



**ROSSETI**  
KUBAN



**21**  
ANNUAL  
REPORT

**RELIABILITY,  
AFFORDABILITY,  
EFFICIENCY**

**Approved**  
by the resolution of the annual  
General Meeting of Shareholders of Rosseti Kuban, PJSC  
(Minutes No.48 dated 21 June 2022)

Pre-approved by  
the resolution of the Board of Directors of  
Rosseti Kuban, PJSC  
(Minutes No. 476/2022 dated 13 May 2022)

The reliability of the data  
contained herein was  
confirmed by the Auditing Commission of Rosseti Kuban,  
PJSC on 29 April 2022  
(Minutes No. 3 dated 29 April 2022)

THE ANNUAL REPORT ON THE PERFORMANCE OF ROSSETI  
KUBAN, PJSC FOR 2021

RELIABILITY,  
AFFORDABILITY,  
EFFICIENCY

# ABOUT THE REPORT

## SCOPE OF THE REPORT

This Annual Report presents the results of Public Joint stock company "Rosseti Kuban" for 2021, as well as some milestones following the reporting date, between 1 January 2022 and the preliminary approval of the Annual Report by the Board of Directors.

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

PJSC Rosseti and other legal entities are referred to herein as they were referred to in the periods mentioned.

## STANDARDS

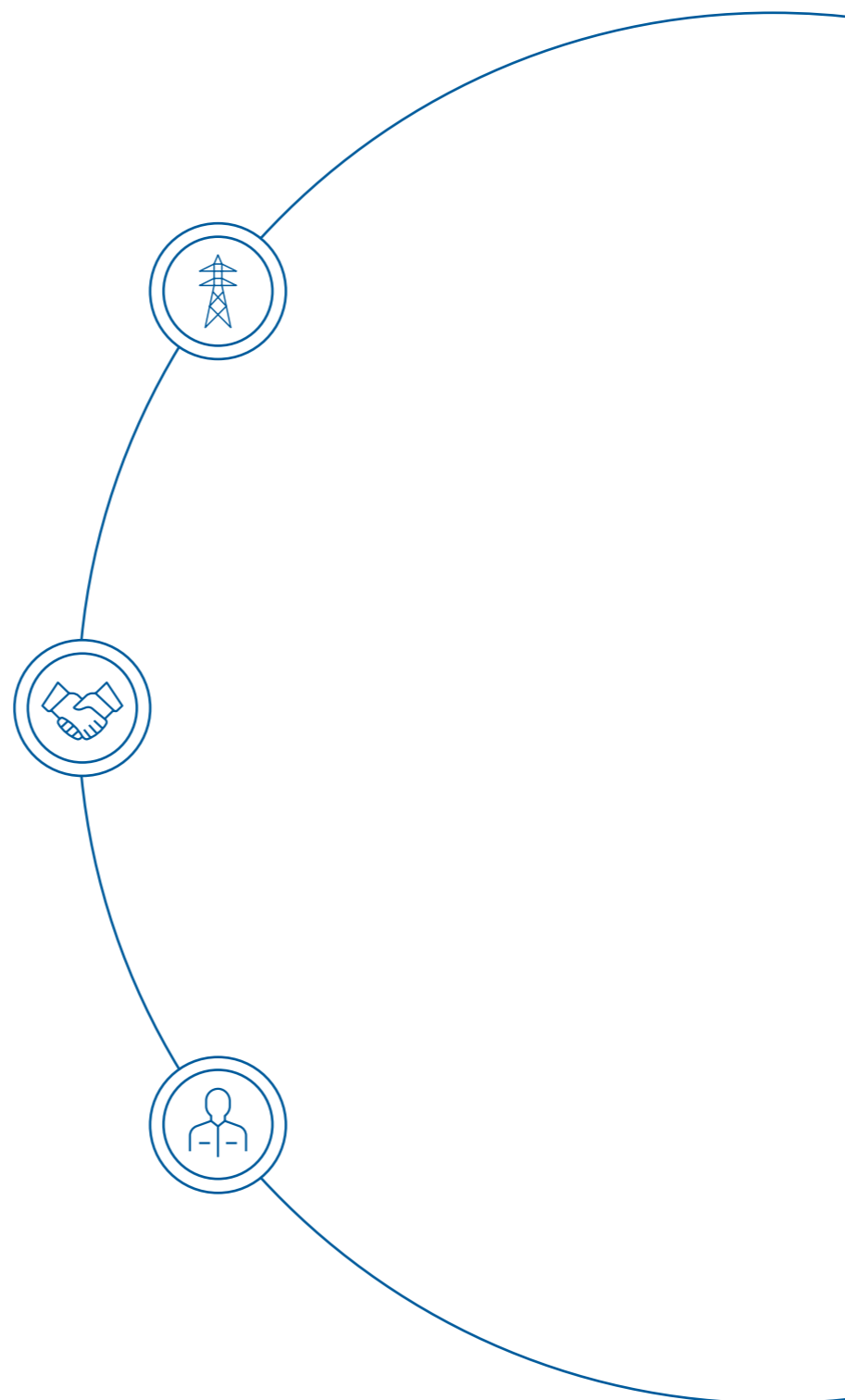
The Report was prepared in accordance with the legislation of the Russian Federation, including:

- Federal Law No. 39-FZ "On Securities Market" dated 22 April 1996
- Federal Law No. 208-FZ "On Joint Stock Companies" dated 26 December 1995 (hereinafter – Federal Law "On Joint Stock Companies")
- Regulation of the Central Bank of the Russian Federation (hereinafter – the Bank of Russia) No. 714-P dated 27 March 2020 "On Disclosure of Information by Issuers of Equity Securities"
- Recommendations of the Corporate Governance Code of the Bank of Russia for use by joint stock companies having stock-exchange securities, by the Letter of the Bank of Russia No. 06-52/2463 dated 10 April 2014 (hereinafter – the Corporate Governance Code of the Bank of Russia)
- Recommendations on disclosure of non-financial information related to the activities of public joint stock companies sent by the letter of the Bank of Russia No. IN-06-28/49 dated 12 July 2021

## MATERIAL TOPICS

The Report discloses the following material topics related to the Company's activities:

- environmental aspects of activities
- energy saving and energy efficiency
- social aspects and employee relations issues
- occupational safety and health
- consumer relations
- countering corruption, commercial bribery and bribery of foreign officials
- information on the Company's contribution to the goals of the United Nations
- information on stakeholder engagement



## DISCLAIMER

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

The Report contains information, including the data related to the future production and business operations of Rosseti Kuban, PJSC based on the projections and estimates of the Company's management in line with the current situation. For objective reasons, the actual performance may differ from these forecasts and assessments.

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 Company operations projects.

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 danger that assumptions, forecasts, projections and other forward-looking statements may not be fulfilled. In light of these risks, uncertainties and assumptions, the Company warns that actual results may differ significantly from those expressed either directly or indirectly in such forward-looking statements, which are only valid as of the date that this Annual Report was drafted.

The Company does not approve or guarantee that the results indicated in the forward-looking statements will be achieved. Rosseti Kuban does not bear any responsibility for losses that may be incurred by physical or legal entities, whose actions relied upon the forward-looking statements. Such forward-looking statements on a case-by-case basis are just one of many possible scenarios and should not be treated as the most probable option.

Except for the cases explicitly stated by the Russian laws, the Company does not undertake a commitment to publish forward-looking statement updates or amendments based on both new information and subsequent events.

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# STATEMENT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

“ DEAR SHAREHOLDERS OF ROSSETI KUBAN,

In 2021, the main objectives of Rosseti Kuban's management were sustainable development, better service quality, achievement of production targets, as well as ensuring the safety of the Company's personnel in the midst of the spread of coronaviral infection. Despite a difficult period, all these tasks have been accomplished.



Today, Rosseti Kuban remains the largest power grid company in the Krasnodar Territory and the Republic of Adygea. The Company's share in the regional electricity transmission market in 2021 was 77.2% of the regional required gross revenue (RGR). The pace of renovation and renewal of the Company's power grid facilities, as well as growth in the volume of grid connections, allow us to believe that Rosseti Kuban will retain its dominant position in the region in the future. During the reporting period, the Company made every effort to deliver its equipment repair and investment plans.

In 2021, on the proposal of the Board of Directors, the General Meeting of Shareholders decided to increase the authorised capital of the Company by placing over 69 mn additional shares; over 9 million shares were actually placed. The goals of the additional issue are to finance the creation of energy infrastructure for investment projects in the Republic of Adygea, the renovation of power centres in the Sochi energy district, as well as to increase the financial stability of Rosseti Kuban.

The Board of Directors focused their efforts in the reporting year on defending the interests of the Company's shareholders, improving its financial and economic performance, and enhancing the trust of shareholders, creditors and investors towards the Company.

In 2021, there were 47 meetings of the Board of Directors, with a total of 184 issues considered. The Board's highest priority was given to overseeing the work of the Company's management, the follow-up of Board's decisions, as well as approval of plans, internal documents and the holding of the General Meeting of Shareholders.

Among the most important decisions of the Board of Directors in the reporting year were the approval of long-term programmes and the updating of programmes for the comprehensive implementation of new digital technologies for innovative development, the development plan for the production asset management system, and the plan for maintaining the efficiency and development of the internal control and risk management system. We have approved new editions of the Corporate Governance Code, the Risk Management Policy, the Internal Audit

# 77.2%

THE COMPANY'S SHARE IN THE ELECTRICITY TRANSMISSION MARKET

# 1.7 RUB bn

NET PROFIT OF THE COMPANY IN 2021

Policy and the Technical Policy. In addition, it was decided that the Company would join the implementation of the environmental policy of Rosseti Group.

Rosseti Kuban continued to implement measures to develop the power grid complex using science-based technical solutions and technologies well-proven in the operation of modern electrical equipment. The aim of the said measures is to pioneer developments, technologies and methods, as well as to improve existing technologies, including those aimed at import substitution.

The Company went ahead with a unified strategy for Rosseti Group to introduce new technologies, which aims to automate the management system with further accumulation of data arrays and their processing.

In order to improve the operational efficiency, ensure financial stability and deliver stable positive financial performance, the Company has developed and is implementing the Programme for Improving Operational Efficiency and Cost Reduction of Rosseti Kuban, PJSC for the period 2021–2025, including a list of measures to ensure that the Company achieves its strategic goals and improves its internal efficiency.

In 2021, the Company made a profit of RUB 1.7 bn. EBITDA amounted to RUB 8.9 bn.

The timely and affordable connection of new consumers to the power grid, including housing construction, agricultural enterprises and socially important educational and healthcare facilities remains the key priority of Rosseti Kuban. With the high-quality grid connection and the make up for capacity shortages in major industrial and residential clusters of the Krasnodar Territory and the Republic of Adygea, Rosseti Kuban facilitates the steady social and economic development in the regions within its footprint.

With the smart metering development programme going on in 2021, the Company installed a total of about 280,000 smart electricity meters within its area of responsibility. With the 100% automation level, the Sochi energy district leads the way in implementing modern electricity metering systems.

Amid the extension of restrictive measures due to the spread of COVID-19, the Company continued to maintain a high level of social security for employees during the reporting period, including material assistance, additional COVID-19 vaccination leave, etc.

The main production objectives of Rosseti Kuban for 2022 are the accident-free passage of peak-load seasons, timely clearance of the autumn and winter season readiness certificate, as well as the delivery of investment and repair programmes.

# 8.9 RUB bn

EBITDA FOR 2021

As far as the sales of additional services is concerned, Rosseti Kuban aims at continuously growing non-tariff revenues. By 2026, the Company plans to increase its share to 8.63% of total revenues.

Maintaining the stable financial and economic condition of the Company, delivering the annual production plans, making the grid connection more affordable and improving the quality of services constitute a priority decision-making pool of the Board of Directors for 2022. KWe will also continue to work on reducing transmission losses and promoting our non-tariff services.

Member of the Board of Directors,  
Rosseti Kuban, PJSC  
Daniil Krainskiy

# STATEMENT BY ACTING DIRECTOR GENERAL

“ DEAR SHAREHOLDERS, PARTNERS AND COLLEAGUES,

In 2021, amid the new macroeconomic realities associated with a number of restrictions in the country and the region, the management of Rosseti Kuban, PJSC continued to implement anti-crisis measures in the Company. Internal and external business processes were re-engineered to achieve key production and financial targets, which ultimately enabled the Company to get through this challenging period without compromising the quality of its performance.



The important job of Rosseti Kuban was the uninterrupted power supply to consumers in the region and medical institutions receiving patients with COVID-19. In 2021, there were 30 medical institutions in the Krasnodar Territory and the Republic of Adygea (28 of them – in the Krasnodar Territory, and two – in the Republic of Adygea) equipped with medical ventilators for the treatment of patients with COVID-19. Eight of these institutions were connected to Rosseti Kuban's grids and provided with uninterrupted power supply.

Moreover, the Company provided reliable power supply to federal and regional resorts and infrastructure facilities (transport, communications, sports and cultural facilities), including in Sochi

during the Formula 1 Grand Prix of Russia. The Company ensured uninterrupted power supply to the Young Scientists' Congress infrastructure at the Sirius Science and Arts Park.

In total, operational measures under the maintenance and repair programme of the Company absorbed about RUB 3.3 bn in 2021.

The Company made successful preparations of the regional power grid complex for autumn-winter operations in 2021/2022 and received the highest rating from the Ministry of Energy of the Russian Federation, as well as a heating season readiness certificate.

As part of Rosseti Kuban's Year of Safe Work Culture announced in 2021, the Company continued its programme to develop workplace discipline and commitment to policies to prevent and reduce occupational injuries and illnesses in the workplace. Employees of the Company completed the curriculum of the Zero Injury Trainer programme. A corporate strategic session was held, which resulted in the approval of the passport (charter) of the Implementation of the Zero Injury Concept at Rosseti Kuban project.

In 2021, the Company got on with meeting the requirements of environmental laws, improving industrial and environmental safety and conducting effective efforts to reduce its negative environmental impact.

Based on the year-end results, the Company assimilated RUB 5.9 bn of capital investments. Capital investment funding for 2021 amounted to RUB 7.2 bn.

## 7.2 RUB bn

CAPITAL INVESTMENTS IN 2021

## 788 MW

TOTAL CONNECTED CAPACITY UNDER EXECUTED GRID CONNECTION AGREEMENTS

The investment activities covered the commissioning of 220 MVA of transformer capacity and 612 km of power transmission lines (PTL).

The construction of a 9.4 km 110 kV PTL to connect the consumer terminals of JSC Novoroslesexport became an important object of the investment programme in the reporting period. This project is designed to power the 110 kV Lesnoy Port substation and the future refrigeration yards with technological equipment on the territory of Novoroslesexport to increase the throughput capacity of the container terminal.

The 35 kV Kuzhorskaya substation and the 110 kV Adygeyskaya substation in the Republic of Adygea underwent the last stage of renovation in 2021, involving the replacement of transformers. These projects were implemented under an agreement concluded in 2020 between the Cabinet of Ministers of the Republic of Adygea, Rosseti Group and Rosseti Kuban, as well as in pursuance of directives of the Russian government to create affordable energy infrastructure for power supply to industrial and investment sites in the Republic of Adygea.

The bulk of investments planned under the long-term investment programme of Rosseti Kuban for 2022–2023 will be spent for grid connection (RUB 5.8 bn) and renovation & retrofitting of grid facilities (RUB 11.9 bn).

The connected capacity under the executed connection agreements in 2021 totalled 788 MW. The period-on-period increase was largely due to the easing of restrictive measures related to the spread of COVID-19 as well as the gradual adjustment of economic entities to the new macroeconomic realities. The approved targets for the grid connection procedure were over-achieved according to the results of the reporting period. Better quality of the services provided and further sophistication of the online services help to keep the demand for grid connection at a consistently high level.

The Company went ahead with the project to build a 110 kV cable and overhead line, as well as a new 110 kV substation in Novorossiysk. The aim of the project is to provide power to the Caspian Pipeline Consortium's oil pipeline system and to agribusiness enterprises in southern Russia, as well as to eliminate power shortages in the major industrial and residential centres of the territory – Krasnodar, Novorossiysk, and Tuapse.

In 2021, Rosseti Kuban signed more than 38,000 connection agreements with a total capacity of 931 MW. The Company's power grids are connected to the electric installations of such major applicants as JSC NESK Electroseti (75 MW), JSC Novoroslesexport (14 MW), Federal State-Funded Educational Institution All-Russian Children Centre Orlyonok (6 MW), LLC Slavyansk ECO (5 MW), etc.

The Company's electricity delivery to the grid exceeded 25 bn kWh, up 9.6% year-on-year.

The Energy Saving and Energy Efficiency Improvement Programme in 2021 resulted in a reduction of electricity losses by 127 mn kWh (RUB 720 mn).

Revenue from additional services in 2021 was RUB 796 mn, 48% above the 2020 target and revenue figures. The most in-demand non-tariff services provided by the Company were arrangement of telecommunications equipment, construction & installation works, line maintenance of consumer power facilities, and repair and maintenance of outdoor lighting networks.

Based on the year-end results, the Company made a profit of RUB 1.7 bn, mainly due to increased revenues from electricity transmission due to higher consumption.

In the reporting year, Rosseti Kuban started working on an integration solution project under the Unified Customer Relationship Platform of Rosseti Group, in pursuance of the requirements of Resolution No. 890 of the Government of the Russian Federation dated 19 June 2020 with regard to providing access to a minimum set of functions of smart electricity metering systems to electric power industry entities and electricity consumers, as well as with a view to improving the efficiency of inter-system interaction of information systems used in the Company.

Despite the effect of restrictive measures, changes in the economic situation and its impact on the infrastructure and, in particular, the power sector in 2021, the Company fulfilled its production plans to provide a reliable high-quality power supply to consumers in the Krasnodar Territory and the Republic of Adygea and enhanced its image as a company with a high level of social responsibility.

Acting Deputy General Director,  
Rosseti Kuban, PJSC  
Boris Ebzeev

# ABOUT THE COMPANY

ROSSETI KUBAN IS THE LARGEST POWER GRID COMPANY IN THE KRASNODAR TERRITORY AND THE REPUBLIC OF ADYGEA. THE COMPANY CONTRIBUTES TO THE ECONOMIC GROWTH OF THE REGIONS WHERE IT OPERATES, ADHERES TO THE CONCEPT OF SUSTAINABLE DEVELOPMENT, AND ENSURES RELIABLE AND AFFORDABLE ENERGY SUPPLY TO CONSUMERS.

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.



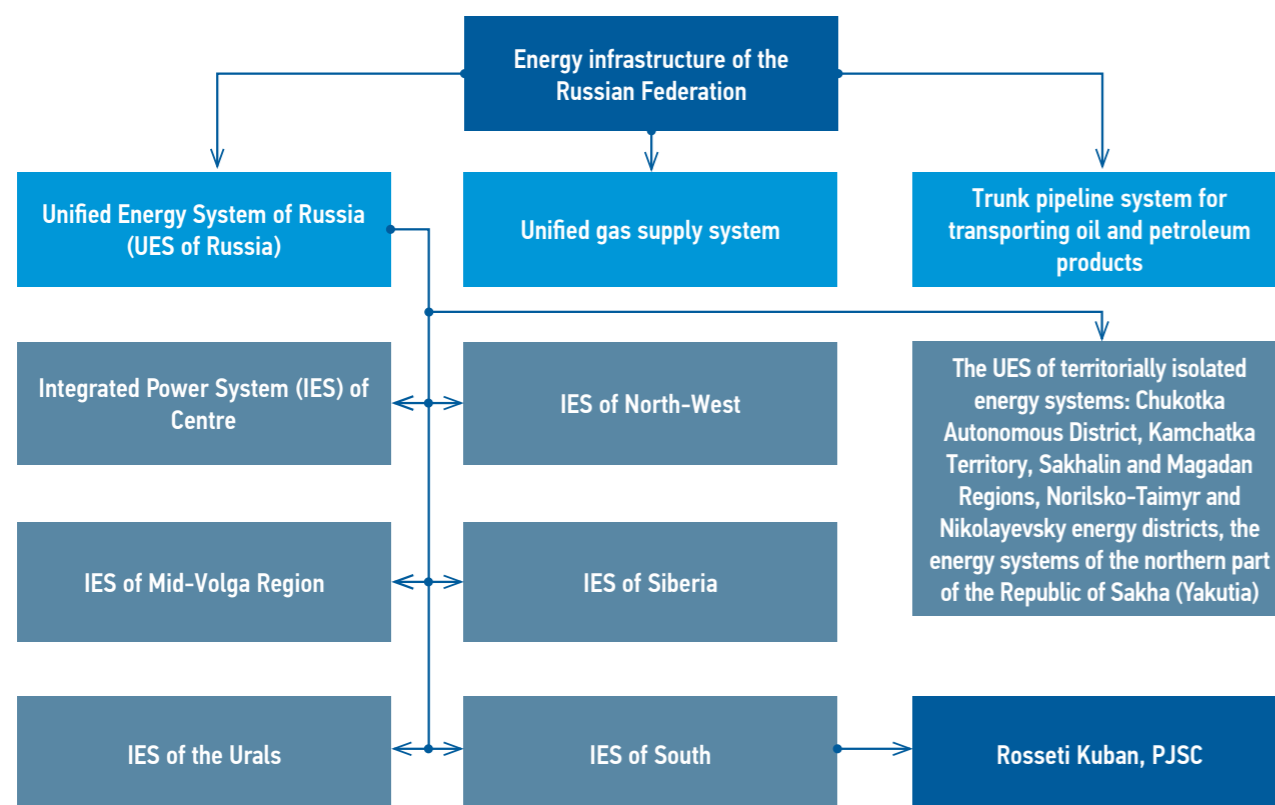
# MARKET OVERVIEW AND MACROECONOMIC TRENDS

## General status assessment and business trends of the energy sector in the Russian Federation<sup>1</sup>

The Russian Federation is among the world leaders in hydrocarbon reserves, production and export of energy resources, as well as in the development, use and export of nuclear energy technologies.

WITH NUCLEAR POWER, HYDROPOWER AND OTHER RENEWABLE ENERGY SOURCES ACCOUNTING FOR MORE THAN A THIRD OF ELECTRICITY GENERATION AND NATURAL GAS FOR ABOUT HALF, THE RUSSIAN FEDERATION HAS ONE OF THE CLEANEST (LOW-CARBON) FUEL-ENERGY BALANCES AMONG THE WORLD'S LARGEST ECONOMIES.

### ENERGY INFRASTRUCTURE OF THE RUSSIAN FEDERATION



Russia, based on its national interests and resource and intellectual potential, taking into account the need to achieve the Sustainable Development Goals endorsed by the UN General Assembly, makes a significant contribution to the global energy security.

The challenges afflicting the global electric power industry are fully relevant for the Russian electric power industry, while the threats are specific as determined by the following issues common to the whole fuel & energy complex (FEC):

- A slowdown in global economic growth, a change in consumption patterns and a 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
- The 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

In addition to the problems common to the fuel & energy complex, there are industry-specific problems and risk factors related to the electric power industry:

- 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 increasing complexity of their control systems and algorithms

### FACTORS DETERMINING THE ECONOMY OF THE RUSSIAN FEDERATION AND AFFECTING THE ELECTRIC POWER INDUSTRY<sup>1</sup>

| Changes in GDP  | Inflation   | Interest rates for loans and borrowings   |
|---|---|---|
| The GDP volume index in 2021 rose by 4.7% compared to 2020 and by 1.9% compared to 2019 | Inflation in 2021 stood at 8.4%, whereas in 2020 – at 4.91% | The Bank of Russia key rate increased from 4.25% at the beginning of the year to 8.50% as at 31 December 2021. The decision taken by the Board of Directors of the Bank of Russia on 17 December 2021 to raise the key rate to the said amount is aimed at limiting inflation risks |

<sup>1</sup> Outlined in accordance with the Energy Strategy of the Russian Federation for the period until 2035, approved by Government Decree No. 1523-r date 9 June 2020.

<sup>1</sup> Sources: Rosstat, Bank of Russia.



**SPECIFIC FACTORS DETERMINING INDUSTRY GROWTH DYNAMICS (IN DESCENDING ORDER OF IMPORTANCE)**

**State tariff regulation**

|                          |  |
|--------------------------|--|
| Description              | 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  |
| Current state            | Tariffs for the Company's electricity transmission services are aligned with the increments envisaged by the forecast of the Ministry of Economic Development of the Russian Federation  |
| Mitigation (if possible) | 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<br>Systematic cost optimisation<br>Implementation of measures to improve pricing in the industry, in cooperation with Rosseti |

**Power consumption dynamics**

|                          |   |
|--------------------------|---|
| Description              | Changing energy consumption has direct relevance to the health of the industry  |
| Current state            | Actual electricity consumption in the UES of Russia in 2021 was 1,090.4 bn kWh, up 5.5% year-on-year <sup>1</sup><br>Actual electricity consumption in the Krasnodar Territory and the Republic of Adygea in 2021 was 29.96 bn kWh, up 9.3% year-on-year <sup>2</sup> |
| Mitigation (if possible) | Measures to develop new (non-tariff) types of business and increase non-tariff sources of income  |

**Price dynamics on the Wholesale Electricity and Capacity Market**

|                          |   |
|--------------------------|---|
| Description              | Changes in electricity prices in the wholesale electricity and capacity market (WECM) have a direct impact on the amount of compensation for electricity losses in power grids and, accordingly, on all activities of the Company |
| Current state            | The flat-rate price for electricity on the WECM in 2021 showed a 4.9% increase year-on-year   |
| Mitigation (if possible) | Measures to reduce power losses in the grids  |

**Current state of the industry**

|                          |   |
|--------------------------|---|
| Description              | The state of the industry directly affects all aspects of the Company's activities  |
| Current state            | High wear and tear of the main generating and grid equipment<br>Cutbacks of the industry-specific investment programmes<br>Default in payment   |
| Mitigation (if possible) | Implementation of measures for retrofitting, upgrade and renovation of existing power grid facilities<br>Introduction of the up-to-date Company's management tools, automation of key functions to improve management decision-making |

**FORECAST FOR ECONOMIC AND ELECTRICITY SUSTAINABILITY IN 2022**

By 2022, Russia has formed a sustainable economic base. According to the Forecast of Social and Economic Development of the Russian Federation for 2022 and for the planning period of 2023 and 2024<sup>1</sup>, the main objective of economic policy is to lay the groundwork for sustainable economic development and reach the target annual growth rate of 3–3.5%. The second objective is to increase the economy's resilience and adaptability to external shocks. However, medium-term forecasts, including macro indicators, may be revised downwards due to increased geopolitical risks and sanctions pressure on the domestic economy.

- Spatial development, which implies reduction of inter-regional differentiation in the quality of life, while maintaining incentives for development in the leading regions, increasing the number of economic growth points
- Developing human capital through higher quality and accessibility of medicine, education, culture, quality environment and security (amid mounting calls for better quality of life) with the use of state-of-the-art technologies
- Maintaining macro stability as a condition for long-term growth

The Russian Ministry of Energy forecasts that electricity consumption in Russia in 2022 will hit about 2% figure compared to 2021 and reach 1,129 bn kWh<sup>3</sup>.

