (instalment) payment for a period exceeding 12 months, capital investments include the amount of cash that would have been paid by the Company in the absence of such deferral (instalment).

When making capital investments under contracts providing for the fulfilment of obligations (payment) in full or in part by non-monetary funds, the actual costs (in terms of payment in non-monetary funds) are recognised as the fair value of transferred property, property rights, works, services.

The amount of actual costs of capital investments includes interest on borrowed funds received for the acquisition, construction or production of property, plant and equipment classified as investment assets or received for other purposes, but actually spent on the acquisition, construction or production of such assets, accrued before the objects are used for the production of goods, performance of work or rendering of services. Once the item has been put into use, the above interest is recognised in the statement of financial performance as other expenses.

Interest on borrowed funds received for purposes not related to the acquisition, construction or production of investment assets but actually spent on the acquisition of investment assets is included in the cost of investment assets in proportion to the share of such funds in the total amount of borrowed funds received for purposes not related to the acquisition, construction or production of investment assets.

Capital investments are verified for impairment and changes in carrying value due to impairment are accounted for in accordance with the procedure prescribed by International Accounting Standard (IAS) 36 "*Impairment of Assets*" introduced in the Russian Federation by Order No. 217n of the Ministry of Finance of the Russian Federation dated December 28, 2015 (see paragraph 8 of the section "Information on Accounting Policies").

The financial result from the sale of capital investments in progress (the difference between income and expenses arising from the sale) is recognised in the statement of financial results as other income or other expenses.

In the balance sheet, investments in fixed assets in progress are recorded in lines 1110 "Intangible assets" or 1150 "Property, plant and equipment", depending on the type of assets these objects will be accounted for after completion of the respective investments in fixed assets.

7. Right-of-use assets and lease liabilities

At the time of concluding the contract, the Company assesses whether the contract as a whole or its individual components is a lease. A contract as a whole or its individual components is a lease contract if the right to control the use of an identified asset for a certain period in exchange for a payment is transferred under this contract.

The initial cost of the right-of-use asset at the date of receipt of the lease includes: the present value of future lease payments, the lease payments paid at the date of receipt of the lease; the lessee's incremental costs of obtaining the lease item and bringing it to a condition suitable for its intended use; the lessee's estimated liability for, among other things, dismantling, removing the lease item, environmental remediation, restoration and rehabilitation; and the lessee's estimated future lease payments.

Subsequent right-of-use assets use are assessed in accordance with the accounting requirements for similar items of property, plant and equipment with respect to depreciation and impairment. A right-of-use asset arising from the lease of a land plot is depreciated similarly to other right-of-use assets arising from a lease agreement.

The lease term is determined based on the terms and conditions set out in the lease agreement (including periods without lease payments). The parties' ability to change these terms and conditions and the parties' intentions with respect to the realisation of such ability shall be taken into account.

The lease liability is measured at the present value of the future lease payments over the lease term using a rate comparable to the rate at which the lessee borrows or could borrow funds.

The lease liability, once recognised, is increased by the amount of interest accrued and decreased by the amount of lease payments actually made.

Changes in the lease liability arising from changes in the terms and conditions of the lease, the intention to extend or reduce the lease term that were previously recognised in calculating the lease term, or the amount of the lease payments compared to the initial measurement of the lease liability, are charged to the right-of-use asset.

Decreases in the lease liability in excess of the carrying value of the right-of-use assets are recognised in current period income.

When a lease is terminated in whole or in part, the carrying value of the right-of-use assets and the lease liability are written off to the extent of the lease termination. The resulting difference is recognised as income or expense in profit (loss).

In the balance sheet, right-of-use assets are recorded in line 1150 "Property, plant and equipment", long-term and short-term lease liabilities are recorded in line 1450 "Other liabilities" and line 1520 "Payables".

Right-of-use assets are verified for impairment and changes in carrying value due to impairment are accounted for in accordance with the procedure prescribed by International Accounting Standard (IAS) 36 "*Impairment of Assets*" introduced in the Russian Federation by Order No. 217n of the Ministry of Finance of the Russian Federation dated December 28, 2015 (see paragraph 8 of the section "Information on Accounting Policies").

8. Verification of fixed assets in respect of impairment in accordance with IAS 36 "*Impairment of Assets*"

At each reporting date, the Company determines whether there is any indication of impairment of fixed assets (property, plant and equipment, capital investments, right-of-use assets, intangible assets) and performs an impairment verification (impairment test) if there is any indication of impairment in the manner prescribed by International Accounting Standard (IAS) 36 "*Impairment of Assets*".

If any indication of possible impairment exists, the Company estimates the recoverable amount of the assets. The majority of the Company's property, plant and equipment are specialised assets that are rarely purchased and sold on the open market, unless they are sold to existing entities. The market for such property, plant and equipment is not active in the Russian Federation and does not provide sufficient purchase and sale examples to enable a market approach to determine the fair value of these property, plant and equipment.

The recoverable amount of specialised property is determined as the value in use using the projected cash flow method. This method takes into account future net cash flows that will generate these property, plant and equipment in the course of business operations as well as disposal in order to determine the recoverable amount of these assets.

An impairment loss is recognized if the carrying value of a cash-generating unit exceeds its estimated (recoverable) value.

The main criterion for determining a CGU is the indivisibility of the tariff and the impossibility of further detailed accounting and planning.

Cash-generating units are defined by the Company based on the geographical location of the Company's branches where tariff regulation is performed and represent the smallest identifiable group of assets that generate cash inflows independent of other assets of the Company. As a CGU, the group of assets of "Rosseti Kuban" PJSC as a whole (without allocating groups of assets of branches) is determined.

For the purpose of impairment testing, specialised assets in the form of right-of-use assets are treated as CGU assets in the same way as own fixed assets - based on the geographical location of the Company (structural subdivisions of the Company) where tariff regulation is performed.

An impairment loss is allocated to reduce the carrying value of an asset unit pro rata to the carrying value of each asset in the cash-generating unit. The impairment loss is recognized as other expenses.

After the recognition of an impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Amounts written off as impairment losses are reversed if the valuation factors used to calculate the corresponding recoverable amount change. An impairment loss is recovered only to the extent that it is possible to recover the value of assets to their book value, in which they would have been recognized (less accumulated depreciation) if no impairment loss had been recognized. Recovery of impairment loss is recognised in other income.

9. Financial investments

Financial investments are accepted for accounting at their initial cost. The initial cost of financial investments acquired for a fee is the amount of the Company's actual expenses for their acquisition, excluding value added tax and other reimbursable taxes (except for cases stipulated by the legislation of the Russian Federation on taxes and fees). For debt securities, the difference between the actual acquisition costs and the nominal value of the securities is included in other income on a straight-line basis over the term of their circulation.

Financial investments for which the current market value can be determined in accordance with the established procedure are revalued annually as of December 31 at the current market value and are reflected in the financial statements in this assessment. The difference between the valuation of such investments at the current reporting date and their previous valuation is recognised in other expenses and income.

Financial investments for which the current market value is not determined are reflected in the balance sheet at the end of the reporting year at their accounting (carrying value), with the exception of investments for which, as of the specified date, there are conditions for a sustained significant decrease in value.

The Company verifies financial investments for impairment annually. For the amount of excess of the accounting (carrying value) of these investments over their estimated value, a provision has been created for the impairment of these financial investments, the total amount of which is attributed to other expenses. At the same time, the cost of such investments is reflected in the balance sheet less the amount of the created provision for impairment of financial investments.

Upon disposal of financial investments in securities for which the current market value is not determined, their value is determined at the initial cost of each unit being disposed of. At the same time, for investments in the authorized capitals of limited liability companies, deposits, loans issued, investments in joint activities, their value at disposal is determined based on an estimate determined by the method of the initial cost of each unit.

When financial investments in securities are disposed of, for which the current market value is determined in accordance with the established procedure, their value is determined based on the latest assessment. Income and expenses on financial investments are carried through other income and expenses.

10. Inventories

Inventories are assets consumed or sold in the normal operating cycle of an organization, or used for a period of not more than 12 months.

Inventories are accepted for accounting at the actual cost, calculated based on the amount of actual acquisition/manufacturing costs, with the exception of value added tax and other reimbursable taxes (except in cases provided for by the legislation of the Russian Federation).

When inventories are released into production, finished products and goods are shipped to the buyer, as well as when inventories are written off, their prime cost is calculated using the "average prime cost" method.

The cost of special-purpose clothing, the service life of which, according to the issuance standards, does not exceed 12 months, is fully debited to the debit of the relevant production cost accounting accounts at the time of its transfer (issue) to the Company's employees.

Inventories intended to ensure the prevention and liquidation of accidents (emergencies) at electric network facilities (emergency reserve) are reflected in line 1210 "Inventories" of the balance sheet.

Inventories of the Company are valued at the reporting date at the lowest of the following values:

- actual prime cost of inventories;
- net realizable value of inventories.

Inventories that have completely or partially lost their original qualities, become obsolete, or whose market value has decreased are reflected in the balance sheet at net sales value.

An excess of the actual prime cost of inventories over their net realisable value is considered an impairment. A provision has been formed for the amount of impairment of inventories, attributed to an increase in the Company's expenses.

Inventories in the accounting (financial) statements are reflected less the provision for cost reduction created in relation to these inventories on line 1210 "Inventories".

11. Future expenses

Expenses incurred by the Company in the reporting year, but related to the following reporting periods (one-time payments for software licenses, other types of expenses) are reflected as future expenses. These expenses are written off on a straight-line basis over the periods to which they relate.

Future expenses related to periods beginning after the end of the year following the reporting year are shown in the balance sheet as long-term assets on line 1190 "Other fixed assets", and related to the year following the reporting year – on line 1260 "Other current assets".

12. Receivables

The debt of buyers (customers) is recorded simultaneously with the recognition of revenue (income) from the sale of goods, performance of works, provision of services (except in cases of recognition of revenue from the performance of works, provision of services, sale of products with a long manufacturing cycle as the work, services, products are ready).

The amount of receivables is determined based on the price and conditions established by the contract, including VAT.

The accounting unit for settlements with buyers and customers is the receivables (payables) for each buyer (customer) and each contract.

The debt that is not repaid on time or is highly likely not to be repaid within the time limits set by the contracts, and is not secured by appropriate guarantees, sureties or other means of ensuring the fulfillment of obligations, is shown in the balance sheet less provisions for doubtful debts. These provisions represent a conservative assessment by the Company's Management of the part of the debt that may not be repaid. Provisions of doubtful debts are attributed to an increase in other expenses.

Bad debt was written off from the balance sheet as soon as it was recognized as such. The specified debt is recorded on the balance sheet for five years from the date of write-off to monitor the possibility of its recovery in the event of a change in the debtor's property status.

13. Cash equivalents and presentation of cash flows in the statement of cash flows

Cash equivalents include highly liquid financial investments that can be easily converted into a predetermined amount of cash and which are subject to insignificant risk of changes in value.

Cash equivalents include highly liquid bank promissory notes or bonds, short-term government securities with a maturity of 3 months or less from the date of purchase (with a maturity of less than 92 days), as well as short-term bank deposits - deposits with a fixed repayment period of three months or less (with a fixed repayment period of less than 92 days).

Bank deposits with the right of early termination are recognized as part of cash equivalents regardless of the placement period.

In the statement of cash flows, the Company's cash flows, which cannot be unambiguously classified as part of flows from current, investment or financial operations, are attributed to cash flows from current operations.

The statement of cash flows presents the VAT amounts as part of receipts from buyers and customers, payments to suppliers and contractors, and payments to the budget system and VAT refunds from it.

14. Long-term assets for sale

Long-term assets for sale comprise:

- items of property, plant and equipment or other fixed assets (with the exception of financial investments), the use of which has been discontinued, in connection with the decision to sell them and there is confirmation that the resumption of use of these objects is not expected (an appropriate management decision has been made, actions have been initiated to prepare the asset for sale, a sale agreement has been concluded, other);
- tangible assets held for sale that remain from disposal, including partial, of fixed assets or are recovered in the process of current maintenance, repair, modernization, reconstruction, except in the case when such values are classified as inventories.

Long-term assets for sale are presented as part of line 1260 "Other current assets" in the balance sheet.

A long-term asset for sale is measured at the carrying value of the relevant item of property, plant and equipment or other fixed asset at the time of its reclassification to a long-term asset for sale.

The subsequent valuation of a long-term asset for sale is carried out in the manner prescribed for the valuation of inventories.

15. Authorized capital, reserve capital, additional capital

The authorized capital is reflected in the sum of the nominal value of ordinary and preferred shares issued by the Company, including the nominal value of ordinary shares repurchased by the Company from shareholders. The amount of the authorized capital corresponds to the amount specified in the Company's Charter.

If the authorized capital is increased by placing additional shares, operations on the formation of the authorized capital are reflected in the accounting after registration of the relevant changes made to the constituent documents of the Company.

In accordance with the legislation, the Company creates a reserve fund in the amount of 5 (five) percent of the authorized capital of the Company. The amount of obligatory annual deductions to the reserve fund of the Company is at least 5 (Five) percent of the net profit of the Company until the reserve fund reaches the established amount.

The additional capital represents a part of the Company's capital that is not related to the contributions of shareholders and capital gains due to profits accumulated during the Company's activities.

16. Loans and borrowings received

The debt on loans and borrowings received is reflected in accounting and reporting in accordance with the terms of the concluded contracts.

The principal amount of debt on borrowings received is recognized at the time of receipt of borrowed funds in the amount of funds actually received. The amount of the principal debt on borrowings raised by issuing bonds is reflected in the amount of the nominal value of the bonds.

The debt on loans and borrowings received is reflected in the accounts, considering the interest due at the end of the reporting period according to the terms of the agreements, while the information is separated:

- by long-term and short-term liabilities
- by the principal amount of borrowed funds
- by accrued but unpaid interest.

The interest and/or discount on the bond due by the Issuing Company is reflected separately from the nominal value of the bond as payables.

Interest accrued in accordance with the established procedure is subject to reflection as part of other expenses, with the exception of interest on borrowed funds raised for the acquisition (creation) of investment assets (capitalized interest).

Interest for the use of borrowed funds is included in the cost of an investment asset or in other expenses on a regular basis (monthly) during the period of use of borrowed funds, regardless of the moment of actual interest payment.

According to the loans and borrowings received, the Company transfers long-term debt into short-term debt. Short-term debt is transferred to long-term debt if an agreement has been concluded to extend the short-term loan agreement in such a way that the borrowing repayment period will be more than 12 months from the reporting date. The Company transfers long-term debt on borrowings and loans received into short-term debt at a time when, under the terms of the borrowing and/or loan agreement, less than 12 months remain before repayment of the principal amount of the debt.

Additional expenses incurred by the Company in connection with the receipt of loans and borrowings, the issuance and placement of debt obligations are included in other expenses in the reporting period in which they were incurred.

17. Payables

The amount of payables is determined based on the price and conditions established by the agreement, where applicable, including VAT. The advance amount in full is credited to the account of fulfillment of obligations under the agreement, unless otherwise provided by the agreement.

Debts to suppliers and contractors are recorded simultaneously with the acceptance of assets, results of work performed, services rendered, supplied (carried out) by the supplier (contractor).

An accounting unit for settlements with suppliers and contractors is the payables (receivables) for each supplier (contractor) and each agreement.

Settlements with suppliers and contractors comprise:

- payables to suppliers, contractors;
- advances and prepayments issued to suppliers and contractors.

The classification of debt for settlements with suppliers and contractors is changed by maturity: debt previously classified as long-term is classified as short-term if the period from the reporting date to the date of repayment of the Company's liabilities established by the relevant agreement (contract) is 12 months or less.

Write-off of payables may occur:

- due to the expiration of the limitation period;
- in connection with the liquidation of the creditor;
- partially at the conclusion of a settlement agreement;
- in other cases provided for by the legislation of the Russian Federation, which cause the termination of the creditor's claims.

The amounts of payables for which the limitation period has expired are written off for each obligation on the basis of a written justification and an order (order) from the head of the Company and are included in other income.

18. Estimated liabilities, contingent liabilities and contingent assets

Estimated liabilities

The Company reflects the estimated liability while complying with the recognition conditions set out in RAR 8/2010 *"Estimated Liabilities, Contingent Liabilities and Contingent Assets"*.

The Company recognizes estimated liabilities when the recognition conditions are met in respect of the following liabilities:

- pending court cases at the reporting date in which the Company acts as a plaintiff or defendant and decisions on which can be made only in subsequent reporting periods, leading to an outflow of economic benefits of the Company
- vacation payments;
- payment of benefits (bonuses) to employees based on the results of work for the year;
- reforestation;
- payment of severance payments;
- other.

The formation of an estimated liability for court cases with an unfavorable outcome, taking into account the probability of an unfavorable outcome in the settlement of disagreements during the trial, is carried out at the end of each reporting period (quarter).

The formation of an estimated liability to pay for vacations is carried out monthly for each employee as of the last day of the reporting month. The amount of an estimated liability at the end of the reporting period is determined based on the number of vacation days due but unused by the employee as of the reporting date, and the average daily earnings of the employee as of the reporting date, taking into account insurance premiums.

The formation of an estimated liability to pay benefits (bonuses) to employees based on the results of work for the year is carried out annually as of the last day of the reporting year. The amount of benefit is determined individually for each employee in accordance with the provisions on remuneration and material incentives for employees of the Company. The amount of the liability is calculated taking into account the amount of insurance premiums.

An estimated liability for reforestation is recognized by the Company in accounting as the Company implements actual forest management, as a result of which it is obliged to carry out reforestation work. In accordance with the requirements of rationality and prudence, the Company recognizes an estimated liability for reforestation as of the date of commissioning of the construction site in relation to the entire scope of reforestation.

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not reflected in the balance sheet, but are disclosed in the notes to the balance sheet and the statement of financial results.

A contingent liability (contingent asset) arises as a result of past business events when the existence of a liability (asset) for the Company at the reporting date depends on the occurrence (non-occurrence) of one or more future uncertain events beyond the control of the Company.

A contingent liability is disclosed in the notes to the balance sheet and the statement of financial results, except in cases where a decrease in the associated economic benefits is unlikely. A contingent asset is disclosed in the notes to the balance sheet and the statement of financial results when the proceeds associated with it are probable. In this case, an estimated value or a range of estimated values is indicated, if they can be determined.

19. Profit tax calculations

The amounts of accrued, repaid and written off deferred tax assets and deferred tax liabilities are included in the statement of financial results:

- in line 2412 "Deferred profit tax" – in the aggregated amount of changes in deferred tax assets and deferred tax liabilities related to the results of operations included in the accounting profit (loss) of the reporting period;
- in line 2460 "Other" – in the aggregated amount of deferred taxes on profits and losses, including in connection with a decrease in the probability that the Company will receive taxable profit in subsequent reporting periods;
- in line 2530 "Profit tax on operations the result of which is not included in the net profit (loss) of the reporting period" – in the aggregated amount of changes in deferred tax assets and deferred tax liabilities that are not related to the results of operations included in the accounting profit (loss) of the reporting period.

20. Income

Income accounting is regulated by the Russian Accounting Regulation *"Income of the Company"* (RAR 9/99), according to which the Company's income, depending on their nature, conditions of receipt and areas of activity, is divided into income from ordinary activities and other income.

Income from the sale of products and goods, receipts related to the performance of works and the provision of services are recognized as income from ordinary activities of Companies.

Revenue is accepted for accounting in an amount calculated in monetary terms equal to the amount of cash and other property receipts and (or) the amount of receivables. Revenue from the sale of products (provision of services) is recognized as products are shipped to customers (provision of services) and settlement documents are presented to them. It is reflected in the financial statements minus the value added tax.

As part of the Company's other income, the following are recognized:

- interest received for the provision of the Company's funds for use, interest for the use by the bank of funds held in the Company's account with this bank. The Company reflects this income in the Statement of Financial Results in line 2320 "Interest receivable";
- income related to participation in the authorized capitals of other organizations (dividends) is recognized by the Company as soon as it is declared and reflected in the Statement of Financial Results in line 2310 "Income from participation in other organizations";
- fines, penalties, forfeits for violation of contractual relations – in the reporting period in which the court issued a decision on their recovery or they were recognized by the debtor;
- profit of previous years revealed in the reporting period (taking into account the requirements of the Russian Accounting Regulations *"Correction of Errors in Accounting and Reporting"* (RAR 22/2010));
- amounts of payables (excluding dividends) and deposit debts for which the limitation term has expired – in the reporting period in which the limitation term has expired;
- other proceeds (income), according to the Russian Accounting Regulations *"Income of the Company"* (RAR 9/99), as it is formed (identified).

21. Expenses

Expense accounting is regulated by the Russian Accounting Regulation *"Expenses of the Company"* (RAR 10/99), according to which the Company's expenses are divided into expenses for ordinary activities and other expenses.

Expenses for ordinary activities are expenses associated with the manufacture and sale of products, the acquisition and sale of goods, expenses associated with the performance of work, the provision of services, the implementation of which is associated with the ordinary activities of the Company.

Expenses (expenditure) are subject to recognition in accounting, regardless of the intention to receive revenue, other income and the form of expenditure (monetary, in-kind and other). Expenses (costs) are recognized in the reporting period in which they occurred, regardless of the time of the actual payment of funds and other form of implementation (assumption of temporary certainty of the facts of economic activity).

Expenses (expenditure) for ordinary activities are accepted for accounting in an amount calculated in monetary terms equal to the amount of payment in cash or other form or the amount of payables.

The actual prime cost of work performed and services rendered is recognized as expenses for ordinary activities of the reporting period; the cost of completed production, as well as the cost of work in progress, forms the value of assets (inventories).

Management expenses are reflected in line 2220 "Management expenses" of the Statement of Financial Results.

Other expenses include expenses not related to the manufacture and sale of products and services. Other expenses include:

- interest paid by the Company for providing it with funds (loans, loans); The Company reflects these expenses in the Statement of Financial Results in line 2330 "Interest payable";
- expenses related to payment for services provided by credit institutions;
- provision for doubtful debts formed following the results of the reporting period;
- provision for impairment of financial investments;
- fines, penalties, forfeits for violation of the terms of agreements, compensation for losses caused by the Company;
- loss of previous years revealed in the reporting period (taking into account the requirements of the Russian Accounting Regulations "*Correction of Errors in Accounting and Reporting*" (RAR 22/2010));
- charity expenses;
- other expenses, according to RAR 10/99.

22. Changes in accounting policy

Changes in accounting policy in 2023

No significant changes were made to the accounting policy of the Company in 2023.

Adjustments to the Company's accounting statements as a result of changes in accounting policy in 2023

There are no adjustments to comparative data for previous years in the accounting statements.

Changes in accounting policy in 2024

From January 1, 2024, RAR 14/2007 "*Accounting for Intangible Assets*" becomes invalid. The Federal Accounting Standard (FAS) 14/2022 "*Intangible Assets*" becomes mandatory for use, starting with accounting (financial) statements for 2024.

The Company does not apply FAS 14/2022 "*Intangible Assets*" ahead of schedule and intends to reflect the consequences of changes in accounting policy in connection with the beginning of the application of this standard in accordance with the transitional provisions provided for in paragraph 53 – without recalculation of comparative indices for the periods preceding the reporting period.

The following main changes will be reflected in the Company's accounting statements for 2024:

- reclassification of items that meet the criteria for recognition of intangible assets from prepaid expenses to intangible assets and capital investments in intangible assets;
- one-time write-off (allocation to retained profit) of the carrying value of capital investments related to the performance of research and development work related to the research stage;
- one-time write-off (allocation to retained profit) of the carrying value of objects accepted for accounting as intangible assets before the application of FAS 14/2022 "*Intangible Assets*", but which are not such according to the new rules, and taking into account the limit set by the Company;
- one-time write-off (allocation to retained profit) of items from prepaid expenses that do not meet the criteria for recognition of intangible assets.

23. Adjustments to the indicators of accounting (financial) statements in connection with the correction of significant errors of previous years in the reporting period.

The Statement of Cash Flows for line 4329 "Other payments" reflected operations for the transfer of funds into cash equivalents. Due to the adjustment of this significant error, the following indices of the Statement of Cash Flows have been changed:

thousand rubles

Line	Item of the Statement of Financial Results	Impact of error adjustment for 2022	For 2022 (before recalculation)	For 2022 (after recalculation)
4329	Other payments	650,000	(650,000)	-
4300	Balance of cash flows from financial operations	650,000	(1,231,020)	(581,020)
4400	Balance of cash flows for the reporting period	650,000	1,503,464	2,153,464
4500	Balance of cash and cash equivalents at the end of the reporting period	650,000	3,468,182	4,118,182

III. Disclosure of material indices

1. Intangible assets

1.1 Availability and movement of intangible assets

thousand rubles

Index name	Period	At the beginning of the year			Changes for the period				At the end of the year		
		Initial cost	Depreciation	Carrying value	Received	Retired	Depreciation accrual	Initial value	Depreciation	Carrying value	
1	2	3	4	5	6	7	8	9	10	12	
	2023	221,504	(176,361)	45,143	14,930	(107,150)	107,150	(18,874)	129,284	41,199	
	2022	218,576	(133,829)	84,747	2,928	–	–	(42,532)	221,504	45,143	
Intangible assets, total											
Including:											
Exclusive right to an invention, industrial design, utility model	2023	24,479	(15,997)	8,482	–	(2,351)	2,351	(3,962)	22,128	4,520	
	2022	24,479	(11,858)	12,621	–	–	–	(4,139)	24,479	8,482	
Exclusive right to computer programmes, databases (software)	2023	158,438	(122,804)	35,634	14,930	(77,569)	77,569	(13,885)	95,799	36,679	
	2022	155,510	(91,999)	63,511	2,928	–	–	(30,805)	158,438	35,634	
Exclusive right to a trade mark, name of place of origin for goods	2023	192	(192)	–	–	–	–	–	192	–	
	2022	192	(192)	–	–	–	–	–	192	–	
Other items that fulfil the criteria for classification as IA	2023	38,395	(37,368)	1,027	–	(27,230)	27,230	(1,027)	11,165	–	
	2022	38,395	(29,780)	8,615	–	–	–	(7,588)	38,395	1,027	

In the reporting year, the useful life and the method of depreciation of intangible assets did not change compared to the previous reporting period.

1.2 Information on in-progress and unreformed R&D and in-progress operations for the acquisition of intangible assets

thousand rubles

Index name	Period	At the beginning of the year	Changes for the period			At the end of the period
			Expenses for the period	Expenses were written off as not having a positive result	Accepted for accounting as IA or R&D	
1	2	3	4	5	6	7
Pending in-progress R&D expenses	2023	52,214	20,936	–	(17,615)	55,535
	2022	21,578	37,632	–	(6,996)	52,214
In-progress operations for the acquisition of intangible assets	2023	7,500	–	(7,500)	–	–
	2022	7,500	–	–	–	7,500

The costs of in-progress and unreformed R&D and unfinished operations for the acquisition of intangible assets are reflected in line 1100 "Intangible assets" of the balance sheet.

2. Property, plant and equipment

Information on the availability and movement of property, plan and equipment is provided in table explanation 2.1. "Availability and movement of property, plan and equipment" There are no property, plan and equipment pledged.

2.1 Availability and movement of property, plant and equipment (excluding the right-of-use assets)

thousand rubles

Index name	Period	At the beginning of the period			Changes for the period				At the end of the period		
		Initial cost	Depreciation and impairment accrued	Carrying value	Received	Retired	Initial cost	Depreciation and impairment accrued	Recognition (+) of impairment	Initial cost	Depreciation and impairment accrued
1	2	3	4	5	6	7	8	9	10	11	12
	13	14	15	16	17	18	19	20	21	22	23
Property, plant and equipment	2023	139,932,928	(74,969,865)	64,963,063	12,182,541	(4,218)	(533,280)	447,133	(5,290,118)	—	151,582,189
	2022	131,274,030	(70,277,846)	60,996,184	8,917,641	(7,803)	(258,743)	203,724	(4,887,940)	—	139,932,928
Including:											
Buildings	2023	12,516,217	(6,238,964)	6,277,253	343,360	—	(41,024)	14,512	(252,658)	—	12,818,553
	2022	12,431,267	(6,020,224)	6,411,043	126,837	—	(41,887)	32,707	(251,447)	—	12,516,217
Facilities, except for power lines	2023	5,819,422	(3,087,324)	2,732,098	352,144	—	(22,290)	3,035	(248,053)	—	6,149,276
	2022	5,436,893	(2,846,951)	2,589,942	397,303	(7,803)	(14,774)	12,853	(245,423)	—	5,819,422
Electricity transmission lines and relevant devices	2023	60,746,253	(24,709,021)	36,037,232	5,386,813	—	(70,297)	41,524	(2,317,083)	—	66,062,769
	2022	57,146,169	(22,606,782)	34,539,387	3,695,401	—	(95,317)	69,698	(2,171,937)	—	60,746,253
Machines and equipment	2023	60,669,294	(40,897,227)	19,772,067	6,095,507	(4,090)	(399,515)	387,908	(2,468,578)	—	66,365,286
	2022	56,078,539	(38,769,027)	17,309,512	4,697,517	—	(106,762)	88,464	(2,216,664)	—	60,669,294
Production and household equipment, including other facilities	2023	45,094	(37,329)	7,765	4,621	(128)	(154)	154	(3,746)	—	49,561
	2022	44,600	(34,862)	9,738	497	—	(3)	2	(2,469)	—	45,094
Land plots and objects of nature management	2023	136,648	—	136,648	96	—	—	—	—	—	136,744
	2022	136,562	—	136,562	86	—	—	—	—	—	136,648
Investment property	2023	—	—	—	—	—	—	—	—	—	—
	2022	—	—	—	—	—	—	—	—	—	—

2.2 Depreciation of property, plant and equipment (excluding depreciation of impairment)

thousand rubles

Index name	Period	At the beginning of the year (-)			Change for the period			At the end of the period
		Received (-)	Retired (-)	Accrued for the period (-)				
1	2	3	4	5	6	7	8	9
	10	11	12	13	14	15	16	17
Depreciation	2023	(74,969,865)	(4,218)	447,133	(5,290,118)	(79,817,068)	(79,817,068)	(79,817,068)
	2022	(70,277,846)	(7,803)	203,724	(4,887,940)	(74,969,865)	(74,969,865)	(74,969,865)
Including:								
Buildings	2023	(6,238,964)	—	14,512	(252,658)	(6,477,110)	(6,477,110)	(6,477,110)
	2022	(6,020,224)	—	32,707	(251,447)	(6,238,964)	(6,238,964)	(6,238,964)
Facilities, except for power lines	2023	(3,087,324)	—	3,035	(248,053)	(3,332,342)	(3,332,342)	(3,332,342)
	2022	(2,846,951)	(7,803)	12,853	(245,423)	(3,087,324)	(3,087,324)	(3,087,324)
Electricity transmission lines and relevant devices	2023	(24,709,021)	—	41,524	(2,317,083)	(26,984,580)	(26,984,580)	(26,984,580)
	2022	(22,606,782)	—	69,698	(2,171,937)	(24,709,021)	(24,709,021)	(24,709,021)
Machines and equipment	2023	(40,897,227)	(4,090)	387,908	(2,468,578)	(42,981,987)	(42,981,987)	(42,981,987)
	2022	(38,769,027)	—	88,464	(2,216,664)	(40,897,227)	(40,897,227)	(40,897,227)
Production and household equipment, including other facilities	2023	(37,329)	(128)	154	(3,746)	(41,049)	(41,049)	(41,049)
	2022	(34,862)	—	2	(2,469)	(37,329)	(37,329)	(37,329)

2.3 Impairment of property, plant and equipment

The verification of the Company's property, plant and equipment for impairment as at December 31, 2022, and as at December 31, 2023 showed no impairment.