The key areas of economic policy in the medium term will be as follows:

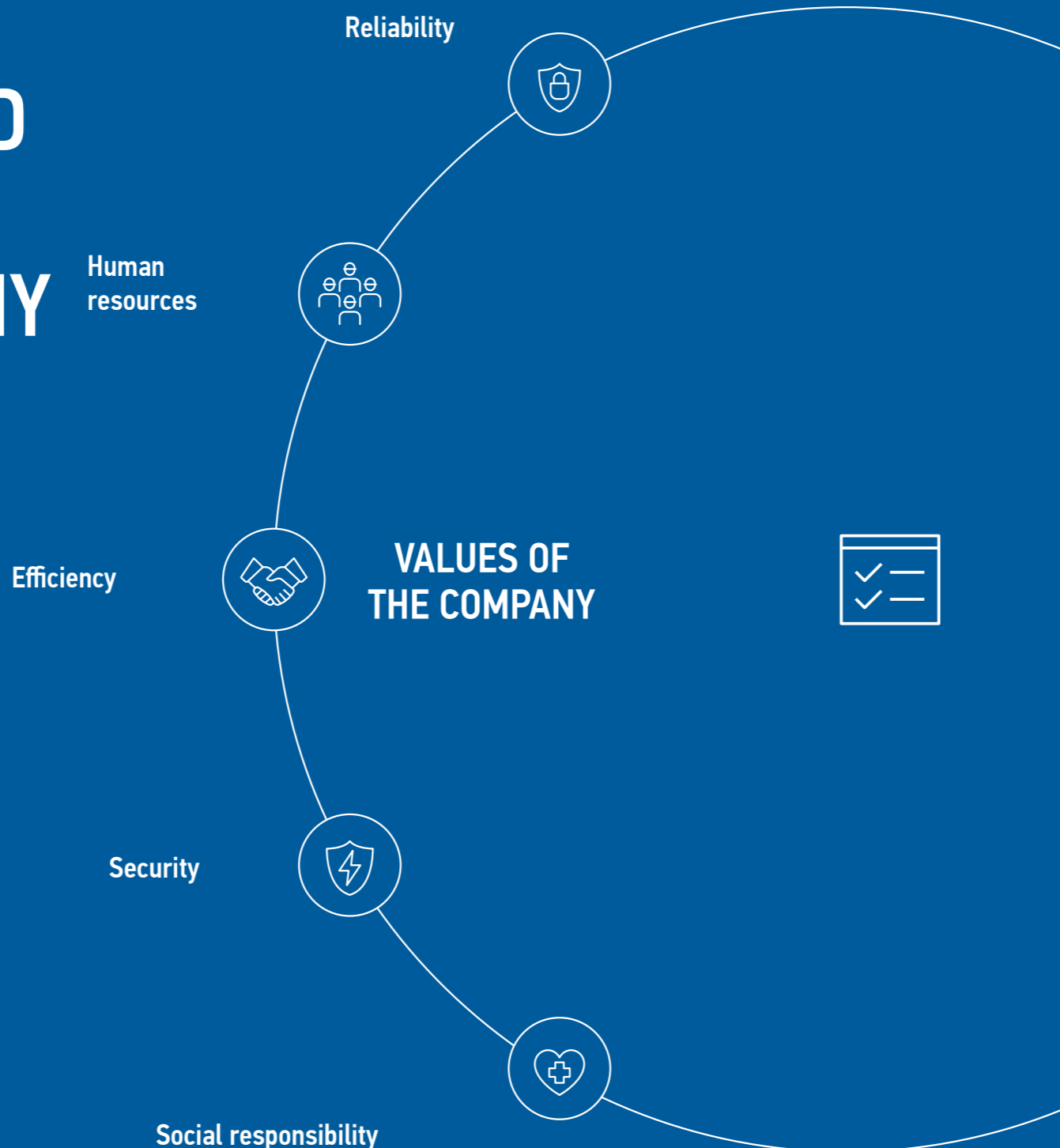
- Ensuring effective employment and income growth (primarily wages and entrepreneurial income through the development of individual, small and medium-sized entrepreneurship (SME) and self-employment), which requires higher labour market flexibility, better training and retraining systems with a focus on modern competencies, legalisation and increased labour force<sup>2</sup> participation rate and effective migration policy
- Launching the investment cycle with a focus primarily on private investment. At the same time, public investment will help the creation of infrastructural conditions to attract private investors as well as improve the quality of life
- Stimulating technological development, including through regulatory conditions, integration of science, education and business
- Boosting export potential with a focus on non-energy exports
- Implementing the climate agenda
- Increasing the transport connectivity on the country level

<sup>1</sup> Source: Report on the Functioning of UES of Russia in 2021 | System Operator of the Unified Power System (so-ups.ru).  
<sup>2</sup> Ibid.

<sup>1</sup> Source: [https://www.economy.gov.ru/material/directions/makroec/prognozy\\_socialno\\_ekonomicheskogo\\_razvitiya/](https://www.economy.gov.ru/material/directions/makroec/prognozy_socialno_ekonomicheskogo_razvitiya/).  
<sup>2</sup> Labour force participation rate is the ratio of the labour force (employed and unemployed) of a certain age group to the total population of the respective age group calculated as a percentage (gks.ru).  
<sup>3</sup> Source: <https://tass.ru/ekonomika/13573289>.

# MISSION AND VALUES OF THE COMPANY

ROSSETI KUBAN'S MISSION IS TO GENERATE PROFIT IN THE CONTEXT OF LONG-TERM RELIABLE, HIGH-QUALITY AND AFFORDABLE POWER SUPPLY TO CONSUMERS IN THE KRASNODAR TERRITORY AND THE REPUBLIC OF ADYGEA. THE MISSION IS REALISED THROUGH THE MOST EFFICIENT MANAGEMENT OF THE DISTRIBUTION GRID INFRASTRUCTURE. TO THIS END, THE COMPANY INTRODUCES ADVANCED TECHNOLOGIES AND INNOVATIONS, WHILE ALIGNING WITH GLOBAL QUALITY STANDARDS OF SERVICE PROVISION AND APPLYING BEST CORPORATE GOVERNANCE PRACTICES.



Rosseti Kuban's values are embodied in the Company's Code of Corporate Ethics and Conduct of Employees.

**Reliability.** The Company is committed to ensuring the most reliable and uninterrupted power supply to the economic and social sectors of the Russian Federation and to this end has organisational and technical measures in place to guarantee the stable operation and safety of electric power facilities.

**Human resources.** The Company's key resource is its employees, who help the Company to create, retain and multiply the value and credibility over the long term. 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 transfer is governed by business qualities only.

The Company welcomes labour dynasties, creates favourable conditions for their development, and supports the continuity of generations, while showing respect for the experience of veterans and ensuring the transfer of knowledge and traditions to younger employees, including in labour dynasties.

**Efficiency.** The Company is aware of its responsibilities to shareholders, investors, and partners, that is why performance efficiency is a fundamental value. The Company works towards continuous profit growth enabled by the strategic initiatives of supervision and governance bodies, top management, and shareholders.

**Security.** The Company relies on a strictly regulated and balanced approach to security as it takes measures to prevent possible offences.

**Social Responsibility.** Rosseti Kuban is a socially responsible company that focuses on environmental protection, occupational safety, and social programmes.

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

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

The Company shall not sacrifice its values for profit, as it sees them as a crucial component that links all of its activities, and the Company expects the same from its business partners.

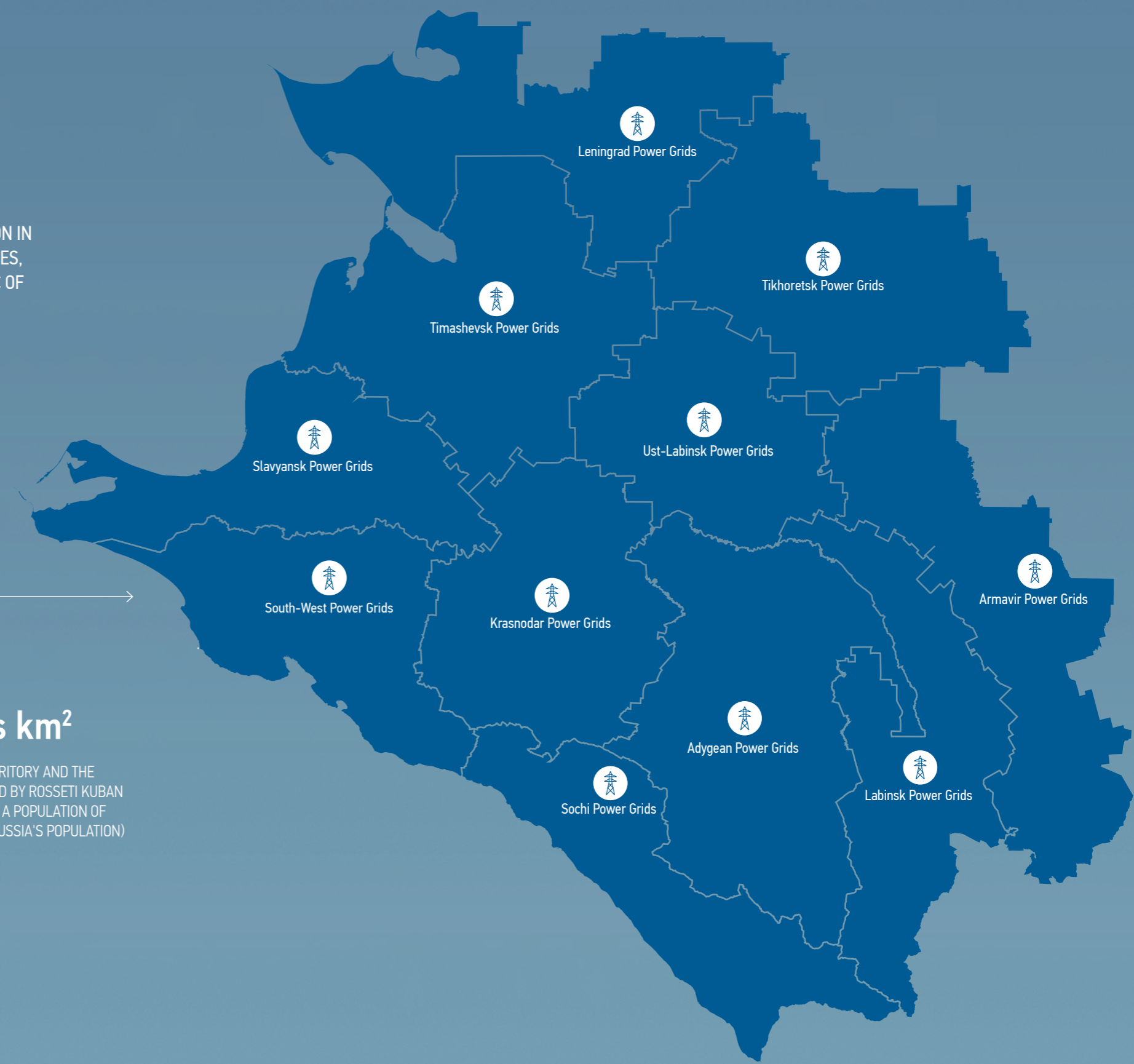
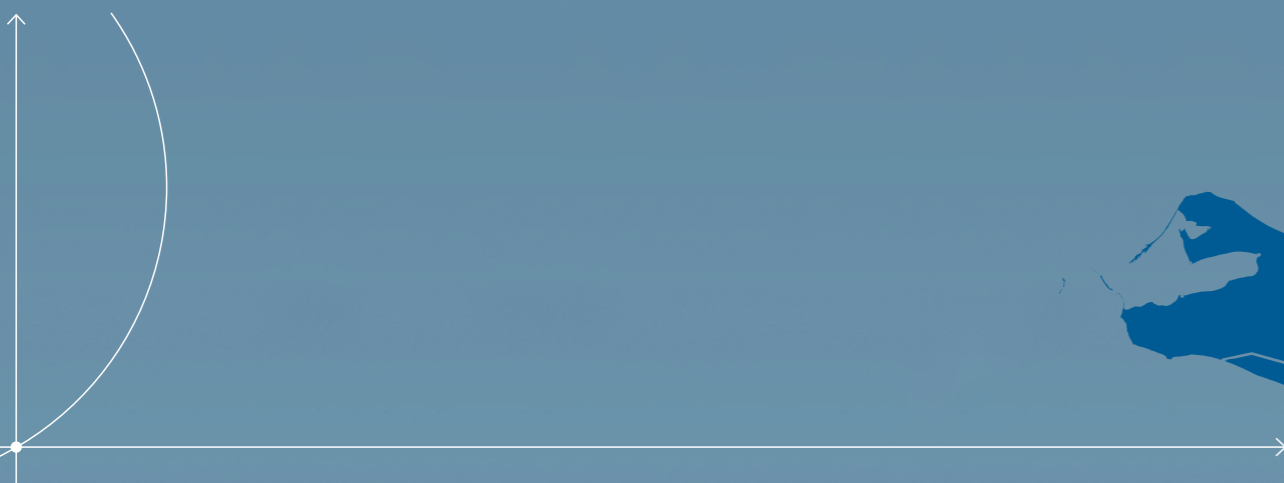
The Company holds dear its corporate values and maintains a high level of the corporate culture.

[Please see the Code of Corporate Ethics and Conduct of Employees](#)

# ABOUT ROSSETI KUBAN, PJSC

## COMPANY'S SERVICE TERRITORY

ROSSETI KUBAN'S BUSINESS IS ASSOCIATED WITH ELECTRICITY DELIVERY AND DISTRIBUTION IN 110 KV AND BELOW GRIDS BETWEEN SETTLEMENTS, IN THE COUNTRYSIDE, INDIVIDUAL CITIES, AND DISTRICT CENTRES OF THE KRASNODAR TERRITORY (INCLUDING SOCHI), THE REPUBLIC OF ADYGEA, AND SIRIUS URBAN-TYPE SETTLEMENT AS WELL.



# 83.3 ths km<sup>2</sup>

AREA OF THE KRASNODAR TERRITORY AND THE REPUBLIC OF ADYGEA SERVICED BY ROSSETI KUBAN (0.5% OF RUSSIA'S AREA) WITH A POPULATION OF OVER 6.1 MN PEOPLE (4% OF RUSSIA'S POPULATION)

As the largest taxpayer, the Company is actively involved in the social and economic life of the region by creating jobs and employment for suppliers in related industries, as well as by arranging various social programmes and charitable activities.

Rosseti Kuban, PJSC is a public company whose shares are admitted to trading on the Moscow Stock Exchange.

The Company runs its core business under natural monopoly conditions that are state-regulated as to:

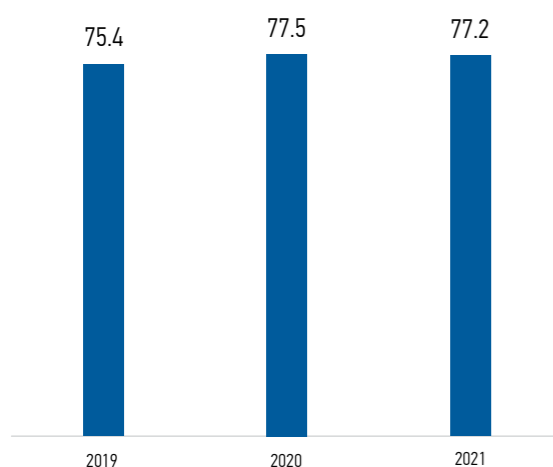
- Setting tariffs for electricity transmission services and fees for connection of consumer terminals to the Company's power grid
- Giving non-discriminatory access to the mentioned services on equal footing

Rosseti Kuban is part of the IES of South of UES of Russia.

**POSITION OF ROSSETI KUBAN IN UES OF RUSSIA, IES OF SOUTH AND REGION OF OPERATION IN TERMS OF ELECTRICITY DELIVERY TO THE COMPANY'S GRID IN 2019–2021<sup>1</sup> (BN KWH)**

| Indicators  | 2019    | 2020    | 2021    | Rosseti Kuban's share in 2021 (%) |
|---|---------|---------|---------|-----------------------------------|
| Electricity consumption of the UES of Russia                      | 1,059.4 | 1,033.7 | 1,090.4 | 2.3                               |
| Including:  |         |         |         |                                   |
| • IES of South  | 101.28  | 100.69  | 108.27  | 23.3                              |
| • Krasnodar Territory and Republic of Adygea                      | 27.63   | 27.42   | 29.96   | 84.2                              |
| • PJSC Rosseti Kuban (electricity delivery to the Company's grid) | 22.85   | 23.01   | 25.22   | 100                               |

**THE COMPANY'S SHARE IN THE REGIONAL ELECTRICITY TRANSMISSION MARKET (OF THE REQUIRED GROSS REVENUE (RGR) FOR THE REGION) (%)**



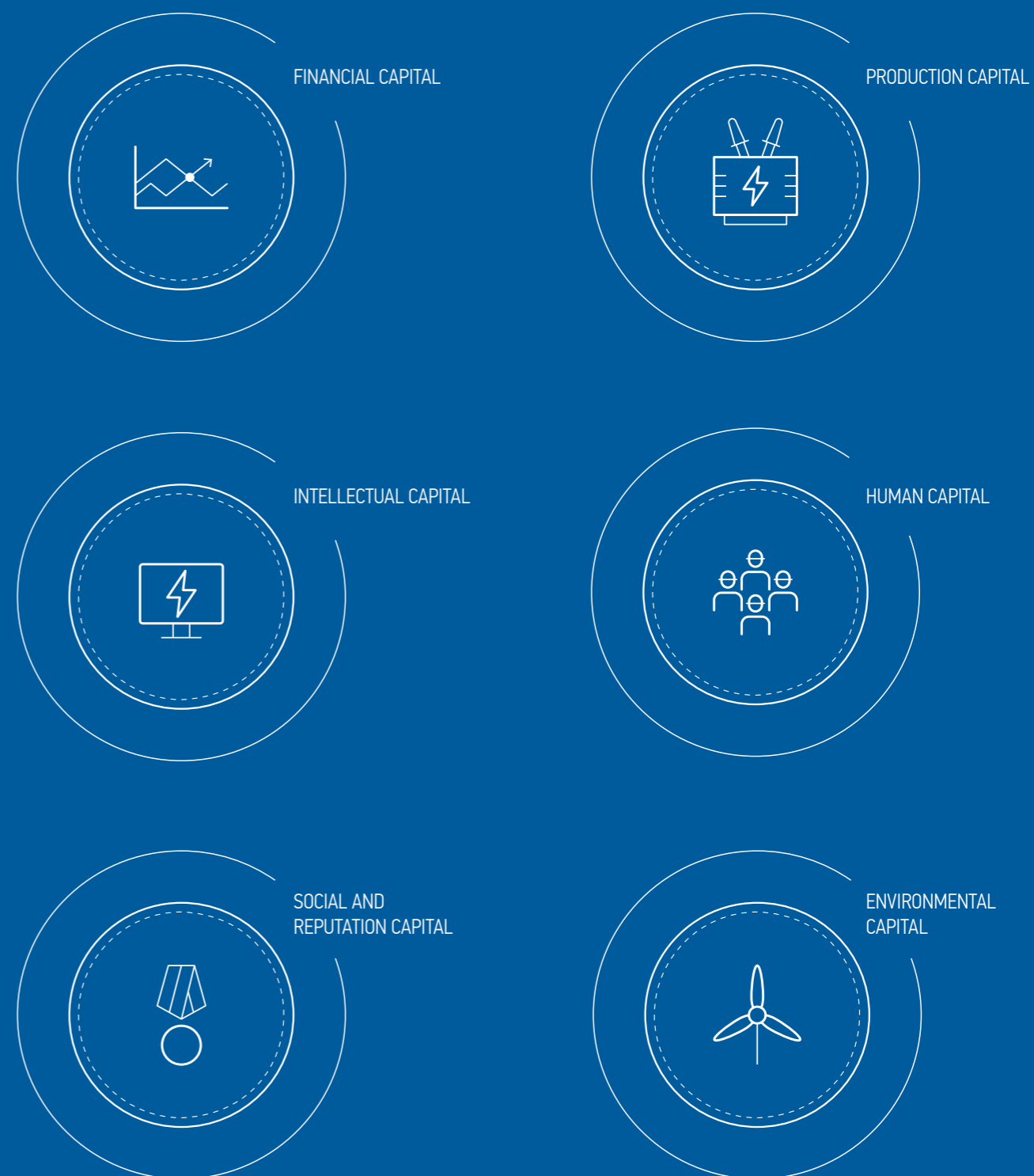
**KEY CHARACTERISTICS OF THE COMPANY AS OF THE END OF 2021**

|  |                                     |
|--|-------------------------------------|
| Length of power transmission lines (ths km)  | <b>93.1 (by circuit)</b>            |
| Number of 35–220 kV SS, 6–10(35)/0.4 kV TS   | <b>24,835</b>                       |
| Maximum allowable design capacity of the energy system <sup>2</sup> (MVA)  | <b>9,014.9</b>                      |
| Design capacity utilisation rate of the energy system (MVA)  | <b>5,593, or 78.95%<sup>3</sup></b> |
| Total number of electricity metering points of consumers connected to Rosseti Kuban's power grids according to the electricity transmission agreements concluded | <b>1,159,940</b>                    |
| Power grid branches  | <b>11</b>                           |

Rosseti Kuban is the largest power grid company in the Krasnodar Territory and the Republic of Adygea.

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

THE COMPANY ALSO USES FINANCIAL, INDUSTRIAL, INTELLECTUAL, HUMAN, SOCIAL AND REPUTATIONAL, AND ENVIRONMENTAL CAPITAL (RESOURCES).



<sup>1</sup> Source: Reports on the functioning of UES of Russia published by SO UPS at <https://www.so-ups.ru/functioning/tech-disc/tech-disc2022/>.

<sup>2</sup> Only for 110 kV substations.

<sup>3</sup> The under-utilisation of design capacity is due to the need for redundancy in case of an emergency outage or scheduled repairs.

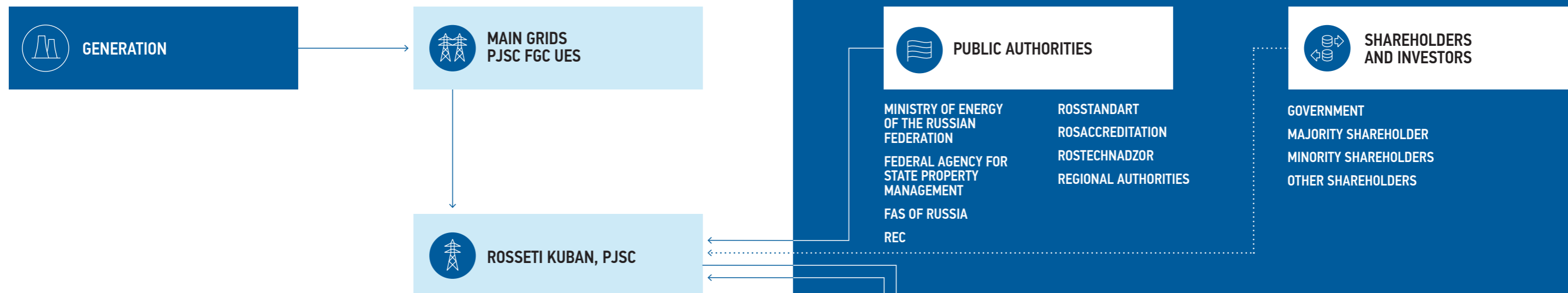
**CHANGE IN THE COST OF CAPITAL FOR 2021**

| Capitals as at 31 December 2020  | How we created value in the reporting year  | 2021 results   |
|--|---|--|
| <b>Financial capital</b>   |   |  |
| <p>The loss was RUB 1,501 mn due to the influence of negative factors associated with the spread of the new coronavirus infection (COVID-19).<br/>                     Net asset value at the end of the year was RUB 37,989 mn.<br/>                     The decrease in net assets per year amounted to RUB 2,116 mn due to the decrease in equity due to a year-end loss. The Company's market capitalisation<sup>1</sup> is RUB 22.69 bn</p>   | <p>Total revenue in 2021 is RUB 57,670 mn, up RUB 8,300 mn year-on-year.<br/>                     EBITDA in 2021 is RUB 8,879 mn, up RUB 4,124 mn year-on-year.<br/>                     The figures are driven up by growing revenues from electricity transmission due to increased consumption, as well as revenues from grid connection as a result of agreements with large applicants</p>   | <p>As the volume of services provided grew larger due to higher electricity consumption, revenues from electricity transmission went up and resulted in the profit of RUB 1,711.8 mn.<br/>                     Net asset value at the end of the year was RUB 40,466 mn.<br/>                     The increase in net assets for the year was RUB 2,476 mn on the back of an increase in equity due to the year-end profit.<br/>                     Market capitalisation of the Company:</p> <ul style="list-style-type: none"> <li>• excluding outstanding additional shares – RUB 21.99 bn;</li> <li>• including outstanding additional shares – RUB 22.46 bn</li> </ul>   |
| <b>Production capital</b>  |   |  |
| <p>Total number of 35–220 kV substations (SS) and 6–10(35)/0.4 kV transformer substations (TS) is 24,186.<br/>                     The length of power transmission lines (PTL) is 92,230 km.<br/>                     The installed capacity of 35–110 kV substations is 11,471.07 MVA.<br/>                     Installed capacity of substations in the 10–6/0.4 kV distribution grid is 5,073.26 MVA.<br/>                     Repair cost of key production assets in 2020 is RUB 3 bn.<br/>                     System Average Interruption Duration Index (<math>I_{SAIDI}</math>) is 0.887 h</p> | <p>RUR 5,871 mn of capital investment (excl. VAT) was disbursed.<br/>                     Renewal of the following energy assets is underway:</p> <ul style="list-style-type: none"> <li>• commissioning of new, renovated and upgraded facilities, including during grid connection of consumers, renovation and modernisation of equipment;</li> <li>• consolidation of grid assets on the basis of the Company;</li> <li>• write-off of obsolete equipment;</li> <li>• transfer to reserve or decommissioning of equipment.</li> </ul> <p>The volume of electricity transmission services is 21,004.5 mn kWh, up 9.9% year-on-year (revenues – RUB 54,526.3 mn).<br/>                     Number of grid connections completed in 2021 is 33,795 with a total capacity of 788 MW (revenues – RUB 2,347.7 mn)</p> | <p>Total number 35–220 kV substations and 6–10(35)/0.4 kV transformer substations is 24,835<br/>                     The length of power transmission lines (PTL) is 93.07 ths km.<br/>                     The installed capacity of 35–110 kV substations is 11,561.03 MVA.<br/>                     The installed capacity of substations in the 10–6/0.4 kV distribution grid is 5,640 MVA.<br/>                     Repair cost of key production assets is RUB 3.3 bn.<br/>                     The system average interruption duration index (<math>I_{SAIDI}</math>) is 4.0939 h, which is above the previous year's level, but within the planned limits.<br/>                     The number of accidents in the 110 kV and above grid decreased by 3% as compared to the previous year</p> |

| Capitals as at 31 December 2020   | How we created value in the reporting year  | 2021 results  |
|---|---|---|
| <b>Intellectual capital</b>   |   |   |
| <p>The intangible asset value was RUB 145.5 mn.<br/>                     The actual value of the research and development (R&amp;D) expenditure (<math>I_{R\&amp;D}</math>) indicator stood at 0.24% of own revenues, with the plan of 0.15%.<br/>                     The actual value of the Innovative Products (Goods, Works, Services) Procurement Indicator (<math>I_{INNOVATIONS}</math>) was 4.55% of the actual investment programme utilisation, with the plan of 4.5% (RUB 210 mn)</p> | <p>Delivery of the R&amp;D Programme, the integration of equipment and devices developed under the R&amp;D Programme.<br/>                     Introduction of innovative technologies and solutions</p>  | <p>The actual value of the R&amp;D expenditure (<math>I_{R\&amp;D}</math>) indicator is 0.16% of own revenues, with the plan of 0.15%.<br/>                     The actual value of the Innovative Products (Goods, Works, Services) Procurement Indicator (<math>I_{INNOVATIONS}</math>) was 4.33%, with the plan of 4.6%</p>  |
| <b>Human capital</b>  |   |   |
| <p>The headcount was 9,274 people. The average headcount was 8,959 people.<br/>                     The staffing level at the end of the year was 96.9%.<br/>                     Employees with higher vocational education – 49.4% and with primary/secondary vocational education – 36.9%.<br/>                     The annual purchase order for working wear and shoes was fully executed</p>  | <p>A total of 8,530 people trained (96.1% of the average headcount). Staff training costs amounted to RUB 76.3 mn.<br/>                     The Company's occupational safety costs in 2021 increased by 20% compared to 2020 and amounted to RUB 434.32 mn.<br/>                     Activities under comprehensive programme scheduled for 2021 were fully executed.<br/>                     To promote employees' health and life-span, the Company purchased necessary protection and safety equipment in 2021</p> | <p>The headcount is 8,981 people. The average headcount is 8,876 people.<br/>                     The staffing level at the end of the year was 92.9%.<br/>                     Employees with higher vocational education – 51.5% and with primary/secondary vocational education – 34.5%.<br/>                     The annual purchase order for working wear and shoes was fully executed.<br/>                     The Company's employees received compensation payments, including the provision of voluntary health insurance services</p> |
| <b>Social and reputation capital</b>  |   |   |
| <p>A high degree of social responsibility.<br/>                     High level of business transparency: Company's website, mass media, Internet, and congress and exhibition events</p>  | <p>Creating public awareness on the Company's activities: 30,088 publications related to the Company's activities were made in the federal and regional media, as well as on social media resources in 2021</p>   | <p>Accumulation of reputation capital.<br/>                     Over 73% of the messages concerning the activities of Rosseti Kuban initiated by the Company's PR departments were positive, and 26% – neutral</p>  |
| <b>Environmental capital</b>  |   |   |
| <p>Environmental costs in 2020 were RUB 17.8 mn.</p>  | <p>All planned environmental activities were implemented in the reporting year</p>  | <p>Environmental costs in 2021 were RUB 19.3 mn</p>   |

<sup>1</sup>. Calculated by PJSC Moscow Exchange at the market price (3).

# BUSINESS MODEL OF ROSSETI KUBAN, PJSC



**54,526**  
RUB mn

– REVENUE FROM SALES OF ELECTRICITY TRANSMISSION SERVICES IN 2021 (+13.4% VS. 2020)

**21,004.5**  
mn kWh

– VOLUME OF ELECTRICITY TRANSMISSION SERVICES IN 2021 (+9.9% VS. 2020)

## GRID CONNECTION

**33,795**

NUMBER OF GRID CONNECTIONS COMPLETED IN 2021

**24,835**

TOTAL NUMBER OF 35–220 KV SSS, 6–10 (35) KV TSS

**2,348 RUB mn**

REVENUE FROM GRID CONNECTION SERVICES FOR 2021

**11.6 ths MVA**

TOTAL CAPACITY OF SUBSTATIONS

**788 mW**

TOTAL CAPACITY OF CONNECTED POWER FACILITIES

**93.07 ths km**

PTL LENGTH

**OTHER TYPES OF ACTIVITIES**

- GOVERNMENT
- ELECTRICITY RETAILERS (GUARANTEEING SUPPLIERS)
- DIRECT CONSUMERS
- TERRITORIAL GRID ORGANISATIONS

**796 RUB mn**

REVENUE FROM ADDITIONAL SERVICES IN 2021 (+48.4% VS. 2020)

# SCHEME OF THE COMPANY'S ELECTRICITY TRANSMISSION OPERATING FLOWS



The Company's grids receive electricity:

- via the UNPG grids from PJSC FGC UES – 77% in the reporting year;
- directly from the generation facilities – 18% in the reporting year;
- from related grids (Stavropolenergo, a branch of Rosseti Northern Caucasus, PJSC; Karachaevo-Cherkesskenergo, JSC; Rostovenergo, a branch of Rosseti South, PJSC) – 5% in the reporting year.

Consumers of Rosseti Kuban's electricity transmission services are:

- guaranteeing suppliers (JSC NESK and TNS Energo Kuban in the reporting year), which are subjects of the wholesale and retail markets that sell electricity to end users connected to the grids of the Company and other grid organisations;
- electricity retailers (53 in the reporting year), which are subjects of the wholesale and retail markets that sell electricity to end users connected to the grids of the Company and other grid organisations;
- consumers (94 in the reporting year) that signed direct agreements to purchase electricity from Rosseti Kuban (JSC Novoroscement, OJSC Tamanneftegaz, LLC Eurochem-Belorechenskie Minudobrenia, LLC Ptitsefabrika Primorskaya, OJSC Agrofirma-Plemzavod Pobeda, JSC RAMO-M, FSBI Kubanmeliovodkhoz Administration, OJSC Sad-Gigant, OJSC Verkhnebakansky Cement Plant, CJSC Abrau-Durso, JSC Novoroslesexport, PJSC NMTP, LLC Formika-Yug, LLC Kanevskoy Gas Equipment Plant, OJSC IPP, etc.).

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

To compensate for electricity losses occurred during transmission in the Company's grids, Rosseti Kuban buys the appropriate amount of electricity from guaranteeing suppliers such as PJSC TNS Energo Kuban and JSC NESK, as well as from LLC Renewable Energy Sources.

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 Adygea, regardless of which grid organisation they are connected to.

The main settlement model is the "Pot at the top": Rosseti Kuban is assigned the status of the backbone grid organisation – the "pot holder". Under this model, consumers' payments for electricity transmission services (regardless of which grid organisation they are connected to) are received by Rosseti Kuban, after which the Company makes settlements with downstream grid organisations, which grids consumer terminals are connected to, at individual tariffs.

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

A competition risk for the Company could arise in case PJSC FGC UES concluded agreements for electricity transmission services with consumers located in the Issuer's area of responsibility, whose consumer terminals are connected to FGC UES's grids.

In order to retain its status as a "pot-holder", the Company makes every effort to maintain the current service provision and settlement model. For this purpose, the Company concludes agreements with FGC UES to lease its power grid facilities, where the power installations of the Company's customers are indirectly connected to.

The high rates of renovation and renewal of the Company's power grid facilities, as well as the steadily-growing number of grid connections, allow us to believe that the Company will retain its dominant position in the regional electricity transmission market in the future.

## ORGANISATIONAL STRUCTURE

The organisational structure of Rosseti Kuban, PJSC was altered in 2021 subject to the decisions of the Board of Directors. As of 31 December 2021, Rosseti Kuban has the organisational

structure in place that was approved by the Board of Directors of the Company on 30 November 2021 (Minutes No. 455/2021 dated 1 December 2021).

# KEY PERFORMANCE INDICATORS

| Indicator   | 2017     | 2018      | 2019      | 2020      | 2021     | Δ 2021/2020 (%)              |
|---|----------|-----------|-----------|-----------|----------|------------------------------|
| <b>Financial indicators<sup>1</sup></b>   |          |           |           |           |          |                              |
| Revenue (RUB mn)  | 42,253.0 | 46,401.1  | 51,003.7  | 49,369.6  | 57,669.7 | 16.8                         |
| Production cost <sup>2</sup> (RUB mn)   | 38,369.0 | 41,616.9  | 43,936.1  | 46,975.3  | 50,054.5 | 6.6                          |
| Net profit (loss) (RUB mn)  | 525.3    | 151.2     | 2,503.7   | -1,501.3  | 1,711.8  | -                            |
| Return on equity (%)  | 1.48     | 0.43      | 6.72      | -3.86     | 4.39     | -                            |
| Return on assets (%)  | 1.68     | 1.73      | 4.63      | -1.80     | 3.44     | -                            |
| Cash at the end of the year (RUB mn)  | 1,667.7  | 2,194.5   | 1,699.6   | 718.0     | 1,964.7  | Increase by a factor of 2.74 |
| Long-term loans and borrowings at the end of the year (RUB mn)                                | 22,617.8 | 13,283.2  | 19,432.9  | 17,882.9  | 16,036.3 | -10.3                        |
| Short-term loans and borrowings at the end of the year (RUB mn)                               | 91.0     | 11,395.3  | 3,652.6   | 5,553.9   | 4,834.2  | -13.0                        |
| Amount of dividends accrued in the reporting year based on the previous year results (RUB mn) | 535.1    | 321.6     | 143.6     | 636.9     | 0        | -100.0                       |
| Assimilation of capital investments (RUB mn)  | 6,700    | 7,727     | 6,769     | 4,658     | 5,871    | 26.0                         |
| <b>Operating indicators</b>   |          |           |           |           |          |                              |
| Average power outage duration, per point of delivery ( $I_{SAIDI}$ ; h)                       | 1.6543   | 1.1138    | 1.0887    | 0.8870    | 4.0939   | Increase by a factor of 4.62 |
| System average interruption frequency, per point of delivery ( $I_{SAIFI}$ )                  | 0.9410   | 0.5012    | 0.4675    | 0.4592    | 1.2873   | Increase by a factor of 2.8  |
| Total length of overhead and cable power lines (by circuit; km)                               | 91,106   | 91,000.94 | 91,645.93 | 92,226.11 | 93,067.0 | 0.9                          |

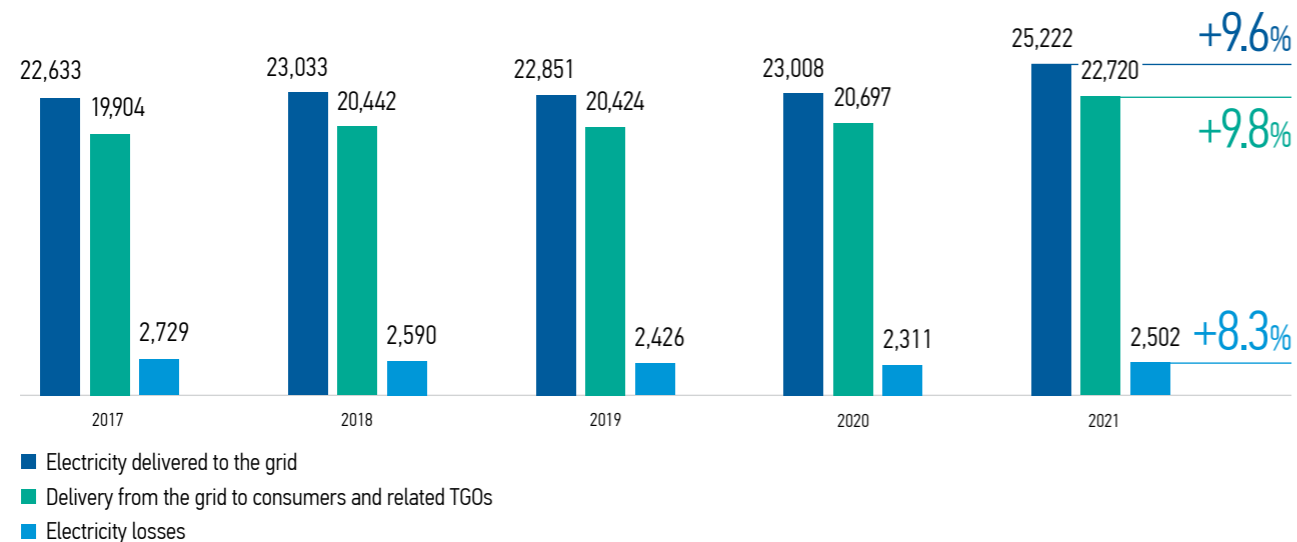
| Indicator  | 2017      | 2018     | 2019      | 2020      | 2021      | Δ 2021/2020 (%) |
|--|-----------|----------|-----------|-----------|-----------|-----------------|
| Installed capacity of 35–220 kV (MVA) substations                            | 9,696.63  | 9,937.1  | 10,514.97 | 11,471.07 | 11,561.03 | 0.8             |
| Installed capacity of substations in the 10–6/0.4 kV (MVA) distribution grid | 4,805.905 | 4,896.04 | 4,981.68  | 5,073.26  | 5,640.37  | 11.2            |
| Electricity delivery to the Company's grid (mn kWh)                          | 22,633.2  | 23,032.5 | 22,850.7  | 23,008.0  | 25,221.7  | 9.6             |
| Electricity transmission services provided (mn kWh)                          | 18,204.1  | 18,766.5 | 18,874.2  | 19,108.1  | 21,004.5  | 9.9             |
| Electric losses (mn kWh)   | 2,729.0   | 2,590.1  | 2,426.4   | 2,310.8   | 2,502.1   | 8.3             |
| Connected consumer capacity (MW)   | 684       | 723      | 797       | 650       | 788       | 21.2            |
| Actual average headcount (people)  | 8,494     | 8,611    | 8,644     | 8,959     | 8,876     | -0.9            |
| <b>Staff breakdown by education</b>  |           |          |           |           |           |                 |
| Higher vocational education (%)  | 47.3      | 48.4     | 48.7      | 49.4      | 51.5      | 2.1             |
| Secondary and basic vocational education (%)                                 | 39.2      | 36.5     | 35.7      | 36.7      | 34.4      | -2.3            |
| General secondary education (%)  | 13.5      | 15.1     | 15.6      | 13.9      | 14.1      | 0.2             |

<sup>1</sup> 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 2021 ("In 2020" column);  
for 2021. — Balance Sheet for 2021. ("As at 31 December 2021" column), Profit and Loss Statement for January – December 2021 ("In 2021" column).

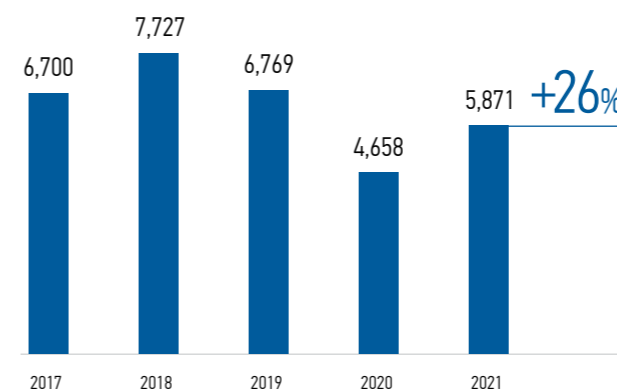
<sup>2</sup> Including administrative costs.



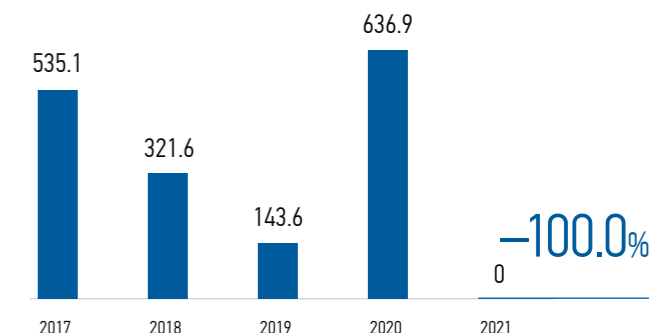
**ELECTRICITY DELIVERED TO THE GRID FROM ROSSETI KUBAN AND ELECTRICITY TRANSMISSION LOSSES (MN KWH)**



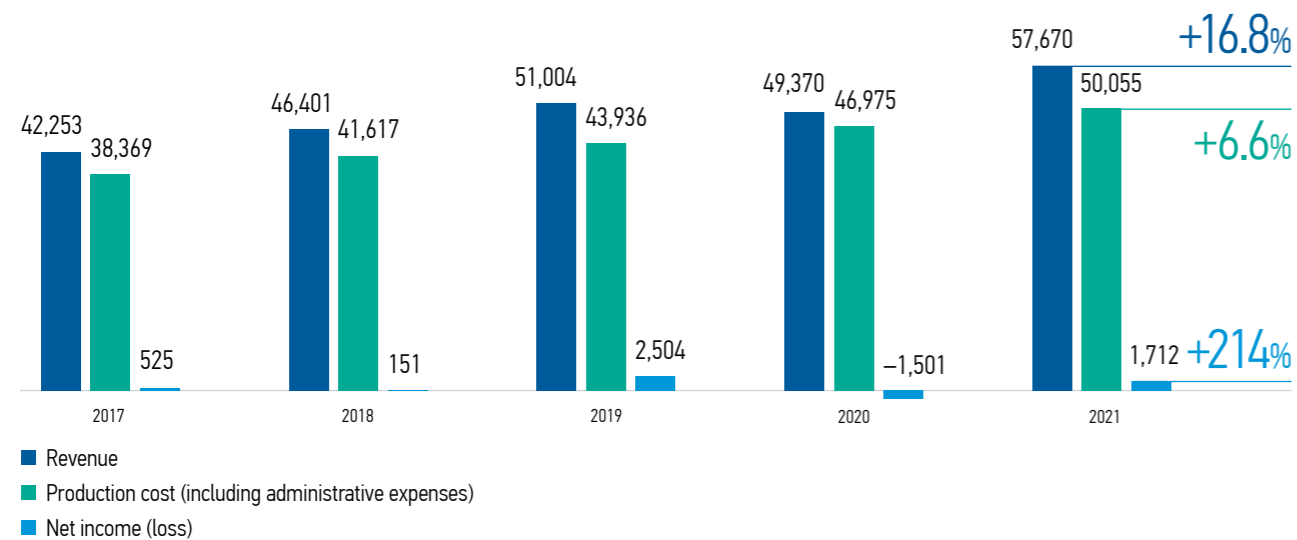
**CAPITAL INVESTMENTS ASSIMILATED BY THE COMPANY IN 2017–2021 (RUB MN, EXCL.VAT)**



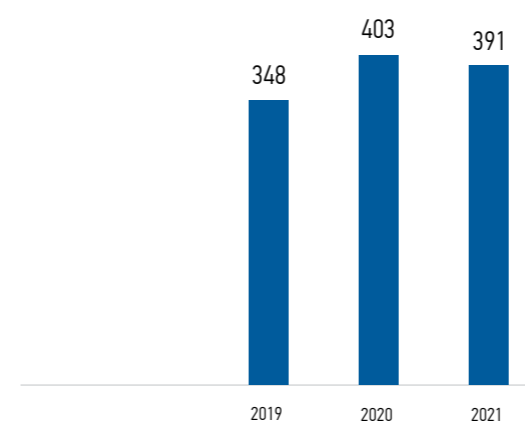
**AMOUNT OF DIVIDENDS ACCRUED AND PAID IN 2017–2021 BASED ON THE PREVIOUS YEAR RESULTS (RUB MN)**



**CHANGES IN ROSSETI KUBAN'S KEY ECONOMIC INDICATORS (RUB MN)**



**NUMBER OF DISTURBANCES (EMERGENCIES) IN THE 110 KV AND ABOVE POWER GRID**



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

## XIXth 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 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 water, transport (tram) 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 authorities in 1934 – Azchernenergo (Rostov-on-Don) and Sevkavenergo (Pyatigorsk)

## 1944

Spin-off of the Krasnodar District Energy Authority (Krasnodarenergo) from Azchernenergo, 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

supervision of the operation 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 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

## 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

## 1972–1975

The first two gas turbine plants in the USSR, each of 100 MW capacity, were installed at the Krasnodarskaya CHPP. The CHPPs, the modular part, and two gas turbine plants had a total capacity of 959 MW.

## 1988

Krasnodarenergo as the Krasnodar District Energy Authority was wound up and transformed into the Krasnodar Production Association of Power Supply and Electrification (still named Krasnodarenergo)

## 1988

Krasnodarenergo as the Krasnodar District Energy Authority 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 OJSC Kubanenergo. 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.

OJSC RAO UES of Russia vested 49% of OJSC 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, OJSC Kubanenergo 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 OJSC SO UES; Open Joint Stock Companies Krasnodarenergoremont 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 OJSC Kubanenergo splitting into OJSC Kuban Generating Company (generating capacities), OJSC Kuban Main Grids (grid facilities), OJSC Kubanenergobyt (guaranteeing electricity supplier, purchase of electricity in the wholesale market to deliver it to the end users)

## 2008–2012

Since 1 July 2008 OJSC Kubanenergo became a dependent company in OJSC IDGC Holding, which received a block of voting shares in OJSC Kubanenergo by way of succession under the spin-off balance sheet as a result of the restructuring of OJSC RAO UES of Russia. In 2012, OJSC IDGC Holding acquired a block of additional shares in OJSC Kubanenergo, and the Company became a subsidiary to OJSC IDGC Holding.

The Company's primary function in OJSC IDGC Holding lied in partaking in how the national distribution grid complex evolves

## 2013

OJSC Rosseti (until 2013 – OJSC IDGC Holding) was used as a base to establish a single power grid management company (which included main power transmission and distribution grids) with an aim to provide coordination of all grid operators in Russia in terms of tariffs, technical policy and investment planning, to ensure transparency of financial and business operations and anti-corruption efforts.

OJSC Rosseti's share in the authorised capital of OJSC Kubanenergo 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 power supply of the dry-cargo area of the seaport of Taman

## 2018

PJSC Rosseti's share in the authorised capital of PJSC Kubanenergo rose to 92.78%

## 2019

Commissioning of the 220 kV Port substation. PJSC Rosseti's share in the authorised capital of PJSC Kubanenergo 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 Adygea, Kubanenergo, PJSC was officially renamed into Rosseti Kuban, PJSC

# KEY EVENTS OF THE COMPANY

## 2021

### January

Rosseti Kuban connected two new rural health facilities in the Yeysk District to its grids. The Leningrad branch of PJSC Rosseti Kuban powered a general practitioner's office and a modular rural health post in the village of Morevka and the isolated farmstead of Priazovka in the Yeysk District of the Krasnodar Territory.

The Sochi branch completed the construction of a 0.4 kV overhead power line (OPL) for a rural boiler house. A new power facility was built in Kroyanskoye village, Shepshinskoye settlement of the Tuapse District of the Krasnodar Territory as part of the modernisation of the power supply system.

Rosseti Kuban started the renovation of power distribution grid facilities in Yuzhny settlement, a suburb of Krasnodar. The renewal of the power grids and the use of modern new larger cross-section wire will relieve the load on the existing PTL and improve the quality of the power supply to consumers in the fast-growing settlement.

### February

The 110 kV Pochtovaya substation in Krasnodar started a major renovation. The power of the power centre, which powers the households of the Hydrostroiteley residential area, will be increased, once upgraded, by one third and will amount to 80 MVA.

Rosseti Kuban budgeted RUB 2.3 bn on upgrading major substations in Sochi. The key power centres of the resort city of Sochi – 110 kV Adler, Kudepsta and Pasechnaya substations will be modernised as part of Rosseti Kuban's investment programme.

Rosseti Kuban budgeted more than RUB 3 bn for repair and maintenance of power grid facilities in the Krasnodar Territory and the Republic of Adygea in 2021. The scope of work includes almost 10,000 km of overhead power lines, about 1,800 transformer substations, and the replacement of 67,000 insulators.

### March

Rosseti Kuban is set to carry out a large-scale renovation of one of the major power centres of the Maikop District of the Republic of Adygea — 35 kV Kuzhorskaya substation and the outgoing 10 kV overhead power line. After upgrade, the capacity of the power facility will quadruple to 20 MVA.

The specialists of Rosseti Kuban began an extensive renovation of the power facilities in Gostagaevskaya stanitsa at the suburb of Anapa, where the energy infrastructure is virtually the only source of light and heat for the residents of the settlement. In order to improve the reliability of energy supply to consumers, the power engineers will build two new power transmission lines of 10 kV with a length of 6.6 km in the shortest possible terms and install 130 poles.

The Armavir branch of Rosseti Kuban started the repair of the 110 kV Rechnaya – Zabaikalovskaya overhead power line as part of the repair campaign with an aim to ensure a high level of power grid reliability. The total amount of funding allocated to repairs is RUB 1.3 mn.

Specialists of the Adygea branch of Rosseti Kuban got at the repairs of 110 kV Kabardinskaya – Navaginskaya, Belorechenskaya Tyagovaya – Ochistnye Sooruzheniya and Tsentralnaya – Severnaya overhead power lines.

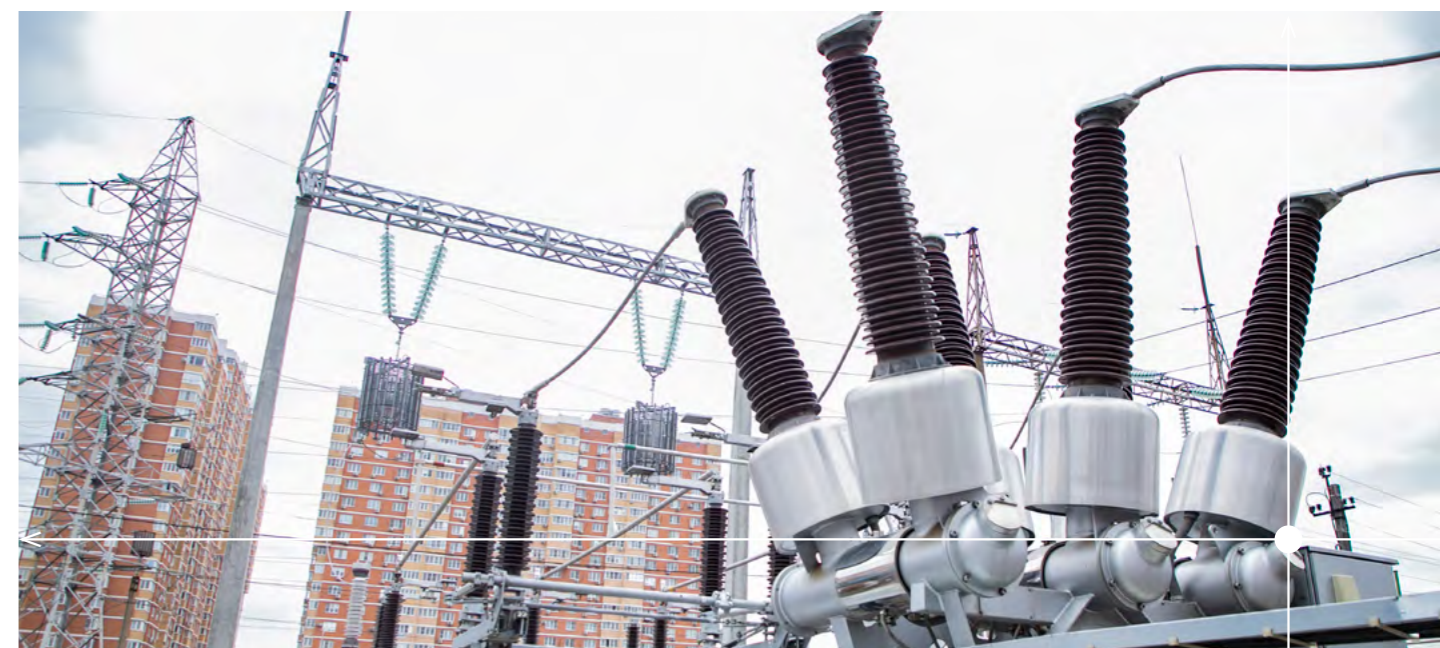
### April

The Company published its three-month results. Since the beginning of the year, the power engineers of Rosseti Kuban's South-West branch have powered almost 100 agricultural enterprises in the Abinsky and Krymsky districts, as well as in the suburbs of Anapa, Novorossiysk and Gelendzhik. The total capacity of the connected agricultural facilities in the South West energy district was 2 MW. During the same period, power engineers of the Armavir branch of Rosseti Kuban repaired 790 km of overhead power lines and 43 transformer substations in five eastern districts of Kuban.

Rosseti Kuban, a branch of Adygean Power Grids, and Maikop State Technological University signed a cooperation agreement on the rights of social partnership. The event was attended by Saida Kuizheva, rector of Bauman Moscow State Technical University, and Rustam Magdeev, director of the Adygeyan Power Grids.

# 61

ABANDONED POWER FACILITIES OVER THE PAST THREE YEARS WERE TAKEN INTO SERVICE BY THE KRASNODAR BRANCH OF ROSSETI KUBAN IN 2019–2021 (44 KM OF PTLs, 22 TSS WITH A TOTAL CAPACITY OF 6.3 MVA)



# KEY EVENTS OF THE COMPANY

## 2021

### May

Andrey Ryumin, head of Rosseti Group, and Veniamin Kondratyev, governor of the Krasnodar Territory, discussed the functioning and development of the power grid complex in the region. The participants in the meeting reviewed the progress of the grids' preparation for the holiday season – 970 transformer substations and over 5,600 km of overhead power lines of the distribution grids were repaired, and 39,000 insulators were replaced. To minimise the risk of creeping fires, about 950 hectares of PTLs were cleared.

Rosseti Kuban completed the grid connection of a solar power generation facility with a capacity of 4.5 MW in the Shovgenovskiy district of the Republic of Adygea. To technically connect the new facility, power engineers built a 10 kV overhead power line and expanded the 110 kV Shovgenskaya substation by installing additional cubicle outdoor switchgears. This is the key power centre of the homonymous district in northern Adygea, where more than 16,000 people live.

Specialists from Rosseti Kuban won the regional professional skills competition Best in Profession organised by the Ministry of Fuel and Energy Complex (FEC), Housing and Utilities Services of the Krasnodar Territory.

The Company summed up the results of teaching schoolchildren the basics of electrical safety: during the 2020/2021 school year, lessons were conducted in 30 schools in the suburbs of Novorossiysk, Anapa, Gelendzhik, and the Abinsky and Krymsky districts of the Krasnodar Territory, involving a total of 1,500 schoolchildren aged 7 to 15.

Andrey Ryumin, Director General of Rosseti Group, presented Boris Ebzeev, the new head of Rosseti Kuban, to the Governor of the Krasnodar Territory, Veniamin Kondratyev. The meeting also discussed the prospects for the development of the regional power grid complex.

### June

Since the beginning of the year, more than 35 socially important facilities in the Krasnodar Territory and the Republic of Adygea have been connected to Rosseti Kuban's grids. The total capacity of new consumers in this category was more than 4 MW. New consumers include health care, education and sports facilities.

Specialists at Rosseti Kuban's Krasnodar branch repaired 12 major power centres and over 100 transformer substations. This made it possible to improve the reliability of power supply to 500,000 household consumers and a number of industrial consumers in the suburbs of Krasnodar, the adjacent Dinsky, Seversky and Goryacheklyuchevsky Districts in the Krasnodar Territory, as well as the Takhtamukaisky and Teuchezhsky Districts in the Republic of Adygea.

Rosseti Kuban's Adygea branch has overhauled 1,160 km of overhead power lines since the beginning of 2021. These PTLs supply electricity to consumers and important social facilities in eight districts in the Krasnodar Territory and the Republic of Adygea, with a total population of over 520,000 people.

The Company reported that the Armavir branch of Rosseti Kuban carried out an overhaul of the power equipment at the 35 kV Nikolenskaya substation. The power centre supplies electricity to ten socially important facilities and over 7,500 residents of the Gulkevichy District. More than RUB 2.4 mn have been allocated to improve the reliability of the energy hub.

### July

During a working meeting in Maikop, the Head of the Republic of Adygea, Murat Kumpilov, and the acting General Director of Rosseti Kuban, Boris Ebzeev, discussed the prospects for modernising the region's energy infrastructure. Representatives of Rosseti Kuban reported that the Company plans to invest RUB 4.2 bn in the development of the power grid complex in the Republic of Adygea by 2023.

The head of Sochi, Alexey Kopaigorodsky, thanked power engineers from Rosseti Kuban for their concerted efforts in organising and carrying out restoration and remedial measures at flooded power facilities and ensuring the electrical safety of the population.

Specialists at the Company's Krasnodar branch have prepared about 600 km of power transmission lines and about 150 power centres of various voltage classes for the autumn-winter season of 2021/2022. The taken technical measures improved power supply reliability for more than 900,000 residents of Kuban and Adygea.