2.4 Information regarding change in the cost of property, plant and equipment as a result of further construction, additional equipment, reconstruction and partial liquidation

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Increase in the cost of items of property, plant and equipment as a result of completion, additional equipment, reconstruction	3 114 521	2 436 601	1 163 450
Decrease in the value of fixed assets as a result of partial liquidation	(63 719)	(67 551)	(99 320)

2.5 Information on other use of property, plant and equipment

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Leased-out property, plant and equipment on the balance sheet	143,356	115,551	101,182
Leased property, plant and equipment on the balance sheet	—	200	—
Leased property, plant and equipment off the balance sheet	3 329 069	3 316 107	3 325 277
Real estate items received into operation and actually used, which are in the process of state registration	3 054 637	3 388 838	3 339 062
Property, plant and equipment transferred for conservation	10,047	10,047	10,115
Other use of property, plant and equipment (pledge, etc.)	—	—	—

3. Capital investments

Information on capital investments is disclosed as part of table explanation 3.1. "Availability and movement of capital investments" and table explanation 3.2. "Advances issued for capital construction and acquisition of property, plant and equipment".

3.1 Availability and movement of financial investments

Index name	Period	At the beginning of the year	Expenses for the period	Changes for the period				At the end of the period	
				Written off		Accepted for accounting as fixed assets or increase in the cost of capital investments			Recognition (-) Recovery (+) of impairment
				Initial cost	Impairment	Initial cost	Impairment		
1	2	3	4	5	6	7	8	9	10
Construction in progress and unfinished operations for the acquisition, modernization and technical re-equipment of property, plant and equipment	2023	7 125 396	15 088 544	(1 645 437)	—	(12 149 622)	—	—	8 418 881
	2022	4 052 784	13 402 718	(1 429 550)	—	(8 900 556)	—	—	7 125 396
Including:									
Construction in progress	2023	5 884 760	12 344 580	(91 023)	—	(11 677 559)	—	—	6 460 758
	2022	3 110 852	11 344 559	(38 767)	—	(8 531 884)	—	—	5 884 760
	2023	—	471 967	—	—	(471 967)	—	—	—
Acquisition of property, plant and equipment	2022	—	368 589	—	—	(368 589)	—	—	—
	2023	1 240 636	2 271 901	(1 554 414)	—	—	—	—	1 958 123
	2022	941 932	1 689 487	(1 390 783)	—	—	—	—	1 240 636
Other	2023	—	96	—	—	(96)	—	—	—
	2022	—	83	—	—	(83)	—	—	—

thousand rubles

3.2 Advances paid for capital construction and acquisition of property, plant and equipment

Index name	Period	At the beginning of the year		At the end of the period	
		Accounted for under the terms of the agreement	Carrying value	Accounted for under the terms of the agreement	Carrying value
1	2	3	4	5	6
Advances paid for capital construction	2023	465 074	(2 033)	463 041	8
	2022	765 453	(2 033)	763 420	1 612 379

thousand rubles

4. Right-of-use assets and lease liabilities

Information on the availability and movement of right-of-use assets is disclosed as part of table explanation 4.1. "Availability and Movement of Right-of-Use Assets".

4.1 Availability and Movement of Right-of-Use Assets

thousand rubles

Index name	Period	At the beginning of the year			Changes for the period							At the end of the period		
		Initial cost	Accumulated depreciation and impairment	Residual value	Received	Retired	Change of agreement conditions	Depreciation accrued (with impairment)	Depreciation accumulated retired (with depreciation of impairment)	Change of agreement conditions	Recognition (+), recovery (-) of impairment	Initial cost	Accumulated depreciation and impairment	Residual value
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Right-of-use assets	2023	4,358,105	(1,390,261)	2,967,844	191,640	(128,995)	6,442	(1,421,324)	34,530	–	–	4,427,192	(2,777,055)	1,650,137
	2022	4,228,736	–	4,228,736	156,094	(28,907)	2,182	(1,393,316)	3,055	–	–	4,358,105	(1,390,261)	2,967,844
Including: Land and buildings	2023	867,987	(265,825)	602,162	20,536	(31,220)	10,362	(265,727)	8,758	–	–	867,665	(522,794)	344,871
	2022	857,986	–	857,986	31,864	(7,493)	(14,370)	(267,097)	1,272	–	–	867,987	(265,825)	602,162
Electricity transmission lines and relevant devices	2023	1,920,337	(627,131)	1,293,206	58,598	(22,374)	1,654	(643,308)	4,198	–	–	1,958,215	(1,266,241)	691,974
	2022	1,886,254	–	1,886,254	39,454	(7,333)	1,962	(628,062)	931	–	–	1,920,337	(627,131)	1,293,206
Machines and equipment	2023	794,524	(238,521)	556,003	103,298	(63,923)	(6,412)	(257,227)	13,801	–	–	827,487	(481,947)	345,540
	2022	700,117	–	700,117	83,643	(694)	11,458	(238,873)	352	–	–	794,524	(238,521)	556,003
Other	2023	775,257	(258,784)	516,473	9,208	(11,478)	838	(255,062)	7,773	–	–	773,825	(506,073)	267,752
	2022	784,379	–	784,379	1,133	(13,387)	3,132	(259,284)	500	–	–	775,257	(258,784)	516,473

The main objects of the Company's lease are electricity transmission facilities.

Information about lease liabilities:

thousand rubles

Index name	Index code	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4	5
Short-term lease liabilities	1520	1,533,808	1,461,754	1,384,223
Long-term lease liabilities	1450	252,013	1,624,891	2,844,513
Total lease liabilities		1,785,821	3,086,645	4,228,736

Interest on lease liabilities in the amount of 248,026 thousand rubles is included in the "Interest payable" index of line 2330 of the Statement of Financial Results for the year ended December 31, 2023 (in the amount of 325,381 thousand rubles for the year ended December 31, 2022).

Expenses related to operating leases are included in expenses for ordinary activities in the amount of 62,492 thousand rubles for the year ended December 31, 2023 (in the amount of 48,213 thousand rubles for the year ended December 31, 2022).

5. Verification of fixed assets in respect of impairment in accordance with IAS 36 "Impairment of Assets"

The Company considered the current economic conditions in the regions where the Company operates: Krasnodar Territory and the Republic of Adygea as an indicator (sign) of possible impairment of property, plant and equipment.

The Company verified property, plant and equipment for impairment as of December 31, 2023 in relation to a generating unit of "Rosseti Kuban" PJSC.

The following basic assumptions were used in assessing the recoverable amount of assets of generating units:

Basic assumption	As of December 31, 2023
Forecast period	Forecast cash flows were determined for the 2024-2028 period for a generating unit "Rosseti Kuban" PJSC based on management's best estimate of electricity transmission volumes, operating and capital expenditures, and tariffs approved by regulatory authorities for 2024.
Interest rate of net cash flow growth in the post-forecast period	4%
Forecast of electricity transmission tariffs	Based on the tariff calculation methodology adopted by the regulatory authorities
Forecast of sales volume	In accordance with the approved business plan. Outside of business planning - a fixed amount (taking into account the indexation of the last year of the business planning period).
Discount rate (The nominal discount rate determined for the purposes of the test based on the weighted average cost of capital before profit tax)	11.97%

According to the results of the impairment verification, as of December 31, 2023, no impairment was detected.

6. Other fixed assets

Line 1190 "Other fixed assets" of the Balance Sheet reflects:

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Software and licenses	289,354	103,997	133,158
Other	90,710	50,749	—
Total other fixed assets	380,064	154,746	133,158

7. Inventories

Inventories in the accounting statements are reflected less the provision for cost reduction created in relation to these inventories on line 1210 "Inventories". There are no inventories pledged.

Information on the availability and movement of inventories by group:

thousand rubles

Index name	Period	At the beginning of the year				Changes for the period				Turnover of inventories between groups (types) thereof	At the end of the period	
		Cost	Amount of provision for impairment	Proceeds and costs	Cost	Provision for impairment	Impairment losses	Cost	Amount of provision for impairment		Cost	Amount of provision for impairment
1	2	3	4	5	6	7	8	9	10	11		
Inventories, total	2023	1,975,327	(51,591)	6,612,767	(4,846,149)	3,766	(2,314)	x	3,741,945	(50,139)		
	2022	1,926,407	(1,543)	3,849,479	(3,800,559)	668	(50,716)	x	1,975,327	(51,591)		
Raw and other materials	2023	1,975,327	(51,591)	6,606,722	(4,846,149)	3,766	(2,314)	—	3,735,900	(50,139)		
	2022	1,926,407	(1,543)	3,849,479	(3,800,559)	668	(50,716)	—	1,975,327	(51,591)		
Work in process	2023	—	—	6,045	—	—	—	—	6,045	—		
	2022	—	—	—	—	—	—	—	—	—		
Other inventories and expenses	2023	—	—	—	—	—	—	—	—	—		
	2022	—	—	—	—	—	—	—	—	—		

8. Other current assets

Line 1260 "Other current assets" of the Balance Sheet reflects:

Index name	thousand rubles			
	December 31, 2023	December 31, 2022	December 31, 2021	
	2	3	4	
Other current assets, including	3,669,436	1,573,337	974,558	
VAT on advances received	3,233,363	1,369,300	700,138	
VAT on advances paid for the acquisition of items of fixed assets	262,503	77,155	125,914	
Future expenses	124,442	77,953	106,219	
Other	49,128	48,929	42,287	

9. Financial investments

9.1 Availability and movement of financial investments

Movement of long-term financial investments

Index name	Period	thousand rubles			
		At the beginning of the year	Changes for the period		
		Initial cost	Revaluation, reserve	Revaluation, reserve retired	At the end of the year
		3	4	5	Initial cost
	2				9
2023		45,690	(2)	—	45,687
2022		45,690	(5,850)	—	45,690
Long-term financial investments, total					
Including:					
Contributions to other organizations (traded at the formal securities market)	2023	—	—	—	—
	2022	—	—	—	—
Contributions to other organizations (not traded at the formal securities market)	2023	3	(2)	2	—
	2022	3	(2)	—	3
Deposits	2023	—	—	—	—
	2022	—	—	—	—
Contributions to subsidiaries	2023	45,687	—	—	45,687
	2022	45,687	(5,848)	—	45,687
Bond loans	2023	—	—	—	—
	2022	—	—	—	—
Contributions to dependent companies	2023	—	—	—	—
	2022	—	—	—	—

9.2 Information on the initial and carrying value of financial investments

thousand rubles

Name of the group of financial investments		December 31, 2023		December 31, 2022		December 31, 2021	
		Initial cost	Carrying value	Initial cost	Carrying value	Initial cost	Carrying value
			[*]		[*]		[*]
1	2	3	4	5	6	7	8
At current market value	Long-term financial investments	—	—	—	—	—	—
	Short-term financial investments	—	—	—	—	—	—
The current market value is not determined	Long-term financial investments	45,687	45,687	45,690	45,688	45,690	39,840
	Short-term financial investments	—	—	—	—	—	—

[*] – The value at which financial investments are reflected in the balance sheet (taking into account adjustments to the current market value, provisions for impairment, attribution to an increase in the value of debt securities of the difference between their initial and nominal values, exchange differences).

9.3 Information on the revaluation of financial investments for which the current market value is determined

There are no financial investments that determine the current market value.

9.4 Information on the carrying value of financial investments by type.

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Long-term financial investments, total	45,687	45,688	39,840
Including:			
Contributions to subsidiaries	45,687	45,687	39,839
Contributions to dependent companies	—	—	—
Contributions to other organizations (traded at the formal securities market)	—	—	—
Contributions to other organizations (not traded at the formal securities market)	—	1	1
Deposits	—	—	—
Bond loans	—	—	—
Borrowings granted	—	—	—
Short-term financial investments	—	—	—

9.5 Information on the provision for impairment of financial investments

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Provision for impairment of financial investments, total	—	2	5,850
Including:			
- on investments in the authorized capital of subsidiaries	—	—	—
- on borrowings granted	—	—	—
- on other financial investments	—	2	5,850
Initial cost of financial investments for which provision for impairment has been created	—	—	—

10. Cash and cash equivalents

Composition of cash and cash equivalents

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Cash in hand	–	–	–
Funds on current accounts	5,461,267	3,468,182	1,964,718
Funds on foreign currency accounts	–	–	–
Funds on special bank accounts	–	–	1
Total cash	5,461,267	3,468,182	1,964,719
Short-term bank deposits (with a placement period of up to three months)	7,511,113	650,000	–
Total cash equivalents	7,511,113	650,000	–
Total cash and cash equivalents	12,972,380	4,118,182	1,964,719

The Company places deposits in financial institutions that are considered reliable counterparties with a stable financial position in the financial market of the Russian Federation. All funds are available for use by the Company.

As of December 31, 2023 The Company placed the following deposits in the Southern Branch of "PROMSVYAZBANK" PJSC: 1) deposit in the amount of 3,822,113 thousand rubles, with the placement date of December 18, 2023, 2) deposit in the amount of 3,689,000 thousand rubles, with the placement date of December 28, 2023. Date of repayment of deposits is January 9, 2024.

Details of the lines "Other proceeds" and "Other payments" of the Statement of Cash Flows

thousand rubles

Index name	2023	2022
1	2	3
Other proceeds from current activities	1,743,032	1,142,573
Insurance claims receivable	188,355	563,497
Settlements on fines, penalties, and forfeits receivable	349,456	352,459
Value added tax	629,473	36,934
Other proceeds*	575,748	189,683
Other payments for current activities	(6,202,439)	(4,389,269)
Payments on taxes (excluding VAT, profit tax) and funds	(2,978,337)	(2,327,281)
Settlements on fines, penalties, and forfeits payable	(231,266)	(52,832)
Refund of advance payments under technological connection agreements	(509,548)	(23,771)
Refund of the advance payment under the agreement of additional non-tariff services	(352,293)	–
Other payments**	(2,130,995)	(1,985,385)

* The line includes proceeds from the sale of inventories, proceeds from the assignment agreement, and other proceeds from current activities.

** The line includes payments for reforestation, social payments (other financial assistance and other payments to employees), and other payments for current activities.

11. Receivables

11.1 Existence of receivables

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Receivables, total	6,443,929	7,626,134	6,547,358
Long-term receivables	73,618	43,085	19,042
Buyers and customers	707	1,241	1,819
Other debtors:	72,911	41,844	17,223
Settlements with notaries on public easements	47,557	22,436	–
Other services	12,317	8,016	6,036
Easement payment	8,974	5,829	885
Settlements on non-contractual electricity consumption	2,737	4,185	5,964
Other debtors	1,326	1,378	4,338
Short-term receivables	6,370,311	7,583,049	6,528,316
Buyers and customers	4,968,641	6,198,385	5,863,976
Advances paid	162,244	78,313	43,534
Other debtors:	1,239,426	1,306,351	620,806
Settlements with the national budget on taxes and insurance premiums	1,057,002	717,191	276,037
Settlements on interest (receivable)	31,820	267	184
Settlements on non-contractual electricity consumption	31,174	37,442	31,287
Settlements on claims, fines, penalties and forfeits	27,156	80,459	99,868
Other debtors	92,274	470,992	213,430

Receivables that have not been repaid or with a high degree of probability will not be repaid within the time limits set by the agreement and are unsecured by appropriate guarantees, sureties or other means are shown in the balance sheet less provisions for doubtful debts.

11.2 Provision for doubtful debts

thousand rubles

Index name	Period	At the beginning of the year	Accrued	Recovered	Used	At the end of the year
1	2	3	4	5	6	7
Provision for doubtful receivables	2023	2,572,900	1,059,221	813,999	35,503	2,782,619
	2022	2,492,334	787,528	636,088	70,874	2,572,900

The amount of debt written off for the balance sheet of insolvent debtors as of December 31, 2023 is 183,165 thousand rubles (as of December 31, 2022 – 452,081 thousand rubles; as of December 31, 2021 – 627,744 thousand rubles).

12. Capital and Reserves

12.1 Authorized capital

The authorized capital of the Company is registered in accordance with the established procedure and fully paid. The authorized capital of the Company is reflected in the amount of the nominal value of ordinary shares. The Company has placed ordinary registered non-documentary shares with a nominal value of 100 (One hundred) rubles 00 kopecks each in the amount of 334,657,837 pieces for a total amount of 33,465,784 thousand rubles.

The receipt of deposits from the founders (in cash) before the state registration of changes in the constituent documents is reflected in the balance sheet in the section "Capital and Reserves" in the amount of 6,430,824 thousand rubles.

In the reporting period, the placement of additional issue shares continued, the state registration of which was carried out by the Bank of Russia on April 1, 2021 (state registration number 1-02-00063-A).

The maximum volume of placement of additional shares of this issue is 69,583,132 shares with a nominal value of 100 rubles each for a total amount of 6,958,313.2 thousand rubles.

The date of completion of the placement of these securities (taking into account the extension of the placement period provided for by the listing prospectus of "Rosseti Kuban" PJSC, registered by the Bank of Russia on 2May 25, 2023) - is the earliest of the following dates:

24. date of placement of the last security of this additional issue;
25. 3 years from the date of state registration of this additional issue of securities, that is, April 1, 2024.

As of December 31, 2023, 64,308,239 additional shares were placed.

Since the placement of additional shares has not been completed as of the end of the reporting year, the state registration of amendments to the Company's Charter in connection with the increase in the authorized capital has not been carried out.

Preferred shares were not issued by the Company.

12.2 Reserve capital

According to the decision of the General Meeting of Shareholders, based on the results of the Company's work for 2022, the Company's net profit in the amount of 262,224 thousand rubles was assigned to the formation of a reserve fund. As of December 31, 2023, the value of the reserve fund amounted to 772,036 thousand rubles.

12.3 Additional capital

The additional capital of the Company includes the amount of issue income received as a result of the placement of shares of the Company at a price exceeding the nominal value and the amounts received during the reform (restructuring) of the electric power industry completed in 2008.

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Share premium	6,481,916	6,481,916	6,481,916
Contributions of shareholders to the Company's property	—	—	—
Amount of additional capital of the affiliated companies during the reorganization	—	—	—
Total additional capital (without revaluation)	6,481,916	6,481,916	6,481,916

12.4 Dividends

The source of dividend payment is the net profit of "Rosseti Kuban" PJSC, determined in accordance with the requirements established by the current legislation of the Russian Federation.

At the Annual General Meeting of Shareholders held on June 16, 2023, it was decided to pay dividends on ordinary shares of the Company based on the results of financial and economic activities of "Rosseti Kuban" PJSC for 2022 in the amount of 766,500 thousand rubles (minutes of the Annual General Meeting of Shareholders dated June 21, 2023 No. 50). The amount of dividends amounted to 2.0022935 rubles per ordinary share of the Company.

12.5 Earnings per share

Underlying earnings per share reflect a portion of the profit for the reporting period that can potentially be distributed to shareholders who own ordinary shares. It is calculated as the ratio of the underlying profit for the reporting year to the weighted average number of ordinary shares outstanding during the reporting year. The underlying profit is equal to the net profit of the reporting year.

Index name	2023	2022
1	2	3
Underlying profit (loss) for the reporting year, thousand rubles	6,166,520	5,244,477
Weighted average number of ordinary shares outstanding during the reporting year, thousand pieces	375,351	347,126
Underlying profit (loss) per share, rubles	16.4287	15,1080

13. Loans and borrowings

13.1 Information on the movement of borrowed funds

thousand rubles

Index name	Long-term		Short-term	
	2023	2022	2023	2022
1	2	3	4	5
Balance of debt on borrowed funds at the beginning of the year	16,931,543	16,036,315	3,990,281	4,834,192
Borrowed funds received in the reporting year (including overdraft)	8,618,064	14,682,503	–	1,000,698
As a result of the transfer of long-term debt to short-term debt	(4,279,853)	(7,725,548)	4,279,853	7,725,548
As a result of the transfer of short-term debt to long-term debt	–	–	–	–
Interest accrued (including overdraft)	–	–	2,096,399	2,379,171
Repaid in part of the principal amount of the debt (including overdraft)	(5,389,754)	(6,061,727)	(3,971,758)	(9,554,489)
Repaid in terms of interest accrued (including overdraft)	–	–	(2,085,935)	(2,394,839)
Balance of debt on borrowed funds at the end of the year	15,880,000	16,931,543	4,308,840	3,990,281

13.2 Information on borrowed funds types

thousand rubles

Index name	Long-term		Short-term	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
1	2	3	4	5
Loans and borrowings secured	–	–	–	–
Loans and borrowings unsecured	15,880,000	16,931,543	4,279,853	3,971,758
Bond loans secured	–	–	–	–
Bond loans unsecured	–	–	–	–
Interest payable	–	–	28,987	18,523

As of December 31, 2023, the amount of the free limit on open but unused credit lines of the Group amounted to 77,202,647 thousand rubles (as of December 31, 2022: 58,342,200 thousand rubles) The Company has a chance to raise additional funding within the relevant limits, including to ensure the fulfillment of its short-term obligations. There is no non-fulfillment or partial non-fulfillment of obligations by the lender for the reporting period and as of December 31, 2023.

Interest on borrowed funds

thousand rubles

Index name	2023	2022
1	2	3
Interest included in the cost of investment assets on borrowed funds related to the acquisition, construction or manufacture of investment assets	2,980	41,980
Interest included in the cost of investment assets on borrowed funds taken for purposes not related to the acquisition, construction or manufacture of investment assets	–	–
Interest on borrowed funds attributed to other expenses	2,093,419	2,337,191
Total interest accrued on borrowed funds	2,096,399	2,379,171

13.3 Information on maturity dates of borrowed funds

thousand rubles

Index name	Balance of debt on borrowed funds	Including maturity dates:					
		Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
1	2	3	4	5	6	7	8
Loans and borrowings secured	–	–	–	–	–	–	–
Loans and borrowings unsecured	20,159,853	4,279,853	13,380,000	2,500,000	–	–	–
Bond loans secured	–	–	–	–	–	–	–
Bond loans unsecured	–	–	–	–	–	–	–
Interest payable	28,987	28,987	–	–	–	–	–
Total as of December 31, 2023	20,188,840	4,308,840	13,380,000	2,500,000	–	–	–

Index name	Balance of debt on borrowed funds	Including maturity dates:					
		Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
1	2	3	4	5	6	7	8
Loans and borrowings secured	–	–	–	–	–	–	–
Loans and borrowings unsecured	20,903,300	3,971,757	4,279,853	12,651,690	–	–	–
Bond loans secured	–	–	–	–	–	–	–
Bond loans unsecured	–	–	–	–	–	–	–
Interest payable	18,524	18,524	–	–	–	–	–
Total as of December 31, 2022	20,921,824	3,990,281	4,279,853	12,651,690	–	–	–

14. Payables

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Payables, total	34,420,507	22,969,106	17,034,864
Other liabilities (long-term payables)	13,746,293	4,070,948	4,295,806
Suppliers and contractors	1,591,150	88,663	92,134
Advances received	11,903,130	2,357,394	1,359,159
Settlement of lease liabilities	252,013	1,624,891	2,844,513
Short-term payables	20,674,214	18,898,158	12,739,058
Suppliers and contractors	8,536,680	9,342,262	6,861,390
Payables to employees	345,757	341,987	299,668
Settlements with the national budget on taxes and insurance premiums	1,499,965	1,168,754	916,152
Property tax debt	158,906	155,389	159,376
Insurance premiums debt	348,985	459,368	157,707
Value added tax debt	942,069	465,644	536,089
Profit tax debt	–	–	–
Debt on other taxes and fees	50,005	88,353	62,980
Advances received	7,217,311	5,331,457	2,290,864
For technological connection	7,056,087	4,327,315	2,066,738
For electricity transmission services	15,845	47,358	81,365
Other advances	145,379	956,784	142,761
Other creditors:	1,539,235	1,150,266	986,417
Settlements under cost compensation agreements	1,206,505	828,437	604,959
Settlements under property lease agreements	175,709	157,112	155,028
Other creditors:	157,021	164,717	226,430
Debt to participants (founders) for the payment of income	1,458	101,678	344
Settlement of lease liabilities	1,533,808	1,461,754	1,384,223

15. Estimated liabilities

The Company reflects the estimated liability while complying with the recognition conditions set out in RAR 8/2010 *"Estimated Liabilities, Contingent Liabilities and Contingent Assets"*. No discounting of the value of the estimated liabilities recognized by the Company was made, since the expected performance period does not exceed 12 months after the reporting date.

thousand rubles

Index name	Period	Balance at the beginning of the year	Accrued	Use	Recovered	Balance at the end of the period
1	2	3	4	5	6	7
Estimated liabilities, total	2023	2 358 399	1 711 509	(1 293 056)	(453 383)	2 323 469
	2022	2 802 883	1 846 346	(1 414 770)	(876,060)	2 358 399
Including:						
Estimated liabilities of court cases not completed at the reporting date in which the Company acts as a plaintiff or defendant and decisions on which can be made only in subsequent reporting periods, leading to an outflow of economic benefits of the Company	2023	319,620	202,010	(83 843)	(117 551)	320,236
	2022	276,278	221,867	(22 274)	(156 251)	319,620
Estimated liabilities for vacation payment	2023	370,778	686,807	(651 211)	–	406,374
	2022	330,958	599,208	(559 388)	–	370,778
Estimated liability on payment of benefits (bonuses) to employees based on the results of work for the year;	2023	551,772	306,979	(271,758)	(340)	586,653
	2022	415,390	464,941	(328,559)	–	551,772
Estimated liability on excess profit tax	2023	–	200,065	–	–	200,065
	2022	–	–	–	–	–
Other estimated liabilities	2023	1,116,229	315,648	(286,244)	(335,492)	810,141
	2022	1,780,257	560,330	(504,549)	(719,809)	1,116,229

16. Contingent liabilities

Contingent tax liabilities

The Company is a defendant in a number of legal proceedings. However, in the opinion of the Company's Management, the results of these legal proceedings will not have a significant impact on the financial position of the Company.

The tax legislation of the Russian Federation, in force or effective at the end of the reporting period, allows for the possibility of different interpretations of certain facts of the Company's economic life. In this regard, the Management's position on taxes and the documents justifying this position may be contested by the tax authorities.

Tax control in the Russian Federation is being tightened, which increases the risk of tax authorities checking the impact on the tax base of operations that do not have a clear financial and economic purpose or operations with counterparties that do not comply with the requirements of tax legislation. Tax audits may cover three calendar years preceding the year in which the decision to conduct the audit was made. Under certain circumstances, earlier periods may also be checked.

The Management currently believes that its position on taxes and the interpretations of legislation applied by the Company can be confirmed, however, there is a risk that the Company will incur additional costs if the Management's position on taxes and the interpretations of legislation applied by the Company are contested by the tax authorities. The impact of such a development of events cannot be assessed with a sufficient degree of reliability, however, it may be significant from the point of view of the financial position and results of the Company's activities.

With the further development of the practice of applying property tax rules, tax authorities and courts may challenge the criteria for classifying property as movable or immovable items used by the Company. The Company's Management does not exclude the risk of an outflow of resources, while the risk of such a development is not assessed as probable.

Legal Proceedings

The Company is a participant in a number of legal proceedings (both as plaintiff and defendant) arising in the ordinary course of business.

According to the Management, the probability of an unfavorable outcome for the Company and the corresponding outflow of financial resources is not high with respect to lawsuits in the amount of 725,971 thousand rubles as of December 31, 2023 In the opinion of the Management, there are currently no other unresolved claims or lawsuits that could have a significant impact on the results of operations or the financial position of the Company and would not be recognized or disclosed in the accounting (financial) statements.