### August

Rosseti Kuban summed up the results of the seventh labour season of student teams. Eight teams of students from higher and secondary educational institutions in the Krasnodar Territory and the Rostov Region took part in the 2021 summer season – a total of about 100 people.

The Company's specialists conducted an online tour of the 220 kV Port substation for participants of the energy project shift of Rosseti Group. The participants were 83 teenagers with strong performance in the All-Russian Olympiad for power grid holding students and nominees of the All-Russian Forums "Step into the Future", "ProeKToriya", and "Big Challenges" – a scientific and educational programme of Sirius.

The Rosseti Young Professionals Open Corporate WorldSkills Professional Skills Championships were held in Krasnodar, with ten teams from across Russia partaking.



# KEY EVENTS OF THE COMPANY

## 2021

### September

During his working trip to the Southern Federal District, Andrey Ryumin, Director General of Rosseti, held a meeting with Boris Ebzeev, Head of Rosseti Kuban, discussing the key issues of preparation for the autumn-winter period. The total funding for Rosseti Kuban's annual programme to repair and maintain power grid facilities in the Krasnodar Territory and the Republic of Adygea in 2021 amounted to RUB 3.06 bn.

During an offsite meeting with the head of Sochi – Alexey Kopaigorodsky, Edgar Armaganyan, First Deputy General Director, Director of Rosseti Kuban – Sochi Power Grids branch, spoke about the staged modernisation programme for three key power centres located in the resort city of Sochi.

The Company summed up the results of its summer campaign to prevent electrical injuries among children and teenagers. Almost 5,000 children and teenagers in the Krasnodar Territory and the Republic of Adygea joined the Safe Energy – Happy Summer campaign during the summer school holidays. Theme-based activities were held at school grounds, summer recreation camps and children's centres.

Since the beginning of 2021, 24 pre-school and general education institutions have been connected to Rosseti Kuban's power grids. The total capacity delivered to schools and kindergartens was 1.4 MW.

Rosseti Kuban's team won the WorldSkills Professional Skills Championship in the Smart Metering Systems competency.

### October

Rosseti Kuban, PJSC commissioned about 20 MW of additional capacity for the grid connection of subsidised consumers in the suburbs of Novorossiysk, Anapa, Gelendzhik, and the Abinsky and Krymsky Districts of the Krasnodar Territory.

Since the beginning of 2021, over 22,000 consumer terminals in the Krasnodar Territory and the Republic of Adygea have been connected to the grid. The Company's capacity output totalled 556 MW.

During the Russian Energy Week 2021 international forum, Rosseti Kuban and the research and production enterprise JSC Radio and Microelectronics signed a strategic cooperation agreement to initiate the pilot operation of new Russian-made high-tech equipment at power grid facilities.

### November

Specialists of the Adygea branch of Rosseti Kuban completed the grid connection of four obstetric stations in rural settlements of the Krasnodar Territory and the Republic of Adygea since the beginning of 2021. The total capacity of the connected health facilities was 60 kW.

The Company earmarked more than RUB 3 bn to finance the 2021 repair campaign. Measures to prepare Rosseti Kuban's power grids for reliable operation in the autumn-winter period are fully implemented, with some indicators overrun by 100%. The Company received a certificate of readiness for the autumn-winter period 2021/2022. The decision on the readiness of electric power industry entities is formalised by Order No. 1-191 of the Ministry of Energy of the Russian Federation.

Since the beginning of 2021, the Company's Krasnodar branch has uncovered 337 cases of off-the-meter and uncontracted consumption in Krasnodar and five neighbouring districts in the Krasnodar Territory and the Republic of Adygea. In monetary terms, the damage to the region's power system exceeded RUB 122 mn. The relevant certificates were filed for all the cases, and claims work was initiated.

Rosseti Kuban took part in the Labour, Protection, Security of the Electric-Power Industry! online conference, which was held as part of the business programme of the forthcoming international specialised exhibition on Occupational Safety and Health. During this conference, Rosseti Group presented a pilot project for implementing the Vision Zero concept, which is put in place in Rosseti Kuban as well.

Representatives of Rosseti Kuban reported on the construction of a new power centre – the 110 kV Yuzhnaya Ozereyevka substation and its outgoing high-voltage power lines in the suburbs of Novorossiysk. Project investments approximated RUB 1.4 bn.

Rosseti Kuban's team won in the Smart Metering System competence at the VIII National Championship of Cross-Industry Working Professions in High-Tech Industries according to the WorldSkills methodology in Yekaterinburg.

### December

The Company powered the Hermonassa – Tmutarakan archaeological complex, which is part of the Taman Museum Complex – a branch of the Krasnodar State Historical and Archaeological Museum-Reserve named after E. Felitsyn.

Employees of Rosseti Kuban's Sochi branch – Alexey Lobanov, head of the Retrofitting and Renovation of Power Grid Facilities, and Dmitry Krutov, head of the Operations and Dispatch Service – won the All-Russian Energy Leaders competition. The awards ceremony and a meeting with the Group's top managers took place in Moscow on Power Engineer Day.

Since the beginning of the year, employees of the South-West Power Grid branch of Rosseti Kuban have stopped 92 cases of off-the-meter and uncontracted consumption in Anapa, Novorossiysk, Gelendzhik, the Krymsky and Abinsky Districts of the Krasnodar Territory. The damage to the region's power system amounted to more than RUB 20 mn. Several illegal taps were found in large rural settlements such as Raevskaya and Natukhaevskaya stanitsas on the outskirts of Novorossiysk.



# KEY EVENTS OF THE COMPANY

## 2022

### January

In 2022, Rosseti Kuban, PJSC will allocate more than RUB 100 mn to repair power grid equipment in five districts of the Krasnodar Territory: Tikhoretsky, Novopokrovsky, Pavlovsky, Beloglinsky and Krylovsky Districts – as well as more than RUB 127 mn for repair and maintenance of power grid facilities in the suburbs of Anapa, Gelendzhik, Novorossiysk, and the Abinsky and Krymsky Districts of the Krasnodar Territory.

The Company reported on the results of its HR-related efforts. In 2021, more than RUB 75 mn were allocated to skill upgrading and re-skilling courses for its employees. More than 8,500 employees of the Company (over 95% of the total staff) completed their training in additional vocational education organisations.

The Company summed up the results of installing the bird diverters in 2021. In the reporting period, more than 4,200 diverters were installed in Rosseti Kuban's area of responsibility. The largest number of devices have been installed in the Adygean, Leningrad and Sochi energy districts, where there are numerous specially protected natural areas. The installation of bird diverters on power lines helps to conserve the bird population and prevent possible disruptions to the power supply.

### February

The Government House of the Republic of Adygea hosted a working meeting between Murat Kumpilov, Head of the Republic, and Boris Ebzeev, Acting General Director of the Company, where they discussed plans to modernise the energy infrastructure in the region. Rosseti Kuban will channel more than RUB 3.8 bn of investments in 2022–2023 to expand the power grid complex in the Republic of Adygea under a cooperation agreement between the Adygean Cabinet of Ministers, Rosseti Group and the Company signed in 2020.

Rosseti Kuban's investments in the modernisation and construction of new power grid facilities in the Krasnodar Territory and the Republic of Adygea will double in 2022 compared to the previous year and amount to over RUB 8 bn. The Company's investment will allow commissioning more than 530 MVA of capacity, as well as about 490 km of new power transmission lines.

Power engineers of Rosseti Kuban's branch – Adygeyan Power Grids will install 2,000 new-generation electricity meters in 2022 in the Apsheronky and Belorechensky Districts of the Krasnodar Territory and the Giaginsky, Maikop, Krasnogvardeisky, Koshekhabsky and Shovgensky Districts of the Republic of Adygea.

### March

Rosseti Kuban plans to apply more than RUB 3 bn to repair and maintain the facilities of the Power Grid Complex of the Krasnodar Territory and the Republic of Adygea in 2022. The repair will cover almost 7,700 km of overhead power lines, about 1,500 transformer substations, including the replacement of over 58,000 insulators.

Since the beginning of 2022, specialists at the Sochi branch of Rosseti Kuban have recovered by action about RUB 1.2 mn in damages from unauthorised electricity consumption. Inspections in the Sochi and the Tuapse region uncovered five cases of illegal tampering with electricity metering.

The Company has provided electricity to 135 agricultural enterprises in the Abinsky and Krymsky Districts of the Krasnodar Territory, as well as the suburbs of Anapa, Gelendzhik and Novorossiysk since the beginning of 2022. The total capacity connected to the grid was 2.4 MW.

# 3

RUB bn

WILL BE APPLIED BY ROSSETI KUBAN, PJSC TO REPAIR AND MAINTENANCE OF THE POWER GRID FACILITIES OF THE REPUBLIC OF ADYGEA IN 2022.



**8.9** RUB bn

EBITDA FOR 2021 (+87% YEAR-ON-YEAR)

**9.92%**

ACTUAL VALUE OF ELECTRICITY LOST IN TRANSMISSION OF THE TOTAL DELIVERY TO THE GRID (0.58 P.P. BELOW TARGET)

# STRATEGIC REPORT

THE COMPANY'S KEY STRATEGIC PRIORITIES INCLUDE RELIABLE ELECTRICITY SUPPLY IN THE REGION, DEVELOPMENT OF NEW AREAS, PROMOTION OF ENERGY AND ENVIRONMENTAL SAFETY, AND BALANCING OF THE INTERESTS OF THE STATE, CONSUMERS, SHAREHOLDERS AND INVESTORS.

**58** RUB bn

REVENUE FROM SALES OF THE COMPANY'S SERVICES IN 2021 (+17% VS. 2020)

# DEVELOPMENT STRATEGY



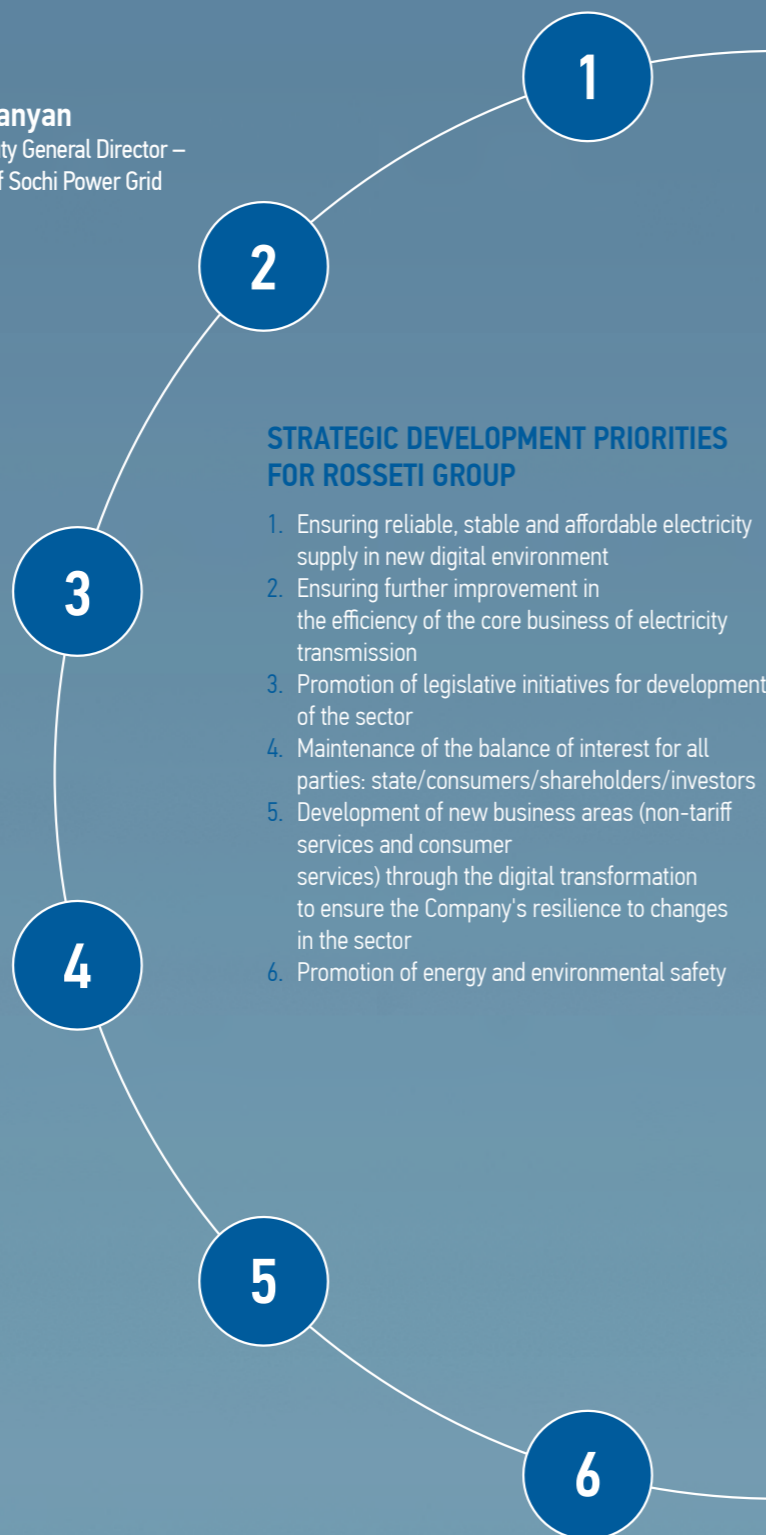
**Edgar Armaganyan**  
First Deputy General Director –  
Director of Sochi Power Grid  
branch

“ THE COMPANY, AS PART OF THE UNIFIED ELECTRICITY DISTRIBUTION GRID COMPLEX OF RUSSIA AND ROSSETI GROUP, STRIVES TO ACHIEVE THE GOALS DEFINED AT THE STATE LEVEL IN ORDER TO IMPLEMENT THE GROUP’S DEVELOPMENT STRATEGY FOR THE PERIOD UNTIL 2030<sup>1</sup>. ”

A key change in the Group’s activities was switching to a business model based on advanced innovative infrastructure. Promoting the further enhancement of efficiency of current activities to develop the sector and ensuring reliability, quality and accessibility of infrastructure in the new digital environment is among the main strategic priorities. Strong focus is made on balancing the interests of all parties, including the state, customers, shareholders, and investors, as well as on developing new business lines.

It is planned to achieve the Group’s strategic priorities by the following activities:

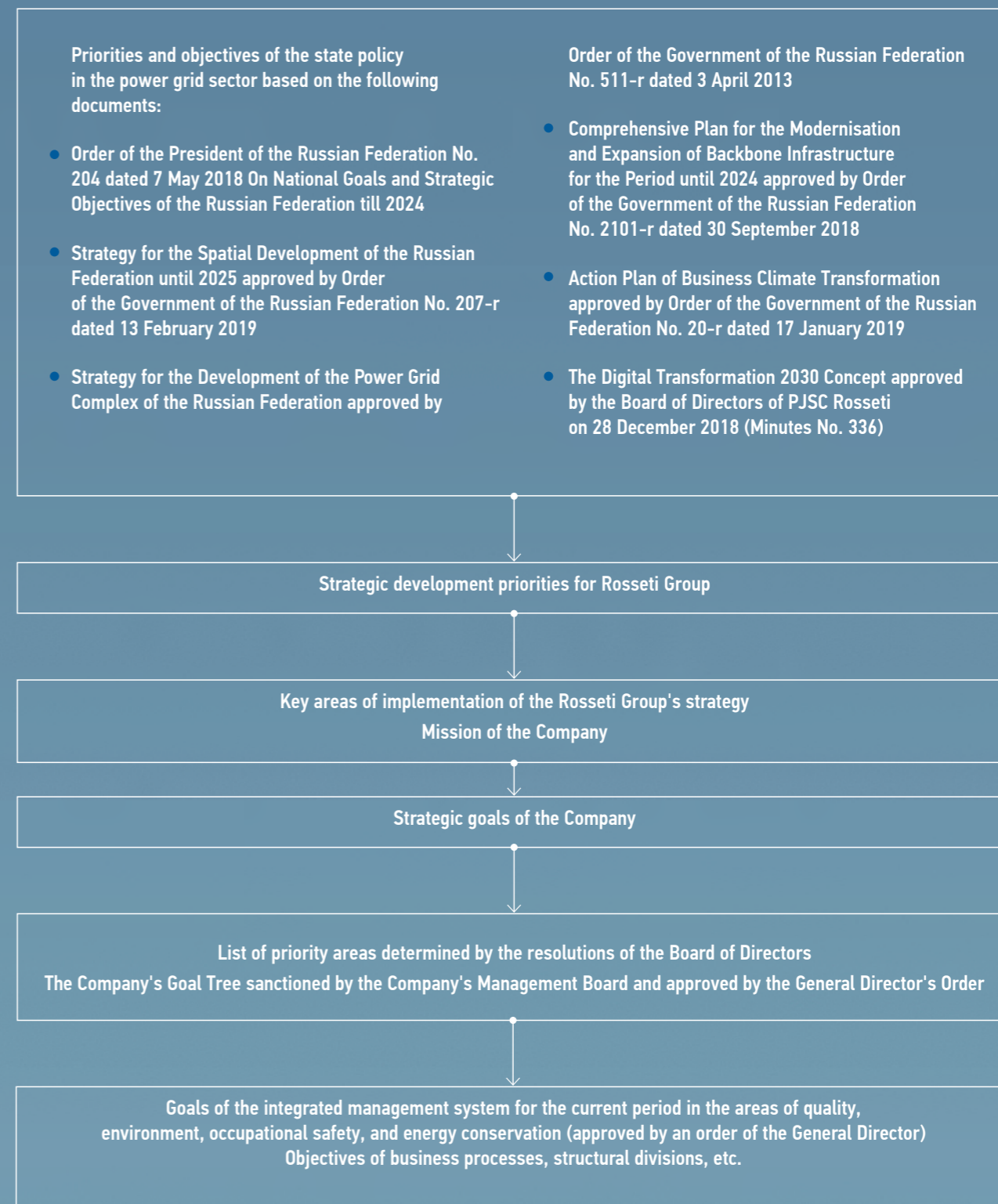
- Technological and innovative development
- Digital transformation
- Business diversification
- Maintenance of information and technological security
- Further enhancement of operational and investment performance
- Promotion of legislative initiatives to improve pricing in the industry



## STRATEGIC DEVELOPMENT PRIORITIES FOR ROSSETI GROUP

1. Ensuring reliable, stable and affordable electricity supply in new digital environment
2. Ensuring further improvement in the efficiency of the core business of electricity transmission
3. Promotion of legislative initiatives for development of the sector
4. Maintenance of the balance of interest for all parties: state/consumers/shareholders/investors
5. Development of new business areas (non-tariff services and consumer services) through the digital transformation to ensure the Company’s resilience to changes in the sector
6. Promotion of energy and environmental safety

IN IMPLEMENTING THE STRATEGY, THE COMPANY IS GUIDED BY THE OBJECTIVES PRIORITISED AS FOLLOWS.



The Company’s strategic objectives are developed taking into account those of Rosseti Group and approved by the Company’s Management Board (Minutes No.7/2017 dated 12 April 2017).

<sup>1</sup> The strategy was approved by the resolution of the Board of Directors of PJSC Rosseti (Minutes No. 388 dated 26 December 2019).



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

| Objective  | Results in the reporting year   |
|--|---|
| More reliable electricity delivery in the Krasnodar Territory and the Republic of Adygea | <p>Annually, the Company performs a range of measures for retrofitting, modernisation and renovation of existing power grid facilities; those measures are aimed at achieving the following key objectives:</p> <ul style="list-style-type: none"> <li>Improving the reliability of power supply to consumers</li> <li>Providing safe working environment for the personnel</li> <li>Constraining the equipment physical deterioration growth rate</li> <li>Reducing the proportion of equipment that has reached service life specified in the regulatory documentation</li> <li>Improving the equipment performance</li> <li>Ensuring compliance with environmental protection and ecological safety requirements and regulations</li> <li>Cutting down operating costs in the long term</li> <li>Supporting the production activities in the course of operation of power grid facilities, including those related to preventing and responding the emergencies</li> </ul> <p><a href="#">For more details, please see the Operating Results section.</a></p> <p>The Company's reliability indicators (<math>I_{SAIDI}</math>, <math>I_{SAIFI}</math>) increased compared to the previous year, but did not exceed the target values set by the Regional Power Commission — the Price and Tariff Department of the Krasnodar Territory for the reporting year, taking into account the permissible deviation.</p> <p>The number of accidents in the 110 kV and above grid decreased by 3% as compared to the previous year</p> |
| Better customer service quality and more accessible power grid infrastructure            | <p>The indicator of the grid connection quality (<math>I_{gc}</math>) is 1.065; it is within the planned value established by the Regional Power Commission — the Price and Tariff Department of the Krasnodar Territory for the reporting year, taking into account the permissible deviation</p>  |
| Advanced development of the grid and adoption of new technologies                        | <p>During the reporting year, innovative technologies were introduced in the following key areas of the Innovation Development Programme:</p> <ul style="list-style-type: none"> <li>Transition to 35–110 (220) kV smart substations</li> <li>Transition to the grids featuring active adaptation and distributed smart automation and control system</li> <li>Transition to integrated efficiency of business processes and automation of control systems</li> <li>Application of advanced technology solutions and materials in power engineering</li> <li>Promotion of an innovative development management system and building an innovative infrastructure</li> </ul> <p><a href="#">For more details, please see the Operating Results section.</a></p>   |

| Objective  | Results in the reporting year  |
|--|--|
| Stronger investment appeal and capitalisation  | <p>The Board of Directors of the Company approved the Operational Efficiency Improvement and Cost Reduction Programme of PJSC Rosseti Kuban for 2021–2025<sup>1</sup>; 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 2021 is RUB 57,670 mn, up RUB 8.3 year-on-year.<br/>EBITDA in 2021 is RUB 8,879 mn, up RUB 4,124 mn year-on-year.<br/>The profit of RUB 1,711.8 mn was mainly due to an increase in revenue from electricity transmission as a result of higher electricity consumption.<br/>The net asset value at the end of the reporting year is RUB 40,466 mn, compared to RUB 37,989 mn at the end of 2020.<br/>The year-on-year increase in net assets was RUB 2,476 mn, driven by the increase in equity on account of the year-end profit.</p> <p>The market capitalisation of the Company at the end of 2021 (without taking into account the additional shares placed) is RUB 21.99 bn; if the additional shares placed are taken into account, it makes RUB 22.46 bn. At the end of 2020, that figure was RUB 22.69 bn. The maximum capitalisation in 2021 was RUB 28.8 bn, while the minimum level was RUB 21.1 bn. The weighted average price per share declined by 11.06% over the reporting year on the back of a 13% rise in the Moscow Exchange Index and a 16.3% decline in the Electric Power Industry index of the Moscow Exchange</p> |
| Decent working conditions, improvement of professional competence and loyalty of the Company's personnel | <p>In 2021, the level of average salary of production personnel in the branches of Rosseti Kuban is competitive; in all branches of the Company, it exceeds the accrued salary level being average in the region of operation, by 10–50%.<br/>In 2021, the progress on Personnel Training Plan was 112%</p> <p><a href="#">For more details, please see the Sustainable Development section.</a></p>   |
| Staying within the standard rates of electricity loss in transmission                                    | <p>The actual loss of electricity in transmission was 9.92% of the amount of delivery to the grid; the standard rate of loss was met, according to the results of the year</p> <p><a href="#">For more details, please see the Electricity Transmission section.</a></p>   |

<sup>1</sup> Minutes No. 414/2020 dated 28 December 2020.

# KEY PERFORMANCE INDICATORS

Whether the Company's development priorities are accomplished is determined by means of the Key Performance Indicators (KPI).

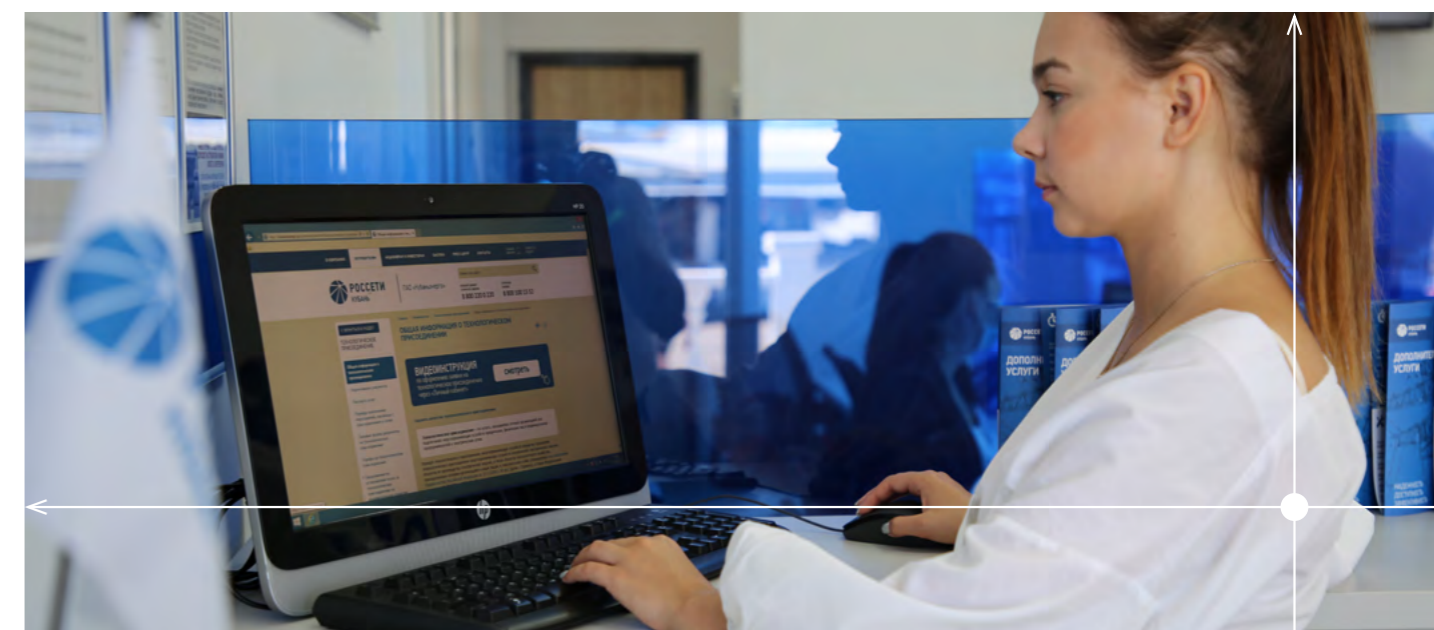
Target KPI values were approved by the Resolution of the Company's Board of Directors dated 15 February 2021 (Minutes No. 419/2021 dated 17 February 2021).

The KPIs of the Company's General Director are aligned with:

- Paragraph 15.1 of Article 15 of the Company's Articles of Association
- The Resolution of the Company's Board of Directors dated 7 October 2020 (Minutes No. 404/2020 dated 9 October 2020)

In accordance with the above resolution of the Company's Board of Directors, the following KPIs were set for 2021.

| KPI  | Method of calculation   |
|--|---|
| Total shareholder return                     | Comparison of the accrued dividends of the reporting year with the average value of the same indicator of previous three years and with the value in the business plan of the Company   |
| Return on invested capital                   | The ratio of profit before taxes and interest to the sum of capital and long-term loans and borrowings  |
| Profit from operations (EBITDA)              | Section 1. The year-on-year growth of the actual EBITDA exceeds the average annual rate of tariff growth.<br>Section 2. If the condition above is not met, the achievement of the EBITDA indicator to the planned value calculated based on the approved business plan is to be estimated   |
| Reduction of unit operating expenses (costs) | Year-on-year reduction of the ratio of unit operating costs to the volume of serviced equipment (in c.u.) in the reporting year   |
| Level of electricity losses                  | The ratio of electricity delivery to the grid (minus the electricity delivered from the grid and utility consumption) to the delivery to the grid (minus the internal balance flows)  |
| Higher labour productivity                   | In accordance with Order No. 748 of the Ministry of Economic Development dated 28 December 2018: ratio of the value added to the number of persons insured  |
| Efficiency of innovations                    | The integral indicator of the efficiency of innovation activity estimates the degree of performance of three composite indicators: the indicator of R&D expenditures, the indicator of the purchase of innovative products, and the indicator of the quality of R&D development (updating) / fulfilment of the Innovation Development Programme   |
| Accounts receivable reduction ratio          | Reduction of the actual overdue receivables by all the subsidiaries and affiliates (excluding moratorium and restructured debts, as well as debts of subcontractors deprived of the status of a subject of the wholesale electricity market and/or the status of a guaranteeing)  |
| Compliance with grid connection time-frames  | A complex indicator that estimates the quality level of the grid connections performed by subsidiaries and affiliates (S&As) of PJSC Rosseti; this indicator includes three components: the quality of consideration of applications for grid connection, the quality of execution of agreements on the implementation of grid connection of applicants, and compliance with the anti-trust legislation of the Russian Federation |



| KPI   | Method of calculation   |
|---|---|
| Debt/EBITDA   | Section 1. It is estimated by the debt-to-EBITDA ratio. In case of financial stability of the Company, the target value is $\leq 3.0$ ; otherwise, there should be an improvement of at least 10% from the actual value in the previous year, but not less than 3.0.<br>Section 2. If the condition above is not met, the achievement of the planned Debt/EBITDA indicator (calculated on the basis of the approved business plan) is to be estimated |
| Compliance with the facility commissioning schedule                     | The ratio of the total actual fixed assets put in accounting records (in monetary terms, in relation to completed construction facilities and taken into fixed assets in the reporting year, with quarter-by-quarter breakdown) to the planned values, in accordance with the approved Investment Programme of the Company and its schedules  |
| Readiness for heating season  | Indicator that estimates the readiness of the Company to work during the heating season, based on monthly monitoring of the Ministry of Energy of Russia  |
| Implementation of the Company's Development Plan                        | Bonus reduction indicator: its amount is calculated depending on the number of unfulfilled activities of the Company's Development Plan approved by the Rosseti Board of Directors, in the reporting period   |
| Achievement of the specified reliability level of the services provided | Indicators for the power outage duration, per point of delivery, and the power outage occurrence, per point of delivery (SAIDI, SAIFI), as well as the number of major accidents in relation to the annual average values over three years  |
| Absence of occupational accidents                                       | The number of injured employees of the Company in accidents (with mild, severe, or fatal outcomes) associated with the failure of officials to fulfil their duties, for the reporting year  |

## KPI TARGETS AND ACHIEVEMENT

| Indicators  | Weight / percentage of bonus reduction in the 2021 bonus scheme (%) | Actual value for 2020 / estimate of achievement for 2020 (achieved / not achieved)           | Targets for 2021   | Actual value for 2021 / % of year-on-year actual value  | Assessment of achievement in 2021 (achieved / not achieved) / reasons for deviation | Targets for 2022   |
|---|---|--|--|---|---|--|
| Total shareholder return                            | 10  | RUB 0 ≤<br>RUB 367,374,143 /<br>not achieved<br>RUB 0 ≤<br>RUB 122,648,367 /<br>not achieved | ≥ the arithmetic average of the funds allocated to the payment of dividends in accordance with the decisions of the general meetings of shareholders of the Company for the three years preceding the reporting period, and ≥ the amount of funds envisaged for the payment of dividends in the reporting period, in accordance with the Company's business plan | The achievement of the indicator will be evaluated following the decision of the General Meeting of Shareholders on the distribution of the Company's profit for 2021 |   | ≥ the arithmetic average of funds allocated for the payment of dividends as decided by the general meetings of shareholders of the Company for the three years preceding the reporting period, and ≥ the amount of funds provided for the payment of dividends in the reporting period, in accordance with the Company's business plan |
| Return on invested capital                          | 20  | 118.3%/achieved  | ≥95.0%   | 100%/85%  | Achieved  | ≥95.0%   |
| Profit from operations (EBITDA)                     | 15  | Completed/<br>achieved   | Completed  | Completed/100%  | Achieved  | Completed  |
| Reduction of unit operating expenses (costs)        | 10  | 4.0%/achieved  | ≥2.0%  | 2.1%/53%  | Achieved  | ≥2.0%  |
| Level of electricity losses                         | 10  | 10.08%/achieved  | ≤10.50%  | 9.92%/109%  | Achieved  | ≤10.15%  |
| Higher labour productivity                          | 5   | 4.26%/achieved   | ≥5%  | 20%/— <sup>1</sup>  | Achieved  | ≥10%   |
| Efficiency of innovations                           | 20  | 117%/achieved  | ≥90.0%   | Not to be determined  | Not assessed <sup>2</sup>   | ≥90.0%   |
| Accounts receivable reduction ratio                 | 10  | 74.0%/achieved   | ≤100%  | 56.0%/132%  | Achieved  | ≤100%  |
| Compliance with grid connection timeframes          | -10   | 1.0/achieved   | ≤ the actual value of the indicator in the previous year multiplied by 0.85, but not less than 1.1 (1.1)   | 1.0/100%  | Achieved  | ≤ the actual value of the indicator in the previous year multiplied by 0.85, but not less than 1.1   |
| Debt/EBITDA   | -10   | Completed/<br>achieved   | Completed  | Completed/100%  | Achieved  | Completed  |
| Compliance with the facility commissioning schedule | -10   | Q1 100%<br>Q2 130%<br>Q3 196%<br>Q4 104%<br>year 111% /<br>achieved                          | ≥90.0%<br>(in all quarters)  | Q1 124%/124%<br>Q2 131%/101%<br>Q3 139%/71%<br>Q4 100%/96%<br>year 111%/100%  | Achieved  | ≥90.0%<br>(in all quarters)  |

<sup>1</sup> The comparison of the actual value for 2021 with the actual value for 2020 is not possible due to a change in the indicator calculation procedure.

<sup>2</sup> The results of KPIs will be summarised in a separate resolution of the Board of Directors of the Company in accordance with the Methodology for Calculation and Assessment of KPI Performance of the General Director of Rosseti Kuban, PJSC [approved by resolution of the Board of Directors on 7 October 2020 (Minutes No. 404/2020 dated 9 October 2020)].

**KPI TARGETS AND ACHIEVEMENT**

| Indicators  | Weight / percentage of bonus reduction in the 2021 bonus scheme (%) | Actual value for 2020 / estimate of achievement for 2020 (achieved / not achieved)   | Targets for 2021  | Actual value for 2021 / % of year-on-year actual value  | Assessment of achievement in 2021 (achieved / not achieved) / reasons for deviation | Targets for 2022   |
|---|---|--|---|---|---|--|
| Readiness for heating season  | -10   | Simultaneously:<br><ul style="list-style-type: none"> <li>0.99</li> <li>Completed/achieved</li> </ul>  | Simultaneously:<br><ul style="list-style-type: none"> <li>≥ 0.95</li> <li>Failure to achieve the set value of the specialised indicator "Presence of Outstanding Measures for Readiness Condition Compliance by an Electric Power Industry Entity"</li> </ul> | Simultaneously:<br><ul style="list-style-type: none"> <li>1.00</li> <li>Non-achievement of the target value of the specialised indicator /100%</li> </ul>   | Achieved  | Simultaneously:<br><ul style="list-style-type: none"> <li>≥0.95</li> <li>Failure to achieve the set value of the specialised indicator "Presence of Outstanding Measures for Readiness Condition Compliance by an Electric Power Industry Entity"</li> </ul> |
| Implementation of the Company's Development Plan                        | -70   | 0%/achieved  | 0% (all activities implemented)   | 0%/100%   | Achieved  | 0 (all activities implemented)   |
| Achievement of the specified reliability level of the services provided | -10   | Simultaneously:<br><ul style="list-style-type: none"> <li>Isaidi = 0.81, Isaifi = 0.98</li> <li>No significant degradation in the indicators set by the tariff regulation authorities</li> <li>0/achieved</li> </ul> | Simultaneously:<br><ul style="list-style-type: none"> <li>Ki ≤ 1</li> <li>No significant degradation in the indicators set by the tariff regulation authorities</li> <li>No increase in number of major accidents</li> </ul>                                  | Simultaneously:<br><ul style="list-style-type: none"> <li>Isaidi = 4.62, Isaifi = 2.80</li> <li>No significant degradation in the indicators set by the tariff regulation authorities</li> <li>1 (increase in major accidents)</li> </ul> | Achieved with due regard to the objective factors                                   | Simultaneously:<br><ul style="list-style-type: none"> <li>Ki ≤ 1</li> <li>No significant degradation in the indicators set by the tariff regulation authorities</li> <li>No increase in number of major accidents</li> </ul>                                 |
| Absence of occupational accidents                                       | -10   | Simultaneously:<br><ul style="list-style-type: none"> <li>0</li> <li>1 / not achieved</li> </ul>   | Simultaneously:<br><ul style="list-style-type: none"> <li>no more than two injured persons</li> <li>0</li> </ul>  | Simultaneously:<br><ul style="list-style-type: none"> <li>one casualty</li> <li>0/100%</li> </ul>   | Achieved  | Simultaneously:<br><ul style="list-style-type: none"> <li>no more than two injured persons</li> <li>0</li> </ul>   |

The Company's KPI system is bound to the variable component of managers' remuneration: each indicator is associated with its unit weight or percentage of bonus reduction, and annual bonuses are only payable if the corresponding KPI targets are met.

# OPERATING RESULTS

**1.7** RUB bn

THE COMPANY'S PROFIT IN 2021

**+21%** (138 MW)

INCREASE IN CONNECTED CONSUMER CAPACITY IN 2021

IN 2021, THE COMPANY RAMPED UP THE VOLUME OF SERVICES PROVIDED, DROVE DOWN TRANSMISSION LOSSES, AND MADE ACTIVE EFFORTS TO EXPAND THE AVAILABILITY OF INFRASTRUCTURE TO NEW CONSUMERS.

**25.2** bn kWh

ELECTRICITY DELIVERY TO THE GRID  
(+9.6% COMPARED TO 2020)

# ELECTRICITY DELIVERY



“ Delivery and distribution of electricity to customers via 110 kV or lower-voltage grids is PJSC Rosseti Kuban’s core business. In 2021, the Company’s share in the regional electricity transmission market was 77.2% (of the required gross revenue (RGR)).

In 2021, the Company achieved its KPI targets for electricity losses in transmission: 9.92%, or 0.58 p.p. less than the planned value.

The loss reduction activities resulted in saving 127 mn kWh in 2021”.

**Oleg Nischyuk**  
Deputy General Director for Service Sales, Rosseti Kuban, PJSC

## KEY INDICATORS

### THE COMPANY’S PRODUCTION RESULTS FOR 2019–2021

| Indicators   | 2019     | 2020     | 2021     | Δ 2021/2020 (%) |
|--|----------|----------|----------|-----------------|
| Delivery to the grid (mn kWh)  | 22,850.7 | 23,008.0 | 25,221.7 | 9.6             |
| Electricity delivered from the grid to customers and related territorial grid organisations within the area of balance and operational responsibility (mn kWh) | 20,424.3 | 20,697.2 | 22,719.6 | 9.8             |
| Losses of electricity in transmission:   |          |          |          |                 |
| • mn kWh   | 2,426.4  | 2,310.8  | 2,502.1  | 8.3             |
| • %  | 10.62    | 10.04    | 9.92     | -0.12           |
| Volume of electricity transmission services provided:  |          |          |          |                 |
| • mn kWh   | 18,874.2 | 19,108.1 | 21,004.5 | 9.9             |
| • RUB mn   | 46,515.7 | 48,101.9 | 54,526.3 | 13.4            |

In 2021, the Company provided 21,005 mn kWh of power transmission services, which is 1,896 mln kWh or 9.9% more than in 2020.

Over the reporting year, PJSC Rosseti Kuban actually lost 2,502 mn kWh in its grids or 9.92% of the amount delivered to the grid. In 2021, the relative level of losses was reduced by 0.12 p.p. compared to 2020. The annual losses were within the standard rates.

Loss reduction measures are undertaken every year in order to meet the target parameters.

# ELECTRICITY LOSS REDUCTION ACTIVITIES

One of the Company’s priorities is to reduce electricity losses.

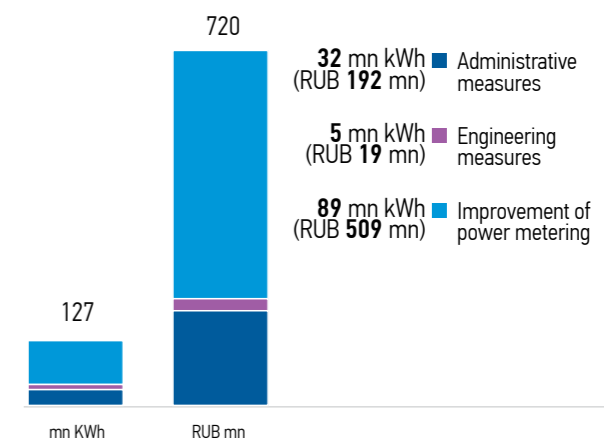
As of the end of 2021, the effect of implementing measures aimed at reducing electricity losses during transmission amounted to 127 mn kWh (RUB 720 mn) in total, including due to the following:

- Administrative measures — 32 mn kWh (RUB 192 mn)
- Engineering measures — 5 mn kWh (RUB 19 mn)
- Improvement of power metering — 89 mn kWh (RUB 509 mn)

In the future, this work is supposed to continue.

The activities under the power loss reduction programme were completed, the target programme indicator, i.e., level of electricity losses, was achieved.

### EFFECT FROM THE ELECTRICITY LOSS REDUCTION PROGRAMME



# ELECTRICITY METERING

As at 31 December 2021, there were a total of 1,173,265 delivery points in the Company’s operational area.

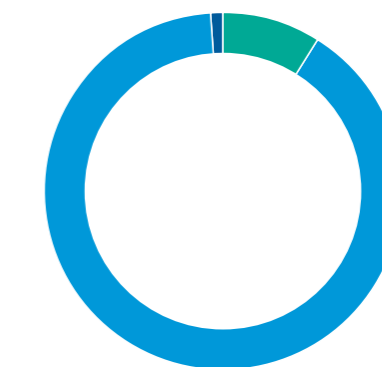
### DELIVERY POINTS OF PJSC ROSSETI KUBAN AS OF 31 DECEMBER 2021 (%)

#### THE COMPANY’S DELIVERY POINTS

**105,991**  
TO LEGAL ENTITIES

**1,057,228**  
TO DOMESTIC CONSUMERS

**10,046**  
TO APARTMENT BUILDINGS



9 ■ To legal entities  
90 ■ To domestic consumers  
1 ■ To apartment buildings

On 21 January 2020, The Board of Directors of the Company approved the Smart Metering Development Programme for 2020–2030 (Minutes No. 374/2020) (hereinafter referred to as the Programme<sup>1</sup>).

<sup>1</sup> The programme was approved in accordance with Federal Law No. 522-FZ dated 27 December 2018 On Amending Certain Legislative Acts of the Russian Federation due to the Development of Electric Energy (Power) Metering Systems in the Russian Federation and the Smart Metering Development Concept of PJSC Rosseti in Retail Markets approved by the Management Board of PJSC Rosseti (Minutes No. 885pr/1 dated 26 June 2019).

# 2.3 RUB bn

EXPENSES FOR IMPLEMENTATION OF THE SMART METERING DEVELOPMENT PROGRAMME  
IN 2021 (INCLUDING PAYMENTS UNDER ENERGY SERVICE AGREEMENTS OF PREVIOUS YEARS)

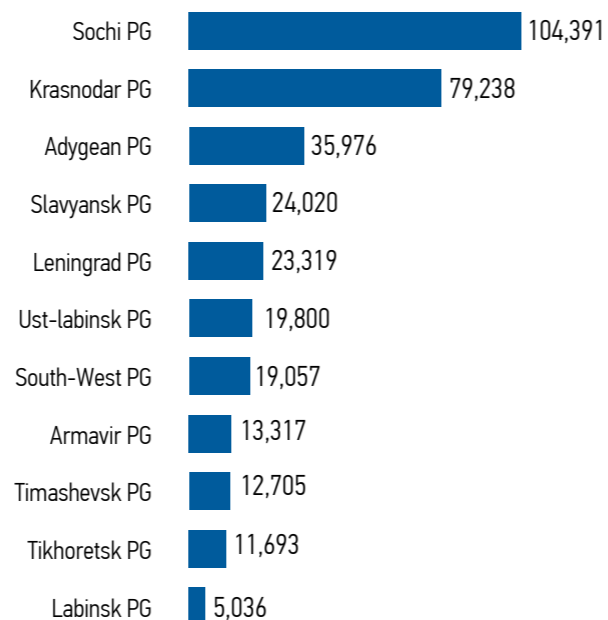
## THE PROGRAMME RESULTS IN 2021 (POINTS OF METERING)

| Indicator  | 2021 (plan) | 2021 (actual) |
|--|-------------|---------------|
| Scope of completion (introduction, implementation) of measures   | 49,367      | 49,385        |
| Including:   |             |               |
| • Installation/replacement of technical electricity meters   | 2,626       | 2,646         |
| • Installation/replacement of commercial electricity meters within the grid connection framework under the Investment Programme  | 16,409      | 20,389        |
| • Installation/replacement of commercial electricity meters in case of absence or breakdown of those, or expiry of the calibration interval / service life of meters, under the Investment Programme | 12,563      | 6,221         |
| • Installation/replacement of commercial electricity meters in case of absence or breakdown of those, or expiry of the calibration interval / service life of meters, under the Repair Programme     | 6,433       | 6,848         |
| • Installation/replacement of electricity meters under energy service agreements   | 11,336      | 13,281        |

## IMPLEMENTING AUTOMATED METER READING AND CONTROL SYSTEM

In the reporting year, 31,051 metering devices were automated as part of the implementation of the concluded energy service agreements, including 13,281 metering devices installed by energy service companies in 2021. Also, 2,646 technical metering devices were installed and automated under the Company's Investment Programme for 2021.

### TOTAL NUMBER OF AUTOMATED ELECTRICITY METERING DEVICES WITH REMOTE DATA ACQUISITION, AS OF 31 DECEMBER 2021 ACROSS ROSSETI KUBAN, PJSC



# 348,552

AUTOMATED ELECTRICITY METERS WITH REMOTE DATA COLLECTION, AS OF 31 DECEMBER 2021 (29% OF THE TOTAL NUMBER OF DELIVERY POINTS)

In 2022, it is planned to continue implementing meters with remote data acquisition, as well as the installation and automation of technical metering systems at the Company's 6(10)/0.4 kV transformer substations under the Investment Programme.

# GRID CONNECTION SERVICES

IN THE NEAR FUTURE, ROSSETI KUBAN'S ACTIVITIES ARE AIMED AT PROVIDING QUALITY AND RELIABLE ELECTRICITY SUPPLIES TO EXISTING CONSUMERS, AS WELL AS INCREASING THE AVAILABILITY OF POWER INFRASTRUCTURE AND ELIMINATING POWER GRID CONSTRAINTS FOR THE GRID CONNECTIONS OF NEW CONSUMERS.

IN 2021, THE NUMBER OF VALID GRID CONNECTION AGREEMENTS INCREASED BY 17% TO 18,465. THE DEMAND FOR GRID CONNECTION IS NOT ONLY CONSISTENTLY HIGH, BUT IS ALSO SHOWING PRONOUNCED GROWTH. MINIMUM 30–35 THS APPLICATIONS ON AVERAGE ARE FILED EVERY YEAR.



**Alexander Chepusov**  
Deputy General Director for Development and Power Grid Connection, Rosseti Kuban, PJSC

“ In 2021, there was a 21% (138 MW) increase in connected capacity for consumers, primarily due to the deferred demand factor activated by the easing of COVID-19 restrictive measures. For the second year in a row, the percentage of agreements not performed on time does not exceed 6% of the total number of ongoing agreements (1,016 agreements at the end of 2021). The main reason for violating deadlines is the applicant's unreadiness to complete the grid connection procedure. In order to solve this problem, the Company is working out the possibility of implementing the measures, which are in the scope of applicant's responsibility, as an additional service.

Pursuant to Resolutions of the Government of the Russian Federation No. 262 dated 10 March 2020 and No. 639 dated 26 April 2021, the Company carried out a number of organisational and technical measures to re-engineer the grid connection process; those measures ensured prompt and complete meeting the increased demand for such service. In the future, this will reduce the volume of overdue agreements.

In 2021, the average term for grid connection activities was 94 days, and under agreements concluded with small and medium-sized businesses, it did not exceed 66 days, which is significantly lower than the normative terms established for grid organisations by the current legislation. The average term to consider an application and submit an offer did not exceed nine days”.

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 power grids:

- Federal Law No. 35-FZ dated 26 March 2003 On the Electric Power Industry
- Rules for the Grid Connection of Consumer Terminals of Electricity Consumers, Generating Facilities and Grid Facilities Owned by Grid Operators 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 Fees for Grid Connection No. 1135/17 dated 29 August 2017

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

For more details on the grid connection, please visit the Company's website.



## EXECUTION OF GRID CONNECTION AGREEMENTS

In the reporting year, the Company executed 33,795 agreements for the grid connection to PJSC Rosseti Kuban power grids. The total power supplied under the implemented grid connection agreements amounted to 788 MW, which is 135% more than the planned value. Compared to 2020, the amount of connected capacity increased by 21% (138 MW).

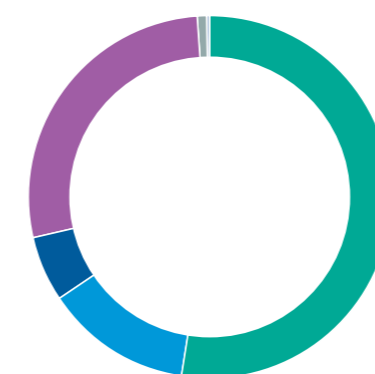
33,795 GRID CONNECTION AGREEMENTS FULFILLED IN 2021

788 MW — THE TOTAL CAPACITY UNDER THE AGREEMENTS FULFILLED (+21% YEAR-ON-YEAR)

### LOAD CAPACITY CONNECTED IN 2021 BY CONSUMER CATEGORY (MW)

| Connection categories                             | Number of grid connection agreements implemented |                      |
|---|--|----------------------|
|   | Agreements                                       | For total power (MW) |
| Up to 15 kW inclusive, total                      | 31,832   | 415                  |
| Including individuals                             | 27,504   | 361                  |
| 15 to 150 kW inclusive                            | 1,591  | 103                  |
| 150 to 670 kW                                     | 189  | 46                   |
| Not less than 670 kW                              | 128  | 218                  |
| Electricity generation facilities                 | 3  | 5                    |
| <b>TOTAL, EXCLUDING TEMPORARY GRID CONNECTION</b> | <b>33,743</b>                                    | <b>787</b>           |
| Temporary connection                              | 52   | 2                    |
| <b>TOTAL, INCLUDING TEMPORARY GRID CONNECTION</b> | <b>33,795</b>                                    | <b>788</b>           |

### THE STRUCTURE OF THE ROSSETI KUBAN AGREEMENTS IMPLEMENTED BY CAPACITY CONNECTED (MW AND %)



- 415 (52%) ■ Up to 15 kW
- 103 (13%) ■ Above 15 and up to 150 kW
- 46 (6%) ■ Above 150 kW and below 670 kW
- 218 (28%) ■ At least 670 kW
- 5 (1%) ■ Generation facilities
- 2 (0%) ■ Temporary connection

### APPLICANTS WHICH HAD THEIR LARGEST AND MOST SIGNIFICANT ENERGY FACILITIES CONNECTED TO THE COMPANY'S POWER GRIDS IN 2021

| Applicant  | Load capacity connected (MW) |
|--|------------------------------|
|  JSC NESK Elektroseti   | 75                           |
|  JSC Novoroslesexport   | 14                           |
|  Federal State Budgetary Institution All-Russian Children's Centre Orlyonok | 6                            |
|  LLC Slavyansk ECO  | 5                            |

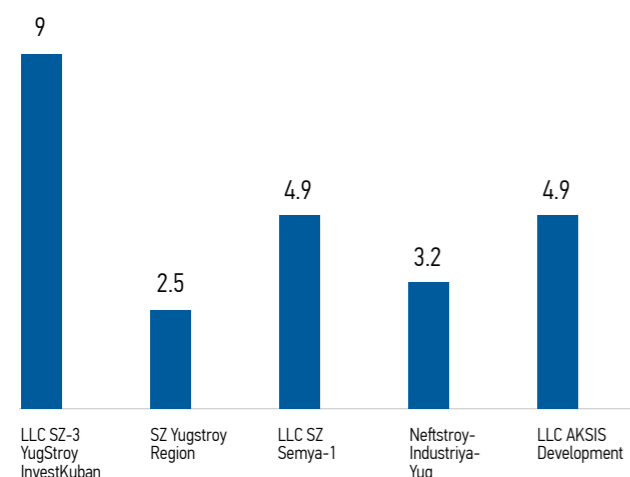


In 2021, significant capacities were allocated to meet the electricity demand of housing construction projects; the high rates of those have persisted in the region in recent years. More than 1,900 agreements for a total capacity of 133 MW were fulfilled.

# 1.9 ths

AGREEMENTS WITH TOTAL CAPACITY OF 133 MW — CONNECTION OF APARTMENT BUILDINGS IN 2021

### LARGEST APARTMENT BUILDINGS CONNECTED IN 2021 (MW)



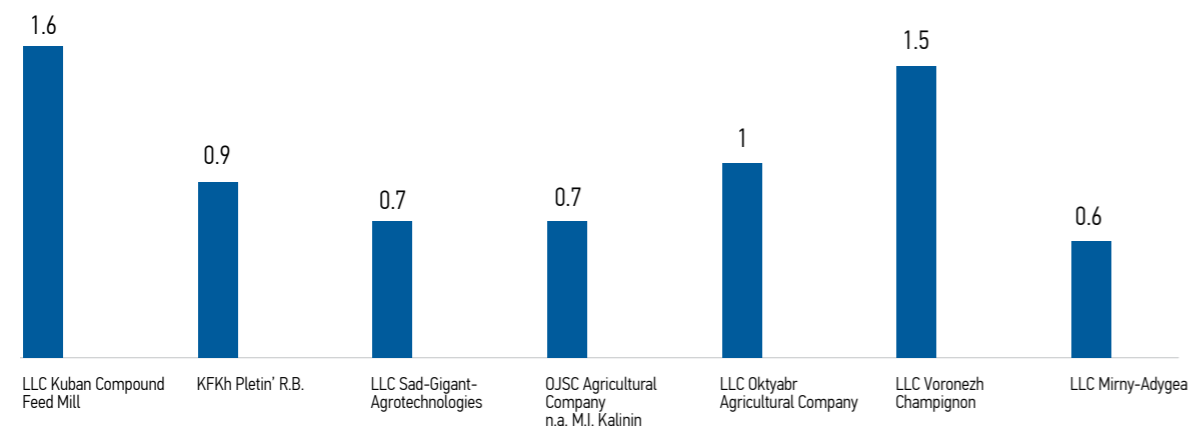
Also, the agricultural sector and the food industry, which require no less power capacity than other sectors, always play a strategic role in the economic structure of southern Russia.

In 2021, the Company fulfilled more than 900 agreements for grid connection of agricultural facilities, with a total capacity of over 42 MW.

# 900+

CONNECTIONS IN THE AGRICULTURAL SECTOR WITH A TOTAL CAPACITY OF >42 MW

### LARGEST AGRICULTURAL FACILITIES CONNECTED IN 2021 (MW)<sup>1</sup>



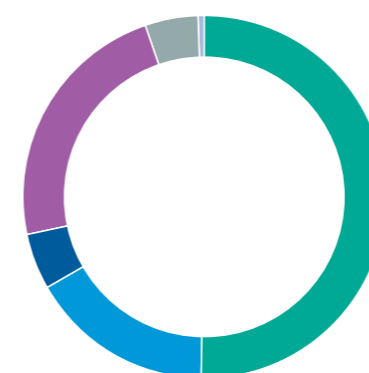
<sup>1</sup> LLC Mirny-Adygea is implementing a project to build a 3,000-strong dairy plant for producing goat milk.

## CONSUMER DEMAND FOR GRID CONNECTION IN 2021

In 2021, the Company concluded 38,157 agreements for grid connection to Rosseti Kuban power grids for the total capacity of 931 MW with the total value of RUB 4.3 bn, excl. VAT. Since 2019, the demand for grid connection has remained at a persistently high level. On average, about 30–35 ths applications are received per year and at least 30 ths agreements are signed.

| Connection categories                             | Number of grid connection agreements implemented |                      |
|---|--|----------------------|
|   | agreements                                       | for total power (MW) |
| Up to 15 kW inclusive, total                      | 35,526   | 471                  |
| Including individuals                             | 30,511   | 406                  |
| 15 to 150 kW inclusive                            | 2,178  | 151                  |
| 150 to 670 kW                                     | 208  | 47                   |
| Not less than 670 kW                              | 153  | 214                  |
| Electricity generation facilities                 | 15   | 45                   |
| <b>TOTAL, EXCLUDING TEMPORARY GRID CONNECTION</b> | <b>38,080</b>                                    | <b>927</b>           |
| Temporary connection                              | 77   | 4                    |
| <b>TOTAL, INCLUDING TEMPORARY GRID CONNECTION</b> | <b>38,157</b>                                    | <b>931</b>           |

### STRUCTURE OF PJSC ROSSETI KUBAN'S AGREEMENTS CONCLUDED IN 2021 BY CAPACITY CONNECTED (MW AND %)



- 471 (51%) ■ Up to 15 kW
- 151 (16%) ■ Above 15 and up to 150 kW
- 47 (5%) ■ Above 150 kW and below 670 kW
- 214 (23%) ■ At least 670 kW
- 45 (5%) ■ Generation facilities
- 4 (0%) ■ Temporary connection

## REVENUES AND MONETARY FUNDS COLLECTED

Revenue from grid connection services in the reporting year amounted to RUB 2,348 mn (excl. VAT), which is 101% of the target and 3.2 times higher than in 2020 (RUB 731 mn). In the reporting year, agreements with major customers were fulfilled, including JSC KTK-R (the first stage of activities under the agreement, RUB 729 mn), JSC Novoroslesexport (RUB 361 mn), State Healthcare Institution Research Institute — KKB No. 1 named after Professor Ochapovsky (RUB 238 mn), Orlyonok All-Russian Children's Centre (RUB 189 mn), LLC Studio Project Design (RUB 103 mn), LLC Kurortny Residential Complex (RUB 47 mn), JSC NESK-Electroseti (RUB 66 mn), LLC SpetsPharm Production (RUB 19 mn).