17. Taxes

17.1 Corporate profit tax

thousand rubles

Index name	2023		2022	
	Difference	Tax effect	Difference	Tax effect
1	2	3	4	5
Contingent profit tax expense / (contingent profit tax income)	–	1,709,483	–	1,436,086
Permanent tax expenses (PTE)				
Including:				
Expenses for previous years	119,651	23,930	955,988	191,198
Financial assistance and compensation	366,933	73,387	343,178	68,635
Remuneration, bonuses, contributions to mandatory social insurance	348,394	69,679	318,592	63,718
Other	1,814,747	362,949	1,594,310	318,862
Total PTE	2,649,725	529,945	3,212,068	642,413
Permanent tax income (PTI)				
For income not accounted for tax purposes	–	–	–	–
For other grounds	–	–	–	–
Including:				
For income of previous periods	(42,305)	(8,461)	(435,599)	(87,120)
For income from participation in other organizations (dividends)	(3,943)	(789)	–	–
For court costs and administrative fines	(28,857)	(5,771)	(27,247)	(5,449)

Index name	2023		2022	
	Difference	Tax effect	Difference	Tax effect
1	2	3	4	5
Other	(77)	(15)	(25,941)	(5,188)
Total PTI	(75,182)	(15,036)	(488,787)	(97,757)
Deferred tax assets (DTA)				
DTA accrual	2,049,715	409,943	2,555,787	511,158
On property, plant and equipment, including differences in the amounts of depreciation of property, plant and equipment in accounting and tax accounting	236,779	47,356	244,576	48,915
On estimated liabilities	412,061	82,412	697,528	139,506
On provisions for doubtful debts	724,279	144,856	674,950	134,990
For other grounds	676,596	135,319	938,733	187,747
Including:	—	—	—	—
On lease liabilities	213,705	42,741	252,583	50,517
Other	462,891	92,578	686,150	137,230
Payment of DTA	(3,118,069)	(623,614)	(3,595,872)	(719,175)
Differences in depreciation amounts of property, plant and equipment in accounting and tax accounting	(97,379)	(19,476)	(81,005)	(16,201)
On estimated liabilities	(446,991)	(89,398)	(1,142,015)	(228,403)
On provisions for doubtful debts	(479,055)	(95,811)	(525,993)	(105,199)
For other grounds	(2,094,644)	(418,929)	(1,846,859)	(369,372)
Including:				
On lease liabilities	(1,620,870)	(324,174)	(1,654,130)	(330,826)
Other	(473,774)	(94,755)	(192,729)	(38,546)
Total DTA change for the purposes of calculating profit tax	(1,068,354)	(213,671)	(1,040,085)	(208,017)
Deferred tax liabilities (DTL)				
DTL accrual	(5,240,912)	(1,048,182)	(1,683,583)	(336,716)
On property, plant and equipment, including differences in the amounts of depreciation of property, plant and equipment in accounting and tax accounting	(5,052,099)	(1,010,420)	(1 305 850)	(261 170)
On the expenditure of paying interest on loans used for the acquisition (construction) of property, plant and equipment	(2 980)	(596)	(41 980)	(8 396)
For other grounds	(185 833)	(37 166)	(335 753)	(67 151)
Including:				
Interest on lease liabilities	(112 841)	(22 568)	(36 704)	(7 341)
Other	(72 992)	(14 598)	(299 049)	(59 810)
Repayment of DTL	2,771,473	554,294	984,091	196,818
On property, plant and equipment, including differences in the amounts of depreciation of property, plant and equipment in accounting and tax accounting	2,145,454	429,091	614,039	122,808
On the expenditure of paying interest on loans used for the acquisition (construction) of property, plant and equipment	3,777	755	49,103	9,820
For other grounds	622,242	124,448	320,949	64,190
Including:				
Interest on lease liabilities	308,705	61,741	319,012	63,802
Other	313,537	62,707	1,937	388
Total DTL change for the purposes of calculating profit tax	(2 469 439)	(493 888)	(699 492)	(139 898)
Taxable profit	7,584,167		8,164,133	
Use of tax losses from previous years	—		—	
Taxable profit after using tax losses of previous years	7,584,167		8,164,133	
Current profit tax	(1 516 833)		(1 632 827)	

17.2 Applicable profit tax rates

The amounts of the temporary differences that arose led to the recognition of deferred tax assets and deferred tax liabilities in accounting and reporting based on the profit tax rate applicable to the Company: 20% in 2023, 20% in 2022.

Deferred tax change

thousand rubles

Index name	2023	2022
1	2	3
Deferred tax assets		
At the beginning of the reporting year (line 1180 of the balance sheet)	2,200,526	2,429,612
Accrued in the reporting year on operations, the result of which is included in the net profit (loss) of the period (line 2412)	409,943	511,158
Accrued in the reporting year on operations the result of which is not included in the net profit (loss) of the period (line 2530)	—	—
Repaid in the reporting year (line 2412)	(623,614)	(719,175)
Written off in the reporting year (line 2460)	(33 108)	(21 069)
A deferred tax asset previously written off due to the absence of a recoverable profit and loss account has been recovered (line 2412)	—	—
Amount of accrued/(written off) deferred tax assets as a result of an increase/decrease in the profit tax rate from the next reporting year (line 2412)	—	—
At the end of the reporting year (line 1180 of the balance sheet)	1,953,747	2,200,526
Deferred tax liabilities		
At the beginning of the reporting year (line 1420 of the balance sheet)	3,746,979	3,610,868
Accrued in the reporting year on operations, the result of which is included in the net profit (loss) of the period (line 2412)	1,048,182	336,716
Accrued in the reporting year on operations the result of which is not included in the net profit (loss) of the period (line 2530)	—	—
Repaid in the reporting year (line 2412)	(554 294)	(196 818)
Written off in the reporting year (line 2460)	(28 310)	(3 787)
Amount of accrued/(written off) deferred tax liabilities as a result of an increase/decrease in the profit tax rate from the next reporting year (line 2412)	—	—
At the end of the reporting year (line 1420 of the balance sheet)	4,212,557	3,746,979

17.3 Excess Profit Tax

On August 4, 2023, The President of the Russian Federation signed Federal Law No. 414-FZ *"On Excess Profit Tax"* (published on August 4, 2023, hereinafter referred to as the "Law"). In accordance with the provisions of the Law, the Company is a taxpayer for excess profit tax.

The amount of the estimated excess profit tax liability, calculated at a rate of 5% (taking into account the payment of the security payment within the time limits established by the Law), amounted to 200,065 thousand rubles and is included in line 2460 "Other" of the Statement of Financial Results. The security payment for the excess profit tax as of December 31, 2023 was paid in the amount of 203,106 thousand rubles and included in line 1230 "Receivables" of the Balance Sheet.

17.4 Other Taxes and Levies

In 2023, the following taxes and levies were accrued: VAT – 4,426,311 thousand rubles, property tax – 588,463 thousand rubles, transport tax – 8,873 thousand rubles, personal income tax – 971,494 thousand rubles, land tax – 3,836 thousand rubles, other taxes – 99,355 thousand rubles.

In 2022, the following taxes and levies were accrued: VAT – 3,386,255 thousand rubles, property tax – 643,796 thousand rubles, transport tax – 8,904 thousand rubles, personal income tax – 871,991 thousand rubles, land tax – 2,797 thousand rubles, other taxes – 22,192 thousand rubles.

18. Information about income and expenses

18.1 Revenue

The Company's revenue is generated in connection with the sale of goods, finished products, works, and services by type:

thousand rubles

Index name	2023	2022
1	2	3
Revenue (net) from the sale of goods, products, works, services (less value added tax)	74 557 482	63,738,857
Electricity transmission services	71 207 120	61,452,874
Technological connection services	2 437 913	1,282,050
Lease income	199,485	148,909
Other activities	712,964	855,024

18.2 Expenses for ordinary activities

The Company's prime cost of sales is generated in connection with the sale of goods, finished products, works, and services by type:

thousand rubles

Index name	2023	2022
1	2	3
Prime cost of goods, products, works, and services sold	62 056 731	52 991 184
Electricity transmission services	60 497 075	51 354 745
Technological connection services	720,031	721,400
Lease income	169,545	111,769
Other activities	670,080	803,270
Management expenses	60,788	162,561

Distribution of the Company's expenses by cost elements recognized in the Statement of Financial Results:

thousand rubles

Index name	2023	2022
1	2	3
Material costs	13 561 307	11 567 990
Labor costs	6,570,925	6 086 158
Compulsory insurance premiums, insurance against accidents and fire protection	1 954 721	1 774 480
Depreciation	5 259 304	4,904,610
Depreciation of the right-of-use asset	1 421 324	1 393 316
Other costs	33 289 150	27 264 630
Total by elements	62 056 731	52 991 184
Change in balances (increase [–], decrease [+]): work in progress, finished products, etc.	–	–
Total expenses for ordinary activities	62 056 731	52 991 184

18.3 Interest receivable

thousand rubles

Index name	2023	2022
1	2	3
Interest on bank deposits	247,751	62,635
Interest on borrowings granted	–	–
Other interest receivable	191,162	46,775
Total for line "Interest receivable" of the Statement of Financial Results	438,913	109,410

18.4 Interest payable

thousand rubles

Index name	2023	2022
1	2	3
Interest on loans received	1 952 755	1 743 236
Interest on borrowings received	140,664	593,955
Interest on lease liabilities	248,026	325,381
Other interest	4,555	–
Total for line "Interest payable" of the Statement of Financial Results	2 346 000	2 662 572

18.5 Other income and expenses

thousand rubles

Index name	2023		2022	
	Income	Expenses	Income	Expenses
1	2	3	2	3
Other income/expenses from the sale of property, plants and equipment, except apartments	3,406	–	52,281	(11 580)
Other income/expenses from the sale of inventories	35,757	(31 364)	9,841	(8 112)
Other income/expenses from full or partial termination of the lease agreement/modification of the lease agreement	4,769	–	262	(5)
Profit/loss 2022, revealed in the reporting period	163,927	(206 584)	–	–
Profit/loss 2021, revealed in the reporting period	44,786	(80 425)	199,492	(382 270)

Index name	2023		2022	
	Income	Expenses	Income	Expenses
1	2	3	2	3
Profit/loss 2020, revealed in the reporting period	56,987	(163 969)	28,068	(163 150)
Profit/loss till January 1, 2020, revealed in the reporting period	42,987	(119 651)	227,071	(410 566)
Penalties, fines and forfeits recognized or those, for which decisions of the court (arbitration court) on their recovery have been received	349,332	(133 956)	468,105	(42 093)
Recording of surpluses, write-off of shortages and losses identified as a result of inventory	2,332	–	188	–
Provision for doubtful debts	813,999	(1 059 221)	636,088	(787 528)
Provision for impairment of inventories value	17,147	(2 314)	676	(121 696)
Estimated liabilities	453,383	(216 474)	876,060	(241 557)
Impairment (recovery of impairment) of property, plant and equipment and right-of-use assets	–	–	–	–
Provision for impairment of financial investments	2	(1)	5,848	–
Insurance claims receivable	228,978	–	566,521	–
Other operations	742,603	(2 935 838)	487,239	(2 240 704)
Total other income/expenses	2 960 395	(4 949 797)	3 557 740	(4 409 261)

19. Related Parties

In the course of its normal activities, the Company carries out operations with enterprises that are related parties in accordance with Russian accounting legislation.

For the purposes of information disclosure, the Company's related parties include its subsidiaries, the parent company - "Rosseti" PJSC, subsidiaries of "Rosseti" PJSC, key management personnel, as well as non-governmental pension funds acting in the interests of the Company's employees.

Information on benefit paid to key management personnel is provided in section 19 "Benefit Paid to Members of the Management Board, Board of Directors, and Audit Commissions".

Information on operations with non-governmental pension funds acting in the interests of the Company's employees is provided in section 21 "Relations with Non-Governmental Pension Funds".

In accordance with paragraph 16 of RAR 11/2008, information about related parties is disclosed to a limited extent. Operation amounts and settlement balances with related parties are disclosed separately for the following groups of related parties: parent company, subsidiaries, and other related companies.

19.1 The Company's revenue from sales of finished products and services to related parties

thousand rubles

Index name	2023	2022
1	2	3
Electricity transmission services:	2,408	1,493
- including the parent company	–	–
- including subsidiaries	2,408	1,493
-including other related companies	–	–
Total for electricity transmission services	2,408	1,493
Technological connection services:	–	–
- including the parent company	–	–
- including subsidiaries	–	–
-including other related companies	–	–
Total for technological connection services	–	–
Revenue from the sale of electricity:	–	–
- including the parent company	–	–
- including subsidiaries	–	–
-including other related companies	–	–
Total for revenue from the sale of electricity	–	–
Other types of revenue:	126,004	18,721
- including the parent company	101,823	1,185
- including subsidiaries	18,713	10,871
-including other related companies	5,468	6,665
Total for other revenue types	126,004	18,721
Total revenue from sales to related parties	128,412	20,214

19.2 The cost of purchased goods, products, works, and services provided by related parties amounted to:

thousand rubles

Index name	2023	2022
1	2	3
Works and services of production nature, incl.:		
- from the parent company	10,148,102	8,327,814
- from subsidiaries	199,601	351,265
- from other related companies	3,557	1,987
Total works and services of production nature	10,351,260	8,681,066
Communication services, including:		
- from the parent company	–	–
- from subsidiaries	–	–
- from other related companies	38,008	35,591
Total for communication services	38,008	35,591
Information services and software, including:		
- from the parent company	11,026	–
- from subsidiaries	–	–
- from other related companies	79,710	41,632
Total information services and software, including:	90,736	41,632
Consulting services, including:		
- from the parent company	–	–
- from subsidiaries	–	–
- from other related companies	–	4,426
Total consulting services, including:	–	4,426
Property lease, including:		
- from the parent company	219	60
- from subsidiaries	167	–
- from other related companies	–	–
Total property lease	386	60
Other services, including:		
- from the parent company	36,101	126,093

Index name	2023	2022
1	2	3
- from subsidiaries	46,709	80,999
- from other related companies	8,457	10,073
Total other services	91,267	217,165
Total prime cost of purchases from related parties	10,571,657	8,979,940

Purchases from related parties were conducted on normal commercial terms.

19.3 Status of settlements with related parties, as well as information on debt financial investments

Receivables

thousand rubles

Index name	December 31, 2023		December 31, 2022		December 31, 2021	
	Debt	Reserve	Debt	Reserve	Debt	Reserve
1	2	3	4	5	6	7
Receivables from buyers and customers, including:	11,506	10,762	33,556	32,403	64,597	62,308
Parent company	4	–	–	–	–	–
Subsidiaries	740	–	392	–	926	–
Other related parties	10,762	10,762	33,164	32,403	63,675	62,308
Advances paid, including:	213,422	–	127,448	–	211,818	–
Parent company	10,489	–	–	–	–	–
Subsidiaries	190,397	–	127,448	–	211,818	–
Other related parties	12,536	–	–	–	–	–
Other receivables, including:	86,773	38,354	73,764	36,021	75,880	42,085
Parent company	32,212	–	–	–	–	–
Subsidiaries	–	–	–	–	–	–
Other related parties	54,561	38,354	73,764	36,021	75,880	42,085
Total receivables of related parties	311,701	49,116	234,768	68,424	352,295	104,393

19.4 Payables

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Settlements with suppliers and contractors, including:	85,053	88,663	92,134
Parent company	–	–	–
Subsidiaries	–	–	–
Other related parties	85,053	88,663	92,134
Settlements of advances received, including:	–	–	–
Parent company	–	–	–
Subsidiaries	–	–	–
Other related parties	–	–	–
Other receivables, including:	–	–	–
Parent company	–	–	–
Subsidiaries	–	–	–
Other related parties	–	–	–
Total long-term payables to related parties	85,053	88,663	92,134
Settlements with suppliers and contractors, including:	1 411 299	1 840 046	1,597,148
Parent company	1,024,885	–	–
Subsidiaries	364,885	683,027	487,352
Other related parties	21,529	1 157 019	1,109,796
Settlements of advances received, including:	36	685,922	602

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Parent company	36	–	–
Subsidiaries	–	182	566
Other related parties	–	685,740	36
Other receivables, including:	180,532	60,455	110,535
Parent company	17,913	19,926	62,710
Subsidiaries	4,342	20,801	5,901
Other related parties	158,277	19,728	41,924
Total short-term payables to related parties	1 591 867	2 586 423	1 708 285

19.5 Cash flows from operations with related parties

thousand rubles

Index name	For 2023	For 2022
1	2	3
Cash flows from current operations		
Proceeds from the sale of products, including:	44,657	573,430
Parent company	10,305	–
Subsidiaries	2,604	2,010
Other related parties	31,748	571,420
Proceeds from lease payments, including:	1,854	1,649
Parent company	–	–
Subsidiaries	1,321	1,649
Other related parties	533	–
Other proceeds, including:	198,514	16,567
Parent company	99,354	–
Subsidiaries	13	10
Other related parties	99,147	16,557
Payments to suppliers for raw materials, works, services, including:	(11 870 343)	(756 837)
Parent company	(11 291 807)	(124 535)
Subsidiaries	(325 587)	(373 228)
Other related parties	(252 949)	(259 074)
Interest payments on debt obligations, including:	(140 393)	(624 483)
Parent company	(98 709)	(600 829)
Subsidiaries	–	–
Other related parties	(41 684)	(23 654)
Other payments, transfers, including:	(403 065)	(83 588)
Parent company	(238)	–
Subsidiaries	(44 679)	(79 748)
Other related parties	(358 148)	(3 840)
Cash flows from investment operations		
Proceeds from the sale of fixed assets (other than financial investments), including:	–	49,900
Parent company	–	–
Subsidiaries	–	–
Other related parties	–	49,900
Proceeds from the return of borrowings granted, from the sale of debt securities (rights to claim funds from other persons), including:	–	–
Parent company	–	–
Subsidiaries	–	–
Other related parties	–	–
Proceeds dividends, interest on debt financial investments and similar proceeds from participation interest in other organizations, including:	–	665
Parent company	–	–
Subsidiaries	–	–
Other related parties	–	665

Index name	For 2023	For 2022
1	2	3
Payments in connection with the acquisition, creation, modernization, reconstruction and preparation for the use of fixed assets, including:	(1 297 548)	(1 225 015)
Parent company	–	–
Subsidiaries	(1 095 077)	(1 016 035)
Other related parties	(202 471)	(208 980)
Payments in connection with the acquisition of debt securities (the rights to claim funds from other persons), the provision of borrowings to other persons, including:	–	–
Parent company	–	–
Subsidiaries	–	–
Other related parties	–	–
Cash flows from financial operations		
Proceeds from loans and borrowings, including:	450,000	–
Parent company	–	–
Subsidiaries	–	–
Other related parties	450,000	–
From issuance of shares, increase in participation interest:	3,566,562	2,104,202
Parent company	3,566,562	2,104,202
Subsidiaries	–	–
Other related parties	–	–
For the payment of dividends and other payments for the distribution of profits in favor of the owners (participants), including:	(863 601)	(872 691)
Parent company	(863 601)	(872 691)
Subsidiaries	–	–
Other related parties	–	–
In connection with the redemption (repurchase) of promissory notes and other debt securities, repayment of loans and borrowings:	–	(4 800 000)
Parent company	–	(4 200 000)
Subsidiaries	–	–
Other related parties	–	(600 000)

20. Benefit paid to members of the Management Board, the Board of Directors, and Audit Commissions

In 2023, the Company accrued benefit in the amount of 14,424 thousand rubles to the members of the Board of Directors and the Management Board, in addition, insurance premiums were accrued for these payments in the amount of 3,283 thousand rubles (for 2022 – 19,079 thousand rubles, in addition, insurance premiums 5,604 thousand rubles).

In 2023, the Company accrued benefit to the members of the audit commission in the amount of 792 thousand rubles, in addition, insurance premiums of 241 thousand rubles. (for 2022 – 793 thousand rubles, in addition, insurance premiums of 241 thousand rubles).

21. Securities for obligations and payments

Securities for obligations and payments issued (received) by the Company is recorded on off-balance sheet accounts on the date of their issuance (receipt) in accordance with the terms of the agreement.

Availability and movement of securities for obligations and payments

thousand rubles

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Received, total	2 629 601	1,781,328	1 770 906

Index name	December 31, 2023	December 31, 2022	December 31, 2021
1	2	3	4
Bank guarantees	2 629 601	1,781,328	1 770 906
Surety agreements	–	–	–
Property pledge agreement	–	–	–
Other	–	–	–
Issued under own obligations, total	–	–	–
Surety	–	–	–

22. Relations with a non-governmental pension fund

Contributions to the Non–Governmental Pension Fund for voluntary pension insurance of the Company's employees were not made during 2023 (for 2022 – 21,543 thousand rubles, for 2021 - 20,734 thousand rubles).

23. Segment Information

The Company's internal management reporting system is based on segments related to electricity transmission and distribution, technological connection to electric networks in the regions of the Russian Federation.

In accordance with the requirements of RAR 12/2010 "Segment Information", the Company has defined the following composition of reporting segments:

- 1) electricity transmission;
- 2) technological connection to electrical networks.

The Company discloses information in accounting (financial) statements only for the above reporting segments. The remaining segments are reported as other segments. As part of the information on the reporting segments, the Company does not disclose cash flows from current, investment and financial operations due to the practical labor intensity of its presentation in the accounting (financial) statements.

For the years ended December 31, 2023 and December 31, 2022, the Company had 2 (two) counterparties, each of which accounted for over 10% of the Company's total revenue. The revenue received from these counterparties is reflected in the statements of the operating segment 1.

The total amount of revenue received from the Counterparty 1 for 2023 amounted to 22,014,240 thousand rubles, or 29.53% of the Company's total revenue (in 2022: 19,531,366 thousand rubles or 30.64%).

The total amount of revenue received from the Counterparty 2 for 2023 amounted to 33,223,931 thousand rubles, or 44.56% of the Company's total revenue (in 2022: 28,913,339 thousand rubles, or 45.36%).

thousand rubles

Index name	Period	Electricity transmission	Technological connection	Reporting segment name	Reporting segment name	Other	Total
1	2	3	4	5	6	8	9
Revenue from external consumers	2023	71,207,120	2,437,913	—	—	912,449	74,557,482
	2022	61,452,874	1,282,050	—	—	1,003,933	63,738,857
	2023	—	—	—	—	—	—
Sales proceeds between segments	2022	—	—	—	—	—	—
	2023	—	—	—	—	—	—
	2023	71,207,120	2,437,913	—	—	912,449	74,557,482
Total segment revenue	2022	61,452,874	1,282,050	—	—	1,003,933	63,738,857
Including							
- transmission revenue	2023	71,207,120	—	—	—	—	71,207,120
	2022	61,452,874	—	—	—	—	61,452,874
- revenue from technological connection	2023	—	2,437,913	—	—	—	2,437,913
	2022	—	1,282,050	—	—	—	1,282,050
- revenue from the sale of electricity	2023	—	—	—	—	—	—
	2022	—	—	—	—	—	—
- other revenue	2023	—	—	—	—	912,449	912,449
	2022	—	—	—	—	1,003,933	1,003,933
Interest receivable	2023	—	—	—	—	438,913	438,913
	2022	—	—	—	—	109,410	109,410
Interest payable	2023	2,346,000	—	—	—	—	2,346,000
	2022	2,662,572	—	—	—	—	2,662,572
Profit tax expense	2023	2,110,143	245,473	—	—	25,281	2,380,897
	2022	1,704,481	172,051	—	—	59,420	1,935,952
Segment profit/(loss)	2023	4,344,057	1,457,878	—	—	364,585	6,166,520
	2022	4,725,107	448,133	—	—	71,237	5,244,477
Assets of segments	2023	102,138,000	12,803,359	—	—	1,439,097	116,380,456
	2022	92,107,730	1,978,808	—	—	1,780,756	95,867,294
Including fixed assets	2023	85,099,564	3,436,424	—	—	1,063,814	89,599,802
	2022	77,618,628	1,723,676	—	—	1,282,168	80,624,472
Segment liabilities	2023	92,114,838	22,164,062	—	—	2,101,556	116,380,456
	2022	84,352,393	8,666,498	—	—	2,848,403	95,867,294
Depreciation of property, plant and equipment and intangible assets	2023	5,070,087	175,197	—	—	63,708	5,308,992
	2022	4,728,044	98,092	—	—	78,474	4,904,610
Amount of impairment losses recognized (recovered) in the reporting period	2023	—	—	—	—	—	—
	2022	—	—	—	—	—	—

24. Business Risk Information

In the course of business activities, the Company is exposed to various risks that can significantly affect the financial position and financial results of the Company's activities.

Uninterrupted supply of electric energy to industrial consumers and the public is a national task. Federal Law No. 35-FZ *"On Electric Power Industry"* establishes that the electric power industry is the basis for the functioning of the economy and life support, therefore, coordination of the activities of interested parties should be carried out taking into account the achievement of the necessary balance of interests between investors and the state.

Based on the strategic purpose of the industry, the Company is constantly working to identify and assess risks, to develop and implement risk response measures in order to maintain its effectiveness and manage business continuity.

Country and regional risks

Since 2022, the conditions for the functioning of the Russian economy have changed significantly (see the section *"The economic environment in which the Company operates"*).

Due to the specifics of the Company's activities and its resistance to the external environment, the impact of changes in business conditions directly on the Company is limited. The Company will continue to carry out continuous activities to ensure reliable, high-quality and affordable power supply and technological connection of consumers in the territory of the Russian Federation.

The Company is taking measures to optimize operating and investment expenses, and to implement a balanced policy in the field of liquidity management.

The Company focuses on strengthening measures in the field of ensuring information security and protection of electric grid infrastructure facilities, protecting the health and social well-being of employees.

Taking into account the current conditions, the Company is taking measures to improve the state of anti-terrorist and anti-sabotage protection of facilities, strengthen the protection of facilities. The Company's anti-terrorist policy is carried out in strict accordance with the requirements of Federal Law No. 256-FZ dated July 21, 2011 *"On the Safety of Fuel and Energy Complex Facilities"*, the requirements of the Decree of the Government of the Russian Federation dated September 19, 2015 No. 993 *"On Approval of Requirements for Ensuring the Safety of Linear Facilities of the Fuel and Energy Complex"*.

Industry risks. Risks associated with the Company's activities.

Risks of reducing electricity consumption

Given the macroeconomic situation that has developed as a result of the growing sanctions pressure on the Russian Federation, the risks of deterioration in the industry are primarily associated with a decrease in electricity consumption by industrial companies. In order to reduce the possible consequences of this risk, the Company carries out business planning taking into account possible fluctuations in the volume of services provided, implements a set of measures to reduce technological losses of electricity and optimize the investment program.

Risks of tariff regulation

The main activities of the Company (the sale of services for the electricity transmission and the implementation of technological connection to electric networks) are regulated by the state by setting tariffs for the services provided. The main risk factors of state regulation include, in particular, the discrepancy between the growth rate of the electricity transmission tariff and the actual inflation rate, the establishment of a fee for technological connection that does not fully compensate the Company's expenses. The Company implements measures aimed at improving the efficiency of operating and investment activities, consistent implementation of approved tariff regulation parameters and preparation of balanced and economically reasonable proposals for their adjustment and establishment.

Operational and technological risks

Operational and technological risks are associated with physical and moral deterioration of electrical network assets, violation of operating conditions and operating modes of electrical network equipment, damage to equipment, improper operation of relay protection of automatic devices and emergency automatic devices, failure to complete the repair plan to the required extent. In order to minimize operational and technological risks, the Company carries out its activities in accordance with the Regulation on the Unified Technical Policy in the Electric Network Complex.

The Company pays great attention to ensuring transparency and reliability of procedures for controlling the expenditure of funds within the framework of the implementation of the Company's investment program.

Risk associated with non-payments for services rendered for the electricity transmission by consumers of services

In order to minimize the risk of non-payments, the Company approved the Rules of Work with Receivables for Services Rendered in Electricity Transmission and the Rules of Work with Receivables for Electricity Supplied, provided control over the implementation of measures provided for in the Rules - quarterly at meetings of the Board of Directors of the Company action plans to reduce overdue debts are approved and reports on their implementation are considered.

The Company follows the methodological recommendations of the parent company "Rosseti" PJSC on the preparation of materials in relation to counterparties who maliciously evade debt repayment, for organizing a pre-investigation check on the signs of a crime under Article 177 of the Criminal Code of the Russian Federation, methodological recommendations on the procedure for sending appeals, applications and petitions to the Federal Bailiff Service and its territorial authorities, methodological recommendations on the procedure for interaction with Interregional departments of Rosfinmonitoring for conducting financial investigations.

In order to reduce the risks of non-payments caused by disagreements, the Company implements measures to develop and improve electricity metering systems.

Financial risks

In the course of its normal financial and business activities, the Company is exposed to a variety of financial risks, including, but not limited to, the following: credit risk, liquidity risk, and market risk (currency risk, interest rate risk, and price risk).

Credit risk

Credit risk is the risk that the Company will incur a financial loss caused by the buyer or counterparty's failure to fulfill its contractual obligations in full and on time. Credit risk relates mainly to the Company's receivables, bank deposits, cash and cash equivalents.

Taking into account the structure of the Company's counterparties, the Company's exposure to credit risk mainly depends on the individual characteristics of each counterparty.

Deposits with an initial maturity period of more than three months, cash and cash equivalents are placed in financial institutions that have a minimum risk of default, are considered reliable counterparties with a stable financial position in the financial market of the Russian Federation.

The carrying amount of receivables, net of expected credit loss provisions, represents the maximum amount exposed to credit risk. Although the collection of receivables may be influenced by economic and other factors, there is no significant risk of losses exceeding the provision created.

For effective management of receivables, the Company monitors changes in the volume of receivables and its structure by allocating current and overdue accounts. In order to minimize credit risk, the Company implements measures aimed at timely fulfillment of contractual obligations by counterparties, reducing and preventing the creation of overdue accounts. Such measures, in particular, include: conducting negotiations with service consumers, increasing the efficiency of the process of forming the volume of electricity transmission services, ensuring the implementation of schedules for monitoring readings and technical verification of electricity metering tools agreed with guaranteed supply companies, limiting the electricity consumption regime (implemented in accordance with the norms of the legislation of the Russian Federation), claims work, presentation of claims for the provision of financial security in the form of independent (bank) guarantees, collateral and other forms of security for the fulfillment of obligations.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations at maturity. Liquidity risk management involves the maintenance of sufficient funds and the availability of financial resources by attracting credit facilities.

The Company follows a balanced model of working capital financing through the use of both short-term and long-term sources. Temporarily available funds are placed in the form of short-term financial instruments, mainly bank deposits. The Company's approach to liquidity management is to ensure that the Company has sufficient liquidity to meet its obligations on time without incurring illegible losses or exposing to risk the Group's reputation.

Information on the amounts of the free limit on the Company's open but unused loan lines as of the reporting date is provided in the section "Loans and Borrowings". The Company has a chance to raise additional funding within the relevant limits, including to ensure the fulfillment of its short-term obligations.

The Company manages its debt position by implementing credit policies aimed at improving financial stability, optimizing its debt portfolio and building long lasting relationships with participants in the debt capital market. To manage the debt position, the Company applies limits, including the categories of capital leverage, debt coverage, and debt servicing coverage.

Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates, commodity prices and cost of capital, which will affect the Company's financial performance. The purpose of market risk management is to control market risk exposure and keep it within acceptable limits, while optimizing the return on investment.

Interest rate risk

The purpose of interest rate risk management is to prevent losses due to adverse changes in the level of market interest rates.

The Company attracts borrowed funds for the purposes of debt refinancing, financing investment and operating activities. The Company does not adhere to any established rules when determining the ratio between loans and borrowings at fixed and floating rates and analyzes the exposure to interest rate risks in dynamics.

The Company's debt portfolio is formed from instruments with both fixed and floating interest rates for the purpose of risk diversification in case of market fluctuations. At the same time, at the time of raising new loans and borrowings, on the basis of judgment, it is decided which rate - fixed or floating - will be most beneficial for the Company for the entire settlement period until maturity.

The principles of state regulation in the electric power industry assume that economically reasonable costs are taken into account when setting tariffs, which in the long term allows taking into account the market level of interest rates when setting tariffs. Due to the above factors, as well as taking into account the moderate debt burden of the Company, the impact of changes in the level of market interest rates on the financial condition of the Company is limited.