In 2021, monetary funds for grid connection services were received in the amount of RUB 2,354 mn (incl. VAT), which is 207% more than the planned value and 22% higher than in 2020 (RUB 1,922 mn, incl. VAT).

The over-performance is due to continuous interaction with applicants to fulfil contractual obligations as soon as possible, including through the provision of additional services to them in relation to the implementation of measures provided by the specification and assigned to scope of applicant's responsibility

# 2.3 RUB bn

REVENUE FROM THE GRID CONNECTION SERVICES IN 2021  
(3.2 TIMES AS MUCH AS IN 2020)

— that contributes to a reduction in the time required to fulfil agreements. The over-performance for the indicator related to receipt of funds is associated with advance payments under the grid connection agreements.

In 2022, the Company expects to generate revenue from connection services of at least RUB 1.1 bn (excl. VAT). In 2022, a major grid connection facility in terms of revenues is projected to be JSC Caspian Pipeline Consortium - R, for the second phase of the project (with planned revenues of RUB 421 mn, excl. VAT).



## GRID CONNECTION OF GENERATING FACILITIES

| Applicant                         | Generation facility connected   | Required capacity for the grid connection of generating units to power the grid, voltage rating | The grid connection agreement date and price (excl. VAT) | Status of the grid connection of the facility as of the end of 2021   |
|-----------------------------------|---|---|--|---|
| PJSC Rosneft                      | Tuapse Refinery   | 24 MW, 110 kV   | 1 April 2010, RUB 56.7 mn                                | On 21 December 2016, PJSC Rosseti Kuban notified the Applicant of the completion of work provided for by technical specifications and the readiness to the actual connection of the facility according to the legislation in force. The grid connection deadline is <b>30 May 2022</b>              |
| LLC ART-TECH                      | Electric facilities of a land plot for the arrangement of a logistics centre        | 6.2 MW, 10 kV   | 29 May 2020, RUB 4.14 mn                                 | The agreement is being implemented. The grid connection deadline is <b>29 May 2022</b>  |
| LLC LUKOIL — Kubanenergo          | Electrical installations of a land plot for the operation of the base power station | 2.25 MW, 35 kV  | 25 February 2021, RUB 1.52 mn                            | The agreement is being implemented. The grid connection deadline is <b>25 February 2023</b>   |
| OJSC Verkhnebakansky Cement Plant | Power station of OJSC Verkhnebakansky Cement Plant                                  | 56.41 MW, 6 kV  | 3 September 2015, RUB 0.09 mn                            | The agreement is being implemented. On 18 February 2019, PJSC Rosseti Kuban notified the Applicant of the readiness to the actual connection of the facility following the procedure compliant with the applicable legislation. Completion of activities by the applicant is expected               |
| OJSC Novoroscement                | GPU (gas piston unit) based energy centre with a capacity of 17,600 kW              | 17.60 MW, 110 kV  | 4 March 2019, RUB 11.40 mn                               | The agreement is being implemented. On 4 March 2019, PJSC Rosseti Kuban notified the Applicant of the readiness to the actual connection of the facility according to the legislation in force. The grid connection deadline is 4 March 2022. Completion of activities by the applicant is expected |
| LLC LUKOIL-Ecoenergo              | Consumer terminals of a small HPP   | 1.5 MW, 6 kV  | 1 December 2020, RUB 13.18 mn                            | The agreement is being implemented. The grid connection deadline is <b>1 December 2022</b>  |

| Applicant                    | Generation facility connected   | Required capacity for the grid connection of generating units to power the grid, voltage rating | The grid connection agreement date and price (excl. VAT) | Status of the grid connection of the facility as of the end of 2021  |
|------------------------------|---|---|--|--|
| LLC ENERGO-VOLT              | GPU-based energy centre with a capacity of 24.8 MW  | 24.8 MW, 110 kV   | 17 September 2018, RUB 16.9 mn                           | The agreement is being implemented. The grid connection deadline is <b>17 September 2022</b>                 |
| LLC KNAUF GIPS KUBAN         | GPU-based energy centre with a capacity of 4 MW   | 4 MW, 10 kV   | 10 December 2018, RUB 2.48 mn                            | The agreement is being implemented. The grid connection deadline is <b>10 December 2022</b>                  |
| LLC EuroSib-Energo-Kuban     | Consumer terminals of a land plot. The residential area land plots for IV hazard class facilities of various types (construction of mini-CHPPs) | 4.44 MW, 10 kV  | 22 May 2018, RUB 2.75 mn                                 | The agreement is being implemented. The grid connection deadline is <b>22 May 2022</b>                       |
| LLC Renewable Energy Sources | Solar power plants  | 13.5 MW, 10 kV  | 1 October 2021, RUB 314.25 mn                            | A total of three agreements have been concluded. The grid connection deadline is <b>1 October 2023</b>       |
| LLC Renewable Energy Sources | Solar power plants  | 27 MW, 10 kV  | 11 November 2021, RUB 54 mn                              | A total of six agreements have been concluded. The grid connection deadline is <b>11 November 2023</b>       |
| LLC Renewable Energy Sources | Consumer terminals of a land plot for the arrangement of a production facility  | 4.6 MW, 10 kV   | 12 August 2020, RUB 7.12 mn                              | The grid connection deadline is <b>12 August 2022</b><br>The agreement was completed on <b>11 March 2021</b> |

# DEVELOPMENT OF THE POWER GRID COMPLEX

THE MAIN OBJECTIVE OF THE LONG-TERM DEVELOPMENT OF THE COMPANY'S POWER GRID COMPLEX CONSISTS IN FINDING THE BEST POSSIBLE DIRECTION OF MODERNISATION AND EXPANSION OF IT TO MAKE UP FOR A SHORTFALL OF GENERATING CAPACITIES AND SATISFY A POTENTIAL DEMAND FOR GENERATING CAPACITY IN THE LONG TERM.

Acting within the framework of Decree No. 823 of the Government of the Russian Federation dated 17 October 2009 On Roadmaps of Perspective Development of the Power Industry, in 2021, PJSC Rosseti Kuban took part in developing roadmaps for the five-year perspective development of the power industry in the Krasnodar Territory and the Republic of Adygea.

The representatives of Rosseti Kuban (Deputy General Director for Technical Issues, Chief Engineer and Deputy General Director for Development and Grid Connection) were included into the acting coordinating bodies of the Krasnodar Territory and the Republic of Adygea responsible for drafting such roadmaps, namely:

- the Interdepartmental Electric Power Industry Development Roadmap Panel of Krasnodar Territory (established by Decree of the Head of the Administration (Governor) No. 181-r dated 11 February 2011, On Establishing an Interdepartmental Panel to Draft the Electric Power Industry Development Roadmap for the Krasnodar Territory);

- the Electric Power Industry Development Roadmap Panel of the Republic of Adygea (established by the Order of the Ministry of Economic Development and Commerce of the Republic of Adygea No. 26-p dated 1 February 2011 On Establishing the Panel).

The Roadmaps for the Long-Term Development of the Electric Power Industry of the Krasnodar Territory for the period 2022–2026 were approved by Order No. 113-r of the Head of the Administration (Governor) of Krasnodar Territory dated 27 April 2021. The Roadmaps for the Development of the Power Industry of the Republic of Adygea for 2021–2025 was approved by Order No. 107-rg of the Head of the Republic of Adygea dated 29 April 2021.

PURSUANT TO THE ROADMAPS, THE COMPANY SHALL FOCUS ON DEVELOPING THE MOST CHALLENGING PARTS OF KUBAN'S GRIDS (SOUTH-WESTERN AND CENTRAL) THAT NEED THEIR GRID INFRASTRUCTURE IMPROVED.

## THE COMPANY'S ELECTRICITY GRID DEVELOPMENT PROGRAMME FOR THE PERIOD OF 2020–2024 AND UNTIL 2026

To better plan the development of its grids, efficiently utilise the existing grid capacity, increase the grid load, and cut the grid development costs, the Company is drafting its Comprehensive Programme for the Development of Company's Grids for the period of 2020–2024 and until 2026.

In 2019, the Company entered into an agreement with JSC FTC (Federal Research Centre) for the development of this Programme. At present, the third stage (for the period of 2022–2026) of the

Programme is being developed; the Programme is adjusted against the comments of PJSC Rosseti Kuban and the branch of JSC SO UPS — Kuban Regional Dispatch Control Department.

On 28 February 2022, the materials of this Programme were submitted to the executive authorities of the Krasnodar Territory and the Republic of Adygea as source data for drafting and approval of the regional roadmaps in 2022.

# ENSURING RELIABLE AND EFFICIENT OPERATION OF THE POWER SYSTEM



**Aleksey Mishanin**  
Deputy General Director for Technical Issues — Chief Engineer, Rosseti Kuban, PJSC

“ In 2021, PJSC Rosseti Kuban generally achieved the main objective of production activity: maintaining the power equipment reliability at an adequate level. The Company completed the repair programme in full; it implemented a set of measures to improve the reliability of electricity supply to consumers in the Krasnodar Territory and the Republic of Adygea; the certificate of readiness to work in the 2021/2022 heating season was obtained.

In the grids of 110 kV and above, the number of technological disturbances decreased by 3%.

The Company’s reliability indicators ( $I_{SAIFI}$ ,  $I_{SAIDI}$ ) did not exceed the planned values set by the Regional Power Commission — the Price and Tariff Department of the Krasnodar Territory for the reporting year, taking into account the permissible deviation”.

# ENSURING HIGH-QUALITY, RELIABLE, AND UNINTERRUPTED POWER SUPPLY TO CONSUMERS

## COMPANY RELIABILITY INDICATORS ( $I_{SAIFI}$ , $I_{SAIDI}$ ) ACHIEVED IN 2021

| Indicator  | Values established by the Regional Power Commission — the Price and Tariff Department of the Krasnodar Territory |                                       | The value achieved by Rosseti Kuban |
|--|--|---------------------------------------|-------------------------------------|
|  | Plan   | Plan, including permissible deviation | Actual                              |
| Average power outage duration, per point of delivery ( $I_{SAIDI}$ ; h)      | 4.3800   | 5.6940                                | 4.0939                              |
| System average interruption frequency, per point of delivery ( $I_{SAIFI}$ ) | 1.0101   | 1.3131                                | 1.2873                              |

The 2021 Maintenance and Repair Programme for the main energy system processes was implemented fully and on time; for the main nomenclature items, it was fulfilled by more than 100%. In order to ensure unconditional reliability of the power system operation, additional work was carried out on electricity transmission lines and substations, including the elimination of defects detected as a result of inspections and tests. The additional work was made possible thanks to the prompt reallocation of the expenditure limits of the maintenance and repair fund, for 2021.

The main activities completed in 2021 were aimed at:

- Maintaining the rated parameters of production assets — power transmission lines, substation equipment, and RPA devices
- Timely identifying and eliminating defects based on the power equipment diagnostics results
- Ensuring readiness for preventing and eliminating the technological disturbances
- Prolonging agreements concluded with contractors and related power grid companies, as well as with the Russian Ministry of Emergency Situations and the Federal Service for Hydrometeorology and Environmental Monitoring (Rosgidromet)
- Ensuring the readiness of 402 teams, 1,803 employees, 742 units of equipment, including 22 mobile teams (123 employees) equipped with appropriate technical means (49 units, including 22 motor vehicles and 27 units of special equipment), tools, rigging, spare parts, communication aids, special clothing, catering rations, and financial assets
- Completing the emergency reserve of the Company
- Checking the readiness for use of 121 emergency power supply (EPS) sources with a total capacity of 13,522.5 kW, of which 110 mobile EPSs with a total capacity of 13,070.5 kW
- Conducting four training exercises on interactions in response to emergencies with the threat of power outages; in those exercises, the representatives of the following institutions participated: the authorities of the Ministry of Emergency Situations of Russia in the Krasnodar Territory and the Republic of Adygea, executive bodies of the Krasnodar Territory and the Republic of Adygea, and local self-government authorities

The Company confirms its readiness for operation during the heating season every year by receiving the Readiness Certificate. Within the framework of preparation for the heating season 2021/2022, production programmes are implemented, scheduled emergency training courses are conducted, events as per the requirements of the Federal Service for Ecological, Technological, and Nuclear Supervision (Rostekhnadzor) are held. 1 Order of the Ministry of Energy of Russia No. 1191 dated 3 November 2022 approved the results of the assessment of the readiness of power industry facilities to work in the 2021/2022 heating season.

To prevent fires and ignitions at the Company’s facilities, Order No. 118-od On Preparations for the Fire Hazard and High-Temperature Period of 2021 was issued on 1 March 2021. The activities covered by the Order were carried out to the fullest extent, in particular:

# 235 facilities

WERE SUBJECT TO INSPECTION OF MAINTENANCE OF FIRE PROTECTION INSTALLATIONS

# 34 facilities

HAD THE SERVICEABILITY OF THEIR FIRE PROTECTION INSTALLATIONS RESTORED

# 1,528

FIRE EXTINGUISHERS WERE PURCHASED AND 1,352 WERE RECHARGED

# 163

FIRE DOORS WERE INSTALLED

# 2

INTERNAL FIRE WATER SUPPLY SYSTEMS WERE RESTORED

# 2,657

VIOLATIONS WERE DETECTED DURING FIRE SAFETY INSPECTIONS; 2,549 OUT OF THOSE HAVE ALREADY BEEN ELIMINATED

# 248

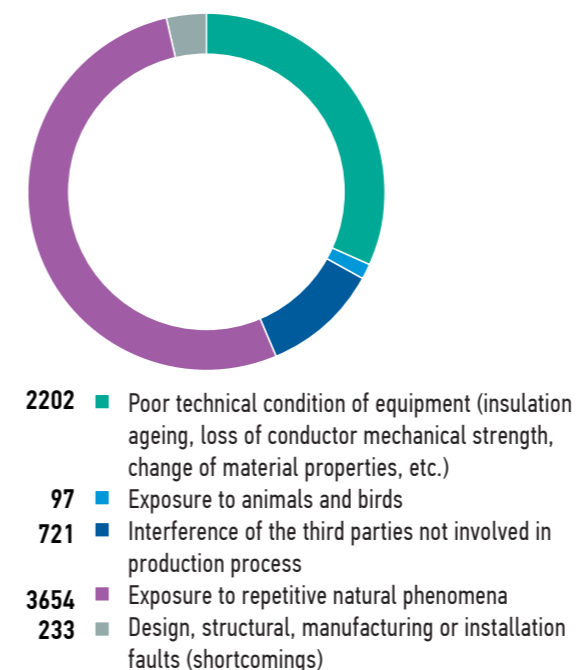
SETS OF ESCAPE HOODS WERE ACQUIRED FOR THE COMPANY’S EMPLOYEES

In 2019–2021, neither fire / ignition at the Company’s facilities nor emergency outage of power equipment as a result of fire was recorded.

The Company's preparation for the flood period was carried out by the Company's Central Flood Commission (approved by Order No. 25-r On the Preparation and Tasks for the Successful Operation During the 2021 Flood Period dated 29 January 2021) as part of the Kuban Headquarters' activities and by similar commissions of the Company's branches. A total of 66 organisational and engineering measures were taken.



#### MAIN CAUSES OF ACCIDENTS IN THE ROSSETI KUBAN POWER GRIDS IN 2021



All activities according to the requirements of the Federal Service for Ecological, Technological, and Nuclear Supervision with a deadline of 2021 were fulfilled and decontrolled.

To ensure reliable operation of the electric grid complex under the conditions of de-energising consumers and other emergencies related to de-energising consumers, the Company's headquarters operate permanently; the representatives of the headquarters regularly participate in activities aimed at ensuring the secured power supply in the Krasnodar Territory and the Republic of Adygea.

## REPAIR AND MAINTENANCE

In order to ensure sustainable power supply to the industrial, agricultural and residential facilities of the Krasnodar Territory and the Republic of Adygea, the Company annually develops and implements the Maintenance and Repair Programme (M&R), which addresses the following aspects:

- The rated frequency of overhauls, midlife repairs, and routine maintenance of power equipment
- Technical condition of the facilities
- Results of preventive tests
- The need to comply with the requirements of supervisory authorities
- Elimination of technological disturbances
- Feasible and efficient operation of power grids

The deviation of the actual M&R volumes from the 2021 targets was caused by the following:

- Implementation of an additional range of measures aimed at ensuring the reliability and safety of power supply to facilities during the large-scale holiday season of 2021 in the Krasnodar Territory and the Republic of Adygea

FOR THE REPORTING YEAR, THE M&R PROGRAMME WERE SUCCESSFULLY IMPLEMENTED IN ALL AREAS. PJSC ROSSETI KUBAN PLANNED TO CARRY OUT WORK WORTH RUB 3,062.2 MN IN 2021. ACTUAL IMPLEMENTATION OF ACTIVITIES AMOUNTED TO RUB 3,278.0 MN, OR 107% OF THE PLANNED TARGET.

- Preparatory activities for the 2021/2022 heating season
- The rising cost of materials, works and services

At the same time, the Company achieved the level of the 2021 tariff balance solution for M&R by effectively reallocating the excess revenues to other areas of its business.

### KEY PERFORMANCE INDICATORS OF THE REPAIR PROGRAMME

| Work description  | 2019 (actual) | 2020 (actual) | 2021 (actual) | 2022 (plan) |
|---|---------------|---------------|---------------|-------------|
| Clearing the overhead line right-of-ways (ha)               | 2,177.7       | 2,464.0       | 1,701.8       | 1,590.5     |
| Replacing ground wires (km)                                 | 78.7          | 77.2          | 72.1          | 31.8        |
| Replacing insulators (pcs)                                  | 95,082        | 95,733        | 77,100        | 58,423      |
| Repair of power transformers (pcs)                          | 34            | 16            | 11            | 7           |
| Repair of circuit breakers                                  | 940           | 895           | 958           | 1,122       |
| Repair of isolating switches, shorting plugs, disconnectors | 1,749         | 1,923         | 1,855         | 1,867       |
| Repair of transformer substations                           | 3,026         | 2,059         | 1,909         | 1,510       |
| Repair of PTL (km)  | 14,024.0      | 13,259.3      | 10,627.8      | 7,702.5     |

In addition, to improve reliability of the power grid complex operation, the following works were carried out in 2021 in accordance with the Comprehensive Programme for Improving the Reliability of Operation of Substation Equipment and PTLs of the main grid and 0.4–10 kV distribution grid:

# 438

CAPACITORS (STATIC CAPACITOR BATTERIES) WERE REPLACED

# 380

STATIONARY VALVE-TYPE LIGHTNING ARRESTERS OF 35–110 KV RATING THAT SERVED FOR OVER 25 YEARS WITH OVERVOLTAGE LIMITERS OF CORRESPONDING VOLTAGE CLASS WERE REPLACED

# 18

SUBSTATIONS OF 35–110 KV RATING HAVE THEIR MECHANICAL AND ELECTROMAGNETIC INTERLOCKS RESTORED

# 894

POLES OF 10 KV OVERHEAD LINES AND 5,599 POLES OF 0.4 KV OVERHEAD LINES WERE REPLACED

# 340

PHYSICALLY WORN OUT BUSHINGS OF 35–110 KV OIL CIRCUIT BREAKERS AND POWER TRANSFORMERS WERE REPLACED

# 961.37

KM OF WIRES OF 0.4–10 KV OVERHEAD LINES WERE REPLACED

# 539

OVERHEAD LINES AND OVERHEAD CABLE LINES OF 35 KV RATING AND OVER (WITH THE TARGET OF 507)

# 625

TRANSFORMERS OF I–II SIZES WERE REPAIRED

# 1,124

SUBSTATIONS OF 35–110 KV RATING (WITH THE TARGET OF 373)

# 6,825

TRANSFORMERS AND OVERHEAD LINES OF 0.4–10 KV RATING (WITH THE TARGET OF 4,866) UNDERWENT THERMAL IMAGING INSPECTIONS

The limits for maintenance and repair costs for 2022 are established at the level of RUB 3,284.21 mn, which is 0.2% above the actual costs in 2021 (RUB 3,278.0 mn). The activities planned for implementation under the M&R Programme for 2022 are sufficient to maintain technical conditions of equipment and PTLs at the “good” level and will allow providing the consumers of Rosseti Kuban with reliable power supply.



# SALES OF ADDITIONAL SERVICES



**Dmitry Goryachev**  
Head of Non-Tariff Service Development Department, Rosseti Kuban, PJSC

“ Development of additional (non-tariff) services is one of the priority tasks Rosseti Kuban faces.

The main objectives of PJSC Rosseti Kuban in this regards are to increase the market share of additional (non-tariff) services and non-tariff revenues, enhance the availability of services and commercialise the processes of interaction with consumers.

PJSC Rosseti Kuban provides a full range of services in accordance with the Unified Consolidated List of Additional (Non-Tariff) Services for Consumers approved by Rosseti Group.

In 2021, within the framework of the development of additional services, Rosseti Kuban implemented a number of measures:

- Training seminars on the implementation of additional services were organised and conducted, and the price list was updated
- Promotional and informational activities for consumers have been implemented
- Centralised supply of material and technical resources has been organised in accordance with the requests of the Company’s branches; Framework agreements have been concluded for the supply of materials for additional services

The systematic development of additional services resulted in a significant increase in revenue from additional services compared to the previous year”.

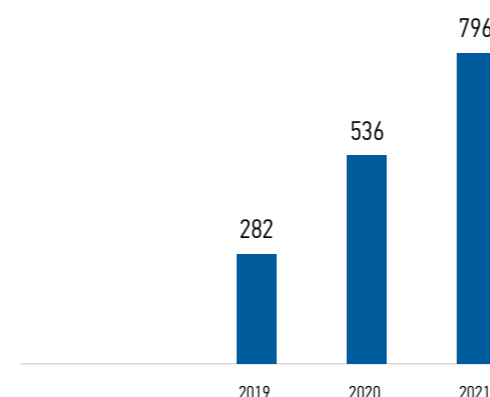
In addition to electricity transmission and grid connection services subject to mandatory state regulation, PJSC Rosseti Kuban provides additional (non-tariff) services to consumers:

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

**795.8** RUB MN

THE REVENUE FROM ADDITIONAL SERVICES IN 2021  
(+48% AS COMPARED TO 2020 LEVEL AND 2021 PLAN)

## DYNAMIC PROFILE OF REVENUE FROM ADDITIONAL SERVICES IN 2019–2021 (RUB MN)



In 2021, the most significant services in terms of revenues were the services for placement of telecommunications equipment, including fibre-optic communication lines, introduction of restrictions (restoration) of electricity consumption, construction and installation works, renovation, retrofitting and operational and technical maintenance of electric grid facilities of the consumers, as well as repair and maintenance of outdoor lighting grids.

In 2021, the price list for additional (non-tariff) services, in accordance with which the Company provides the full scope of services required by consumers in terms of power supply, is updated; at the moment, the price list comprises 416 services.

**416**

ADDITIONAL SERVICES PROVIDED BY PJSC ROSSETI KUBAN

## STRUCTURE OF REVENUE FROM ADDITIONAL SERVICES IN 2019–2021

| Indicator   | 2019    | 2020    | 2021    | Δ 2021/2020 (%)   |
|---|---------|---------|---------|-------------------|
| Revenue from sales of additional (non-tariff) services related to other activities (RUB mn) | 281.848 | 536.391 | 795.815 | 48.4              |
| Rent and placement services (RUB mn)  | 61.448  | 146.339 | 162.638 | 11.1              |
| Maintenance and repair services (RUB mn)  | 38.445  | 96.222  | 103.913 | 8.0               |
| Construction and installation (RUB mn)  | 35.081  | 212.928 | 357.371 | 67.8              |
| Consulting, organisational and technical services (RUB mn)                                  | 107.103 | 69.893  | 169.170 | 2.42 times growth |
| Agency services (RUB mn)  | 0       | 0       | 0       | –                 |
| Communication and information technology services (RUB mn)                                  | 0       | 0       | 0.003   | –                 |
| Other activity services (RUB mn)  | 39.771  | 11.010  | 2.685   | –75.6             |
| Other miscellaneous services (RUB mn)   | 0       | 0       | 0.035   | –                 |
| Share of non-tariff revenue from other activities (%)                                       | 1.22    | 2.61    | 3.07    | 0.46              |

## PLANNED INDICATORS FOR SALES OF ADDITIONAL SERVICES (RU B MN)

| Indicator    | 2022 (plan) | 2023 (forecast) | 2024 (forecast) | 2025 (forecast) | 2026 (forecast) |
|--------------|-------------|-----------------|-----------------|-----------------|-----------------|
| Revenue      | 949.6       | 1,305.7         | 1,462.8         | 1,645.6         | 2,882.5         |
| Expenditures | 822.3       | 1,109.8         | 1,243.4         | 1,398.8         | 2,450.1         |
| Gross profit | 127.3       | 195.9           | 219.4           | 246.8           | 432.4           |

# INVESTMENT ACTIVITIES

INVESTMENTS ARE THE BASIS OF RELIABLE POWER SUPPLY AND THE MOST IMPORTANT COMPONENT OF THE COMPANY'S PERFORMANCE.



**Viktor Korzhanevskiy**  
Deputy General Director for Investment Activities, Rosseti Kuban, PJSC

“ In 2021, within the framework of the investment activities, the Company commissioned 220 MVA of transformer capacities and 612 km of electricity transmission lines. Construction of a 110 kV electricity transmission line to connect the consumer terminals of JSC Novoroslesexport, to the distance of 9.4 km, was completed. This project is designed to power the 110/35/10 kV Lesnoy Port substation and the future refrigeration yards with technological equipment on the territory of Novoroslesexport to increase the throughput capacity of the container terminal. In addition, renovation of two more high-priority facilities was completed in 2021 as part of the implementation of the tripartite agreement concluded in 2020, as well as in pursuance of directives from the Russian Federation government to create affordable power infrastructure to supply industrial and investment sites in the Republic of Adygea. The 35/10 kV Kuzhorskaya substation and 110/35/10 kV Adygeyskaya substation were reconstructed with the replacement of transformers”.

The investment programmes of Rosseti Kuban are developed according to the roadmaps for the prospective development of the electric power industry in the Krasnodar Territory and the Republic of Adygea, technical condition of power grids, and available sources of financing, based on the tariff-and-balance solutions.

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

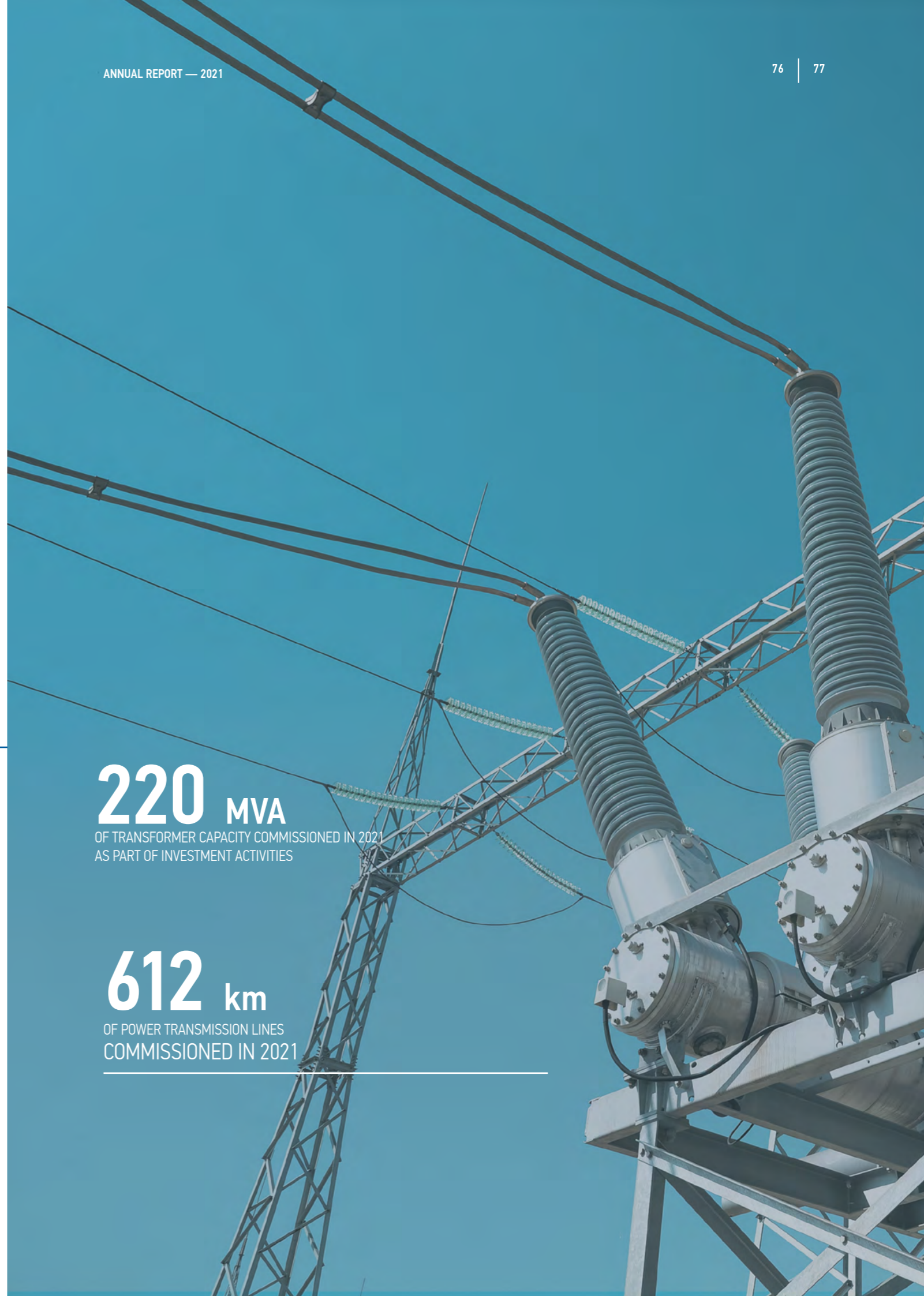
In the reporting year, the Rosseti Kuban's investment activity was performed as part of implementing the Investment Programme for 2021 approved by the Order of the Russian Ministry of Energy No. 21@ dated 16 December 2021.