Legal risks

In order to minimize various types of legal risks, the Company necessarily carries out a preliminary legal analysis of planned legislative initiatives, corporate procedures, transactions concluded, and other aspects of financial and economic activities provided for by current legislation and/or the Company's Charter.

Risks associated with changes in legislation on taxes and fees

The Company belongs to the category of the largest taxpayers. The Company's activities are based on the principles of integrity and openness to tax authorities. The Company constantly monitors changes in legislation and takes measures to obtain information about possible changes at the stage of their preliminary discussion. The Company does not see in the short term any significant risks arising in its financial and economic activities related to fundamental changes in tax legislation.

Risks associated with changes in licensing requirements for the Company's principal activity

There are no legal risks of the Company related to changes in licensing requirements for its principal activity, as the Company's principal activity is not licensed.

Risks associated with antimonopoly regulation

The Company has adopted a number of organizational and administrative documents regulating activities for the prevention and combating of corruption, which have been developed and approved taking into account the current requirements of anti-corruption legislation. The Company is working on the prevention of corruption, legal education and the formation of the foundations of law-abiding behavior of employees and many other anti-corruption procedures.

The new version of the Anti-Corruption Policy of "Rosseti" PJSC and subsidiaries of "Rosseti" PJSC was approved by the decision of the Board of Directors of "Rosseti" PJSC (extract from the Minutes No. 620/2 dated June 7, 2023). The document defines a unified approach to the implementation of the requirements of Article 13.3 of Federal Law No. 273-FZ dated December 25, 2008 *"On Combating Corruption"*, concerning the obligation of "Rosseti" PJSC and its subsidiaries to develop and take measures to prevent and combat corruption: identification and subsequent elimination of the causes of corruption (prevention of corruption); identification, prevention and suppression of corruption and other offenses; minimization and (or) elimination of the consequences of corruption and other offenses, including those provided for in Art. 19.28 "liability for illegal benefit on behalf of a legal entity" of the Administrative Code of the Russian Federation.

The Code of Corporate Ethics and Official Conduct of Employees has been approved, developed taking into account the best practices in the field of corporate governance and aimed at improving the level of corporate culture of employees. The Code of Corporate Ethics defines the basic norms and rules of individual and collective behavior of employees, members of the Company's management and control bodies.

In order to comply with the anti-corruption legislation of the Russian Federation and improve anti-corruption activities in the Company, an Anti-Corruption Clause has been approved, which is included in all agreements concluded. By signing it, a counterparty confirms that the Anti-Corruption Charter of Russian Business, the Anti-Corruption Policy of "Rosseti" PJSC / subsidiaries of "Rosseti" PJSC has been read and understood by it, certifying that it fully accepts its provisions and undertakes to ensure compliance with the requirements of the Anti-Corruption Policy.

The Company has implemented an interactive channel of interaction with applicants through a corporate website, a telephone hotline for reports of corruption.

Risk of information security

The risk of information security is associated with the implementation of information threats, including those caused by the lack (vulnerability) of the information technologies used.

The information security system of the Company is created taking into account the critical infrastructure facilities operated in the structural divisions of the Company, and includes a set of measures necessary to ensure the continuity of their functioning.

Risks associated with geographical and climatic features. Environmental risk

Climatic, seismic and other natural conditions of the regions where the production assets of the Company's structural divisions engaged in electricity transmission activities are located are risk factors for the Company's activities. In particular, natural phenomena caused by temperature changes, such as a hurricane, flooding, heavy snowfall and freezing rain, can cause damage to the Company's production assets, primarily electricity transmission lines.

The possibility of natural phenomena affecting electrical network facilities, as well as factors of remoteness and (or) inaccessibility, are taken into account at the planning and design stages and when determining the composition of protective equipment. During the construction of electric network facilities, design solutions are used to protect facilities from the negative effects of natural factors, the placement of repair bases and emergency provisions is carried out taking into account the remoteness of electric network facilities.

The legislation on environmental protection in the Russian Federation continues to develop, the duties of competent government bodies for monitoring its compliance are being revised. The probability of damage (compensation for harm) associated with the negative impact of the Company's production and economic activities on the environment is assessed as insignificant, since the Company does not operate production facilities that have a significant negative impact on the environment. With the existing control system and current legislation, there are no probable liabilities that may have a significant negative impact on the Company due to environmental risks.

Other risks

In order to manage risks, the Company pays great attention to other risks. The Company constantly implements a set of measures designed to monitor risks and reduce the probability and severity of possible adverse consequences, including liability distribution, control, diversification and insurance.

25. Events after the reporting period.

There are no events after the reporting date that have or may have an impact on the financial condition, cash flows or results of operations of the Company and that took place between the reporting date and the date of signing the accounting statements for the reporting year.

Deputy General Director for
Economics and Finance of "Rosseti Kuban" PJSC _____ K.A. Iordanidi

Chief Accountant of "Rosseti Kuban" PJSC _____ L.V. Loskutova

Date March 15, 2024

APPENDIX 5

CONSOLIDATED IFRS FINANCIAL STATEMENTS FOR 2023 WITH THE AUDITOR’S REPORT

ООО «ЦАТР — аудиторские услуги»
Прошито и пронумеровано 75 листа(ов)

Independent Auditor's
Report
on Consolidated Financial Statements
**of Public Joint-Stock Company
Rosseti Kuban
and its subsidiaries**
for 2023
March 2024

**Independent Auditor's
Report
on Consolidated Financial Statements
of Public Joint-Stock Company
Rosseti Kuban
and its subsidiaries**

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Independent Auditor's Report

To Shareholders and the Board of Directors
of "Rosseti Kuban" Public Joint-Stock Company

Opinion

We have conducted an audit of the Consolidated Financial Statements of Rosseti Kuban Public Joint Stock Company and its affiliates (the "Company", "Group"), consisting of the Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2023, the Consolidated Statement of Financial Position as of December 31, 2023, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for 2023, and Notes to the Consolidated Financial Statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying Consolidated Financial Statements fairly represents in all material respects the Consolidated Financial Position of the Group as of December 31, 2023, as well as its Consolidated Financial Results and Consolidated Cash Flows for 2023, in accordance with International Financial Reporting Standards (IFRS).

Basis for our audit opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under these standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our opinion. We are independent of the Group in accordance with the ethical requirements of the Code of Professional Ethics for Auditors and the Rules on Independence of Auditors and Audit Organisations applicable to our audit of the consolidated financial statements in the Russian Federation and the International Code of Ethics for Professional Accountants (including International Standards on Independence) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is adequate and appropriate to provide a basis for our audit opinion.

Key audit issues

Key audit issues are issues that, according to our professional judgment, were the most significant to our audit of the consolidated financial statements for the current period. These issues were considered in the context of our audit of the Consolidated Financial Statements as a whole and in the formation of our opinion on these Statements, and we do not express a separate opinion on these issues. With respect to each of the issues below, our description of how the relevant matter was addressed in our audit is given in this context.



We have fulfilled the responsibilities described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our opinion, including in relation to these issues. Accordingly, our audit included the implementation of procedures developed in response to our assessment of the risks of material misstatement of the Consolidated Financial Statements. The results of our audit procedures, including those conducted during the consideration of the following issues, serve as a basis for our audit opinion on the accompanying Consolidated Financial Statements.

Key audit issue	How the relevant key issue was addressed in our audit
Recognition and measurement of revenue from electricity transmission services	
Recognition and measurement of revenue from transmission services was one of the most significant issues of our audit due to the specific nature of the mechanisms of operation of the electricity market, which leads to disagreements between electrical network, energy retail and other companies regarding the volume and cost of electricity transferred. The amount of revenue disputed by counterparties is material to the financial statements of the Group. The management's assessment of the probability of resolving disagreements in its favor is to a great degree subjective. Revenue is recognised when, subject to assumptions, disagreements are resolved in favour of the Group.	We reviewed the accounting policy applied with respect to the recognition of revenue from electricity transmission services, studied the system of internal control over the recording of this revenue, checked the determination of the corresponding amounts of revenue based on the concluded contracts for the electricity transmission, on a sample basis received confirmations of accounts receivable balances from counterparties, conducted an analysis of the results of litigation settlements in relation to the disputed amounts of services rendered, if any, and assessment of the current procedures for confirming the volumes of electricity transmitted.
Information on revenues from transmission services is disclosed in clause 6 of the Notes to the Consolidated Financial Statements.	
Provision for expected credit losses on trade receivables	
The issue of creating a provision for expected credit losses on trade receivables was one of greatest importance for our audit due to the material balances of trade receivables as of December 31, 2023, as well as the fact that the management's assessment of the possibility of recovering these receivables is based on assumptions, in particular, on the forecast of the solvency of the Group's customers.	We studied the Group's accounting policy in relation to trade receivables for provision for expected credit losses on trade receivables and reviewed the assessment procedures made by the Group's management, including analysis of the payment of trade receivables, analysis of dates of maturity and delinquency, and analysis of customer solvency.
The provision for expected credit losses on trade receivables is disclosed in clause 20 of the Notes to the Consolidated Financial Statements.	We conducted audit procedures with respect to the information used by the Group to determine the provision for expected credit losses on trade receivables, as well as the structure of receivables by terms of maturity, and tested the calculation of accrued provisions.



Key audit issue	How the relevant key issue was addressed in our audit
Recognition, measurement and disclosure of provisions and contingent liabilities	
Recognition, measurement and disclosure of provisions and contingent liabilities in relation to litigation and claims of counterparties (including territorial electrical network and energy retail companies) were among the most significant issues of our audit due to the fact that they require significant judgments of the management in relation to material amounts of balances of payments with counterparties disputed in the framework of litigation or in the process of pre-trial settlement.	Audit procedures, among others, included reviewing decisions made by courts at different levels and reviewing the management's judgements regarding the assessment of the probability of economic outflows as a consequence of the resolution of disputes, examining the compliance of the prepared documentation with the provisions of existing contracts and legislation, and reviewing the disclosures of provisions and contingent liabilities in the Notes to the Consolidated Financial Statements.
Information on provisions and contingent liabilities is disclosed in clauses 31 and 34 of the Notes to the Consolidated Financial Statements.	
Impairment of capital assets	
Due to indicators of impairment of capital assets as of December 31, 2023, the Group conducted an impairment test. The value in use of property, plant and equipment representing a significant share of the Group's capital assets as of December 31, 2023 was determined using the method of forecasting cash flow.	As part of our audit procedures, we, among other things, analyzed the Group's assumptions and techniques, in particular those relating to projected electricity transmission revenues, tariff solutions, operating and capital costs, terminal growth rate of tariffs and discount rates. We tested on a sample basis the input data included in the model and tested the arithmetic accuracy of the model used to determine the recoverable amount in the impairment test of property, plant and equipment. We engaged internal evaluation officers to analyze the model used to determine recoverable amount in the impairment test of property, plant and equipment. We also reviewed the sensitivity of the model to changes in key measurement indicators and the disclosures of the Group about the assumptions on which impairment testing results are most dependent.
The issue of testing property, plant and equipment for impairment was one of the most material to our audit, as the balance of property, plant and equipment constitutes a significant part of all assets of the Group at the reporting date, and also because the process of management evaluating the value in use is complex, largely subjective and based on assumptions, in particular, on the forecast of the volumes of electricity transmission, electricity transmission tariffs, as well as operating and capital expenditures, which depend on the expected future market and economic conditions in the Russian Federation.	
Information on the analysis of capital assets for impairment was disclosed by the Group in clause 13 of the Notes to the Consolidated Financial Statements.	



Other information included in the Annual Report for 2023

Other information includes information contained in the Annual Report for 2023, but does not include the consolidated financial statements and our audit report thereon. The management is responsible for other information. The Annual Report 2023 is expected to be provided to us after the date of this Audit Report.

Our opinion on the Consolidated Financial Statements does not apply to other information and we will not provide a conclusion with confidence in any form with respect to this information.

In connection with our audit of the Consolidated Financial Statements, it is our responsibility to familiarize ourselves with the above-mentioned other information when it is provided to us and in this case to consider whether there are material inconsistencies between the other information and the Consolidated Financial Statements or our knowledge obtained during the audit and whether the other information contains any other material misstatement.

The responsibility of the management and Audit Committee of the Board of Directors for the Consolidated Financial Statements.

The management is responsible for the preparation and fair presentation of these Consolidated Financial statements in accordance with IFRS and for the internal control system that management considers necessary for the preparation of the Consolidated Financial Statements that are free from material misstatements, whether due to fraud or error.

In the preparation of the Consolidated Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, for disclosing information related to going concern, as appropriate, and for reporting on a going concern basis, unless the Management intends to liquidate the Group, cease its activities, or management has no realistic alternative to such activities.

The Audit Committee of the Board of Directors is responsible for supervision over the preparation of the Group's Consolidated Financial Statements.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance that the Consolidated Financial Statements are generally free from material misstatement due to fraud or error and to issue an audit opinion containing our opinion. Reasonable assurance represents a high degree of certainty, but is not a guarantee that an audit conducted in accordance with International Auditing Standards will always reveal a material misstatement if any. Misstatements may be the result of fraud or error and are considered material if it can reasonably be assumed that individually or collectively they could have an impact on users' economic decisions made on the basis of these Consolidated Financial Statements.



As part of an audit in accordance with International Auditing Standards, we exercise professional judgment and we remain professional skeptics throughout the audit process Besides, we perform the following:

- ▶ identify and assess the risks of material misstatement of the Consolidated Financial Statements due to fraud or errors; design and perform audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk that a fraud-induced material misstatement will not be detected is greater than the risk that an error-based material misstatement will not be detected, as fraud may include collusion, forgery, omission, misrepresentation of information or actions bypassing the system of internal control;
- ▶ delve into the internal control system that is relevant to the audit for the purpose of developing audit procedures that are appropriate in the circumstances, rather than for the purpose of expressing an opinion on the effectiveness of the Group's internal control system;
- ▶ assess the appropriate nature of the accounting policies used and the reasonableness of the estimates calculated by management and the related disclosures;
- ▶ conclude about the lawfulness of the management in applying the going concern assumption and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw, in our auditor's report, attention to the related disclosures in the Consolidated Financial Statements; or, if such disclosure is inappropriate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Audit Report. Future events or conditions may, however, cause the Group to be unable to continue as a going concern;
- ▶ evaluate the presentation of the Consolidated Financial Statements in general, and its structure and content in particular, including information disclosure, and we also evaluate whether the Consolidated Financial statements present underlying transactions and events in such a way that their fair presentation is ensured;

We maintain communication with the Audit Committee of the Board of Directors, bringing to its attention, among other things, information about the planned volume and timing of the audit, as well as substantive audit remark, including significant deficiencies in the internal control system, if we identify them during the audit process.

We also provide the Audit Committee of the Board of Directors with a statement that we have observed all relevant ethical requirements related to independence and have informed these individuals of all relationships and other matters that may reasonably be considered to influence the independence of the auditor and, where appropriate, of actions taken to address threats or precautions.



Of the issues that we have brought to the attention of the Audit Committee of the Board of Directors, we identify issues that were most relevant to the audit of the Consolidated Financial Statements for the current period and which are therefore key audit issues. We describe these issues in our Audit Report, except cases when public disclosure of these issues is prohibited by law or regulation, or when in extremely rare cases we conclude that, that information on any issue should not be reported in our opinion, since it can reasonably be assumed that the negative consequences of reporting such information will exceed the socially significant benefits of reporting it.

The head of the audit, based on the results of which this independent auditor's report was issued,
- Tatyana Leonidovna Okolotina.

Tatyana Leonidovna Okolotina,
acting on the behalf of "Center for Audit Technologies and Solutions - Audit Services"
Limited Liability Company
on the basis of power of attorney w/o no. dated January 18, 2024,
head of audit, based on the results of which an audit report was drawn up (ORNZ 21906110171)

March 15, 2024

Information about the auditor

Name: "Center for Audit Technologies and Solutions - Audit Services" Limited Liability Company
The entry was made in the Unified State Register of Legal Entities on December 5, 2002 and the state registration number assigned is 1027739707203.
Location: 77 Bldg. 1, Sadovnicheskaya nab., Moscow, 115035, Russia
The "Center for Audit Technologies and Solutions - Audit Services" Limited Liability Company is a member of the "Commonwealth" Self-Regulatory Organization of Auditors Association (SRO AAS). The "Center for Audit Technologies and Solutions - Audit Services" Limited Liability Company is included in the control copy of the register of auditors and audit organizations under the main registration number 12006020327.

Information about the auditee

Name: "Rosseti Kuban" Public Joint Stock Company
The entry was made in the Unified State Register of Legal Entities on September 17, 2022, and the state registration number assigned is: 1022301427268.
Location: 2a Stavropolskaya street, Krasnodar, Krasnodar Territory, Russia, 350033.

Rosseti Kuban PJSC

Consolidated Statement of Profit or Loss and Other Comprehensive Income
(in thousands of Russian rubles, unless otherwise specified)

	Note	For the year ended December 31	
		2023	2022
Revenue	6	75,079,292	64,243,200
Operating expenses	9	(65,137,893)	(55,394,850)
Accrual of provision for expected credit losses		(321,817)	(625,294)
Net (impairment)/reversal of loss on property, plant and equipment, intangible assets and right-of-use assets	13, 14, 15	—	—
Other income	7	1,278,964	1,792,581
Other expenses	8	(91,951)	(115,294)
Operating profit		10,806,595	9 900 343
Financial income	11	691,823	123,324
Financial expenses	11	(2,166,920)	(2,473,317)
Total finance (expenses)		(1,475,097)	(2,349,993)
Profit before tax		9,331,498	7,550,350
Profit tax expense	12	(2,313,191)	(1,851,980)
Excess profit tax expense	12	(200,065)	—
Total profit tax expense	12	(2,513,256)	(1,851,980)
Profit for period		6,818,242	5,698,370
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of equity investments at fair value through other comprehensive income		(1)	—
Revaluation of defined benefit pension plan liabilities	27	(93,769)	(54,109)
Profit tax on other comprehensive income	12	18,754	10,822
Total items that will not be reclassified to profit or loss		(93,770)	(54,109)
Other comprehensive expenses for the period, net of profit tax		(75,016)	(43,287)
Total comprehensive income for the period		6,743,226	5,655,083
Profit attributable to:			
Owners of the Company		6,818,242	5,698,370
Total comprehensive loss attributable to:			
Owners of the Company		6,743,226	5,655,083
Earnings per share			
Basic and diluted earnings per share (rub.)	24	17.89	16.28

These Consolidated Financial Statements were approved by management on March 15, 2024 and signed on behalf of management by the following persons:

Deputy General Director for Economics and Finance <i>(according to the power of attorney dated November 20, 2023 in the register No. 23/256-н/23-2023-32-573)</i>	K.A. Iordanidi
Chief Accountant - Head of the Department of Accounting and Tax Management and Reporting	L.V. Loskutova

The accompanying notes form an integral part of these Consolidated Financial Statements.

Rosseti Kuban PJSC

Consolidated Statement of Financial Position
(in thousands of Russian rubles, unless otherwise specified)

	Note	December 31	December 31
		2023	2022
Assets			
Fixed assets			
Property, plant and equipment	13	80,129,480	69,358,559
Intangible assets	14	433,208	202,638
Right-of-use assets	15	2,167,437	3,397,399
Trade and other receivables	20	59,027	32,935
Assets related to employee benefits	27	290,712	302,550
Other financial fixed assets	16	—	1
Deferred tax assets	17	75,478	76,001
Advances paid and other fixed assets	21	12,674	8,129
Total fixed assets		83,168,016	73,378,212
Current assets			
Inventories	19	3,813,295	2,033,586
Other financial current assets	16	—	—
Prepayment of current profit tax		848,704	706,228
Security payment of excess profit tax	12	203,106	—
Trade and other receivables	20	5,181,974	6,853,100
Cash and cash equivalents	22	13,116,681	4,160,721
Advances issued and other current assets	21	170,236	131,821
Total current assets		23,333,996	13,885,456
Assets classified as held for sale	18	28,255	20,403
Total current assets		23,362,251	13,905,859
Total assets		106,530,267	87,284,071
Equity and liabilities			
Equity			
Authorized capital	23	33,465,784	33,465,784
Share premium		6,481,916	6,481,916
Share issue provision	23	6,430,824	2,864,262
Other provisions		(504,822)	(429,806)
Retained earnings / (cumulative loss)		4,000,005	(2,051,982)
Total equity attributable to the owners of the Company		49,873,707	40,330,174
Non-controlling interests		—	—
Total equity		49,873,707	40,330,174
Long-term liabilities			
Long-term borrowings	25	16,740,873	19,305,894
Long-term trade and other payables	28	1,365,507	93,604
Long-term advances received	30	9,919,938	1,973,121
Employee benefit liabilities	27	762,865	621,344
Deferred tax liabilities	17	1,215,987	393,341
Total long-term liabilities		30,005,170	22,387,304
Short-term liabilities			
Short-term borrowings and current portion of long-term borrowings	25	6,033,261	5,582,398
Trade and other payables	28	10,373,874	11,079,936
Taxes payable other than profit tax	29	1,566,363	1,231,772
Advances received	30	7,314,868	5,208,893
Estimated liabilities	31	1,160,021	1,460,893
Current profit tax debt		2,938	2,701
Excess profit tax debt	12	200,065	—
Total short-term liabilities		26,651,390	24,566,593
Total liabilities		56,656,560	46,953,897
Total equity and liabilities		106,530,267	87,284,071

The accompanying notes form an integral part of these Consolidated Financial Statements.

Rosseti Kuban PJSC
Consolidated Statement of Cash Flows
(in thousands of Russian rubles, unless otherwise specified)

	Note	For the year ended December 31	
		2023	2022
Cash flows from operating activities			
Profit (loss) for period		6,818,242	5,698,370
<i>Adjustments:</i>			
Impairment of property, plant and equipment, intangible assets and right-of-use assets	9	6,548,876	6 198 911
Net (impairment)/reversal of loss on property, plant and equipment, intangible assets and right-of-use assets	13, 14, 15	—	—
Accrual of provision for expected credit losses		321,817	625,294
Financial expenses	11	2,166,920	2,473,317
Financial income	11	(691,823)	(123,324)
Loss on disposal of property, plant and equipment	8	91,951	72,087
Loss on disposal of an intangible asset		(16,517)	—
Recovery of provision for impairment of inventories		(1,452)	50,057
Write-off of bad debts		101,925	499,599
Write-off of payables		(11,546)	(57,629)
Change in government subsidies		—	(370)
Change of estimated liabilities		(3,522)	(101,251)
Other non-cash transactions		(787,913)	(374,997)
Profit tax expense	12	2 513 256	1,851,980
Total effects of adjustments		10,231,972	11,113,674
Change in assets related to employee benefit liabilities		11,838	6,108
Change in employee benefit liabilities		(12,153)	(20,146)
Change in long-term trade and other receivables		40,454	(88,549)
Change in long-term advances paid and other fixed assets		(4,545)	(1,788)
Change in long-term trade and other payables		718,271	(7,648)
Change in long-term advances received		7,946,817	839,179
Cash flows from operating activities before changes in working capital and estimated liabilities		25,750,896	17,539,200
<i>Changes in operating assets and liabilities</i>			
Change in trade and other receivables		1,483,498	(1,335,773)
Change in advances paid and other assets		(38,782)	134,466
Inventory change		(1,778,257)	97,556
Change in trade and other payables		632,615	409,002
Change in advances received		2,112,142	3,272,213
Use of estimated liabilities		(383,552)	(557,745)
Cash flows from operating activities before profit tax and interest		27,778,560	19,558,919
Profit tax paid		(1,917,229)	(1,851,429)
Security payment of excess profit tax	12	(203,106)	—
Interest paid on leasing contracts		(259,924)	(341,457)
Interest paid		(2,090,271)	(2,408,038)
Net cash from operating activities		23,308,030	14,957,995

Rosseti Kuban PJSC
Consolidated Statement of Cash Flows
(in thousands of Russian rubles, unless otherwise specified)

	Note	For the year ended December 31	
		2023	2022
Cash flows from investment activities			
Acquisition of property, plant and equipment and intangible assets		(15,198,527)	(10,955,854)
Proceeds from the sale of property, plant and equipment and intangible assets		692	—
Interest received		434,855	106,369
Net cash used in investment activities		(14,762,980)	(10,849,485)
Cash flows from financial activities			
Borrowing funds		8,618,064	15,683,201
Repayment of borrowed funds		(9,461,511)	(15,616,215)
Proceeds from issue of shares	23	3,566,562	2,104,202
Dividends paid to the owners of the Company		(866,475)	(2,774,363)
Payments under lease obligations		(1,445,730)	(1,328,971)
Net cash received / (used) from/(in) financial activities		410,910	(1,932,146)
Net increase in cash and cash equivalents		8,955,960	2,176,364
Cash and cash equivalents at the beginning of the reporting period	22	4,160,721	1,984,357
Cash and cash equivalents at the end of the reporting period	22	13,116,681	4,160,721

The accompanying notes form an integral part of these Consolidated Financial Statements.

The accompanying notes form an integral part of these Consolidated Financial Statements.

Rosseti Kuban PJSC
Consolidated Statement of Changes in Equity
(in thousands of Russian rubles, unless otherwise indicated)

	Equity attributable to the owners of the Company				
	Authorized capital	Share premium	Share issue provision	Other provisions	Retained profit / (uncovered loss)
Balance as of January 1, 2023	33,465,784	6,481,916	2,864,262	(429,806)	(2,051,982)
Profit for period	—	—	—	—	6,818,242
Transfer of revaluation reserve on disposal of equity investment	—	—	—	(1)	(1)
Other comprehensive income	—	—	—	(93,769)	(93,769)
Profit tax on other comprehensive income (Note 12)	—	—	—	18,754	18,754
Total comprehensive income for the period	—	—	—	(75,016)	6,818,242
Share issue (Note 23g)	—	—	3,566,562	—	—
Declared dividends (Note 23v)	—	—	—	—	(766,500)
Write-off of unclaimed debt on previously declared dividends (Note 23v)	—	—	—	—	245
Balance as of December 31, 2023	33,465,784	6,481,916	6,430,824	(504,822)	4,000,005

The accompanying notes form an integral part of these Consolidated Financial Statements.

Rosseti Kuban PJSC
Consolidated Interim Condensed Statement of Changes in Equity
(in thousands of Russian rubles, unless otherwise indicated)

	Equity attributable to the owners of the Company				
	Authorized capital	Share premium	Share issue provision	Other provisions	Uncovered loss
Balance as of January 1, 2022	33,465,784	6,481,916	760,060	(386,519)	(4,874,655)
Profit for period	—	—	—	—	5,698,370
Other comprehensive income	—	—	—	—	—
Revaluation of net liabilities (assets) of pension liabilities	—	—	—	(54,109)	(54,109)
Profit tax on other comprehensive income (Note 12)	—	—	—	10,822	10,822
Total comprehensive income/(expense) for the period	—	—	—	(43,287)	5,698,370
Share issue (Note 23g)	—	—	2,104,202	—	—
Declared dividends (Note 23v)	—	—	—	—	(2,875,768)
Write-off of unclaimed debt on previously declared dividends (Note 23v)	—	—	—	—	71
Balance as of December 31, 2022	33,465,784	6,481,916	2,864,262	(429,806)	(2,051,982)

The accompanying notes form an integral part of these Consolidated Financial Statements.

Rosseti Kuban PJSC
*Notes to the Consolidated Financial Statements
for the year ended December 31, 2023
(in thousands of Russian rubles, unless otherwise specified)*

1 General

(a) The Group and its activities

The principal activity of "Rosseti Kuban" Public Joint Stock Company ("Rosseti Kuban" PJSC hereinafter referred to as the "Company") and its subsidiaries (hereinafter referred to as "the Group" or "the Rosseti Kuban Group of Companies") is the provision of services related to the electricity transmission and distribution through electrical networks and the provision of services related to the technological connection of consumers to the networks.

Revenue and operating expenses from these activities are disclosed in Notes 6 "Revenue" and 9 "Operating Expense".

The Rosseti Kuban Group of Companies consists of "Rosseti Kuban" PJSC and its subsidiaries with 100% participation in their authorized capital, namely, P/O Energetik JSC and Energoservice Kuban JSC.

Information on the Group's relationship with other related parties is provided in Note 35 "Transactions with Related Parties".

Location of "Rosseti Kuban" PJSC: 2A Stavropolskaya street, Krasnodar, Krasnodar Territory, Russia, 350033

(6) Relations with the state. Parent company.

The Government of the Russian Federation represented by the Federal Agency for the Administration of State Property is the ultimate controlling party of the Company (hereinafter referred to as the "Main Shareholder of the Company"). The policy of the Government of the Russian Federation in the economic, social and other spheres may have a significant impact on the Group's operations.

The state has influence on the Group's activities through representation on the Board of Directors of the parent company, regulation of tariffs in the electric power industry, approval and control over the implementation of the investment program. The Group's counterparties (consumers of services, suppliers and contractors) include a significant number of companies associated with the main shareholder of the parent company.

As of December 31, 2023, the share of the Russian Federation in the authorized capital of the parent company "Rosseti" PJSC was 88.04%; 88.89% in ordinary voting shares; 7.01% in preferred shares.

The Extraordinary General Meeting of Shareholders of "Rosseti" PJSC, which was held on September 16, 2022, decided to reorganize "Rosseti" PJSC in the form of a merger with "Federal Grid Company - Rosseti", in the manner and on the terms stipulated by the merger agreement.

"Federal Grid Company of the Unified Energy System" Public Joint Stock Company was renamed as "Federal Grid Company - Rosseti" Public Joint Stock Company (abbreviated as "Rosseti" PJSC). The corresponding changes were made to the Unified State Register of Legal Entities on October 12, 2022.

On January 9, 2023, information was entered into the Unified State Register of Legal Entities on the termination of the activities of "Rosseti" PJSC through reorganization in the form of a merger with the "Federal Grid Company of the Unified Energy System" Public Joint Stock Company, which is the universal successor of "Rosseti" PJSC. As a result of the reorganization, the share of participation of the Russian Federation in the authorized capital of the parent company of the "Federal Grid Company of the Unified Energy System" Public Joint Stock Company amounted to 75.000048 %.

Rosseti Kuban PJSC
*Notes to the Consolidated Financial Statements
for the year ended December 31, 2023
(in thousands of Russian rubles, unless otherwise specified)*

(B) Business environment in which the Group operates

The Group operates in the Russian Federation and is therefore exposed to risks related to the state of the economy and financial markets of the Russian Federation.