In 2021, the Board of Directors of the Company considered the following issues:

- Quarterly reports on the implementation rate of the higher-priority investment projects
- The findings of the on-site audit conducted by the Ministry of Energy of Russia to check on the status of the following investment projects: construction of 110/10 kV Angarskaya Substation with connection of 110 kV overhead lines and construction of 110 kV electricity transmission lines for grid connection of JSC Novoroslesexport consumer terminals

**220 MVA**  
OF TRANSFORMER CAPACITY COMMISSIONED IN 2021  
AS PART OF INVESTMENT ACTIVITIES

**612 km**  
OF POWER TRANSMISSION LINES  
COMMISSIONED IN 2021



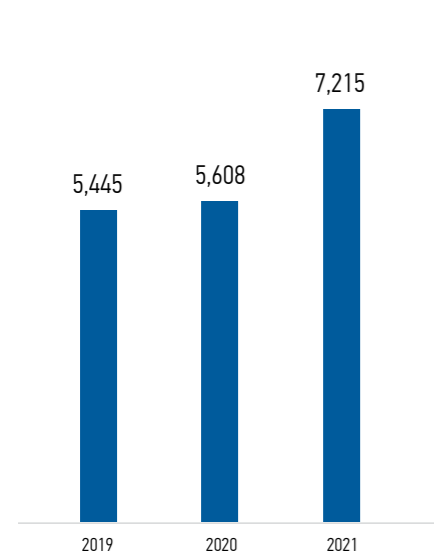


## PROGRESS ON THE INVESTMENT PROGRAMME IN 2019–2021

### PROGRESS INDICATORS FOR THE LONG-TERM INVESTMENT PROGRAMME

| Indicator  | 2019   | 2020  | 2021  | Δ 2021/2020 (%) |
|--|--------|-------|-------|-----------------|
| Volume of financing <sup>1</sup> (RUB mn)                | 5,445  | 5,608 | 7,215 | 29              |
| Assimilation of capital investment (RUB mn)              | 6,769  | 4,658 | 5,871 | 26              |
| Commissioning as a part of fixed assets (RUB mn)         | 12,912 | 4,418 | 5,128 | 16              |
| Commissioning as a part of transformer capacities (MVA)  | 783    | 159   | 220   | 39              |
| Commissioning as a part of power transmission lines (km) | 791    | 593   | 612   | 3               |

### DYNAMIC PROFILE OF CAPITAL INVESTMENT FINANCING STRUCTURE IN 2019–2021 (RUB MN, INCL. VAT)



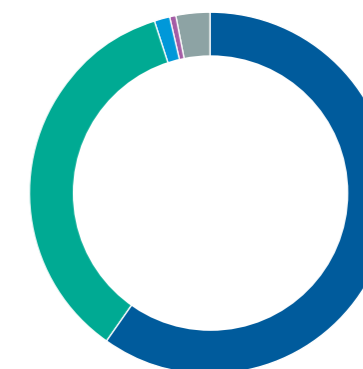
In 2020, financing for PJSC Rosseti Kuban in general increased by 29% year-on-year. That is driven by financing the main scope of the investment measures in terms of meeting the conditions of the grid connection agreements in the reporting year.

## FUNDING STREAMS AND STRUCTURE OF CAPITAL INVESTMENTS

The main focus areas of the Rosseti Kuban's Investment Programme in 2021 were:

- Grid connection — RUB 4,370 mn, incl. VAT (60.6%)
- Retrofitting and renovation — RUB 2,592 mn, incl. VAT (35.9%)
- Investment projects, the implementation of which is determined by roadmaps for the prospective electric power industry development — RUB 30 mn (0.4%)
- Other new construction — RUB 5 mn, incl. VAT (0.1%)
- Other investment projects (funded) — RUB 218 mn, incl. VAT (3%)

### FINANCING STRUCTURE OF PJSC ROSSETI KUBAN IN 2021 (RUB MN)



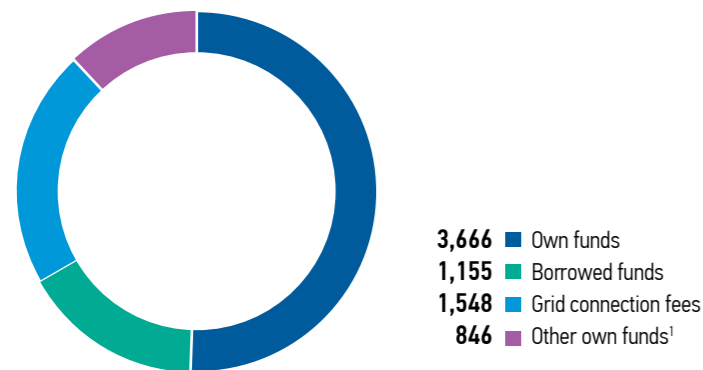
|       |   |
|-------|---|
| 4,370 | ■ Grid connection   |
| 2,592 | ■ Renovation and retrofitting   |
| 30    | ■ Investment projects which are driven by the roadmaps for long-term development of the electric power sector |
| 5     | ■ Other new construction  |
| 218   | ■ Other projects  |

### FINANCING STRUCTURE OF CAPITAL INVESTMENTS OF ROSSETI KUBAN, PJSC (RUB MN)

| Investment projects   | 2019         | 2020         | 2021         |
|---|--------------|--------------|--------------|
| <b>TOTAL</b>  | <b>5,445</b> | <b>5,608</b> | <b>7,215</b> |
| Grid connection   | 2,256        | 2,895        | 4,370        |
| Renovation, upgrading and retrofitting  | 1,789        | 2,046        | 2,592        |
| Investment projects which are driven by the roadmaps for long-term development of the electric power sector | 920          | 207          | 30           |
| Other new construction of grid facilities   | 42           | 27           | 5            |
| Other investment projects   | 438          | 433          | 218          |

<sup>1</sup> Hereinafter in the "Investing Activities" section, the amount of capital expenditure financing is shown without capitalised interest on loans.

## SOURCES OF THE INVESTMENT PROGRAMME FINANCING (RUB MN, INCL. VAT)



## LONG-TERM INVESTMENT PROGRAMME

## PARAMETERS OF THE COMPANY'S LONG-TERM INVESTMENT PROGRAMME FOR 2022–2027

| Indicator  | Period           |                  |                             |                             |                             |                             |                             |                             |
|--|------------------|------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | 2020<br>(actual) | 2021<br>(actual) | 2022<br>(plan) <sup>2</sup> | 2023<br>(plan) <sup>2</sup> | 2024<br>(plan) <sup>2</sup> | 2025<br>(plan) <sup>2</sup> | 2026<br>(plan) <sup>2</sup> | 2027<br>(plan) <sup>2</sup> |
| Volume of financing (RUB mn)                             | 5,608            | 7,215            | 9,975                       | 9,432                       | 5,102                       | 6,044                       | 6,279                       | 6,499                       |
| Assimilation of capital investment (RUB mn)              | 4,658            | 5,871            | 8,856                       | 6,396                       | 4,334                       | 4,639                       | 5,835                       | 4,481                       |
| Commissioning as a part of fixed assets (RUB mn)         | 4,418            | 5,128            | 8,183                       | 9,123                       | 4,201                       | 4,661                       | 4,852                       | 5,774                       |
| Commissioning as a part of transformer capacities (MVA)  | 159              | 220              | 539                         | 412                         | 144                         | 64                          | 154                         | 301                         |
| Commissioning as a part of power transmission lines (km) | 593              | 612              | 520                         | 695                         | 451                         | 492                         | 493                         | 514                         |

THE BULK OF INVESTMENT PLANNED UNDER THE LONG-TERM INVESTMENT PROGRAMME OF ROSSETI KUBAN WILL TARGET RENOVATION, UPGRADING AND RETROFITTING OF POWER GRIDS

<sup>1</sup> Funds received from placement of additional shares, miscellaneous.

<sup>2</sup> Plans for the long-term investment programme of PJSC Rosseti Kuban were approved by the resolution of the Board of Directors (extract from Minutes No. 265/2022 dated 24 February 2022), passed public discussion, and published on the website of the Ministry of Energy of Russia on 31 March 2022. They were accepted by the Russian Ministry of Energy for review on 4 April 2022.

## CAPITAL CONSTRUCTION QUALITY CONTROL

THE COMPANY CARRIES OUT CONSTRUCTION CONTROL AS PART OF THE IMPLEMENTATION OF RUSSIAN FEDERATION GOVERNMENT RESOLUTION NO. 468 DATED 21 JUNE 2010 ON THE PROCEDURE FOR CONSTRUCTION CONTROL DURING CONSTRUCTION, RENOVATION AND CAPITAL REPAIR OF CAPITAL CONSTRUCTION PROJECTS. THE CONTROL IS AIMED AT VERIFYING THE COMPLIANCE OF THE WORKS PERFORMED WITH THE REQUIREMENTS OF THE DESIGN DOCUMENTATION, TECHNICAL REGULATIONS, THE TOWN-PLANNING SCHEMA OF A LAND PLOT, AND THE RESULTS OF ENGINEERING SURVEYS.

At ten facilities with a voltage of 35 kV and above, at which construction and installation works were performed in 2021,

independent expert and inspection entities were involved in the construction control.

## MAJOR INVESTMENT PROJECTS COMPLETED WITH CONSTRUCTION IN 2021

| Facility   | Construction period |      | Capacity commissioned |     | Investment amount (RUB mn, excl. VAT) |
|--|---------------------|------|-----------------------|-----|---------------------------------------|
|  | Start               | End  | km                    | MVA |                                       |
| "Reconstruction of the 35/10 kV Kuzhorskaya substation with replacement of T-1 and T-2 transformers (2×2.5 MVA) with 2×10 MVA transformers, with reconstruction of 10 kV power transmission line (K–10)" | 2020                | 2021 | 11                    | 20  | 178                                   |
| "Reconstruction of the 110/35/10 kV Adygeyskaya substation. Replacement of 2×16 MVA transformers with 2×25 MVA transformers"   | 2020                | 2021 | –                     | 50  | 105                                   |
| "Construction of 110 kV power transmission line for grid connection of consumer terminals of JSC Novoroslesexport"   | 2017                | 2021 | 9                     | –   | 516                                   |



# INNOVATIVE ACTIVITIES

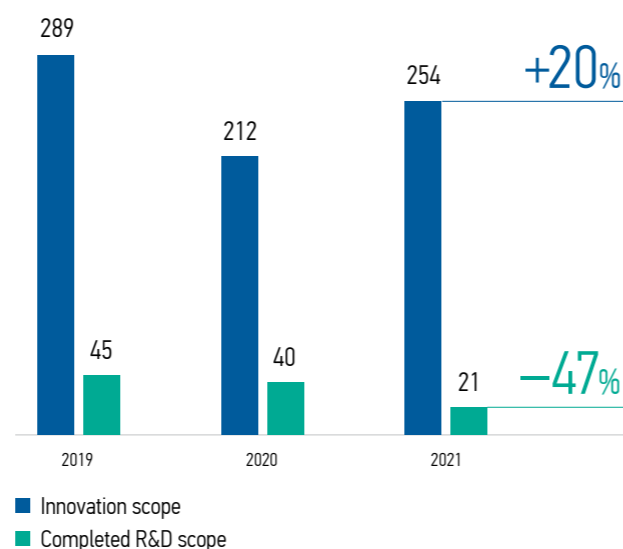
ON 30 MARCH 2021, THE BOARD OF DIRECTORS OF THE COMPANY DEFINED INNOVATIVE DEVELOPMENT WITH CONTROL OVER THE IMPLEMENTATION OF THE CURRENT INNOVATIVE DEVELOPMENT PROGRAMME AS THE PRIORITY AREA OF THE COMPANY'S ACTIVITIES (MINUTES NO. 426/2021).



Key areas of the Innovative Development Programme for 2020–2024, with an Outlook Until 2030, approved by the Board of Directors of Rosseti Kuban on 13 October 2021 (Minutes No. 450/2021):

- Transition to 35–110 (220) kV smart substations
- Transition to the grids featuring active adaptation and distributed smart automation and control system
- Transition to integrated efficiency of business processes and automation of control systems
- Application of advanced technology solutions and materials in power engineering
- Promotion of an innovative development management system and building an innovative infrastructure

DYNAMIC PROFILE OF KEY INDICATORS FOR INNOVATION ACTIVITIES OVER 2019–2021 (RUB MN)



## THE COMPANY'S MAIN INNOVATIVE PROJECTS IMPLEMENTED IN 2021

| Project   | Project implementation  |
|---|---|
| Creation of a smart metering system in the branches of PJSC Rosseti Kuban                 | <p>Implementation time-frame: 2020–2030</p> <p>In the reporting period, innovative smart metering devices were introduced in all 11 branches of PJSC Rosseti Kuban.</p> <p>Smart metering devices are integrated across the Company within the Investment Programme of PJSC Rosseti Kuban to create a metering system as part of the implementation of 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, the introduction of smart metering devices was carried out, inter alia, as a part of the grid connection procedure for new consumers of a capacity of up to 15 kW. The project aims to create a smart metering system and integrate it into the innovative systems being established: supervisory control and data acquisition (SCADA), distribution management (DMS), and outage management systems (OMS).</p> <p>Planned effect:</p> <ul style="list-style-type: none"> <li>• Reduced operating costs by taking the readings and power supply parameters of electricity consumers remotely</li> <li>• Possibility of remote restriction and resumption of power supply to electricity consumers</li> </ul>   |
| Digital Labinsk 2 — Sovetskaya 110 kV overhead line                                       | <p>Implementation time-frame: 2021–2025</p> <p>Design and survey were carried out in the reporting year.</p> <p>During the construction of the Labinsk 2 — Sovetskaya 110 kV overhead cable line, it is planned to use innovative wire and lightning protection cable and an optical system for monitoring the condition of the wires.</p> <p>Planned effect:</p> <ul style="list-style-type: none"> <li>• Enhancement of the technical parameters of the line without changing its configuration</li> <li>• Increased reliability</li> </ul>   |
| Introduction of charging stations for electric vehicles in branches of PJSC Rosseti Kuban | <p>Implementation time-frame: 2021–2025</p> <p>On 13 October 2021, the Board of Directors approved the Charging Infrastructure Development Programme.</p> <p>The objectives of this Programme are as follows:</p> <ul style="list-style-type: none"> <li>• Development of non-tariff revenues and provision of new services to consumers</li> <li>• Improvement of the environmental situation</li> <li>• Provision of a wide range of electric vehicle owners with the necessary charging infrastructure</li> <li>• Establishment of a transport corridor for electric transport through the Krasnodar Territory to the Crimean peninsula, with an extensive grid of electric charging stations</li> <li>• Support to the introduction of public electric transport in the major cities of the Krasnodar Territory (Krasnodar, Sochi)</li> <li>• Large-scale introduction of autonomous electric vehicles</li> <li>• Increased volume of electricity delivery</li> <li>• Higher customer loyalty and promotion of Rosseti Kuban's brand</li> </ul> <p>Planned effect: implementation of the programme will allow Rosseti Kuban to become a major player in the charging infrastructure market for electric vehicles by 2025, as well as the driver of both innovative solutions and technologies and legislative initiatives in this regards in the Krasnodar Territory and the Republic of Adygea.</p> <p>In the reporting year, three 120 kW Relevant MAX charging stations were purchased for installation in the following branches of Rosseti Kuban: Krasnodar Power Grids, Sochi Power Grids and Slavyansk Power Grids</p> |

# RESEARCH AND DEVELOPMENT

AMONG OTHER THINGS, THE COMPANY'S INNOVATIVE DEVELOPMENT PROGRAMME FOCUSES ON RESEARCH AND DEVELOPMENT (R&D), NAMELY PROMOTION OF CUTTING-EDGE TECHNOLOGY TO CREATE FUNDAMENTALLY NOVEL METHODS, AS WELL AS APPLIED RESEARCH DESIGNED TO IMPROVE THE EXISTING TECHNOLOGY.

Seven R&D projects were completed in 2019–2021. In 2021, phases of four R&D projects were accepted.

## RESULTS OF R&D ACTIVITIES IN 2021

| R&D description   | Results   |
|---|---|
| <b>Transition to smart 35–110 (220) kV substations</b>  |   |
| Development of a unified IoT-platform <sup>1</sup> for dispatching data about the status of substation equipment  | Implementation time-frame: 2021–2023<br>The following technical results were obtained: <ul style="list-style-type: none"> <li>• Patent surveys, including patent landscapes based on the surveys carried out</li> <li>• Specifications</li> <li>• Requirements for a unified IoT-platform:                             <ul style="list-style-type: none"> <li>– Classification and analysis of approaches to the establishment of a unified IoT-platform depending on an existing state of substation equipment</li> <li>– The general principles of the establishment of a unified IoT-platform</li> <li>– Area of rational (effective) application of a unified IoT-platform</li> <li>– An algorithm for selecting the optimum configuration when designing basic technical solutions for the design of a unified IoT-platform</li> </ul> </li> <li>• A pilot site (implementation site) was agreed to undergo pilot testing</li> </ul> |
| <b>Transition to integrated efficiency of business processes and automation of control systems</b>  |   |
| Study of the increment rate of key forest-forming tree species depending on climatic zones and soil quality along the routings of operating overhead lines with the preparation of regional maps for regular clearing of overhead line right-of-ways and provision of recommendations on technique of works | Implementation time-frame: 2020–2022<br>The following technical results were obtained: <ul style="list-style-type: none"> <li>• R&amp;D Report “Characteristics of forest vegetation necessary to determine the rate of overgrowth of overhead line breakthroughs and to develop recommendations on the frequency and methods of clearing the overhead line breakthroughs”</li> <li>• R&amp;D Report “Effectiveness of existing methods of clearing routes from woody and shrub vegetation (in terms of the impact of clearing methods on annual woody and shrub vegetation growth)”</li> <li>• Digital layers of geo-information databases on forest vegetation characteristics required to determine the rate of overgrowth of overhead line breakthroughs and to recommend the frequency and methods of clearing</li> </ul>  |

| R&D description   | Results   |
|---|---|
| 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 and Production Asset Management System (PAMS) data with the issuance of recommendations to the operating personnel | Implementation time-frame: 2021–2023<br>The following technical results were obtained: <ul style="list-style-type: none"> <li>• Report on patent searches and patent surveys</li> <li>• Pre-design survey at the 110 kV Afipskaya substation and at the executive office of PJSC Rosseti Kuban</li> <li>• Work project at the 110 kV Afipskaya substation and at the executive office of PJSC Rosseti Kuban</li> <li>• Specification of equipment and licences</li> <li>• Report on the installation of the hardware and server components of the automated monitoring and technical diagnostics system</li> <li>• Software of the forecasting package</li> <li>• Package of operational and programming documentation for the forecasting software package</li> <li>• User manual for the forecasting package and Automated Monitoring and Diagnostics System (ASMD) software</li> <li>• Report on PAMS updating</li> <li>• Guidelines with general description of the expert models used and recommendations for interpreting the results of the expert models</li> </ul> |
| Automated classification of accidents based on machine learning methods   | Implementation time-frame: 2021–2023<br>The technical results are as follows: <ul style="list-style-type: none"> <li>• Report on patent searches and patent surveys</li> <li>• R&amp;D report containing the following details:                             <ul style="list-style-type: none"> <li>– The results of survey and refinement of information security incident recording and management processes</li> <li>– Classes of the target set of information security incident attributes</li> <li>– An initial set of data describing the behaviour of the nodes on the local area network and the actions of users</li> <li>– The level of accuracy of the ML-algorithm<sup>2</sup> results</li> <li>– Requirements for the preparation of historical data on local area network node behaviour and user activity</li> <li>– The functional and technical requirements for selecting and configuring ML algorithms agreed with the customer</li> <li>– A register of risks and monitoring procedures</li> </ul> </li> </ul>  |

In 2019–2021, nine documents of copyright protection were obtained: five state registration certificates for computer programmes, three patents for inventions and one patent for utility models.

Four licensing agreements were concluded for R&D results; four results were introduced into production activities of Rosseti Kuban.

<sup>1</sup> Internet of Things (IoT) is a set of physical objects connected to the Internet and exchanging data. An IoT-platform is 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.

<sup>2</sup> A machine learning (ML) algorithm is a process or set of procedures that help a model adapt to data with a given purpose.

## COMPANY'S EXPENSES FOR INNOVATIVE DEVELOPMENT

EXPENSES FOR THE KEY INNOVATION DEVELOPMENT AREAS IN 2019–2021 (RUB MN, EXCL. VAT)

| Innovative development focus areas  | 2019<br>(actual) | 2020<br>(actual) | 2021<br>(plan) | 2021<br>(actual) |
|---|------------------|------------------|----------------|------------------|
| Transition to smart 35–110 (220) kV substations   | 250.30           | 29.30            | 59.10          | 0.00             |
| Transition to the grids featuring active adaptation and distributed smart automation and control system | 0.00             | 180.15           | 184.30         | 229.10           |
| Transition to integrated efficiency of business processes and automation of control systems             | 37.80            | 0.00             | 28.30          | 13.40            |
| Utilisation of new technology solutions and materials in power engineering                              | 0.50             | 2.32             | 15.60          | 11.40            |
| Promotion of an innovative development management system and building an innovative infrastructure      | 0.00             | 0.64             | 6.56           | 4.20             |

## INTEGRATED APPLICATION/IMPLEMENTATION OF (NEW) DIGITAL TECHNOLOGIES

ON 12 MAY 2021, THE BOARD OF DIRECTORS OF THE COMPANY APPROVED THE UPDATED PROGRAMME — DIGITAL TRANSFORMATION OF ROSSETI KUBAN UNTIL 2030 (MINUTES NO. 431/2021 DATED 14 MAY 2021). THE PROGRAMME DEFINES THE AIMS AND OBJECTIVES, THE BASIC PRINCIPLES OF THE INTEGRATED APPLICATION/INTRODUCTION OF (NEW) DIGITAL TECHNOLOGIES, A LIST OF PILOT PROJECTS AND INFORMATION ON THE MANAGEMENT OF SUCH ACTIVITIES.

The objective of digital technologies application and introduction is changing the logics of processes and transition of the Company to risk-oriented management based on digital technologies and big data analysis.

The objectives of digital transformation are as follows:

- Making the Company's more adaptable to new tasks and challenges
- Improving the reliability performance of electric power supply to consumers
- Enhancing the Company's operational performance
- Expanding the availability of the power grid infrastructure
- Developing human resources and new competencies
- Diversifying the Company's business through additional services

The Company plans to implement the following activities:

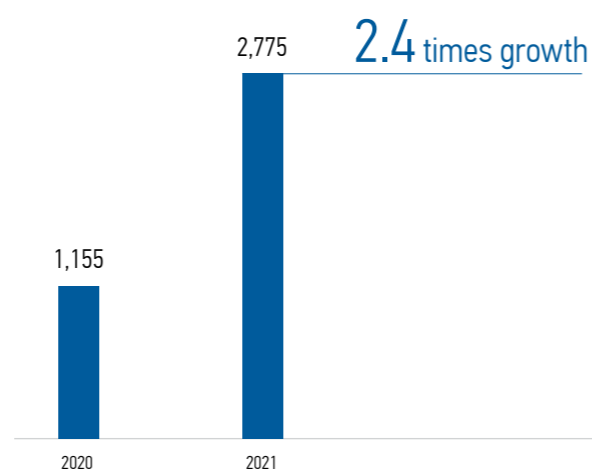
- Optimisation and/or modification of process logic as a result of digital technologies introduction
- The creation of a unified digital process data environment will enable analytical studies for optimal management decisions, as well as analysis of information on the condition of equipment, forecasting the probability and consequences of failures — to reduce the risks of equipment failure through timely targeted repair or replacement
- The creation of a single digital model of the grid

The Innovative Development Programme of Rosseti Kuban for 2020–2024, with an Outlook Until 2030, includes digital transformation projects with the highest innovation component.

The 110 kV Labinsk 2 — Sovetskaya digital overhead line project has been piloted under the digital transformation programme. The following innovative solutions and technologies are planned within the framework of the said project:

- Introduction of an innovative wire
- Lightning protection cable made of steel clad aluminium wires
- Optical monitoring system
- System for distributed temperature control and condition monitoring of optical fibres in lightning rope
- Specialised system for lightning monitoring and forecasting of thunderstorms and analysis of lightning outages on overhead lines

### VOLUME OF FINANCING FOR DIGITAL TRANSFORMATION PROGRAMME ACTIVITIES IN 2019–2021 (RUB MN)



## INFORMATION TECHNOLOGIES AND TELECOMMUNICATIONS

IN THE REPORTING YEAR, THE COMPANY CARRIED OUT THE FOLLOWING MEASURES RELATED TO THE DEVELOPMENT OF INFORMATION TECHNOLOGIES AND TELECOMMUNICATIONS.

In order to solve the Company's tasks associated with sales of services and electricity metering, the capabilities of the Power Transmission Metering System (PMTS) were expanded in terms of:

- The electricity balancing at all grid levels and the analysis of imbalances and excessive electricity losses
- Automated circulation of certificates of limitation and resumption of electricity consumption
- Maintenance of information and monitoring for the metering points for which there is no information on any power supply agreement concluded
- Automated search for discrepancies in electricity consumption by metering point, during reconciliation checks with power supply companies

To provide the functions of smart electricity (capacity) metering systems, the following configurations were initiated:

- Integration flows in terms of the transmission of meter readings and power profiles to PMTS, from the Pyramida-Seti software
- Integration flows from the PMTS to the Unified Customer Relationship Platform of the Rosseti Group

In order to implement Federal Law No. 371-FZ dated 9 November 2020 On the National System of Goods Traceability, the functionality of the 1C:Enterprise (Enterprise Resource Planning) corporate information system was expanded, and accounting tools for traceable goods, the list of which was approved by Decree No. 807 of the Government of the Russian Federation dated 25 June 2019, were developed. The corporate information system was also finalised in terms of:

- Handling claims on receivables under electricity transmission agreements
- Accepting payments for grid connections via online acquiring

The introduction of a modern automated system for payroll calculation, personnel accounting and personalised reporting based on 1C: Payroll and HR Management 8 CORP software was still in progress in 2021. Commercial operation of the system is scheduled to start in 2022.

The functionality of the corporate software package was extended:

- The Ecology software module for waste management accounting was designed
- The corporate software package was integrated with the regional node of the geoinformation system of Rosseti Group with regard to transfer of data related to applications for grid connection
- The corporate software package was integrated with the production asset management system in terms of exchange of data related to feeder centres
- A functionality was implemented to visually present the time frames of a grid connection agreement and calculate the normative date of fulfilment of an offer

The following activities related to the development of core IT-infrastructure and services were carried out in 2021:

- The project to migrate the executive office of PJSC Rosseti Kuban to the new domain (rosseti-kuban.ru) was implemented
- Server equipment for migration was purchased and delivered to the single domain of the Company's branches ([rosseti-kuban.ru](http://rosseti-kuban.ru))
- Server equipment was purchased and installed to expand the call centre based on the Awaya platform
- Uninterrupted remote technical support was offered for the Company's employees

# FINANCIAL RESULTS

## TARIFF POLICY AND TARIFFS FOR THE COMPANY'S SERVICES

PRICES (TARIFFS) FOR THE COMPANY'S ELECTRICITY TRANSMISSION SERVICES AND THE GRID CONNECTION FEES ARE REGULATED BY THE STATE AND SPECIFIED BY THE ORDERS OF THE STATE TARIFF REGULATION DEPARTMENT OF THE KRASNODAR TERRITORY (STRD-KT).