The economy of the Russian Federation manifests some characteristics typical of emerging markets. The country's economy is especially sensitive to oil and gas prices. Legal, tax and regulatory systems continue to develop and are subject to frequent changes, as well as admit the possibility of different interpretations. The ongoing geopolitical tension and sanctions imposed by a number of countries on certain sectors of the Russian economy, Russian organisations and individuals continue to have a negative impact on the Russian economy.

External sanctions against Russian companies and individuals continue in 2023. These circumstances have resulted in volatility in the Russian ruble exchange rate, increased volatility in the financial and commodity markets, and have significantly increased the level of uncertainty in the environment in which businesses operate in the Russian Federation. The extent and duration of these events remain uncertain and may affect the Group's financial position and results of operations. The future economic situation in the Russian Federation is dependent on external factors and measures undertaken by the Government of the Russian Federation. The Group takes all necessary measures to assure the stability of its own activities.

These Consolidated Financial Statements reflect management's view of the impact that the business environment in the Russian Federation has on the Group's operations and financial position. The future effects of the current economic situation and the above measures are difficult to predict, and management's current expectations and estimates may differ from actual results.

2 Principles of the consolidated financial statements

(a) Declaration of compliance with IFRS

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Each entity of the Group maintains individual records and prepares official financial statements in accordance with Russian Accounting Standards (RAS). These Consolidated Financial Statements have been prepared on the basis of RAS accounting data, adjusted and reclassified for the purposes of faithful representation in accordance with IFRS.

(6) Cost determining basis

These Consolidated Financial Statements have been prepared on the initial (historical) cost basis except for:

- financial assets at fair value through profit or loss
- financial assets measured at fair value through other comprehensive income.

(B) Functional and presentation currency

The national currency of the Russian Federation is the Russian Ruble ("ruble" or "rub."), which is used by the companies of the Group as the functional currency and presentation currency of these Consolidated Financial Statements. All numerical indices in Russian rubles were rounded to the nearest thousand, unless otherwise specified.

Rosseti Kuban PJSC

Notes to the Consolidated Financial Statements

for the year ended December 31, 2023

(in thousands of Russian rubles, unless otherwise specified)

(r) New standards, clarifications and amendments to effective standards

The Group has applied all of the new standards and amendments thereto, which are effective from January 1, 2023.

A number of new standards and interpretations have been published and are mandatory for annual periods beginning on or after January 1, 2024. The Group intends to adopt the standards and amendments for use as soon as they become effective; no significant impact on the Group's consolidated financial statements is expected:

- "Classification of Liabilities in Short-Term and Long-Term"; Amendments to IAS 1 (issued on January 23, 2020, and effective for annual periods beginning on or after January 1, 2022; the effective date was subsequently shifted to January 1, 2024 by the Amendments to IAS 1).
- Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets in Transactions between an Investor and its Associate or Joint Venture" (issued on September 11, 2014, and effective for annual periods that begin on or after a date to be determined by the IFRS/IAS Board).
- "Lease Commitments on Sale and Leaseback", Amendments to IFRS 16 (issued on September 22, 2022, and effective for annual periods that begin on or after January 1, 2024).
- "Long-Term Liabilities with Covenants", Amendments to IAS 1 (issued on October 31, 2022, and effective for annual periods that begin on or after January 1, 2024).
- "Supply Financing (Reverse Factoring) Transactions", Amendments to IAS 7 and IFRS 7 (issued on May 25, 2023 and effective for annual periods that begin on or after January 1, 2024).
- "Lack of Currency Convertibility", Amendments to IAS 21, "Effects of Changes in Foreign Exchange Rates" (issued on August 15, 2023 and effective for annual periods that begin on or after January 1, 2025).

(d) Changes in presentation. Reclassification of comparative data

Certain amounts in the comparatives for the previous period were reclassified in order to ensure their comparability with the procedure for reporting data in the current reporting period. All reclassifications carried out are immaterial.

(e) Use of accounting estimates and professional judgments

The preparation of the consolidated financial statements in accordance with IFRS requires management to use professional judgments, assumptions and estimates that affect how accounting policies are applied and in what amounts assets, liabilities, income and expenses are reflected. Actual results may differ from these estimates.

Management continually reviews estimates and assumptions based on experience and other factors that have formed the basis for measuring the book value of assets and liabilities. Changes in estimates and assumptions are recognized in the period in which they were adopted, if the change affects only that period, or are recognized in the period to which the change relates and in subsequent periods if the change affects both that period and future periods.

Rosseti Kuban PJSC

Notes to the Consolidated Financial Statements

for the year ended December 31, 2023

(in thousands of Russian rubles, unless otherwise specified)

Judgments that have the most significant impact on the performance reported in the consolidated financial statements, estimates and assumptions that may result in the need for a material adjustment to the carrying amount of assets and liabilities over the next year include:

Depreciation of property, plant and equipment, intangible assets and right-of-use assets

At each reporting date, the Group's Management determines whether there is indication of impairment of property, plant and equipment and right-of-use assets. Impairment indicators include changes in business plans, tariffs, and other factors leading to adverse effects on the Group's operations. In calculating value in use, the Group estimates the expected cash flows from cash-generating units and calculates a discount rate to calculate the present value of those cash flows. A cash-generating unit (hereinafter - a "CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The main criterion for determining a CGU is the indivisibility of the tariff and the impossibility of further detailed accounting and planning.

Determination of the lease term under agreements with an extension option or a lease termination option - the Group as a lessee

The Group defines the term of the lease as not subject to early termination of the lease term together with periods in respect of which there is an option to extend the lease if there is adequate assurance that it will be exercised or periods in respect of which there is an option to terminate the lease if there is adequate assurance that it will not be exercised.

When making a judgment to assess whether the Group has adequate confidence in the exercise of an extension option or a termination option when determining the lease term, the Group considers the following factors:

- whether the leased object is a specialized object;
- location of the object;
- whether the Group and the lessor have the practical option to select an alternative counterparty (selection of an alternative asset);
- costs associated with the termination of the lease and the conclusion of a new (replacement) contract;
- presence of major improvements of leased objects.

Impairment of receivables

A provision for expected credit losses on receivables is created based on management's assessment of the probability of recovery of specific debts of specific debtors. For the purpose of assessing credit losses, the Group consistently takes into account all reasonable and verifiable information about past events, current and forecasted events, which is available without excessive forces and is appropriate for assessing receivables. Past experience is adjusted based on current data to reflect current conditions that have no impact on prior periods and to exclude the impact of past conditions that no longer exist.

Liabilities under non-state pension plans

The costs associated with the defined benefit pension plan and the corresponding pension plan expenses are determined using actuarial calculations. Actuarial valuations envisage use of assumptions regarding demographic and financial data. Since this plan is a long-range one, there are material uncertainties about such valuations.

Recognition of deferred tax assets

Management estimates deferred tax assets at each reporting date and determines the amount to be reflected to the extent that tax deductions are likely to be used. In determining future taxable profits and sum of tax deductions, management uses estimates and judgments based on previous years taxable profits and expectations for future profits that are reasonable under present circumstances.

3 Material information on accounting policies

Rosseti Kuban PJSC
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The accounting policies described below have been applied consistently in all reporting periods presented in these Consolidated Financial Statements.

Amendments to standards in force effective for annual periods beginning on January 1, 2023 did not have a material impact on the Group's Consolidated Financial Statements.

(a) Consolidation principles

i. Subsidiaries

Subsidiaries are companies controlled by the Group. The Group controls a subsidiary when the Group is exposed to risk relating to variable income from investment project or entitled to receive such income and has the ability to exercise its authority over that subsidiary to influence that income. The financial statements of subsidiaries are recorded in the consolidated financial statements from the date of receipt of control to the date of termination.

The accounting policies of the subsidiaries underwent changes where they need to be aligned with the accounting policies adopted by the Group.

ii. Transactions excluded during consolidation

Intercompany balances and transactions, as well as unrealized income and expenses from intercompany operations, are eliminated in the preparation of the consolidated financial statements. Unrealized income on operations with equity-accounted investees are eliminated by reducing the value of the investment within the Group's interest in the investee. Unrealized losses are eliminated in the same order as unrealized income, but only to the extent that they are not evidence of impairment.

(6) Financial instruments

i. Financial assets

The Group classifies financial assets into the following measurement categories: subsequently measured at amortised cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss. The classification depends on the business model for managing financial assets and contract-stipulated cash flow characteristics.

Financial assets are classified as measured at amortised cost if the following conditions are fulfilled: the asset is kept within a business model, the purpose of which is to retain assets to receive contractual cash flows, and the terms of the contract determine the receipt on the specified dates of cash flows that are only payments to the principal and interest on the outstanding portion of the principal.

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The Group includes the following financial assets in the category of financial assets measured at amortised cost:

- trade and other receivables that satisfy the definition of financial assets in the event that the Group has no intention to sell it immediately or in the near future;
- cash and cash equivalents.

For financial assets classified as measured at amortised cost, a provision is created for expected credit losses (hereinafter referred to as "ECL").

When the Group derecognises financial assets at amortised cost and fair value through profit or loss, the Group reflects in the consolidated statement of profit or loss and other comprehensive income (through profit or loss) the financial result of their disposal equal to the difference between the fair value of the consideration received and the book value of an asset.

In the category of financial assets at fair value through other comprehensive income, the Group includes equity instruments of other entities that are:

- not classified as at fair value through profit or loss; and
- do not provide the Group with control, joint control or material influence over the investee company.

When equity instruments of other companies classified at the Group's discretion as measured at fair value through other comprehensive income are derecognized, previously recognised components of other comprehensive income are transferred from the fair value provision to retained profit.

ii. Impairment of financial assets

Impairment provisions are assessed either on the basis of 12-month ECL that are the result of possible default within 12 months of the reporting date or lifetime ECL that are the result of all possible default events within the expected life of the financial instrument.

For trade receivables or contract assets arising from transactions relating to the scope of IFRS 15 "*Revenue from Contracts with Buyers*" (including those containing a significant financing component) and lease receivables, the Group applies a simplified approach to estimating the provision for expected credit losses - an estimate of the amount equal to the expected credit losses over the period.

Provisions for impairment of other financial assets classified as measured at amortised cost are measured based on 12-month ECL unless there has been a significant increase in credit risk since recognition. The credit loss provision for expected credit losses on a financial instrument is measured at each reporting date at an amount equal to the expected credit losses for the entire period if the credit risk on that financial instrument has increased significantly since initial recognition, taking in consideration all reasonable and verifiable information, including forecasting information.

As indicators of a significant increase in credit risk, the Group considers the actual or expected difficulties of the issuer or debtor on the asset, the actual or expected violation of the terms of the contract, the expected revision of the terms of the contract because of financial difficulties of the debtor on conditions unfavorable for the Group and would not have agreed to under other circumstances.

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Based on common credit risk management practices, the Group defines default as the failure of the counterparty (issuer) to fulfil its obligations (including repayment of money under the contract) due to a material deterioration in its financial position.

An impairment credit loss on a financial asset is carried out by recognition of the valuation provisions for its impairment. For a financial asset carried at amortised cost, the amount of the impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the expected future cash flows discounted at the original effective interest rate.

If, in subsequent periods, the credit risk of a financial asset is reduced as a result of an event that occurred after the loss was recognized, the previously recognised impairment loss is reversed by reducing the corresponding valuation provision. As a result of the reversal, the book value of the asset should not exceed its value at which it would have been reflected in the Consolidated Statement of Financial Position had the impairment loss not been recognised.

iii. Financial obligations

The Group classifies financial obligations into the following measurement categories: financial obligations at fair value through profit or loss; financial obligations measured at amortised cost.

The Group includes the following financial obligations in the category of financial liabilities measured at amortised cost:

- loans and borrowings (borrowed funds);
- trade and other payables.

Loans and borrowings (borrowed funds) are initially recognised at fair value including transaction costs directly attributable to the attraction of these funds. Fair value is determined taking into account the prevailing market interest rates on similar instruments in case of its material difference from the transaction price. In subsequent periods, borrowings are carried at amortised cost using the effective interest method; any difference between the fair value of the funds received (net of transaction costs) and the amount payable is recognised in profit or loss as interest cost for the duration of the borrowing repayment obligations.

Borrowing costs relate to expenses in the reporting period in which they were incurred if they were not related to the acquisition or construction of qualified assets. Borrowing costs relating to the acquisition or construction of assets that take considerable time to got prepared for use (qualifying assets) are capitalized as part of the asset value. Capitalization is carried out when the Group:

- bears costs on qualifying assets;
- bears costs on borrowings; and
- conducts activities related to the preparation of assets for use or sale.

Capitalization of borrowing costs continues until the date of readiness of assets for their use or sale. The Group capitalizes borrowing costs that could have been avoided had it not borne the costs of qualifying assets. Borrowing costs are capitalized on the basis of the average cost of financing of the Group (weighted average interest expense related to costs incurred on qualifying assets), except for loans that were directly received for the purpose of acquiring a qualifying asset. Actual borrowing costs, reduced by the amount of investment income from temporary investment of loans, are capitalized.

Accounts payable are accrued from the moment the counterparty fulfills its obligations under the contract. Accounts payable are recognised at fair value and are then carried at amortised cost through the effective interest method.

(B) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are stated at initial cost of acquisition or construction less accumulated depreciation and impairment losses. The cost of property, plant and equipment as of January 1, 2007 (date of transition to IFRS) was determined based on its fair value (deemed cost) at that date.

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The initial cost includes all expenses directly attributable to the acquisition of the related asset. The initial cost of self-constructed (built) assets includes material costs, direct labor costs, all other costs directly related to bringing the assets into operating conditions for their intended use, the costs of dismantling and moving the assets and restoring the site occupied by them, and capitalized interest on loans. The cost of purchasing software that is inextricably bound up with the functionality of the equipment concerned is capitalized in the cost of the equipment.

If an item of property, plant and equipment is made up of material separate components that have different useful lives, each of them is recognized as a separate item (material component) of property, plant and equipment.

Any profit or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds of its disposal with its book value and is recognised net as part of profit or loss for the period under "Other income", "Other costs".

ii. Subsequent costs

Costs associated with the replacement of a part (a significant component) of an item of property, plant and equipment increase the book value of that item if the probability that the Group will receive future economic benefits associated with that part is high and its value can be reliably determined. The carrying amount of the replaced part is written off. The costs associated with maintenance and repair of property, plant and equipment are recognized in the consolidated statement of profit or loss and other comprehensive income at the time of their occurrence.

iii. Depreciation

Each component of an item of property, plant and equipment is depreciated from the moment of readiness for use on a straight-line method over its expected useful life, since this method most accurately reflects the nature of the expected consumption of the future economic benefits of the asset. Leased assets are depreciated over the shorter of the lease term and the useful life of the asset. Land plots are not depreciated.

Useful lives, expressed in years by type of property, plant and equipment, are detailed below:

- | | |
|------------------------------------|-------------|
| • buildings | 7-50 years; |
| • transmission networks | 5-40 years; |
| • equipment for power transmission | 5-40 years; |
| • other assets | 2-50 years. |

iv. Impairment

At each reporting date, management determines the presence of indications of impairment of property, plant and equipment.

An impairment loss is recognised if the book value of an asset or its cash-generating unit exceeds its estimated (recoverable) value. The recoverable amount of an asset or cash-generating unit is the greater of the value in use of that asset (that unit) and its fair value minus costs to sell.

For the purposes of impairment testing, assets that cannot be tested individually are grouped into the smallest group in which cash inflows are generated as a result of the continuing use of the related assets, and these inflows are largely independent of cash inflows generated by other assets or groups of assets (hereinafter - "cash-generating unit").

The Group's total (corporate) assets do not generate independent cash flows and are used by more than one cash-generating unit. The value of a corporate asset is apportioned among the units on a reasonable and consistent basis and tested for impairment as part of a test of the unit to which the corporate asset was allocated.

Impairment losses are recognised as part of profit and loss. Impairment losses on cash-generating units are first attributable to a decrease in the book value of goodwill apportioned among those units and then proportionally to a decrease in the book value of other assets within the relevant unit (group of units).

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Amounts written off as goodwill impairment loss are not reversed. For other assets at each reporting date, an analysis is made of the impairment loss recognised in one of the prior periods to determine whether there is any indication that the loss should be reduced or no longer recognized.

Amounts written off as impairment losses are reversed if the valuation factors used to calculate the corresponding recoverable amount change. An impairment loss is recovered only to the extent that it is possible to recover the value of assets to their book value, in which they would have been recognized (less accumulated depreciation) if no impairment loss had been recognized.

(r) Intangible assets

Intangible assets include for the most part capitalized computer software and licenses. Acquired software and licenses are capitalized on the basis of expenses incurred to acquire and bring them into operative condition.

Research costs are recognized as expenses as they arise. Development costs are recognised in intangible assets only when the Group can demonstrate the following: the technical feasibility of creating an intangible asset so that it is available for use or sale; its intention to create an intangible asset and use or sell it; how the intangible asset will generate future economic benefits; availability of resources to complete development, as well as the ability to reliably estimate costs incurred in course of development. Other development costs recognized as expenses. Development costs previously charged to expenses are not recognised in subsequent assets. The carrying amount of development costs is subject to annual impairment testing.

After initial recognition, intangible assets are recognised at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation of intangible assets is allocated on a straight-line basis over the useful life. At each reporting date, management assesses whether there are indications of impairment of intangible assets. In the event of impairment, the carrying amount of intangible assets is written down to the largest of asset's value in use and the asset's fair value less costs to sell.

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(д) Lease

At the time of concluding the contract, the Group assesses whether the contract as a whole or its individual components is a lease. A contract as a whole or its individual components is a lease contract if the right to control the use of an identified asset for a certain period in exchange for a payment is transferred under this contract.

Right-of-use assets are initially measured at cost and depreciated to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The initial cost of the right-of-use asset includes the amount of the initial measurement of the leasing obligation, lease payments made before or at the start of the lease, and initial direct costs. Upon recognition, right-of-use assets are recorded at historical cost less accumulated depreciation and accumulated impairment losses. Right-of-use assets are presented as a separate item in the consolidated statement of financial position.

The leasing obligation is initially measured at the present value of lease payments that have not yet been made at the start date of the lease and are subsequently measured at depreciable amount with the recognition of expenses as interest in the financial expenses of the consolidated profit and loss statement. Leasing obligations are presented in the consolidated statement of financial position as long-term and short-term borrowings.

The Group recognises lease payments for short-term leases as a straight-line expense over the lease term.

In respect of a particular lease contract, the Group may decide to qualify the contract as a lease in which the basic asset has a low value and recognize the lease payments under that contract as a straight-line expense over the lease term.

For lease agreements for land plots under electrical network facilities with an indefinite term, or with a term under the agreement not exceeding 1 year with an annual renewal option, the Group determines the term of the agreement using the useful life of property, plant and equipment located on the leased land plots as the base criterion.

For lease agreements of electrical network facilities with an indefinite term, or with a contractual term of not more than 1 year with an annual renewal option, the Group determines the term of the agreement using the useful life of its own property, plant and equipment with similar technical characteristics as the base criterion.

(е) Advances paid

Advances paid are classified as capital assets if the advance is related to the acquisition of an asset that will be classified as capital at its initial recognition. Advances to the acquisition of an asset are included in its carrying amount when the Group gains control over the asset and there is a high probability that the Group will benefit from its use.

(ж) Inventories

Inventories are presented at the lower of the cost of sales or net realisable value. The prime cost is determined using the weighted average cost method and includes the cost of acquisition of inventory, production or processing costs and other costs of delivering inventory to its present location and bringing it to an appropriate condition.

The net realisable value is the estimated selling price of an item of inventory in the ordinary course of the Group's business less the estimated costs of completing the work on the item and selling it.

Inventories intended to support emergency response actions (emergency situations) at electrical network facilities (emergency provision) are reflected in the item "Inventories".

(3) Value added tax

Value added tax arising upon realization of products is subject to transfer to the state budget at the earlier of the following two dates: (a) the moment of receipt of payment from buyers or (b) the moment of delivery of goods or services to the buyer. Incoming VAT is refundable by set-off against the amount of output VAT on receipt of the invoice. Advances paid and other assets include (on a net basis) VAT amounts accrued on advances received and advances paid, as well as VAT to be refunded and VAT prepaid. The amounts of VAT

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payable to the budget are disclosed separately as part of short-term liabilities. When creating a provision for expected credit losses on receivables, the entire amount of doubtful debt, including VAT, is reserved.

(н) Employee benefits

i. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company makes fixed contributions to a separate (independent) fund and has no further obligation (either legal or constructive) to pay additional amounts. Liabilities to make contributions to defined contribution pension plans, including the State Pension Fund of the Russian Federation, are recognised as an employee benefit expense in profit or loss in the periods in which the employees render the related services as part of their employment contracts. Contributions paid in advance are recognised as an asset when the entity has a right to a refund of the contributions it has paid or a reduction in future contribution payments.

ii. Defined benefit plans

A defined benefit plan is a post-employment benefit plan that is different from a defined contribution plan. The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans represents the discounted amount of liabilities at the reporting date.

The discount rate represents the end-of-year rate of return on government bonds that have a period to maturity of approximately the same as that of the Group's relevant obligations and are denominated in the same currency as the benefits expected to be paid. These calculations are made by a qualified actuary using the projected unit credit method of accumulation of future payments.

Revaluations of net obligations of a defined benefit plan, including actuarial gains and losses, and the effect of applying the asset limit (excluding interest if any) are recognised immediately in other comprehensive income. The Group determines the net interest cost of the net plan obligation for the period by applying the discount rate used to estimate the obligations of a defined benefit plan at the beginning of the annual period to the net plan obligation at that date, taking into account any changes in the net plan obligation for the period as a result of contributions and payments. Net interest and other expenses related to defined benefit plans are recognised in profit or loss. Actuarial gains or losses resulting from changes in actuarial assumptions are recognised in other comprehensive income/expense.

In the event of a change in payments within the plan or its sequestration, the resulting change in payments relating to past services or the profit or loss from the sequestration is recognised immediately in profit or loss. The Group recognises profit or loss on settlement of plan obligations when this settlement occurs.

iii. Other long-term employee benefits

The Group's net liability in respect of long-term employee benefits other than defined benefit pension plan payments represents the amount of future benefits that employees have earned in the current and past periods. These future benefits are discounted to determine their present value. The discount rate is the market yield at the reporting date on government bonds that have a period to maturity of approximately equal to the period to maturity of the Group's respective obligations and are denominated in the same currency in which these benefits are expected to be paid. Liabilities are estimated using the projected unit credit method. Revaluations are recognised in profit or loss for the period in which they arise.

iv. Short-term benefits

In determining the amount of liability in respect of short-term employee benefits, discounting does not apply and the corresponding expenses are recognized as employees perform their duties.

In respect of amounts expected to be paid under the short-term bonus or profit sharing plan, an obligation is recognised if the Group has an existing legal or practice-based obligation to pay the corresponding amount arising from the employee's past employment and the amount of this obligation can be reliably estimated and

there is a high probability of outflow of economic benefits.

(к) Profit tax

Profit tax expense includes income tax of the current period and deferred tax. Current and deferred income tax is recognised as part of profit or loss for the period, with the exclusion of the portion of it that relates to business combinations, transactions recognised in other comprehensive income or directly in equity.

Current profit tax is the amount of tax payable in respect of taxable profit for the year calculated on the basis of effective tax rates or substantially enacted at the reporting date, as well as all adjustments to the amount of income tax liability for previous years.

Deferred tax is recognised in respect of temporary differences arising between the carrying value of assets and liabilities determined for the purposes of their reflection in the Consolidated Financial Statements and their tax base. Deferred tax is not recognised in respect of:

- temporary differences arising from the initial recognition of assets and liabilities as a result of a transaction that is not a business combination transaction and does not affect either accounting or taxable profit or tax loss;
- temporary differences relating to investments in subsidiaries and associates to the degree that the Group is able to control the timing of the reversal of those temporary differences and it is probable that those temporary differences will not be reversed in the foreseeable future; and
- taxable temporary differences arising from the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group intends to recover or settle the carrying amount of its assets or settle liabilities at the end of this reporting period.

Deferred tax is determined on the basis of tax rates that will apply in the future, at the time of reversal of temporary differences, based on the current or substantively enacted legislation at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertainty regarding the tax position, as well as whether additional taxes, penalties and fines may be accrued. The Group assesses tax based on many factors, including tax legislation interpretations and previous experience. Such an assessment is based on restrictions and assumptions and may include a number of judgments about future events. If new information becomes available, the Group may revise its judgement regarding the amount of tax liabilities for prior periods; such changes in tax liabilities will impact the profit tax expense in the period in which the judgement is made.

Deferred tax assets and liabilities are offset if there is a legal right to offset against each other the amounts of assets and liabilities under current income tax, and they relate to the income tax levied by the same tax authority on the same taxable entity, or from different taxable entities, but these entities intend to settle current tax liabilities and assets on a net basis, or the realization of their tax assets will be carried out simultaneously with the settlement of their tax liabilities.

Deferred tax assets are recognised in respect of unused tax losses, tax credits and deductible temporary differences only to the extent that there is a high probability of taxable profit against which the associated deductible temporary differences can be realized. Deferred tax assets are analysed at each reporting date and reduced to the extent that the realisation of the related tax benefits is no longer probable.

Excess Profit Tax

Excess profit tax falls within the scope of IAS 12 "Profit Taxes", is a current profit tax and is subject to the relevant accounting policies for current profit tax as described above.

Excess profit tax is a tax of a one-off nature. The excess profit tax liability and expense are to be recognised in the consolidated financial statements from the date on which the relevant Federal Law is substantively enacted. Unpaid amounts of current excess profit tax are recognised as a liability. The liability and expense for current excess profit tax are measured at the amount that the Group expects to pay to the tax authorities, calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the

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reporting period.

In calculating the expected excess profit tax rate, the Group took into account the intention and ability to make the security payment.

In the Consolidated Statement of Financial Position, the security payment was recorded gross of the excess profit tax liability until the entity has a legally enforceable right of set-off, which will arise from January 1, 2024. The outstanding balance of the security payment as at December 31, 2023 was presented as a separate line item within current assets in the Consolidated Statement of Financial Position. In the Consolidated Statement of Cash Flows, the amount of the excess profit tax security payment is shown in a separate line "Security payment for excess profit tax" following the line "Profit tax paid". In the Consolidated Statement of Profit or Loss, the amount of accrued excess profit tax expense is recognised in a separate line "Excess profit tax" following the line "Profit tax".

(л) Estimated liabilities

An estimated liability is recognised if a past event results in a legal or constructive obligation that can be reliably estimated and there is a high probability that an outflow of economic benefits will be required to settle the obligation. The value of the estimated liability is determined by discounting the expected cash flows at the pre-tax rate, which reflects current market estimates of the impact of changes in the value of money over time and the risks inherent in the liability. Amounts reflecting "discount depreciation" are recognized as finance expenses.

(м) Equity

Authorised (share) capital

Common stocks and irredeemable stocks are classified as equity.

Share premium

Share premium is defined as the cumulative amount received since the beginning of the Group's operations from the placement of shares, net of the nominal value of the shares placed.

Reserves within equity comprise:

- revaluation reserve for financial assets
- revaluation reserve for the net defined benefit plan liability.

Revaluation reserve for financial assets

The valuation procedure for financial assets at fair value through other comprehensive income and the derecognition of these financial assets are described in section (c) of this Note.

Revaluation reserve for the net defined benefit plan liability

Actuarial gains and losses recognised in the revaluation reserve for the net defined benefit plan liability are calculated by a qualified independent actuary in accordance with the requirements of IAS 19 "Employee Benefits" (see also section (l) of this Note).

Retained profit. Dividends

Retained profit (uncovered loss) reflects net profit (loss) on an accrual basis since the beginning of the Group's operations that has not been distributed to shareholders or otherwise utilised.

Dividends are recognized as a liability and excluded from equity at the reporting date only if they are declared (approved by shareholders) at the reporting date or earlier. Dividends are subject to disclosure if they are declared after the reporting date, but before the signing of the consolidated financial statements.

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(н) Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is fulfilled by transferring the promised goods or services (i.e. assets) to the customer. The asset is transferred when (or as) the customer gains control of such asset.

When (or as) the obligation is fulfilled, the Group recognises the proceeds in the amount that the Group expects to receive in exchange for the transfer of the promised assets to the customer, excluding VAT.

Electricity transmission

Revenue from electricity transmission is recognized during the period (estimated month) and is measured using the results method (cost of transferred volumes of electricity).

Tariffs for electricity transmission services are approved by the federal executive authority in the field of state regulation of tariffs (Federal Antimonopoly Service) and the executive bodies of the constituent entities of the Russian Federation in the field of state regulation of tariffs.

Services for utility connection to electrical networks

Revenue from the provision of services for technological connection to electrical networks is a fee for connecting consumers to electrical networks. The Group transfers control of the service at a point in time (on the fact that the consumer is connected to electrical networks or, for certain categories of consumers – while ensuring that the Group is able to connect to the power network through the activities of the consumer) and, therefore, fulfills the performance obligation at a point in time.

Payment for technological connection according to an individual project, standardized tariff rates, preferential rates for 1 kW of the requested maximum capacity and formulas for payment for technological connection are approved by the executive bodies of the constituent entities of the Russian Federation in the field of state regulation of tariffs and do not depend on revenue from the provision of electricity transmission services. The fee for technological connection to the unified national (all-Russian) electric network is approved by the Federal Antimonopoly Service, including in the form of a formula.

The Group has applied the judgment that technological connection is a separate performance obligation that is recognised when the appropriate services are provided. The technological connection agreement does not contain any further obligations after the provision of the connection service. According to standing practice and laws governing the electricity market, technological connection and electricity transmission are the subject of separate negotiations with different consumers as different services with different commercial purposes without connection in pricing, intentions, recognition or types of services.

Other revenue

Revenue from the provision of other services (technical and maintenance services, consulting, organizational and technical services, communication and information technology services, other services), as well as revenue from other sales are recognized at the time the consumer gains control over the asset.

Trade receivables

Receivables represent the Group's right to compensation, which is unconditional (i.e., the moment when such compensation becomes payable is due only to the passage of time). The accounting policy for trade and other receivables is provided in the section "Financial Assets".

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Contract liabilities

A contract liability is an obligation to transfer to a consumer goods or services for which the Group has received a compensation (or a compensation payable) from the consumer. If the consumer pays a compensation before the Group transfers the goods or services to the consumer, the contract liability is recognised, at the time the payment is made or at the time when the payment becomes payable (whichever happens earlier). Contract liabilities are recognised as revenue when the Group fulfills its contractual obligations. The Group carries out liabilities under agreements with consumers in the item "Advances received" including value added tax (VAT).

Advances received mainly represent deferred income under utility connection agreements.

Advances received are reviewed by the Group for the financial component. If there is a period of more than 1 year between the receipt of advances and the transfer of goods and services promised for reasons other than the provision of financing to the counterparty (under agreements for technological connection to electrical networks), interest expense is not recognized for advances received. Such advances are recognized at fair value of assets received by the Group from consumers and customers as prepayments.

(o) Financial income and expenses

Financial income includes interest income on invested funds, dividend income, profit from disposal of financial assets measured at fair value and measured at depreciable value, and the effect of discounting financial instruments. Interest income is recognized in profit and loss at the time of occurrence and its amount is calculated using the effective interest method. Dividend income is recognized in profit or loss when the Group has the right to receive the relevant payment.

Financial expenses include interest expense on borrowings, leasing obligations, loss on disposal of financial assets measured at fair value and measured at depreciable value, and the effect of discounting financial instruments. Borrowing costs that are not directly related to the acquisition, construction or production of a qualifying asset are recognized in profit or loss for the period using the effective interest method.

(n) Social payments

When the Group's contributions to social plans are for the benefit of the Company as a whole and are not limited to payments to the Group's employees, they are recognized in profit or loss as they are incurred. The Group's expenses associated with the financing of social programs, without incurring obligations regarding such financing in the future, are recorded in the consolidated statement of profit or loss and other comprehensive income as incurred.

(p) Earnings per share

The Group presents basic and diluted earnings per share for ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to the owners of the Company's ordinary shares by the weighted average number of ordinary shares outstanding during the reporting period.

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4 Fair value measurement

Certain provisions of the Group's accounting policies and a number of disclosures require fair value measurement of both financial and non-financial assets and liabilities.

In measuring the fair value of an asset or liability, the Group applies, as far as possible, the observable market. Fair value measurements relate to different levels of the fair value hierarchy, depending on the inputs used in the relevant valuation methods:

- Level 1: quoted (unadjusted) prices for identical assets and liabilities in active markets.
- Level 2: inputs other than quoted prices used for Level 1 measurements that are observable either directly (i.e., such as prices) or indirectly (i.e., price-based).
- Level 3: inputs for assets and liabilities that are not based on observable market (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability can be assigned to different levels of the fair value hierarchy, the fair value measurement as a whole refers to the level of the hierarchy to which the lowest-level inputs are relevant to the overall measurement.

The Group discloses transfers between levels of the fair value hierarchy in the reporting period during which the change occurred.

The point of time at which transfers to and from certain levels are recognized, the Group considers the date of occurrence of the event or change in the circumstances that caused the transfer.

5 Segment Information

The Management Board of "Rosseti Kuban" PJSC is the supreme body making decisions on business operations.

The main activity of the Group is the provision of services for the electricity transmission and distribution, technological connection to electrical networks in a number of regions of the Russian Federation.

The internal management reporting system is based on segments (branches formed according to the territorial principle) related to the electricity transmission and distribution, technological connection to electrical networks in the regions of the Russian Federation: Krasnodar Territory and the Republic of Adygea.

The Management Board of "Rosseti Kuban" PJSC evaluates the results of operations, assets and liabilities of operating segments on the basis of internal management reports prepared on the basis of data generated according to Russian accounting standards.

EBITDA is used to reflect the performance of each reporting segment: profit or loss before interest expense, taxation, depreciation, and net accrual/(recovery) of impairment losses on property, plan and equipment, intangible assets and assets in the form of right of use. This procedure for determining EBITDA may differ from the procedure used by other companies. The Management believes that the EBITDA calculated in this way is the most indicative measure for assessing the performance of the Group's operating segments.

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In accordance with the requirements of IFRS 8 "Operating Segments", based on data on segment revenue, EBITDA and total assets submitted to the Management Board, the Group has identified the following reportable segments:

- one reportable segment, which represents the strategic business unit of the Group. The strategic business unit provides electricity transmission services, including technological connection services in the geographical regions of the Russian Federation (Krasnodar Territory and the Republic of Adygea); these services are managed as a whole.
- The second segment "Other" includes several operating segments, which are mainly focused on the provision of repair services, rental and recreation services.

Unallocated indicators include the overall performance of the Company's executive office, which is not an operating segment as required by IFRS 8 "Operating Segments".

(a) Information on the reportable segments

As of and for the year ended December 31, 2023:

	Rosseti Kuban	Other	Total
Revenue from external consumers	74,536,361	662,020	75,198,381
Sales proceeds between segments	21,121	1,179,184	1,200,305
Segment revenue	74,557,482	1,841,204	76,398,686
<i>Including</i>			
Electricity transmission	71,207,120	—	71,207,120
Technological connection to networks	2,437,913	—	2,437,913
Other revenue	712,964	1,824,682	2,537,646
Revenue from lease agreements	199,485	16,522	216,007
Prime cost of the technological connection to networks	(720,031)	—	(720,031)
Financial income	438,913	4,724	443,637
Financial expenses	(2,346,000)	(4,336)	(2,350,336)
Depreciation	(6,716,949)	(29,622)	(6,746,571)
Segment's profit before taxation	8,547,417	27,989	8,575,406
EBITDA	17,610,366	61,947	17,672,313
Assets of segments	116,380,456	1,031,918	117,412,374
<i>Including property, plant and equipment and construction in progress</i>			
	87,123,570	109,405	87,232,975
Capital investments	15,528,856	67,618	15,596,474
Segment liabilities	62,160,030	898,865	63,058,895

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As of and for the year ended December 31, 2022:

	Rosseti Kuban	Other	Total
Revenue from external consumers	63 732 569	487,978	64,220,547
Sales proceeds between segments	6,288	1,639,309	1,645,597
Segment revenue	63,738,857	2,127,287	65,866,144
<i>Including</i>			
Electricity transmission	61,452,874	—	61,452,874
Technological connection to networks	1,282,050	—	1,282,050
Other revenue	855,024	2,112,992	2,968,016
Revenue from lease agreements	148,909	14,295	163,204
Prime cost of the technological connection to networks	721,400	—	721,400
Financial income	109,410	2,665	112,075
Financial expenses	(2,662,572)	(13,199)	(2,675,771)
Depreciation	(6,309,573)	(32,145)	(6,341,718)
Segment's profit before taxation	7,180,429	14,863	7,195,292
EBITDA	16,152,574	60,207	16 212 781
Assets of segments	95,867,294	1,174,198	97,041,492
<i>Including property, plant and equipment and construction in progress</i>			
	78,118,655	78,210	78,196,865
Capital investments	12,772,201	6,436	12,778,637
Segment liabilities	50,613,695	1,058,630	51,672,325

(6) Reconciliation of key reportable segment indices presented to the Management Board with similar indicators in these consolidated financial statements

Reportable segment revenue reconciliation:

	For the year ended December 31	
	2023	2022
Reportable segment revenue	76,398,686	65,866,144
Exclusion of sales revenue between segments	(1,200,305)	(1,645,597)
Revenue adjustment for other reasons	(119,089)	22,653
Revenue in the Consolidated Statement of Profit or Loss and other comprehensive income	75,079,292	64,243,200

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Reconciliation of EBITDA of reportable segments:

	For the year ended December 31	
	2023	2022
EBITDA of reportable segments	17,672,313	16 212 781
Adjustment for provision for expected credit losses	152,445	508,567
Recognition of pension and other long-term liabilities to employees	314	14,038
Adjustment of the cost of property, plant and equipment	(50,413)	(31,610)
Adjustment for estimated liabilities	200,065	—
Adjustment of the value of intangible assets	80,550	77,900
Discounting of payables	225,644	—
Adjustment for payables	180,310	257,836
Discounting of receivables	1,897	2,179
Adjustment for disputed receivables	(76,474)	(472,706)
Adjustment for lease	121,619	91,893
Adjustment for accrued provisions for unused vacations and bonuses	(26,628)	(20,969)
Adjustment for taxes	(201,803)	(171,610)
Adjustment for intragroup transactions	(81,628)	(11,182)
Other adjustments	(150,917)	(234,539)
EBITDA	18,047,294	16,222,578
Depreciation of property, plant and equipment, right-of-use assets and intangible assets	(6,548,876)	(6,198,911)
Interest expense on financial liabilities carried at depreciable cost	(1,870,183)	(2,122,299)
Interest expenses on lease liabilities	(296,737)	(351,018)
Profit tax expense and excess profit tax expense	(2,513,256)	(1,851,980)
Consolidated profit/(loss) for the period in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	6,818,242	5,698,370

Reconciliation of the total assets of the reportable segments:

	For the year ended December 31	
	2023	2022
Total segment assets	117,412,374	97,041,492
Settlements between segments	(538,776)	(803,438)
Intragroup financial assets	(45,687)	(45,687)
Adjustment of the cost of property, plant and equipment	(5,173,470)	(5,661,697)
Adjustment of right-of-use assets	527,469	429,555
Recognition of assets related to employee benefit liabilities	290,712	302,550
Adjustment of provision for expected credit losses	85,297	9,326
Adjustment of deferred tax assets	(1,952,636)	(2,199,610)
Discounting of receivables	(2,361)	(3,053)
Reduction of receivables on VAT advances from advances paid	(3,233,363)	(1,369,300)
Reclassification of the lease agreement to lease liabilities	(13,832)	(13,048)
Write-off of receivables	(115,377)	(25,619)
Adjustment of the value of intangible assets	(74,805)	(80,442)
Reduction of the amount of VAT recoverable by the amount of VAT on advances received	(304,548)	(85,912)
Exclusion of current RP from capital expenditures	(225,838)	(169,780)
Write-off of current assets	(11,471)	(13,976)
Other adjustments	(93,421)	(27,290)
Total assets in the Consolidated Statement of Financial Position	106,530,267	87,284,071

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Reconciliation of total liabilities of reportable segments:

	For the year ended December 31	
	2023	2022
Total segment liabilities	63,058,895	51,672,325
Settlements between segments	(554,553)	(826,082)
Setoff of payables and receivables	—	—
Adjustment of deferred liabilities	(3 001 357)	(3 357 412)
Recognition of pension and other long-term liabilities to employees	762,865	621,344
Recognition of lease liabilities	811,541	779,824
Estimated liabilities and other accruals	(200,065)	—
Discounting of payables	(225 644)	(2)
Reclassification of payables for lease IFRS 16	(141 027)	(130 389)
Adjustment for accrued provisions for unused vacations and bonuses	225,763	199,135
Reduction of other payables in the amount of VAT on advances received	(3,233,363)	(1,369,300)
Write-off of prepaid income	(729 944)	(549 634)
Reduction of spayable on advances received by the amount of VAT on advances received	(304,548)	(85,912)
Other adjustments	187,997	—
Total liabilities in the Consolidated Statement of Financial Position	56,656,560	46 953 897

(b) Significant buyer

For the years ended December 31, 2023 and December 31, 2022, the Group had 2 (two) largest counterparties, each of which accounted for over 10% of the Group's total revenue. The revenue received from these counterparties is reflected in the statements of the operating segment of "Rosseti Kuban".

The total amount of revenue received from the Counterparty 1 for 2023 amounted to 33,223,931 thousand rubles, or 44.25% of the Group's total revenue (in 2022: 28,84,928 thousand rubles, or 44.89%).

The total amount of revenue received from the Counterparty 2 for 2023 amounted to 22,014,240 thousand rubles, or 29.32% of the Group's total revenue (in 2022: 19,531,366 thousand rubles or 30.40%).

6 Revenue

	For the year ended December 31	
	2023	2022
Electricity transmission	71,114,954	61,451,381
Technological connection to electrical networks	2,437,913	1,282,050
Other revenue	1,327,802	1,362,736
Revenue from contracts with customers	74,880,669	64,096,167
Revenue from lease agreements	198,623	147,033
	75,079,292	64,243,200

Other revenue includes revenue from the sale of additional (non-tariff) services provided by the Group and not related to its principal activities: technical and maintenance services, diagnostics and testing, consulting and organizational and technical services.

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7 Other income

	For the year ended December 31	
	2023	2022
Income from detected non-contractual electricity consumption	92,572	38,905
Income in the form of fines and penalties under business contracts	366,902	490,474
Income from compensation for losses in connection with disposal/liquidation of electrical network property	354,824	295,225
Insurance indemnity	188,762	566,626
Write-off of payables	11,546	57,629
Income from the termination of lease agreement	40,798	11,004
Other income	222,868	289,511
Income from the disposal of property, plant and equipment from sale operations	692	43,207
	1,278,964	1 792 581

8 Other expenses

	For the year ended December 31	
	2023	2022
Loss on disposal of property, plant and equipment	91,951	115,294
	91,951	115,294

9 Operating expenses

	For the year ended December 31	
	2023	2022
Employee benefits expenses	9,979,213	9 114 859
Depreciation of property, plant and equipment	5,049,415	4,696,801
Depreciation of intangible assets	93,787	126,499
Depreciation of right-of-use assets	1,405,674	1,375,611
<i>Tangible expenses, incl.</i>		
Electricity to compensate for technological losses	10,768,903	9 280 483
Purchased electricity and heat for own needs	120,097	122,314
Other tangible expenses	2,915,358	2 543 547
<i>Works and services of production nature, incl.</i>		
Electricity transmission services	28,571,199	23 567 601
Repair and maintenance services	1,888,724	804,735
Other works and services of production nature	474,571	266,178
Taxes and charges other than profit tax	588,513	685,496
Short-term lease	17,088	5,862
Insurance	141,139	139,917
<i>Other services of third parties, incl.:</i>		
Communication services	110,523	90,288
Security services	293,696	236,336
Consulting, legal and audit services	164,605	101,790
Software and maintenance costs	201,855	122,814
Transport services	30,533	16,553
Other services of third parties	1 375 682	1 165 453
<i>Other expenses, incl.:</i>		
Business trip expenses	156,959	195,086
Estimated liabilities	(3,522)	(101 251)
Expenses associated with property upkeep	97,986	158,215
Costs for services related to the organization, operation and development of the UES	8,678	110,819
Expenses recognized in the form of fines, penalties, forfeits for breach of contract	135,082	41,776
Other operating expenses	552,135	527,068
	65,137,893	55,394,850

10 Employee benefits expenses**Rosseti Kuban PJSC**

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	For the year ended December 31	
	2023	2022
Salary	7,098,042	6,629,834
Social security contributions	2,242,681	2 014 537
Expenses related to defined benefit plans	27,600	24,302
Other	610,890	446,186
	9,979,213	9 114 859

During the year ended December 31, 2022, the amount of contributions under defined contribution plans amounted to 39,752 thousand rubles (for the year ended December 31, 2022: 44,448 thousand rubles).

The amounts of benefit to key management personnel are disclosed in Note 35 "Related Party Operations".

11 Financial income and expenses

	For the year ended December 31	
	2023	2022
Financial income		
Interest income on loans issued, bank deposits, promissory notes and bank account balances	439,448	106,190
Depreciation of discount on financial assets	1,897	2,179
Effect of discounting financial liabilities at initial recognition	225,644	—
Interest income on assets related to employee benefit liabilities	20,645	9,070
Other financial income	4,189	5,885
	691,823	123,324

	For the year ended December 31	
	2023	2022
Financial expenses		
Interest expense on financial liabilities carried at depreciable cost	1,804,517	2 079 232
Interest expenses on lease liabilities	296,737	351,018
Effect of discounting financial assets at initial recognition	1,205	972
Interest expense on long-term employee benefit liabilities	59,904	42,072
Depreciation of discount on financial liabilities	2	23
Other financial expenses	4,555	—
	2,166,920	2 473 317

12 Profit tax

	For the year ended December 31	
	2023	2022
Current profit tax		
Current tax accrual	(1 721 429)	(1 636 355)
Tax adjustment for prior periods	50,096	233,682
Total	(1 671 333)	(1 402 673)
Deferred profit tax	(841 923)	(449 307)
Accrual and recovery of temporary differences	—	—
Total profit tax expense	(2,513,256)	(1,851,980)

For the year ended December 31, 2023, the Group recalculated profit tax for previous periods in connection with the identification of income and expenses of previous years, representing, for the most part, disputes settled in pre-trial and judicial proceedings regarding electricity transmission services, as well as the volume of electricity purchased to compensate for losses. As a result, the profit tax overcharged in previous periods amounted, according to the updated tax returns submitted to the tax authorities, to 50,096 thousand rubles.

Excess profit tax expense

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On August 4, 2023, the President of the Russian Federation signed Federal Law No. 414-FZ "On Excess Profit Tax" (published on August 4, 2023, hereinafter referred to as the "Law").

In accordance with the provisions of the Law, "Rosseti Kuban" PJSC is a payer of excess profit tax. The amount of the liability and expense for the excess profit tax calculated at the rate of 10% is 400,130 thousand rubles. The Group made a security payment to the budget for excess profit tax in the amount of 203,106 thousand rubles, which is presented in the Consolidated Statement of Cash Flows as a separate line "Security payment for excess profit tax". As a result of making a security payment, the Group was entitled to a tax deduction in the amount of a security payment of 200,065 thousand rubles. Accordingly, the applicable excess profit tax rate was 5%.

Profit tax recognized in other comprehensive income:

	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Before taxation	Profit tax	After tax	Before taxation	Profit tax	After tax
Financial assets measured at fair value through other comprehensive income	(1)	—	(1)	—	—	—
Revaluation of defined benefit plan liabilities	(93,769)	18,754	(75 015)	(54,109)	10,822	(43,287)
	(93 770)	18,754	(75,016)	(54,109)	10,822	(43,287)

As of December 31, 2023 and December 31, 2022, deferred profit tax assets and liabilities are calculated at a rate of 20 percent, which is expected to be applicable when the respective assets and liabilities are realized.

Before-tax profit relates to profit tax expense as follows:

	For the year ended December 31	
	2023	2022
Profit before tax	9,331,498	7 550 350
Theoretical amount of profit tax expense at the rate of 20%	(1,866,300)	(1,510,070)
Effect of applying a lower tax rate	—	—
Tax effect of items not taxable or deductible for tax purposes	(697,052)	(575,592)
Adjustments for prior periods	50,096	233,682
	(2,513,256)	(1,851,980)

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13 Property, plant and equipment

	Land plots and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Construction in progress	Total
<i>Initial / deemed cost</i>						
As of January 1, 2023	12,192,321	53,491,561	27,641,086	9,525,108	10,444,944	113,295,020
Reclassification between groups	(756,322)	1,037,335	(274,629)	(6,384)	—	—
Proceeds	5,526	148,909	151,805	168,675	15,658,792	16,133,707
Commissioning	800,494	5,285,593	4,072,168	1,930,548	(12,088,803)	—
Disposals	(23,855)	(41,164)	(89,383)	(15,299)	(247,619)	(417,320)
Reclassification to assets held for sale	(10,755)	—	—	(1,522)	—	(12,277)
As of December 31, 2023	12,207,409	59,922,234	31,501,047	11,602,648	13,765,792	128,999,130
<i>Depreciation accumulated</i>						
As of January 1, 2023	(4,425,881)	(17,662,759)	(12,482,565)	(5,492,730)	—	(40,063,935)
Reclassification between groups	408,081	(519,958)	214,468	(102,591)	—	—
Depreciation accrued	(488,863)	(2,487,016)	(1,484,351)	(888,719)	—	(5,348,949)
Disposals	3,878	14,113	74,532	15,020	—	107,543
Reclassification to assets held for sale	4,425	—	—	—	—	4,425
As of December 31, 2023	(4,498,360)	(20,655,620)	(13,677,916)	(6,469,020)	—	(45,300,916)
<i>Impairment accumulated</i>						
As of January 1, 2023	(639,516)	(2,592,356)	(593,544)	(14,893)	(32,217)	(3,872,526)
Reclassification between groups	38,351	(51,371)	6,067	6,953	—	—
Introduction into property, plant and equipment (carry forward of impairment losses)	—	(143)	(2,891)	(3)	3,037	—
Depreciation of impairment	36,859	155,325	104,145	3,205	—	299,534
Recognition of impairment losses/ recovery of previously recognized impairment losses	—	—	—	—	—	—
Disposals	144	1,145	2,914	8	47	4,258
Reclassification to assets held for sale	—	—	—	—	—	—
As of December 31, 2023	(564,162)	(2,487,400)	(483,309)	(4,730)	(29,133)	(3,568,734)
<i>Depreciation (with depreciation of impairment)</i>	<i>(452,004)</i>	<i>(2,331,691)</i>	<i>(1,380,206)</i>	<i>(885,514)</i>	—	<i>(5,049,415)</i>
<i>Residual value</i>						
As of January 1, 2023	7,126,924	33,236,446	14,564,977	4,017,485	10,412,727	69,358,559
As of December 31, 2023	7,144,887	36,779,214	17,339,822	5,128,898	13,736,659	80 ,129,480
<i>Initial / deemed cost</i>						
As of January 1, 2022	10,422,357	50,198,747	24,013,105	11,061,007	5,862,802	101,558,018
Reclassification between groups	1,224,936	(242,453)	439,581	(1,422,064)	—	—
Proceeds	19,876	261,851	236,478	52,631	13,126,839	13,697,675
Commissioning	535,222	3,310,946	3,047,514	1,600,983	(8,494,665)	—
Disposals	(10,070)	(37,530)	(95,592)	(1,767,449)	(50,032)	(1,960,673)
As of December 31, 2022	12,192,321	53,491,561	27,641,086	9,525,108	10,444,944	113,295,020
<i>Depreciation accumulated</i>						
As of January 1, 2022	(3,241,592)	(15,512,424)	(10,654,113)	(7,183,554)	—	(36,591,683)
Reclassification between groups	(745,231)	149,891	(397,566)	992,906	—	—
Depreciation accrued	(446,552)	(2,321,652)	(1,509,482)	(730,240)	—	(5,007,926)
Disposals	7,494	21,426	78,596	1,428,158	—	1,535,674
Reclassification to assets held for sale	—	—	—	—	—	—
As of December 31, 2022	(4,425,881)	(17,662,759)	(12,482,565)	(5,492,730)	—	(40,063,935)
<i>Impairment accumulated</i>						
As of January 1, 2022	(676,843)	(2,745,890)	(693,535)	(33,102)	(39,194)	(4,188,564)
Reclassification between groups	1,026	(1,734)	(7,876)	8,584	—	—
Proceeds	—	—	—	—	—	—
Introduction into property, plant and equipment (carry forward of impairment losses)	(1,987)	(35)	(4,636)	—	6,658	—
Depreciation of impairment	38,070	154,798	111,245	7,012	—	311,125
Recognition of impairment losses/ recovery of previously recognized impairment losses	—	—	—	—	—	—
Disposals	218	505	1,258	2,613	319	4,913
Reclassification to assets held for sale	—	—	—	—	—	—
As of December 31, 2022	(639,516)	(2,592,356)	(593,544)	(14,893)	(32,217)	(3,872,526)
<i>Depreciation (with depreciation of impairment)</i>	<i>(408,482)</i>	<i>(2,166,854)</i>	<i>(1,398,237)</i>	<i>(723,228)</i>	—	<i>(4,696,801)</i>
<i>Residual value</i>						
As of January 1, 2022	6,503,922	31,940,433	12,665,457	3,844,351	5,823,608	60,777,771
As of December 31, 2022	7,126,924	33,236,446	14,564,977	4,017,485	10,412,727	69,358,559

As of December 31, 2023, construction in progress includes advances for the acquisition of property, plant and equipment in the amount of 1,388,903 thousand rubles (as of December 31, 2022: 436,340 thousand rubles),

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as well as materials for the construction of property, plant and equipment in the amount of 3,939,555 thousand rubles (as of December 31, 2022: 2,711,827 thousand rubles).

For the year ended December 31, 2023, capitalized interest amounted to 297,349 thousand rubles (for the year ended December 31, 2022: 316,051 thousand rubles rub.), the capitalization rate was 10.96% (for the year ended December 31, 2022: 11.51%).

For the year ended December 31, 2023, depreciation charges in the amount of 2,107 thousand rubles were capitalized in the cost of capital construction facilities (including depreciation charges of property, plant and equipment of 0 thousand rubles, intangible assets of 2,024 thousand rubles, right-of-use assets of 83 thousand rubles).

For the year ended December 31, 2022, depreciation charges in the amount of 1,874 thousand rubles were capitalized in the cost of capital construction facilities (including depreciation charges of property, plant and equipment of 0 thousand rubles, intangible assets of 1,746 thousand rubles, right-of-use assets of 128 thousand rubles).

As of December 31, 2023, the cost of fully depreciated property, plant and equipment amounted to 9,426,064 thousand rubles (as of December 31, 2022: 9,269,926 thousand rubles)

As of December 31, 2023 and December 31, 2022, there were no property, plant and equipment acting as collateral for loans and borrowings.

Disclosure of information on impairment testing

The Group considered the current economic conditions in the regions where the Group operates: the Krasnodar Territory and the Republic of Adygea, as an indicator (sign) of a possible impairment of property, plant and equipment.

The majority of the Group's property, plant and equipment are specialised assets that are rarely purchased and sold on the open market, unless they are sold to existing entities. The market for such property, plant and equipment is not active in the Russian Federation and does not provide sufficient purchase and sale examples to enable a market approach to determine the fair value of these property, plant and equipment. As a consequence, the recoverable amount of specialised property is determined as the value in use using the projected cash flow method. His method takes into account future net cash flows that will generate these property, plant and equipment in the course of business operations as well as disposal in order to determine the recoverable amount of these assets.

Cash generating units are determined by the Group based on the geographical location of branches and represent the smallest identifiable groups of assets that generate cash inflows irrespective of other Group assets.

The Group tested property, plant and equipment for impairment as of December 31, 2023 in relation to a generating unit of "Rosseti Kuban".

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The following basic assumptions were used in assessing the recoverable amount of assets of generating units:

Basic assumption	As of December 31, 2023
Forecast period	Forecast cash flows were determined for the 2024-2028 period for all generating units based on the Management's best estimate of electricity transmission volumes, operating and capital expenditures, and tariffs approved by regulatory authorities for 2024.
Interest rate of net cash flow growth in the post-forecast period	4.0%
Forecast of electricity transmission tariffs	Based on the tariff calculation methodology adopted by the regulatory authorities
Forecast of sales volume	In accordance with the approved business plan. Outside of business planning - a fixed amount (at the level of the last year of the business planning period).
Discount rate (The nominal discount rate determined for the purposes of the test based on the weighted average cost of capital before profit tax)	11.97%

According to the results of impairment testing, the recoverable value of fixed assets of the tested CGUs amounted to 131,444,126 thousand rubles as of December 31, 2023.

According to the results of testing, as of December 31, 2023, no impairment of property, plant and equipment was revealed.

14 Intangible assets

	Software	Certificates, licenses and patents	R&D	Other	Total
Initial cost					
As of January 1, 2023	919,623	12,775	20,530	78,195	1,031,123
Reclassification between groups	13,030	—	(13,030)	—	—
Proceeds	197,362	127,285	11,918	—	336,565
Disposals	—	—	(10,184)	(61,659)	(71,843)
As of December 31, 2023	1,130,015	140,060	9,234	16,536	1,295,845
Depreciation accumulated					
As of January 1, 2023	(742,015)	(12,160)	—	(74,310)	(828,485)
Reclassification between groups	—	—	—	—	—
Depreciation accrued	(90,847)	(2,327)	—	(2,637)	(95,811)
Disposals	—	—	—	61,659	61,659
As of December 31, 2023	(832,862)	(14,487)	—	(15,288)	(862,637)
Impairment accumulated					
As of January 1, 2023	—	—	—	—	—
Reclassification between groups	—	—	—	—	—
Depreciation of impairment	—	—	—	—	—
Recognition of impairment losses/ recovery of previously recognized impairment losses	—	—	—	—	—
Disposals	—	—	—	—	—
As of December 31, 2023	—	—	—	—	—
<i>Depreciation (with depreciation of impairment)</i>	(90,847)	(2,327)	—	(2,637)	(95,811)
Residual value					
As of January 1, 2023	177,608	615	20,530	3,885	202,638
As of December 31, 2023	297,153	125,573	9,234	1,248	433,208

	Software	Certificates, licenses and patents	R&D	Other	Total
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As of January 1, 2022	850,194	10,746	21,275	78,195	960,410
Reclassification between groups	—	—	—	—	—
Proceeds	69,429	2,029	3,325	—	74,783
Disposals	—	—	(4,070)	—	(4,070)
As of December 31, 2022	919,623	12,775	20,530	78,195	1,031,123
Depreciation accumulated					
As of January 1, 2022	(630,025)	(10,195)	—	(60,020)	(700,240)
Reclassification between groups	—	—	—	—	—
Depreciation accrued	(111,990)	(1,965)	—	(14,290)	(128,245)
Disposals	—	—	—	—	—
As of December 31, 2022	(742,015)	(12,160)	—	(74,310)	(828,485)
Impairment accumulated					
As of January 1, 2022	—	—	—	—	—
Reclassification between groups	—	—	—	—	—
Depreciation of impairment	—	—	—	—	—
Recognition of impairment losses/ recovery of previously recognized impairment losses	—	—	—	—	—
Disposals	—	—	—	—	—
As of December 31, 2022	—	—	—	—	—
<i>Depreciation (with depreciation of impairment)</i>	<i>(111,990)</i>	<i>(1,965)</i>	—	<i>(14,290)</i>	<i>(128,245)</i>
Residual value					
As of January 1, 2022	220,169	551	21,275	18,175	260,170
As of December 31, 2022	177,608	615	20,530	3,885	202,638

Depreciation amount of intangible assets included in operating expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive income amounted to 93,787 thousand rubles (for the year ended December 31, 2022: 126,499 thousand rubles).

Intangible assets are depreciated on a straight-line basis.

For the year ended December 31, 2023, capitalized depreciation amounted to 2,024 thousand rubles (for the year ended December 31, 2022: 1,746 thousand rubles).

Other intangible assets include research and development costs recognized as part of operating expenses as at December 31, 2023 in the amount of 3,885 thousand rubles (as at December 31, 2022: 2,930 thousand rubles).

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15 Right-of-use assets

	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
Initial cost					
As of January 1, 2023	2,675,613	2,958,344	1,181,395	415,648	7,231,000
Reclassification between groups	—	—	—	—	—
Proceeds	95,449	46,353	112,171	890	254,863
Changes in the terms of lease agreements	86,214	2,200	(764)	869	88,519
Disposal or termination of lease agreements	(137,754)	(23,169)	(77,228)	(32,127)	(270,278)
As of December 31, 2023	2,719,522	2,983,728	1,215,574	385,280	7,304,104
Depreciation accumulated					
As of January 1, 2023	(1,228,116)	(1,712,996)	(649,812)	(242,677)	(3,833,601)
Reclassification between groups	—	—	—	—	—
Depreciation accrued	(467,088)	(611,946)	(251,341)	(75,382)	(1,405,757)
Changes in the terms of lease agreements	9,376	1	4,329	—	13,706
Disposal or termination of lease agreements	37,681	5,212	27,479	18,613	88,985
As of December 31, 2023	(1,648,147)	(2,319,729)	(869,345)	(299,446)	(5,136,667)
Impairment accumulated					
As of January 1, 2023	—	—	—	—	—
Reclassification between groups	—	—	—	—	—
Depreciation of impairment	—	—	—	—	—
Recognition of impairment losses/recovery of previously recognized impairment losses	—	—	—	—	—
Disposal or termination of lease agreements	—	—	—	—	—
As of December 31, 2023	—	—	—	—	—
<i>Depreciation (with depreciation of impairment)</i>	<i>(467,088)</i>	<i>(611,946)</i>	<i>(251,341)</i>	<i>(75,382)</i>	<i>(1,405,757)</i>
Residual value					
As of January 1, 2023	1,447,497	1,245,348	531,583	172,971	3,397,399
As of December 31, 2023	1,071,375	663,999	346,229	85,834	2,167,437

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	Land and buildings	Electricity transmission networks	Equipment for electricity transmission	Other	Total
Initial cost					
As of January 1, 2022	2,606,702	2,931,821	1,081,193	385,857	7,005,573
Reclassification between groups	(9,340)	–	11,926	(2,586)	–
Proceeds	136,341	39,865	85,317	1,161	262,684
Changes in the terms of lease agreements	(30,449)	1,157	9,251	32,149	12,108
Disposal or termination of lease agreements	(27,641)	(14,499)	(6,292)	(933)	(49,365)
As of December 31, 2022	2,675,613	2,958,344	1,181,395	415,648	7,231,000
Depreciation accumulated					
As of January 1, 2022	(790,459)	(1,122,615)	(429,434)	(150,535)	(2,493,043)
Reclassification between groups	2,550	–	(3,972)	1,422	–
Depreciation accrued	(463,781)	(603,632)	(221,969)	(86,357)	(1,375,739)
Changes in the terms of lease agreements	10,717	358	66	(7,862)	3,279
Disposal or termination of lease agreements	12,857	12,893	5,497	655	31,902
As of December 31, 2022	(1,228,116)	(1,712,996)	(649,812)	(242,677)	(3,833,601)
Impairment accumulated					
As of January 1, 2022	–	–	–	–	–
Reclassification between groups	–	–	–	–	–
Depreciation of impairment	–	–	–	–	–
Recognition of impairment losses/recovery of previously recognized impairment losses	–	–	–	–	–
Disposal or termination of lease agreements	–	–	–	–	–
As of December 31, 2022	–	–	–	–	–
<i>Depreciation (with depreciation of impairment)</i>	<i>(463,781)</i>	<i>(603,632)</i>	<i>(221,969)</i>	<i>(86,357)</i>	<i>(1,375,739)</i>
Residual value					
As of January 1, 2022	1,816,243	1,809,206	651,759	235,322	4,512,530
As of December 31, 2022	1,447,497	1,245,348	531,583	172,971	3,397,399

For the purpose of the impairment testing, right-of-use specialized assets (including leased land plots under own and leased specialized facilities) are classified as CGU assets similarly to own fixed assets - based on the geographical location of the Group.

The value of use of right-of-use assets is determined using the discounted cash flow method. Information on the impairment testing conducted as of December 31, 2023 is disclosed in Note 13 "Property, Plant and Equipment".

16 Other financial assets

	December 31, 2023	December 31, 2022
Fixed		
<i>Financial assets measured at fair value through other comprehensive income</i>		
Investments in unquoted equity instruments	–	1
	–	1

17 Deferred tax assets and liabilities

Differences between IFRS and Russian tax legislation result in temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes, on the one hand, and for profit tax

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purposes, on the other.

(a) Deferred tax assets and liabilities recognized

Deferred tax assets and liabilities relate to the following items:

	Assets		Liabilities		Net	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Property, plant and equipment	73,641	66,372	(2,393,373)	(1,561,172)	(2,319,732)	(1,494,800)
Intangible assets	9,224	9,295	–	–	9,224	9,295
Right-of-use assets	–	–	(435,521)	(679,480)	(435,521)	(679,480)
Financial assets measured at fair value through other comprehensive income	–	–	(9,137)	(9,138)	(9,137)	(9,138)
Financial assets measured at fair value through other profit or loss	–	–	–	–	–	–
Inventories	45,157	52,591	–	–	45,157	52,591
Trade and other receivables	576,436	518,527	(17,206)	(4,531)	559,230	513,996
Advances paid and other assets	4	2,129	(1,238)	–	(1,234)	2,129
Lease liabilities	162,308	155,965	–	–	162,308	155,965
Loans and borrowings	–	–	–	–	–	–
Estimated liabilities	232,004	292,179	(5,670)	(961)	226,334	291,218
Employee benefit liabilities	60,681	26,320	–	–	60,681	26,320
Trade and other payables	568,176	491,560	–	–	568,176	491,560
Advances received	–	–	–	–	–	–
Tax losses to be carried forward	152	1,231	–	–	152	1,231
Assets held for sale	–	–	(5,651)	(4,081)	(5,651)	(4,081)
Other	9,858	331,822	(10,354)	(5,968)	(496)	325,854
Tax assets/(liabilities)	1,737,641	1,947,991	(2,878,150)	(2,265,331)	(1,140,509)	(317,340)
Credit for tax	(1,662,163)	(1,871,990)	1,662,163	1,871,990	–	–
Deferred tax assets not recognized	–	–	–	–	–	–
Net tax assets/(liabilities)	75,478	76,001	(1,215,987)	(393,341)	(1,140,509)	(317,340)

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(6) Movement of deferred tax assets and liabilities during the year

	January 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2023
Property, plant and equipment	(1,494,800)	(824,932)	—	(2,319,732)
Intangible assets	9,295	(71)	—	9,224
Right-of-use assets	(679,480)	243,959	—	(435,521)
Financial assets measured at depreciated value	—	—	—	—
Financial assets measured at fair value through other comprehensive income	(9,138)	1	—	(9,137)
Financial assets measured at fair value through other profit or loss	—	—	—	—
Inventories	52,591	(7,434)	—	45,157
Trade and other receivables	513,996	45,234	—	559,230
Advances paid and other assets	2,129	(3,363)	—	(1,234)
Lease liabilities	155,965	6,343	—	162,308
Loans and borrowings	—	—	—	—
Estimated liabilities	291,218	(64,884)	—	226,334
Employee benefit liabilities	26,320	15,607	18,754	60,681
Trade and other payables	491,560	76,616	—	568,176
Advances received	—	—	—	—
Tax losses to be carried forward	1,231	(1,079)	—	152
Assets held for sale	(4,081)	(1,570)	—	(5,651)
Other	325,854	(326,350)	—	(496)
Deferred tax assets not recognized	—	—	—	—
	(317,340)	(841 923)	18,754	(1,140,509)

	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022
Property, plant and equipment	(1,080,102)	(414,698)	—	(1,494,800)
Intangible assets	2,775	6,520	—	9,295
Right-of-use assets	(902,506)	223,026	—	(679,480)
Financial assets measured at depreciated value	—	—	—	—
Financial assets measured at fair value through other comprehensive income	(9,138)	—	—	(9,138)
Financial assets measured at fair value through other profit or loss	—	—	—	—
Inventories	21,824	30,767	—	52,591
Trade and other receivables	509,601	4,395	—	513,996
Advances paid and other assets	2,077	52	—	2,129
Lease liabilities	988,642	(832,677)	—	155,965
Loans and borrowings	—	—	—	—
Estimated liabilities	417,458	(126,240)	—	291,218
Employee benefit liabilities	9,330	6,168	10,822	26,320
Trade and other payables	158,890	332,670	—	491,560
Advances received	—	—	—	—
Tax losses to be carried forward	1,630	(399)	—	1,231
Assets held for sale	(4,102)	21	—	(4,081)
Other	4,766	321,088	—	325,854
Deferred tax assets not recognized	—	—	—	—
	121,145	(449 307)	10,822	(317,340)

18 Assets qualified as held for sale

	December 31, 2023	December 31, 2022
As part of current assets		
Assets classified as held for sale - short-term	28,255	20,403
	28,255	20,403

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It is expected that the sale of a non-core asset classified as held for sale will take no more than one year.

Immediately before classifying the objects as assets for sale, an estimate of the recoverable amount was made. As of December 31, 2023, there was no write-down as the carrying amount of assets held for sale has not decreased below its fair value less costs to sell.

19 Inventories

	December 31, 2023	December 31, 2022
Raw and other materials	1,459,748	975,506
Provision for impairment of raw and other materials	(49 327)	(51 238)
Other inventories	2,403,686	1,109,671
Provision for impairment of other inventories	(812)	(353)
	3,813,295	2,033,586

As of December 31, 2023, inventories intended to ensure the prevention and elimination of accidents (emergencies) at electrical network facilities (emergency provision) amount to 631,162 thousand rubles (as of December 31, 2022: 582,625 thousand rubles).

As of December 31, 2023 and December 31, 2022, the Group did not have reserves that would be pledged under loan or other agreements.

For the year ended December 31, 2023, inventories in the amount of 2,915,358 thousand rubles were recognized as expenses (for the year ended December 31, 2022: 2,543,547 thousand rubles) as part of operating expenses under the item "Other material expenses".

20 Trade and other receivables

	December 31, 2023	December 31, 2022
Long-term trade and other receivables		
Trade receivables	395	32,748
Provision for expected credit losses on trade receivables	—	(31 958)
Other receivables	58,632	66,035
Provision for expected credit losses on other receivables	—	(33 890)
	59,027	32,935
Short-term trade and other receivables		
Trade receivables	6,611,360	7 935 420
Provision for expected credit losses on trade receivables	(1 549 243)	(1 703 166)
Other receivables	1,263,035	1 410 852
Provision for expected credit losses on other receivables	(1 143 178)	(790 006)
	5,181,974	6 853 100
	5,241,001	6,886,035

21 Advances paid and other assets

	December 31, 2023	December 31, 2022
Fixed		
Advances paid	12,267	7,722
Provision for impairment of advances paid	—	—
VAT on advances received	407	407
	12,674	8,129
Current		
Advances paid	101,795	92,408
Provision for impairment of advances paid	(4 613)	(4 246)
VAT recoverable	5,753	(12 192)
VAT on advances received and VAT on advances paid for the purchase	57,667	41,707

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of property, plant and equipment
Prepayment for taxes other than profit tax

9,634	14,144
170,236	131,821
182,910	139,950

22 Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash in bank accounts and cash on hand	5 578 347	3 510 721
Cash equivalents	7 538 334	650,000
	13 116 681	4,160,721

As of December 31, 2023 and December 31, 2022, all balances and cash equivalents are nominated in rubles. Cash equivalents as at December 31, 2023 and December 31, 2022 include short-term investments in bank deposits. Deposits were placed in 2023 at interest rates from 16.15% to 16.40% per annum (in 2022: from 7.12 to 8.03% per annum).

23 Equity

(a) Authorized capital

	Ordinary shares	
	December 31, 2023	December 31, 2022
Nominal value per one share	100 rubles	100 rubles
In circulation as of January 1, pieces	363,300,457	342 258 436
In circulation at the end of the year and fully paid, pieces	398,966,076	363 300 457

(6) Ordinary shares

In accordance with the Charter, as of December 31, 2022, and December 31, 2023, the authorized capital of the Company is 33,465,783,700 rubles, which is divided into 334,657,837 ordinary registered non-documentary shares with a nominal value of 100 rubles 00 kopecks each.

The total number of outstanding shares of the Company as of December 31, 2023 amounted to 398,966,076 shares.

(b) Dividends

The source of dividend payment is the net profit of "Rosseti Kuban" PJSC, determined in accordance with the requirements established by the current legislation of the Russian Federation.

At the Annual General Meeting of Shareholders held on June 16, 2023, it was decided to pay dividends on ordinary shares of the Company based on the results of financial and economic activities of "Rosseti Kuban" PJSC for 2022 in the amount of 766,500 thousand rubles (minutes of the Annual General Meeting of Shareholders dated June 21, 2023 No. 50). The amount of dividends amounted to 2.0022935 rubles per ordinary share of the Company.

For the year ended December 31, 2023, dividends accrued to the Company's owners amounted to 766,500 thousand rubles by the end of 2022, including 764,260 thousand rubles to the parent company, "Rosseti" PJSC (for the year ended December 31, 2022: 2,774,363 thousand rubles, including 2,695,919 thousand rubles for the parent company, "Rosseti" PJSC).

As of December 31, 2023, the debt for the payment of dividends to other shareholders amounted to 1,458 thousand rubles, the debt to the parent company "Rosseti" PJSC, for the payment of dividends was repaid (as of December 31, 2022: the debt for the payment of dividends to other shareholders amounted to 101,678 thousand rubles, and the debt to the parent company, "Rosseti" PJSC, the debt regarding dividends has been repaid).

As of December 31, 2023, the amount of unclaimed dividends, which were restored to the retained profit of previous years due to the expiration of the limitation period for the payment of dividends, amounted to 245 thousand rubles (as of December 31, 2022: 71 thousand rubles).

(r) Additional issue of securities

In February 2021, the Extraordinary General Meeting of Shareholders of "Rosseti Kuban" PJSC decided to increase the Company's authorized capital by placing additional ordinary shares in the amount of 69,583,132 shares with a par value of 100 rubles each, for a total amount of 6,958,313,200 rubles at par value (Minutes dated February 26, 2021, No.44).

On March 17, 2021, the Board of Directors of "Rosseti Kuban" PJSC approved a securities prospectus that contained the terms and conditions for the placement of additional shares.

On April 1, 2021, the Bank of Russia registered this additional issue and the registration of the securities prospectus of "Rosseti Kuban" PJSC. The additional issue of securities was assigned state registration number 1 02 00063-A. The initial term for the placement of additional shares is one year from the date of state registration of the additional issue. On April 25, 2022, the Bank of Russia registered the Company's securities prospectus, which provides for the extension of the period for the placement of additional shares until April 1, 2023 by extending the deadline for collecting offers until March 2, 2023. On May 25, 2023, the Bank of Russia registered a prospectus for the issue of securities of the Company, providing for the extension of the period for the placement of additional shares until April 1, 2024 by extending the deadline for collecting offers until March 1, 2024.

Within the period from April 10, 2021 to February 3, 2022, the shareholders exercised their pre-emptive right to acquire additional shares. The Company offered to purchase 60,579,604 pieces remaining for placement after the exercise of the pre-emptive right by shareholders on February 10, 2022, to an unlimited number of persons by open subscription. On March 1, 2024, the deadline for collecting offers for the purchase of shares of an additional issue registered by the Bank of Russia on April 1, 2021 with registration number 1-02-00063-A, ended.

Payment for additional shares is made in cash. As of December 31, 2023, the Company collectively received payment for additional issue shares in the amount of 6,430,824 thousand rubles for 64,308,239 additional issue shares (including for the 12 months of 2023: in the amount of 3,566,562 thousand rubles for 35,665,619 shares). Registration of the relevant amendments to the Company's Charter has not been made as of December 31, 2023.

The Group's Management classified the cash received for additional outstanding unregistered shares in the

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amount of 6,430,824 thousand rubles as part of the Capital elements under the line "Share Issue Provision" of the Consolidated Statement of Financial Position as of December 31, 2023.

24 Earnings per share

The calculation of earnings per share for the year ended December 31, 2023 and December 31, 2022 is based on earnings payable to ordinary shareholders and the weighted average number of outstanding ordinary shares. The Company does not have dilutive financial instruments.

<i>In thousands of shares</i>	2023	2022
Ordinary shares as of January 1	363,300	342,258
Effect of the share placing	35,666	21,042
Weighted average number of shares for the period ended December 31	381,034	349,986

	For the year ended December 31	
	2023	2022
Weighted average number of outstanding shares for the period (in thousand pieces)	381,034	349,986
Profit for the period, which is attributable to the owners of the Company	6,818,242	5,698,370
Basic and diluted earnings per share (in Russian rubles)	17.89	16.28

25 Borrowed funds

	December 31, 2023	December 31, 2022
Long-term liabilities		
Loans and borrowings unsecured	20,159,853	21 003 300
Lease liabilities	2,585,294	3 866 469
Less: current portion of long-term lease liabilities	(1 724 421)	(1 492 118)
Less: current portion of long-term loan liabilities	(4,279,853)	(4,071,757)
	16 740 873	19 305 894
Short-term liabilities		
Loans and borrowings unsecured	28,987	18,523
Current portion of long-term lease liabilities	1 724 421	1 492 118
Current portion of long-term loan liabilities	4,279,853	4 071 757
	6 033 261	5 582 398
Including:		
Interest payable on loans and borrowings	28,987	18,523
	28,987	18,523

As of December 31, 2023, and December 31, 2022, all balances of loans and borrowings are denominated in rubles, respectively.

Long-term and short-term loan and borrowing liabilities, including interest, as at December 31, 2023 and December 31, 2022 amounted to 20,188,840 thousand rubles and 21,021,823 thousand rubles (excluding long-term and short-term lease liabilities).

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	Maturity	Effective interest rate		Carrying value	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Loans and borrowings unsecured					
Unsecured loans	2024-2025	LR+1.25% – LR+1.55%	LR+1.35% – LR+2.75%	12,979,853	18,119,319
Unsecured loans	2025-2026	LR+1.20% – LR+2.10%	LR+1.10% – LR+1.33%	5,340,547	1,484,335
Borrowings unsecured	2025-2025	8.95-8.95%	7.07-7.07%	1,868,440	1,418,169
				20,188,840	21,021,823
Lease liabilities	2024-2071	8.99-16.41%	8.85-14.37%	2,585,294	3,866,469
				22,774,134	24,888,292

The Group does not use hedging instruments to manage interest rate risk.

The Group does not use hedging instruments to manage interest rate risk.

26 Changes in liabilities caused by financial activities

	Borrowed funds		Interest payable on borrowed funds (excluding % under lease agreements)	Lease liabilities	Dividends payable
	Long-term	Short-term			
As of January 1, 2023	16,931,543	4,071,757	18,523	3,866,469	101,678
Changes due to cash flows from financial activities					
Borrowing funds	8,618,064	–	–	–	–
Repayment of borrowed funds	(5,389,754)	(4,071,757)	–	–	–
Lease payments	–	–	–	(1,445,730)	–
Interest paid (operating activities, for reference)	–	–	(2,090,271)	(259,924)	–
Dividends paid	–	–	–	–	(866,475)
Total	3,228,310	(4,071,757)	(2,090,271)	(1,705,654)	(866,475)
Non-cash changes					
Reclassification	(4,279,853)	4,279,853	–	–	–
Capitalized interests	–	–	296,218	1,131	–
Interest expenses	–	–	1,804,517	296,737	–
Proceeds from lease agreements	–	–	–	254,864	–
Dividends accrued	–	–	–	–	766,500
Discounting	–	–	–	–	–
Other changes, net	–	–	–	(128,253)	(245)
Total	(4,279,853)	4,279,853	2,100,735	424,479	766,255
As of December 31, 2023	15,880,000	4,279,853	28,987	2,585,294	1,458

	Borrowed funds		Interest payable on borrowed funds (excluding % under lease agreements)	Lease liabilities	Dividends payable
	Long-term	Short-term			
As of January 1, 2022	16,136,314	4,800,000	34,192	4,943,208	344
Changes due to cash flows from financial activities					
Borrowing funds	14,682,503	1,000,698	—	—	—
Repayment of borrowed funds	(9,815,517)	(5,800,698)	—	—	—
Lease payments	—	—	—	(1,328,971)	—
Interest paid (operating activities, for reference)	—	—	(2,408,038)	(341,457)	—
Dividends paid	—	—	—	—	(2,774,363)
Total	4,866,986	(4,800,000)	(2,408,038)	(1,670,428)	(2,774,363)
Non-cash changes					
Reclassification					
Capitalized interests	(4,071,757)	4,071,757	—	—	—
Interest expenses	—	—	313,137	2,914	—
Proceeds from lease agreements	—	—	2,079,232	351,017	—
Dividends accrued	—	—	—	262,684	—
Discounting	—	—	—	—	2,875,768
Other changes, net	—	—	—	(22,926)	(71)
Total	(4,071,757)	4,071,757	2,392,369	593,689	2,875,697
As of December 31, 2022	16,931,543	4,071,757	18,523	3,866,469	101,678

27 Employee benefits

The Group has pension liabilities and other long-term defined benefit plan liabilities that apply to most employees and retirees. Defined benefit plan liabilities consist of several unsecured plans providing lump sum payments upon retirement, financial support to retirees, employee death benefits, and anniversary payments.

The amounts of defined benefit liabilities recognized in the Consolidated Statement of Financial Position are as follows:

	December 31, 2023	December 31, 2022
Net cost of liabilities regarding post-employment benefit plans	762,865	621,344
Net cost of liabilities regarding other long-term employee benefit plans	—	—
Total net value of liabilities	762,865	621,344
Change of value of assets related to employee benefit liabilities:		
	2023	2022
Value of assets as of January 1	302,550	308,658
Income on plan assets	20,645	9,070
Employer's contributions	—	21,543
Other account movements	1,056	(198)
Payment of benefits	(33,539)	(36,523)
Value of assets as of December 31	290,712	302,550

Assets associated with defined benefit pension plans are administered by the NPF Otkrytie JSC Non-Governmental Pension Fund. These assets are not assets of defined benefit pension plans, since under the terms of existing agreements with the fund, the Group has the opportunity to use contributions transferred under defined benefit pension plans to finance its defined contribution pension plans or transfer to another fund on its own initiative.

Changes in present value of defined benefit plan liabilities:

	2023		2022	
	Post-employment benefits	Other long-term benefits	Post-employment benefits	Other long-term benefits
Defined benefit plan liabilities as of January 1	621,344	—	545,309	—
Cost of current services	27,600	—	24,302	—
Cost of past services and sequestration	—	—	—	—
Interest expense on liabilities	59,904	—	42,072	—
Effect of revaluation:				
- loss from changes in demographic actuarial assumptions	102,021	—	—	—
- profit from change in financial actuarial assumptions	(88,633)	—	(33,424)	—
- loss from experience adjustment	80,381	—	87,533	—
Plan contributions	(39,752)	—	(44,448)	—
Defined benefit plan liabilities as of December 31	762,865	—	621,344	—

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Expenses recognized in profit or loss for the period:

	For the year ended December 31	
	2023	2022
Cost of employee services	27,600	24,302
Revaluation of liabilities for other long-term employee benefits	—	—
Interest expenses	59,904	42,072
Total expenses recognized in profit or loss	87,504	66,374

Loss recognized in other comprehensive income for the period:

	For the year ended December 31	
	2023	2022
Loss from changes in demographic actuarial assumptions	102,021	—
Profit from change in financial actuarial assumptions	(88,633)	(33,424)
Loss from experience adjustment	80,381	87,533
Total expenses recognized in other comprehensive income	93,769	54,109

Change in the reserve for revaluation of liabilities in other comprehensive income during the reporting period:

	2023	2022
Revaluation as of January 1	537,255	483,146
Revaluation change	93,769	54,109
Revaluation as of December 31	631,024	537,255

Main actuarial assumptions:

	December 31, 2023	December 31, 2022
Financial assumptions		
Discount rate	11.8%	10.3%
Future salary increase	6.1%	6.1%
Inflation rate	5.6%	5.6%
Demographic assumptions		
Expected retirement age		
• Men	65	65
• Women	60	60
Average employee turnover rate	7.2%	9.5%

The sensitivity of the total value of pension liabilities to changes in basic actuarial assumptions is as follows:

	Changes in assumptions	Impact on liabilities
Discount rate	Growth/decrease by 0.5%	Change by (3.3%)
Future salary growth	Growth/decrease by 0.5%	Change by 3.1%
Future benefit growth (inflation)	Growth/decrease by 0.5%	Change by 0.6%
Employee turnover rate	Growth/decrease by 10%	Change by (1.2%)
Mortality rate	Growth/decrease by 10%	Change by (0.8%)

The amount of expected payments under long-term employee benefit plans for 2024 is 225,611 thousand rubles, including: for defined benefit plans, including non-state pension provision for employees, 255,611 thousand rubles.

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The risks associated with pension and other long-term employee benefit plans reflect the fact that the actual development of the situation may differ from the long-term assumptions used in calculating liabilities. The Group's plans are exposed to risks of mortality and survival, risks of falling investment returns, while there is no significant concentration of risks.

The weighted average duration of a defined benefit liability is 8 years as of December 31, 2023 (7 years as of December 31, 2022).

28 Trade and other payables

	December 31, 2023	December 31, 2022
Long-term debt		
Trade payables	1,365,506	93,604
Other payables	1	—
	1,365,507	93,604
Short term debt		
Trade payables	8,619,522	9,337,701
Other payables and expenses accrued	187,960	171,424
Payables to employees	1,564,934	1,469,133
Dividends payable	1,458	101,678
	10,373,874	11,079,936
	11,739,381	11,173,540

The Group's exposure to liquidity risk in respect of accounts payable is disclosed in Note 32"Financial Risk and Capital Management".

29 Taxes payable other than profit tax

	December 31, 2023	December 31, 2022
VAT	998,920	514,660
Property tax	159,026	155,499
Social security contributions	358,226	473,181
Other taxes payable	50,191	88,432
	1,566,363	1,231,772

30 Advances received

	December 31, 2023	December 31, 2022
Long-term		
Advances for technological connection to electrical networks	9,916,835	1,971,783
Other advances received	3,103	1,338
	9,919,938	1,973,121
Short-term		
Advances for technological connection to electrical networks	5,880,623	3,598,783
Other advances received	1,434,245	1,610,110
	7,314,868	5,208,893
	17,234,806	7,182,014

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31 Estimated liabilities

	2023	2022
Balance as of January 1	1,460,893	2,084,450
Accrual (increase) for the period	449,521	774,809
Recovery (decrease) for the period	(453,043)	(876,060)
Use of estimated liabilities	(383,552)	(557,745)
Capitalized	86,202	35,439
Balance as of December 31	1,160,021	1,460,893

The estimated liabilities mainly relate to lawsuits and claims filed against the Group for ordinary activities, as well as estimated liabilities related to unresolved tax disputes of the Group at the reporting date as at December 31, 2023 and December 31, 2022 in the amounts of 142,134 thousand rubles and 173,376 thousand rubles, respectively.

32 Financial Risk and Capital Management

In the course of its ordinary financial and business operations, the Group is exposed to a variety of financial risks, including but not limited to: market risk (risk of exchange losses, interest rate risk and price risk), credit risk and liquidity risk.

This note contains information on the Group's exposure to each of these risks, discusses the objectives, policies and procedures of risk assessment and management, and information on capital management. More detailed quantitative data are disclosed in the relevant sections of these consolidated financial statements.

The Company may change the amount of dividends paid to shareholders, return capital to shareholders or issue new shares in order to maintain or change the capital structure.

(a) Credit risk

Credit risk is the risk that the Group will incur a financial loss caused by the buyer or counterparty to a financial instrument not fulfilling its contractual obligations in full and on time. Credit risk relates mainly to the Group's receivables, bank deposits, cash and cash equivalents.

Deposits with an initial maturity period of more than three months, cash and cash equivalents are placed in financial institutions that have a minimum risk of default, are considered reliable counterparties with a stable financial position in the financial market of the Russian Federation. Concentration risk is managed by placing funds in banks with minimal risk of default. Information on the balances of deposits with an initial placement period of more than three months, balances of cash and cash equivalents placed with banks associated with the principal shareholder of the Company is provided in Note 35 "Related Party Operations".

In terms of the structure of the Group's debtors, the Group's exposure to credit risk mainly depends on the individual characteristics of each counterparty. The Group creates a provision for expected credit losses on trade and other receivables, the estimated amount of which is determined on the basis of a model of expected credit losses weighted by the probability of default occurrence, and can be adjusted both upward and downward. For that, the Group analyzes the borrowing capacity of the counterparties, debt repayment dynamics, takes into account changes in payment terms, the availability of third-party guarantees, bank guarantees, and current economic conditions.

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The carrying amount of receivables, net of expected credit loss provisions, represents the maximum amount exposed to credit risk. While the collection of receivables may be affected by economic and other factors, the Group believes that there is no material risk of losses exceeding the provision created.

If possible, the Group uses a prepayment system in its relationships with counterparties. As a rule, the prepayment for utility connection of consumers to the networks is provided for by the contract. The Group does not require collateral security for receivables.

For effective management of receivables, the Group monitors changes in the volume of receivables and its structure by allocating current and overdue accounts. In order to minimize credit risk, the Group implements measures aimed at timely fulfillment of contractual obligations by counterparties, reducing and preventing the creation of overdue accounts. Such measures, in particular, include: conducting negotiations with service consumers, increasing the efficiency of the process of forming the volume of electricity transmission services, ensuring the implementation of schedules for monitoring readings and technical verification of electricity metering tools agreed with guaranteed supply companies, limiting the electricity consumption regime (implemented in accordance with the norms of the legislation of the Russian Federation), claims work, presentation of claims for the provision of financial security in the form of independent (bank) guarantees, collateral and other forms of security for the fulfillment of obligations.

i. Credit risk level

The carrying amount of financial assets reflects the maximum credit risk of the Group. As of the balance sheet date, the maximum level of credit risk was:

	Carrying value	
	December 31, 2023	December 31, 2022
Trade and other receivables (net of expected credit loss provisions)	5,241,001	6,886,035
Cash and cash equivalents	13,116,681	4,160,721
	18,357,682	11,046,756

As of the balance sheet date, the maximum level of credit risk in terms of trade receivables by groups of buyers was:

	December 31, 2023			December 31, 2022		
	Total nominal value	Expected credit loss provision	Carrying value	Total nominal value	Expected credit loss provision	Carrying value
Buyers of electricity transmission services	6,236,163	(1,419,407)	4,816,756	7,667,559	(1,597,134)	6,070,425
Buyers of services of technological connection to networks	38,922	(24,783)	14,139	38,043	(27,797)	10,246
Other buyers	336,670	(105,053)	231,617	262,566	(110,193)	152,373
	6,611,755	(1,549,243)	5,062,512	7,968,168	(1,735,124)	6,233,044

The carrying amount of trade receivables attributable to the Group's ten largest debtors as of December 31, 2023 was 4,280,884 thousand rubles (December 31, 2022: 5,570,634 thousand rubles).

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The distribution of trade and other receivables by limitation term is presented below:

	December 31, 2023			December 31, 2022		
	Total nominal value	Expected credit loss provision	Carrying value	Total nominal value	Expected credit loss provision	Carrying value
Undue debt	4,776,040	(91,285)	4,684,755	6,616,159	(274,759)	6,341,400
Overdue by less than 3 months	275,746	(26,624)	249,122	377,971	(77,116)	300,855
Overdue for more than 3 months and less than 6 months	273,391	(60,486)	212,905	287,666	(203,910)	83,756
Overdue for more than 6 months and less than a year	481,860	(417,933)	63,927	320,674	(216,882)	103,792
Overdue for more than a year	2,126,385	(2 096 093)	30,292	1 842 585	(1 786 353)	56,232
	7 933 422	(2 692 421)	5,241,001	9 445 055	(2 559 020)	6,886,035

The flow of the expected credit loss provisions on trade and other receivables is presented below:

	2023	2022
Balance as of January 1	2 559 020	2 515 156
Increase in provision for the period	705,949	723,282
Recovery of provision amounts for the period	(384 132)	(97 988)
Amounts of trade and other receivables written off from provision previously accrued	(188 416)	(581 430)
Reclassification over the period	—	—
Balance as of December 31	2,692,421	2 559 020

As of December 31, 2023 and December 31, 2022, the Group has no contractual basis for offsetting financial assets and financial liabilities, and the management of the Group does not anticipate future offsetting based on supplementary agreements.

(6) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations at maturity.

Liquidity risk management involves the maintenance of sufficient funds and the availability of financial resources by attracting credit facilities. The Group follows a balanced model of working capital financing through the use of both short-term and long-term sources. Temporarily available funds are placed in the form of short-term financial instruments, mainly bank deposits.

The Group's approach to liquidity management is to ensure that the Group has sufficient liquidity to meet its obligations on time without incurring illegible losses or exposing to risk the Group's reputation. This approach is used to analyze payment due dates related to financial assets and forecast cash flows from operating activities.

As of December 31, 2023, the amount of the free limit on open but unused credit lines of the Group amounted to 77,202,647 thousand rubles (as of December 31, 2022: 58,342,200 thousand rubles) The Group has a chance to raise additional funding within the relevant limits, including to ensure the fulfillment of its short-term obligations.

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Below is information on the contractual maturity of financial liabilities, taking into account expected interest payments and excluding the effect of offsets. With respect to cash flows included in the analysis of the payment due dates, it is not assumed that they may occur much earlier in time or in significantly different amounts:

December 31, 2023	Carrying value	Cash flows under the agreement	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities								
Loans and borrowings	20,188,840	26 386 225	7 480 965	15 970 510	2 934 750	—	—	—
Financial lease liabilities	2,585,294	4 345 618	1 726 354	327,956	154,275	135,827	89,942	1 911 264
Trade and other payables	11 739 381	12 694 969	11 329 462	1 365 507	—	—	—	—
	34 513 515	43 426 812	20 536 781	17 663 973	3,089,025	135,827	89,942	1 911 264
December 31, 2022	Carrying value	Cash flows under the agreement	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Non-derivative financial liabilities								
Loans and borrowings	21,021,823	25,070,389	5,794,646	5,736,563	13,539,180	—	—	—
Financial lease liabilities	3 866 469	5 486 316	1 708 122	1 689 798	168,786	122,272	92,238	1 705 100
Trade and other payables	11,173,540	11 723 176	11 629 572	8,551	3,755	3,905	4,061	73,332
	36 061 832	42 279 881	19 132 340	7 434 912	13 711 721	126,177	96,299	1,778,432

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(B) Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates, commodity prices and cost of capital, which will affect the Group's financial performance or the value of the financial instruments held. The purpose of market risk management is to control market risk exposure and keep it within acceptable limits, while optimizing the return on investment.

i. Risk of exchange losses

Income and expenses and monetary assets and liabilities of the Group are nominated in Russian rubles. Changes in exchange rates do not directly affect the Group's income and expenses.

ii. Interest rate risk

The purpose of interest rate risk management is to prevent losses due to adverse changes in the level of market interest rates. Changes in interest rates primarily affect loans and borrowings because they change either their fair value (for fixed-rate loans and borrowings) or future cash flows (for floating-rate loans and borrowings). The Group does not adhere to any established rules in determining the ratio between loans and borrowings at fixed and floating rates. At the same time, at the time of raising new loans and borrowings, on the basis of judgment, it is decided which rate - fixed or floating - will be most beneficial for the Group for the entire settlement period until maturity. The Group analyzes the exposure to interest rate risks in dynamics.

Sensitivity analysis of fair value of fixed-rate financial instruments

The Group does not recognize any financial assets and liabilities at fixed rates as instruments at fair value through profit or loss. Accordingly, the change in interest rates at the reporting date would not have affected profit or loss.

Cash flow sensitivity analysis for floating rate financial instruments

As of December 31, 2023, the Group's financial liabilities with floating interest rates amounted to 16,380,000 thousand rubles (as of December 31, 2022: 13,083,980 thousand rubles).

A possible increase in interest rates by 100 basis points would reduce the amount of profit before income tax for 2023 by 192,416 thousand rubles. (December 31, 2022: 199,150 thousand rubles).

A possible decrease in interest rates by 100 basis points would increase the amount of profit before income tax for 2023 by 192,416 thousand rubles. (December 31, 2022: 199,150 thousand rubles).

This analysis was conducted on the assumption that all other variables remain unchanged and interest expenses are not capitalized.

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(r) Fair and carrying value

A comparison of the fair values and carrying values of the Group's financial instruments is set out below:

Financial instruments	Note	December 31, 2023		Level of the fair value hierarchy		
		Carrying value	Fair value	1	2	3
Financial assets measured at depreciated value						
Long-term receivables	20	59,027	59,027	—	—	59,027
Financial assets measured at fair value through other comprehensive income						
Investments in equity instruments (unquoted)	16	—	—	—	—	—
Financial liabilities measured at depreciated value						
Loans and borrowings	25	20,159,853	20,159,853	—	20,159,853	—
Long-term payables	28	1,365,507	1,365,507	—	—	1,365,507
		21 584 387	21 584 387	—	20,159,853	1 424 534
Financial instruments	Note	December 31, 2022		Level of the fair value hierarchy		
		Carrying value	Fair value	1	2	3
Financial assets measured at depreciated value						
Long-term receivables	20	32,935	32,935	—	—	32,935
Financial assets measured at fair value through other comprehensive income						
Investments in equity instruments (unquoted)	16	1	1	—	—	1
Financial liabilities measured at depreciated value						
Loans and borrowings	25	21,003,300	21,003,300	—	21,003,300	—
Long-term payables	28	93,604	93,604	—	—	93,604
		21 129 840	21 129 840	—	21 003 300	126,540

The fair value of short-term receivables and payables and other current financial assets approximates their carrying values.

The interest rate used to discount expected future cash flows on long-term receivables for the purposes of determining the disclosed fair value as of December 31, 2023, was 8.23%...12.48% (December 31, 2022: 8.85%...13.15%).

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The interest rate used to discount expected future cash flows on long-term payables for the purposes of determining the disclosed fair value as of December 31, 2023, was 8.23%...12.48% (December 31, 2022: 8.85%...13.15%).

The interest rate used to discount expected future cash flows on long- and short-term borrowings for the purposes of determining the disclosed fair value as of December 31, 2023, was LR +1.20% - LR +2.10% (December 31, 2022: LR +1.35% - LR +2.75%).

For the year ended December 31, 2023, no transfers were made between levels of the fair value hierarchy.

(д) Capital Management

The capital under management of the Group is the amount of capital owed to the owners of the Company as presented in the Consolidated Statement of Financial Position.

The main objective of capital management for the Group is to maintain a stable high level of capital to maintain the confidence of investors, creditors and market participants and to ensure sustainable business development in the future.

The Group monitors the structure and return on equity using coefficients calculated on the basis of consolidated financial statements in accordance with IFRS, management statements and RAS statements. The Group analyzes the dynamics of the indicators of total debt and net debt, the structure of debt, as well as the ratio of equity and borrowed capital.

The Group manages its debt position by implementing credit policies aimed at improving financial stability, optimizing its debt portfolio and building long lasting relationships with participants in the debt capital market. To manage the debt position, the Group applies limits, including the categories of capital leverage, debt coverage, and debt servicing coverage. The initial data for the calculation of limits are RAS reporting indicators.

33 Capital commitments

Group's capital covenants under contracts for the acquisition and construction of property, plant and equipment amounted to 3,484,156 thousand rubles, including VAT, as of December 31, 2023 (December 31, 2022: 1,147,198 thousand rubles, VAT included).

34 Contingent liabilities

(a) Insurance

The Group applies uniform requirements regarding the amount of insurance coverage, the reliability of insurance companies and the procedure for organizing insurance protection. The Group maintains insurance of assets, liability and other insured risks. The Group's principal operating assets have insurance coverage, including coverage for damage to or loss of property, plant and equipment. There are risks, however, that adversely affect the operations and financial position of the Group in the event of damage to third parties and loss or damage to assets that are not or not fully insured.

(6) Contingent tax liabilities

The tax legislation of the Russian Federation, in force or effective at the end of the reporting period, allows for the possibility of different interpretations of certain facts of the Group's economic life. In this regard, the position of the Group's Management on taxes and the documents justifying this position may be contested by the tax authorities.

Tax control in the Russian Federation is being tightened, which increases the risk of tax authorities checking the impact on the tax base of operations that do not have a clear financial and economic purpose or operations with counterparties that do not comply with the requirements of tax legislation. Tax audits may cover three calendar years preceding the year in which the decision to conduct the audit was made. Under certain circumstances, earlier periods may also be checked.

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The Group's Management currently believes that its position on taxes and the interpretations of legislation applied by the Group can be confirmed, however, there is a risk that the Group will incur additional costs if the Management's position on taxes and the interpretations of legislation applied by the Group are contested by the tax authorities. The impact of such a development of events cannot be assessed with a sufficient degree of reliability, however, it may be significant from the point of view of the financial position and results of the Group's activities.

With the further development of the practice of applying property tax rules, tax authorities and courts may challenge the criteria for classifying property as movable or immovable items used by the Group. The Group's Management does not exclude the risk of an outflow of resources, while the risk of such a development is not assessed as probable.

(b) Legal Proceedings

The Group is a participant in a number of legal proceedings (both as plaintiff and defendant) arising in the ordinary course of business.

According to the Management, the probability of an unfavorable outcome for the Group and the corresponding outflow of financial resources is not high with respect to lawsuits in the amount of 725,971 thousand rubles as of December 31, 2023

In the opinion of the Management, there are currently no other unresolved claims or lawsuits that could have a significant impact on the results of operations or the financial position of the Group and would not be recognized or disclosed in the Consolidated Financial Statements.

(r) Environmental Commitments

The Group has been operating in the electric power industry in the Russian Federation for many years. The legislation on environmental protection in the Russian Federation continues to develop, the duties of competent government bodies for monitoring its compliance are being revised. Contingent commitments related to environmental protection arising from changes in interpretations of existing legislation, lawsuits or changes in legislation cannot be assessed. Management believes that there are no contingent commitments under the existing control system and current legislation that could have a material adverse impact on the Group's financial position, results of operations or cash flows.

35 Related Party Operations

(a) Control Relationships

Parties are generally considered to be related if they are under common control or one of the parties has the ability to control the other party or may exert significant influence over its decisions on financial and business matters or exercise joint control over it. When considering relationships with each of the possible related parties, the economic content of such relationships is taken into account, and not just their legal form.

Rosseti Kuban PJSC
Notes to the Consolidated Financial Statements
for the year ended December 31, 2023
(in thousands of Russian rubles, unless otherwise specified)

The main related parties of the Group for the year ended December 31, 2023 and December 31, 2022, as well as at December 31, 2023 and December 31, 2022, were the parent company, its subsidiaries, key management personnel, and companies associated with the principal shareholder of the parent company.

(6) Operations with the parent company, its subsidiaries

	Transaction amount for the		Carrying value	
	year ended December 31		December 31,	December 31,
	2023	2022	2023	2022
Revenue, other income, financial income				
Parent company				
Other revenue	101,823	1,185	5,289	–
Enterprises under common control of the parent company				
Other revenue	344,738	103,971	60,012	84,960
Other income	11,842	1,326	18,005	5,469
Interest income	4,189	5,885	11,205	7,016
Income from the sale of FA	2,834	35,236	3,401	–
	465,426	147,603	97,912	97,445
Provision for expected credit losses on trade receivables and other receivables	19,308	35,969	(49 116)	(68 424)
Receivables less provision for expected credit losses	–	–	48,796	29,021

	Transaction amount for the		Carrying value	
	year ended December 31		December 31,	December 31,
	2023	2022	2023	2022
Operating expenses, financial expenses				
Parent company				
Electricity transmission services	10,144,719	–	1,012,700	–
Services for technological connection to electrical networks	3,382	–	12,800	–
Other works and services of production nature	26,820	–	–	–
Expenses for services for the organization and development of the UES	8,678	110,819	–	19,926
Software and maintenance costs	11,026	–	10,163	–
Other services, expenses	1,077	–	1,958	–
Interest expense on financial liabilities carried at depreciable cost	98,980	570,300	18,440	18,169
Interest expense on lease	173,132	–	–	–
Capitalized expenses for works and services	1,187	–	12,185	–
Enterprises under common control of the parent company				
Electricity transmission services	–	8,324,432	–	879,062
Services for technological connection to electrical networks	8	39	–	9162
Software and maintenance costs	79,710	41,632	9,444	3401
Repair and maintenance services	1,979	1,903	–	–
Interest expense on lease	11,058	18,624	–	–
Estimated liabilities	–	–	–	–
Other expenses	54,274	51,118	29,423	9,838
Interest expense on financial liabilities carried at depreciable cost	41,684	23,654	–	–
Capitalized expenses for works and services	162,881	105,988	106,165	366,666
	10,820,595	9,248,509	1,213,278	1,306,224

Rosseti Kuban PJSC
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	Carrying value	
	December 31, 2023	December 31, 2022
Parent company		
Advances paid	22,756	–
Borrowed funds	1,400,000	1 400 000
Advances received	31	–
Lease liabilities	169,861	–
Enterprises under common control of the parent company		
Advances paid	12,536	7,722
Borrowed funds	450,000	–
Advances received	37,293	571,445
Lease liabilities	1 508 559	235,543

As of December 31, 2023, there is no debt to the parent company for the payment of dividends.

(b) Operations with key management personnel

For the purposes of preparing these Consolidated Financial Statements, key management personnel include members of the Board of Directors, the Management Board and key management personnel.

Benefit of key management personnel is composed of salary stipulated by the labor agreement, non-monetary benefits, as well as bonuses determined by the results for the period and other payments. Benefits or compensation are not paid to those members of the Board of Directors who are government employees.

The amounts of benefits to key management personnel disclosed in the table represent the costs of the current period for key management personnel recorded in the employee benefit expenses.

	For the year ended December 31	
	2023	2022
Short-term employee benefits	134,072	231,010
	134,072	231,010

As of December 31, 2023, the present value of liabilities under defined benefit and defined contribution plans and other post-employment benefits reflected in the Consolidated Statement of Financial Position includes liabilities for key management personnel in the amount of 0 thousand rubles (as of December 31, 2022: 0 thousand rubles).

(r) Operations with companies associated with the principal shareholder of the parent company

As part of its operating performance, the Group enters into operations with other companies associated with the principal shareholder of the parent company. These operations are carried out at regulated rates or at market prices. Raising and investing funds in financial institutions associated with the principal shareholder of the parent company is carried out at market interest rates. Taxes are assessed and paid in accordance with Russian tax law.

Revenue from companies associated with the principal shareholder of the parent company was:

- 1.88% of the Group's total revenue for the year ended December 31, 2023 (for the year ended December 31, 2022: 1.29%);
- 1.27% of the Group's electricity transmission revenue for the year ended December 31, 2023 (December 31, 2022: 0.86%).

Electricity transmission expenses and expenses for the purchase of electricity to compensate for technological losses, for companies associated with the principal shareholder of the parent company, amounted to 4.66% of the total expenses of electricity transmission and compensation for technological losses for the year ended December 31, 2023 (for the year ended December 31, 2022: 4.72%).

Interest accrued on loans and borrowings from banks associated with the principal shareholder of the parent company for the year ended December 31, 2023 amounted to 1,757,249 thousand rubles. (for the year ended

Rosseti Kuban PJSC
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(in thousands of Russian rubles, unless otherwise specified)*

December 31, 2022: 1,532,550 thousand rubles).

As of December 31, 2023, loans and borrowings from banks associated with the principal shareholder of the parent company amounted to 12,979,853 thousand rubles (as of December 31, 2022: 18,019,319 thousand rubles)

As of December 31, 2023, the balance of deposits with an initial placement period of more than three months placed with banks associated with the principal shareholder of the parent company amounted to 0 thousand rubles (as of December 31, 2022: 0 thousand rubles)

As of December 31, 2023, the balance of cash and cash equivalents placed with banks associated with the principal shareholder of the parent company amounted to 13,043,725 thousand rubles (as of December 31, 2022: 3,509,687 thousand rubles)

As of December 31, 2023, lease liabilities for companies associated with the principal shareholder of the parent company amounted to 514,065 thousand rubles (as of December 31, 2022: 3,229,417 thousand rubles).

36 Events after the reporting period

In the opinion of Management, there are no other significant events that have had or may have an impact on the financial condition, cash flows or results of operations of the Group that occurred between the reporting date and the date of signing of the Consolidated Financial Statements of the Group for the year ended December 31, 2023, prepared in accordance with IFRS.

ООО «ЦАТР — аудиторские услуги»
Прошито и пронумеровано 66 листа(ов)

APPENDIX 6

INDICATORS

OF GRID CONNECTION (GC)

OF CONSUMERS

FOR 2021–2023

No.	Indicators	UoM	2021	2022	2023	Change 2023/2022, %
GC:						
1	GC applications (including carry-over applications, excluding generation and temporary GC)	–	47,348	46,493	45,664	–1.8
2	GC applications (including carry-over applications, excluding generation and temporary GC)	kW	2,019,067	2,138,895	1,960,058	–8.4
3	GC agreements concluded (excluding generation and temporary GC)	–	38,065	35,213	32,163	–8.7
4	GC agreements concluded (excluding generation and temporary GC)	kW	881,993	917,785	813,158	–11.4
5	GC agreements completed (excluding generation and temporary GC)	–	33,740	36,809	34,925	–5.1
6	GC agreements completed (excluding generation and temporary GC)	kW	782,054	786,474	730,203	–7.2
7	GC agreements completed (generation only)	–	3	21	67	219.0
8	GC agreements completed (generation only)	kW	4,577	3,980	108,423	2,624.2
9	Existing GC agreements	–	18,465	15,952	12,786	–19.8
10	Existing GC agreements	kW	1,346,556	1,395,476	1,354,569	–2.9

About the Company		Strategic Report	Operational Results	Sustainable Development	Corporate Governance Report	
No.	Indicators	UoM	2021	2022	2023	Change 2023/2022, %
Structure of completed agreements by applicant category:						
11	Up to 15 kW inclusive	–	31,832	34,234	32,183	–6.0
12	Over 15 kW and up to 150 kW inclusive	–	1,591	2,272	2,437	7.3
13	Over 150 kW and up to 670 kW	–	189	197	217	10.2
14	At least 670 kW	–	128	106	88	–17.0
15	Generation	–	3	21	67	219.0
16	Up to 15 kW inclusive	kW	414,958	445,915	393,486	–11.8
17	Over 15 kW and up to 150 kW inclusive	kW	102,652	145,857	164,542	12.8
18	Over 150 kW and up to 670 kW	kW	46,170	44,427	47,119	6.1
19	At least 670 kW	kW	218,275	150,275	125,056	–16.8
20	Generation	kW	4,577	3,980	108,423	2,624.6
Revenue from GC activities by applicant category:						
21	Up to 15 kW inclusive	RUB mln	151.30	305.77	1,017.13	232.6
22	Over 15 kW and up to 150 kW inclusive	RUB mln	94.20	165.25	239.53	45.0
23	Over 150 kW and up to 670 kW	RUB mln	114.08	153.26	361.77	136.0
24	At least 670 kW	RUB mln	1,979.75	638.42	487.16	–23.7
25	Generation	RUB mln	7.13	14.82	325.39	2,095.9
Structure of completed agreements by sectors:						
26	Individuals	–	27,506	29,269	28,758	–1.7
27	Agriculture, forestry and fisheries	–	925	1,146	856	–25.3
28	Industry	–	209	178	167	–6.2
29	Production and distribution of electricity, gas and water	–	107	111	63	–43.2
30	Construction	–	1,911	2,947	2,422	–17.8
31	Trade	–	660	710	636	–10.4
32	Transport and communications	–	636	565	450	–20.4
33	Health, education, social services	–	102	84	61	–27.4
34	Miscellaneous	–	1,687	1,820	1,579	–13.2
35	Individuals	kW	361,219	381,232	350,668	–8.0
36	Agriculture, forestry and fisheries	kW	42,257	54,021	46,524	–13.9
37	Industry	kW	23,373	17,826	17,186	–3.6
38	Production and distribution of electricity, gas and water	kW	91,942	51,802	123,594	138.6
39	Construction	kW	133,110	155,174	170,564	9.9
40	Trade	kW	21,931	24,185	25,119	3.9
41	Transport and communications	kW	33,568	26,042	19,581	–24.8
42	Health, education, social services	kW	6,845	5,051	10,856	114.9
43	Miscellaneous	kW	72,386	75,121	74,534	–0.8
44	GC cost by revenue (excluding generation and temporary GC)	RUB/kW	2,978	1,606	2,884	79.6
45	Deadlines for GC of up to 150 kW (agreement – notice)	days	3,865,271	4,789,206	4,421,408	–7.7

APPENDIX 7

CONCLUSION OF THE AUDITING COMMISSION

Auditing Commission of Rosseti Kuban, PJSC

Approved by
the Auditing Commission
of PJSC Rosseti Kuban
(Minutes No. 4 dated 26 April 2024)

CONCLUSION OF
THE AUDITING COMMISSION

Public Joint Stock Company
Rosseti Kuban

2023

1. INTRODUCTION

INFORMATION ON THE COMPOSITION OF THE AUDITING COMMISSION

The members of the Auditing Commission were elected by the resolution of the General Meeting of Shareholders	The Resolution of the annual General Meeting of Shareholders of Rosseti Kuban dated 16 June 2023 (Minutes No. 50 dated 21 June 2023)
The Chairman, Deputy Chairman and the Secretary of the Auditing Commission were elected by the resolution of the Auditing Commission	Minutes of the Auditing Commission of Rosseti Kuban, PJSC No. 1 dated 28 June 2023
Chairman of the Auditing Commission	Anton Ulyanov
Deputy Chairman of the Auditing Commission	Viktor Tsarkov
Secretary of the Auditing Commission	Svetlana Trishina
Members of the Auditing Commission	Elena Roptanova Olga Ostroukhova

Duration of the audit: Pursuant to the Work Plan of the Auditing Commission for the corporate year 2023–2024 (Minutes of Meeting of the Auditing Commission of Rosseti Kuban, PJSC No. 2 dated 22 November 2023), the audit of the financial and business activities of Rosseti Kuban, PJSC for 2023 was conducted in the period from March to June 2024.

Grounds for the audit: Federal Law No. 208-FZ dated 26 December 1995 “On Joint Stock Companies”, Articles of Association of Rosseti Kuban, PJSC, Regulations on the Auditing Commission of Rosseti Kuban, PJSC, Resolution of the Auditing Commission of Rosseti Kuban, PJSC (Minutes of Meeting No. 2 dated 22 November 2023).

Objective of the audit: to control over the financial and business activities of Rosseti Kuban, PJSC, to confirm the reliability of data contained in the 2023 Annual Report, accounting (financial) statements of Rosseti Kuban, PJSC for 2023, and the report on related-party transactions entered into by Rosseti Kuban, PJSC in 2023 (hereinafter referred to as the Reporting).

Reliability in all material respects means the degree of accuracy of the data in the Statements, which allows the shareholders to draw correct conclusions about the results of business operations, financial and property position of PJSC Rosseti Kuban, and to make informed decisions based on such conclusions.

In accordance with Federal Law No. 208-FZ “On Joint Stock Companies” dated 26 December 1995 and the Articles of Association of PJSC Rosseti Kuban, the executive body of PJSC Rosseti Kuban is responsible for organisation, condition and reliability of the accounting process at PJSC Rosseti Kuban and timely submission of accounting (financial) statements.

Audited period: 01.01.2023 to 31.12.2023.

Object of the audit: Annual Report for 2023, accounting (financial) statements for 2023, resolutions of management bodies, local regulations and organisational and administrative documents of Rosseti Kuban, PJSC, roadmaps, accounting registers, primary accounting documents and other documentation of financial and economic activities of Rosseti Kuban, PJSC.

COMPANY DETAILS	
Full title	Public Joint Stock Company Rosseti Kuban (hereinafter referred to as the Company)
Abbreviated company name	Rosseti Kuban, PJSC (hereinafter referred to as the Company)
Location (registered office)	2A Stavropolskaya Street, Krasnodar, Krasnodar Region, 350033, Russian Federation
State registration (Primary State Registration Number (OGRN), date)	1022301427268 dated 17.09.2002
TIN	2309001660
Branches and specialised subdivisions	<div>- Krasnodar Power Grids</div> <div>- Sochi Power Grids</div> <div>- Armavir Power Grids</div> <div>- Adygeyan Power Grids</div> <div>- Timashevsk Power Grids</div> <div>- Tikhoretsk Power Grids</div> <div>- Leningrad Power Grids</div> <div>- Slavyansk Power Grids</div> <div>- South-West Power Grids</div> <div>- Labinsk Power Grids</div> <div>- Ust-Labinsk Power Grids</div>
Sole Executive Body	Boris Ebzeev, Acting General Director since 18 May 2021
Chief Accountant	Lyudmila Loskutova, Chief Accountant – Head of Accounting and Tax Reporting Department since 1 February 2022
Average headcount in 2023	8,753 people
Key shareholders	Rosseti, PJSC 99.72%
Main areas of activities	Electricity transmission and connection to distribution grids (All-Russia Classifier of Economic Activities (OKVED) code 35.12)

11. SUMMARY

The audit examined the Company’s compliance with the legislation of the Russian Federation and the local regulations of the Company.

The Auditing Commission selectively audited a number of financial and business transactions of the Company for accurate and timely recording of the facts of business life in the accounting and financial statements for 2023, the reliability and completeness of information disclosure in the annual report for 2023.

In evaluating the reliability of the accounting (financial) statements for 2023, the Auditing Commission relied on the opinion of the Company's auditor, Company

Audit Technology and Solutions Centre – Auditing Services, LLC (TsATR – Auditing Services) (member of the self-regulated organisation of auditors Association Sodruzhestvo, ORNZ 12006020327), expressed in its auditor's report dated 15 March 2024.

In the opinion of the Company's auditor, TsATR – Auditing Services, LLC:

“the accounting (financial) statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, as well as its financial performance and cash flows in 2023, in compliance with the accounting (financial) reporting standards set in the Russian Federation”.

The accounting (financial) statements are prepared in accordance with the laws of the Russian Federation and local regulations of the Company, in all material respects.

In the course of the audit, the annual accounting (financial) statements and the annual report of the Company for the year 2023 were reconciled on a random basis. As part of the work done, the Auditing Commission did not find any material misstatements in the financial information contained in the Company's Annual Report for 2023.

The Company's Annual Report to be submitted for approval by the Annual General Meeting of Shareholders contains information as required by Bank of Russia Regulation No. 714-P dated 27 March 2020 on Disclosure of Information by Issuers of Equity Securities. At the time of issuing this Opinion, the Annual Report 2023, which is to be submitted to the Annual General Meeting of Shareholders for approval, has not been approved by the Company’s Board of Directors.

The Auditing Commission checked the accuracy of information in the report on the related-party transactions concluded in 2022 for compliance with the requirements of Federal Law No. 208-FZ dated 26 December 1995 on Joint Stock Companies and the Bank of Russia Instruction No. 4335-U dated 31 March 2017 on Establishing the Limits for the Amount of Transactions of Joint Stock Companies and Limited Liability Companies, Above Which Such Transactions May Be Recognised as Related-Party Transactions. There were no facts of distortion of the information contained in the report on interested party transactions concluded in 2023. At the time this Opinion was given, the report on related-party transactions concluded in 2023 has not been yet approved by the Board of Directors of the Company.

No facts of violation of legal acts of the Russian Federation in the course of financial and economic activities, which could materially affect the Company’s Statements, were revealed in the course of the selective review.

Pursuant to Article 88 of Federal Law No. 208-FZ dated 26 December 1995 “On Joint Stock Companies”, the Auditing Commission shall, based on the results of the audit of the Company's financial and economic activities for 2023, express an opinion on the reliability of information, in all material respects, contained in the Company's annual report for 2023 and annual financial statements for 2023.

Composition of the statements of Rosseti Kuban, PJSC confirmed by the Auditing Commission:

Sl. No.	Description of a reporting document	Date of signing by management	Number of sheets in a document
1.	Balance Sheet as at 31 December 2023	15.03.2024	2
2.	Report on Financial Performance for 2023	15.03.2024	1
3.	Statement of Changes in Equity for 2023	15.03.2024	3
4.	Cash Flow Statement for January to December 2023	15.03.2024	2
5.	Explanatory Note to the Balance Sheet and Financial Performance of Rosseti Kuban, PJSC for 2023, in narrative and tabular formats	15.03.2024	59
6.	Annual Report of Rosseti Kuban, PJSC for 2023 (with appendices, incl. Report on Related-Party Transactions Concluded by PJSC Rosseti in 2023	—	407

This Opinion of the Auditing Commission should be read in conjunction with all the supporting accounting (financial) statements and notes to the balance sheet and income statement for 2023, with the Company's annual report for 2023 and with the report on related-party transactions entered into in 2023.

Chairman of
the Auditing Commission

A. Ulianov

Members of the Auditing Commission

V. Tsarkov
S. Trishina
E. Roptanova
O. Ostroukhova