### THE COMPANY'S TARIFF POLICY

In the Krasnodar Territory and the Republic of Adygea, where the Company operates, prices (tariffs) are unified for each group of power consumers.

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

- Federal Law On Electric Power Industry No. 35-FZ dated 26 March 2003 (as amended)
- Decree of the Government of the Russian Federation On Pricing in the Field of Regulated Prices (Tariffs) in the Electric Power Industry No. 1178 dated 29 December 2011 (as amended)
- Orders of the Federal Tariffs Service 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 Fees for Grid Connection No. 1135/17 dated 29 August 2017

## TARIFFS FOR ELECTRICITY TRANSMISSION SERVICES

Since 2018, Rosseti Kuban has switched to the next long-term period (five years) of regulating tariffs for electricity transmission services. The tariffs and long-term regulation parameters for 2018–2022 are determined by the STRD-KT using the method of long-term indexation of required gross revenue.

Information on tariffs for electricity transmission services in 2021 is available on the Company's official website in the To Consumers/Electricity Transmission/Tariffs for Electricity Transmission Services section.

[For more details on tariffs, please visit the Company's website.](#)

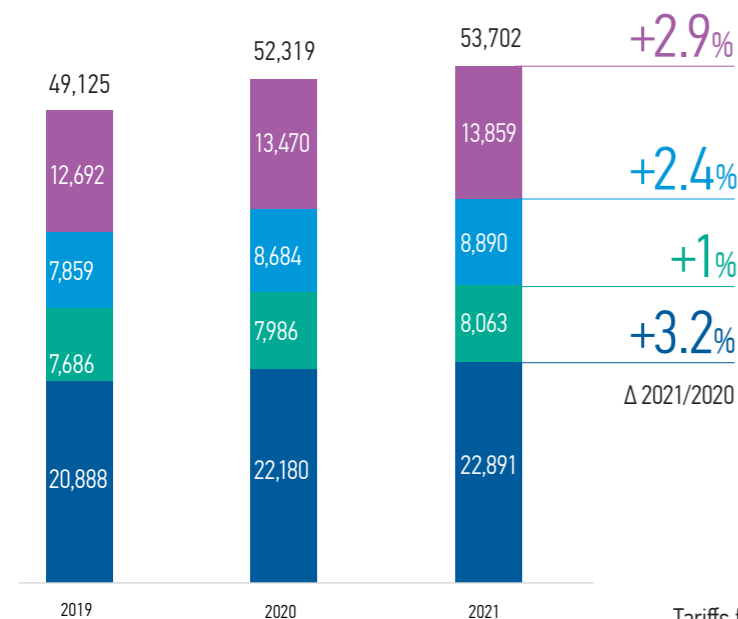
Order of STRD-KT dated 29 December 2020 No. 51/2020-e (as amended and supplemented) approved the unified "single pot" tariffs for electricity transmission services, which had not been revised during the regulation period.

### COMPANY'S TARIFFS FOR ELECTRICITY TRANSMISSION SERVICES

| Indicator   | 2019    | 2020    | 2021    | Δ 2021/2020 (%) |
|---|---------|---------|---------|-----------------|
| RGR for electricity transmission, approved as part of the tariff and balance solutions (RUB mn) | 49,125  | 52,319  | 53,702  | 2.6             |
| Including   |         |         |         |                 |
| • Own RGR (RUB mn)  | 20,888  | 22,180  | 22,891  | 3.2             |
| • Services provided by PJSC FGC UES (RUB mn)  | 7,686   | 7,986   | 8,063   | 1.0             |
| • Expenses for purchase of electricity losses (RUB mn)  | 7,859   | 8,684   | 8,890   | 2.4             |
| • Expenditures for TGO services (according to the effective contractual scheme) (RUB mn)        | 12,692  | 13,470  | 13,859  | 2.9             |
| Common pot net electricity delivery (mn kWh)  | 18,937  | 19,670  | 19,483  | -1.0            |
| Average tariff for electricity transmission services (RUB/kWh)                                  | 2.59412 | 2.65990 | 2.75633 | 3.6             |



**STRUCTURE OF RGR FROM ELECTRICITY TRANSMISSION BY PJSC ROSSETI KUBAN (RUB MN)**



- Own RGR
- Services of PJSC FGC UES
- Purchase of electricity to compensate losses
- TGO services

Tariffs for electricity transmission services on the grids of the Krasnodar Territory and the Republic of Adygea for 2021 were established so to increase starting from the second half of 2021:

- by 9.8% for the "Other consumers" group, which is 6.8% higher than the level specified by the Russian Federation's Social and Economic Development Forecast
- by 4.5% for the households

**PAYMENTS FOR GRID CONNECTION**

STRD-KT calculates standardised tariff rates and rates per unit of maximum capacity in accordance with the Guidelines for Determining the Fees for Grid Connection, approved by Order No. 1135/17 of the FAS of Russia dated 29 August 2017 and based on information on the costs of grid connection activities submitted by territorial grid organisations of the region.

The Order of STRD-KT No. 49/2020-e dated 29 December 2020 approved:

- Standardised tariff rates determining the amount of payment for connection to the grids of territorial grid organisations
- Rates determining the amount of payment for connection to the grids of territorial grid organisations, per unit of maximum capacity
- Formulas for calculating the amount of payment for grid connection, based on standardised tariff rates and payment rates per unit of maximum capacity, taking into account the method of connection to the grids of a grid organisation and implementation of relevant measures

In addition, Order No. 49/2020-e of STRD-KT dated 29 December 2020, in accordance with the legislation of the Russian Federation, established the following fees for connection to the territorial distribution grids for applicants who have applied for grid connection of consumer terminals with maximum capacity not exceeding 15 kW inclusive (taking into account the previously connected power consumer terminals at the particular connection point), and micro-generation facilities when connecting to the facilities covered by the third category of reliability:

- for individuals — RUB 550.00 (incl. VAT)
- for legal entities — RUB 458.33 (excl. VAT)

At the same time, the distance from the borders of the applicant's site to the power grid facilities featuring voltage level up to and including 20 kV and corresponding to the required voltage class of the grid organisation an application was submitted to shall be as follows:

- not more than 300 metres in cities and urban-type settlements
- not more than 500 metres in rural areas

Detailed information on the established standardised tariff rates and the rates of payment per unit of maximum power for grid connection to the Rosseti Kuban power grids for 2021 is available on the Company's website in the To Consumers / Grid Connection / Tariffs for Grid Connection section.

[Grid connection tariffs can be found on the Company's website](#)

**INDICATORS OF PAYMENT FOR CONNECTION TO POWER GRIDS OF PJSC ROSSETI KUBAN**

| Indicators   | 2019      | 2020      | 2021      | Δ 2021/2020 (%) |
|--|-----------|-----------|-----------|-----------------|
| Standardised tariff rates (RUB/connection) and payment rates per unit of maximum capacity (RUB/kW) to cover the costs of grid connection of applicants for activities not related to the construction of power grid facilities | 10,272.30 | 10,860.59 | 11,486.68 | 5.8             |
|  | 647.66    | 667.39    | 636.62    | -4.6            |

The change in grid connection rates is caused by the change in the ratio of capacity and the number of grid connections of regional grid organisations over three previous years.



# FINANCIAL (ACCOUNTING) STATEMENTS OF PJSC ROSSETI KUBAN



**Lyudmila Loskutova**  
General Accountant – Head of the  
Accounting and Tax Accounting  
Department, Rosseti Kuban, PJSC

“The Accounting (Financial) Statement of PJSC Rosseti Kuban for 2021 was prepared under the existing laws of the Russian Federation. The Company received the Auditor’s report that the statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, as well as its financial performance and consolidated cash flows in 2021, in compliance with the Russian Federation rules for financial statements”.

The financial statements of PJSC Rosseti Kuban were drawn up in accordance with the standards and procedures concerning accounting and reporting (hereinafter — RAS) in place in the Russian Federation:

- Federal Law No. 402-FZ dated 6 December 2011 On Accounting
- Order of the Ministry of Finance of the Russian Federation (hereinafter — the Ministry of Finance of Russia) No. 66n dated 2 July 2010 On Accounting Forms of Organisations
- The Order of the Ministry of Finance of the Russian Federation No.124n dated 5 October 2011 On Amendments Being Made to the Accounting Forms of Organisations as Approved by the Order of the Ministry of Finance of the Russian Federation No. 66n dated 2 July 2010
- Order No. 34n of the Finance Ministry of Russia dated 29 July 1998 On the Ratification of Regulations for Accounting and Reporting in the Russian Federation

- The chart of accounts for financial and business operations accounting approved by Order No. 94n of the Ministry of Finance of the Russian Federation dated 31 October 2000
- Accounting Regulations (PBU 1/2008) on Accounting Policies of an Organisation approved by Order No. 106n of the Ministry of Finance of Russia dated 6 October 2008

The annual RAS financial statements of PJSC Rosseti Kuban for 2021 include (please see Appendix 4):

- Balance Sheet
- Profit and Loss Statement
- Statement of Changes in Equity
- Statement of Cash Flows
- Representations
- Auditor’s Report

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 statements of Rosseti Kuban for 2021:

- the procedures performed by LLC Ernst & Young in the course of the external audit of the RAS compliant financial statements of the Company for 2021 comply with the terms of the Contract and the requirement of Federal Law On Auditing No. 307-FZ dated 30 December 2008

- The independent auditor’s report on the Company’s 2021 financial 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) expressed in a prescribed form

## BASIC FRAMEWORK OF THE ACCOUNTING POLICY OF PJSC ROSSETI KUBAN

The Company maintains accounting of fixed assets in compliance with Accounting Regulations “Accounting for Fixed Assets” (PBU 6/01) approved by Order of the Ministry of Finance of Russia No.26n dated 30 March 2001. Asset depreciation was incurred by the straight-line method depending on the useful life. The depreciation was not charged for the fully depreciated (worn-out) assets.

The advance payments linked with the future acquisition of a capital asset, as well as raw materials and other materials to be used in the production of fixed assets are shown in line 1150 — Fixed Assets.

Immovable properties, which are actually in use, do not require any further capital investments and have the source documents ready, are included for accounting purposes as fixed assets and put in a separate sub-account for the Properties Without Registered Ownership Rights. Depreciation for such properties is charged under the standard procedure since the first day of the month following the month of commissioning.

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 Order of the Ministry of Finance of Russia No.32n dated 6 May 1999.

The Company has made estimated liabilities in view of the following:

## PRIOR ADJUSTMENTS

There are no prior adjustments in the financial statements for 2021.

- Possible payments of compensation for unused leave
- Unsettled claims of electricity suppliers for compensation of losses and electricity transmission services
- Litigation
- Other employee benefits in accordance with PBU 8/2010 “Estimated Liabilities, Contingent Liabilities and Contingent Assets” approved by Order No. 167n of the Ministry of Finance of Russia dated 13 December 2010

The Company reserves doubtful accounts receivable that are outstanding or highly unlikely to be repaid on time and are not secured by relevant guarantees.

The Company holds a reserve to mitigate the impairment of financial investments in case of their significant depreciation.



# CONSOLIDATED FINANCIAL STATEMENTS OF ROSSETI KUBAN, PJSC FOR 2021

The Company drafted consolidated financial statements in compliance with the requirements of Federal Law No.208-FZ On Consolidated Financial Statements dated 27 July 2010 (please see Appendix 5).

The consolidated financial statements of Rosseti Kuban and its subsidiaries for the year ended on 31 December 2021 were prepared in accordance with Federal Law On Consolidated Financial Statements No. 208-FZ dated 27 July 2010. Subject to the requirements of the International Financial Reporting Standards IAS 1 (Presentation of Financial Statements), IFRS 10 (Consolidated Financial Statements) related to the preparation of financial statements, the latter shall include:

- 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 cover two subsidiaries with 100% interest of Rosseti Kuban in their authorised capital: JSC Energoservice Kuban, JSC Energetik Health Resort.

## DETAILS OF THE AUDITOR

PJSC Rosseti conducted an electronic tender on behalf of the Company for the right to conclude a agreement for the provision of services for the mandatory annual audit of 2021 RAS and IFRS statements of subsidiaries and affiliates of PJSC Rosseti. LLC Ernst & Young, leader of the collective purchase, was declared the winner (Minutes of the Tender Commission No. 6/416r dated 18 March 2021). LLC Ernst & Young is a member of the Self-Regulating Organisation of Auditors — Commonwealth

Association; it is included in the Register of Auditors and Audit Organisations of the said association under the primary registration number 12006020327.

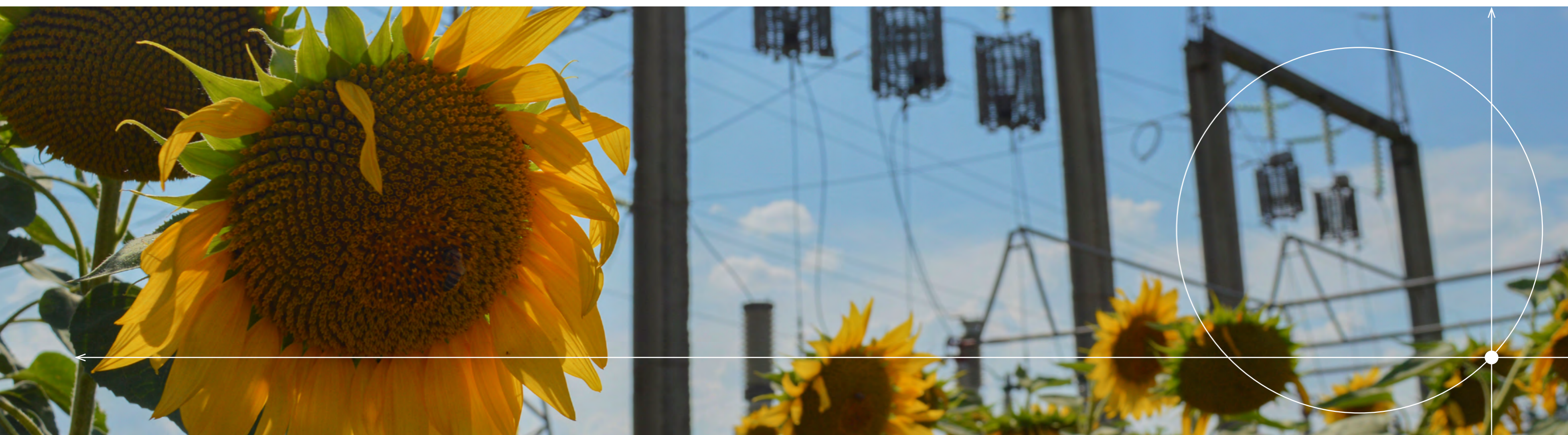
The Auditor was approved by the resolution of the Annual General Meeting of Shareholders of Rosseti Kuban (Minutes No. 45 dated 4 June 2021).

### DETAILS ABOUT THE COMPANY'S AUDITOR IN 2021

|  |   |
|--|---|
| Full name of the auditor company:        | Ernst & Young Limited Liability Company                 |
| Abbreviated name of the auditor company: | LLC Ernst & Young                                       |
| Location and postal address              | 77 bldg, 1 Sadovnicheskaya nab., Moscow, 115035, Russia |
| Tel/Fax                                  | +7 (495) 755-97-00 / +7 (495) 755-97-01                 |
| Email address                            | rfp@ru.ey.com   |

Cost of services of the Company's auditor LLC Ernst & Young in 2021 for the audit of the RAS financial statements and the audit of the IFRS Consolidated Financial Statements of the Company will be RUB 5,704,400.00, including 20% VAT of RUB 950,733. There are no deferred and overdue payments for the auditor's services.

During 2021, LLC Ernst&Young did not provide any related services for PJSC Rosseti Kuban.



# RESULTS OF FINANCIAL AND ECONOMIC ACTIVITIES



**Kirill Iordanidi**

Deputy General Director for Economics and Finance, Rosseti Kuban, PJSC

“

Based on the year-end results, the Company made a profit of RUB 1,711.8 mn, which was mainly due to an increase in revenue from electricity transmission as a result of larger volume of services provided due to higher consumption.

The Company’s management took comprehensive measures to control the growth of expenditures and debt portfolio, optimise interest expenditures, improve the efficiency of the procurement management system, reduce the unit expenses for power equipment operation, reduce the in-grid electricity losses, and increase power efficiency.

In 2021, the Company did not receive financial state assistance (subsidies)”.

Revenue from sales of services (total) in the reporting period amounted to RUB 57,669.7 mn, which is RUB 8,300.2 mn more than in the same period in 2020 (RUB 49,369.6 mn), including:

- Revenue from electricity transmission services amounted to RUB 54,526.3 mn, which is RUB 6,424 mn greater than the actual parameters of 2020 (RUB 48,101.9 mn) due to an increase in the volume of rendered electricity transmission services by 1,896 mn kWh (10%) as well as growth of unified “single pot” tariffs for electricity transmission services
- Revenue from grid connections totalled RUB 2,347.7 mn, representing an increase of RUB 1,616.4 mn (twice) compared to actual values for 2020 (RUB 731.3 mn), due to the execution of contracts in 2021 with major consumers –JSC KTK-R (Stage 1 — RUB 729 mn), JSC Novoroslesexport (RUB 361 mn),

State Healthcare Institution Research Institute – KKB No. 1 named after Professor Ochapovsky (RUB 238 mn), Orlyonok All-Russian Children’s Centre (RUB 189 mn), LLC Studio Project Design (RUB 103 mn), LLC Kurortny Residential Complex (RUB 47 mn), JSC NESK-Electroseti (RUB 66 mn)

- Revenue from other activities amounted to RUB 795.8 mn, which is RUB 259.4 mn (48%) more than the actual parameters of 2020 (RUB 536.4 mn), due to the development of additional (non-tariff) services



**1.7 RUB bn**

NET PROFIT FOR 2021  
(LOSS OF RUB 1.5 BN A YEAR EARLIER)

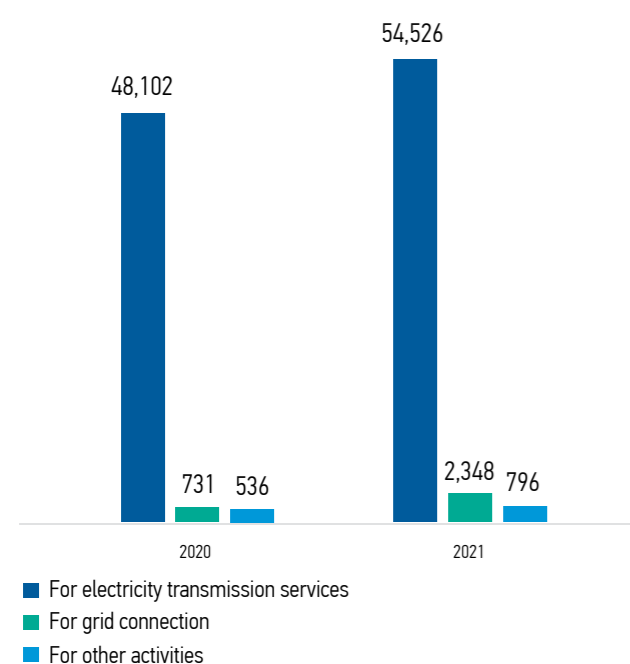
**8.9 RUB bn**

EBITDA FOR 2021 (+87% VS. TO 2020)

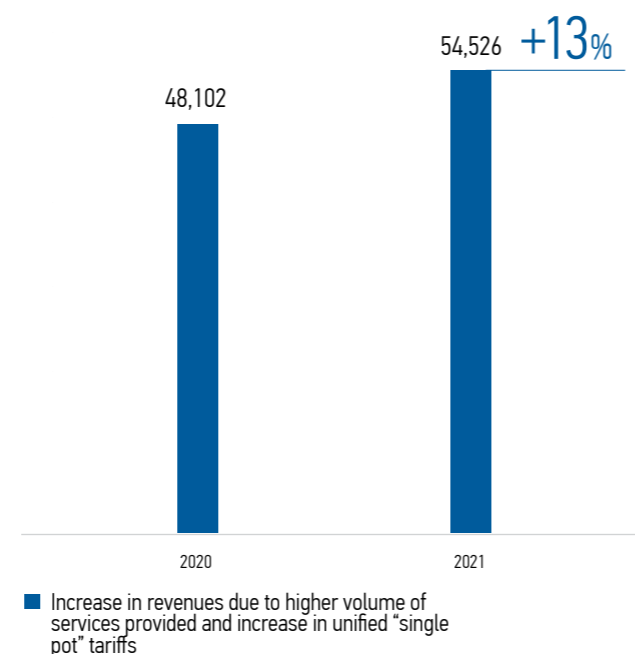
**2.25**

NET DEBT / EBITDA AS AT 31 DECEMBER 2021  
(VS. 4.25 A YEAR EARLIER)

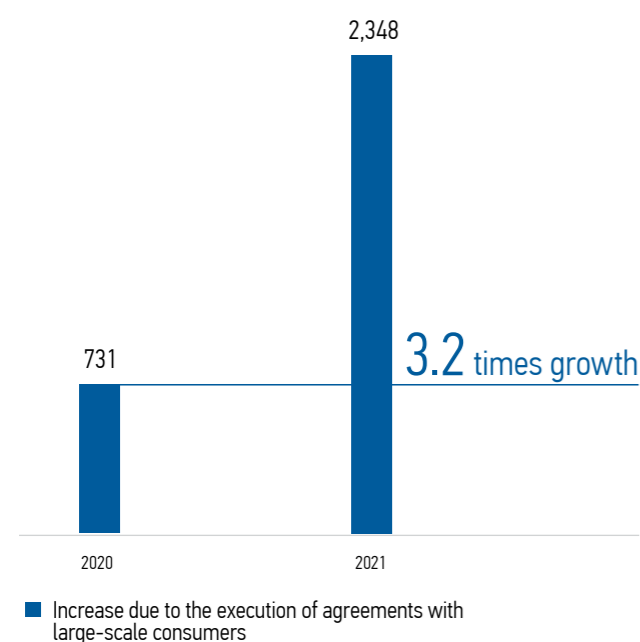
**TOTAL REVENUE (RUB MN)**



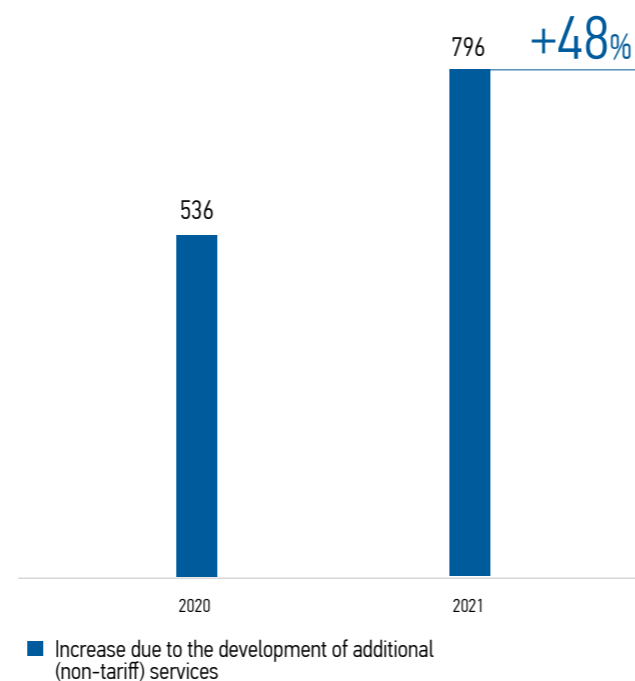
**REVENUE FROM ELECTRICITY TRANSMISSION SERVICES (RUB MN)**



**REVENUE FROM GRID CONNECTION (RUB MN)**



**REVENUE FROM OTHER ACTIVITIES (RUB MN)**



Cost of sales (including administrative expenses) for 2021 was RUB 50,054.5 mn, which is 7% (RUB 3,079.2 mn) higher than in 2020 (RUB 46,975.3 mn). The increase is due to higher expenses for purchased electricity to compensate losses, distribution grid companies' services, PJSC FGC UES services for electricity transmission, depreciation of fixed and intangible assets, other

material costs (mainly due to increased expenses for maintenance and repair materials) and increased expenses under the line Provisions for Future Expenses.

Profit before tax was RUB 2,698.8 mn, an increase of RUB 4,083.1 mn over the 2020 parameters.

The 2021 financial result (profit) of the Company is RUB 1,711.8 mn, which is above the 2020 bottom-line.

Key factors influencing the financial results:  
 + Increase in revenue by RUB 8,300.2 mn (17%)  
 – Increase in the net cost of sales including management expenses by RUB 3,079.2 mn (7%) compared to 2020 parameters

– Balance aggravation for other earnings and expenses from the profit by RUB 1,138.0 mn (30%) as compared to the 2020 parameters  
 – Increase in income tax by RUB 869.9 mn relative to 2020 parameters

**KEY FINANCIAL AND ECONOMIC INDICATORS OF THE COMPANY FOR 2019–2021**

| Sl.No.   | Indicator  | 2019    | 2020    | 2021    | Δ 2021/2020      |
|--|--|---------|---------|---------|------------------|
| <b>Indicators from the Company's RAS financial statements<sup>1</sup></b>            |  |         |         |         |                  |
| 1  | Proceeds from product (service) sales (RUB mn), including: | 51,004  | 49,370  | 57,670  | 17%              |
| 1.1  | from electricity transmission                              | 46,516  | 48,102  | 54,526  | 13%              |
| 1.2  | from grid connection                                       | 4,206   | 731     | 2,348   | 3.2 times growth |
| 1.3  | from electricity sales                                     | 0       | 0       | 0       | –                |
| 1.4  | from other activities                                      | 282     | 536     | 796     | 48%              |
| 2  | Cost of products (services) (RUB mn)                       | –43,774 | –46,800 | –49,903 | 7%               |
| 3  | Gross profit (RUB mn)                                      | 7,230   | 2,569   | 7,767   | 3 times growth   |
| 4  | Management expenses (RUB mn)                               | –162    | –175    | –152    | –13%             |
| 5  | Selling expenses (RUB mn)                                  | 0       | 0       | 0       | 0                |
| 6  | Profit (loss) from sales (RUB mn)                          | 7,068   | 2,394   | 7,615   | 3.2 times growth |
| 7  | Interest receivable (RUB mn)                               | 67      | 29      | 28      | –3%              |
| 8  | Interest payable (RUB mn)                                  | –1,971  | –1,593  | –1,553  | –3%              |
| 9  | Income from shareholdings (RUB mn)                         | 0.6     | 0.7     | 20.0    | 29 times growth  |
| 10   | Other income, total (RUB mn)                               | 2,270   | 1,563   | 1,414   | –10%             |
| 11   | Other expenses, total (RUB mn)                             | –3,909  | –3,778  | –4,826  | 28%              |
| 12   | Profit (loss) before tax (RUB mn)                          | 3,525   | –1,384  | 2,699   | 295%             |
| 13   | Income tax and other charges (RUB mn)                      | –1,021  | –117    | –987    | 8 times growth   |
| 14   | Financial result (RUB mn)                                  | 2,504   | –1,501  | 1,712   | 214%             |
| 15   | EBITDA <sup>2</sup> (RUB mn)                               | 9,741   | 4,756   | 8,879   | 87%              |
| <b>Indicators calculated on the basis of the Company's IFRS financial statements</b> |  |         |         |         |                  |
| 16   | Net debt/EBITDA (units)                                    | 2.23    | 4.25    | 2.25    | –2.00 units      |
| 17   | Current liquidity ratio (units)                            | 0.80    | 0.61    | 0.55    | –0.06 units      |

<sup>1</sup> The following indicators are used to calculate the indicators:  
 for 2019 – profit and loss statement for January – December 2020 ("for 2019" column);  
 for 2020 – profit and loss statement for January – December 2021 ("for 2020" column);  
 for 2021 – profit and loss statement for January – December 2021 ("for 2021" column).

<sup>2</sup> The EBITDA indicator was calculated according to the following procedure: EBITDA = Profits before tax – Interest payable + Depreciation.

| Sl.No. | Indicator                   | 2019   | 2020  | 2021  | Δ 2021/2020  |
|--------|-----------------------------|--------|-------|-------|--------------|
| 18     | Financial leverage (units)  | 1.03   | 1.31  | 1.17  | -0.14 units  |
| 19     | Share of long-term debt (%) | 84.15  | 77.13 | 76.19 | -0.94%       |
| 20     | Net cash flow (RUB mn)      | -1,752 | 320   | 4,131 | RUB 3,811 mn |

## DEBTOR MANAGEMENT

### ANALYSIS OF CHANGES IN ACCOUNTS RECEIVABLE (RUB MN)

| Indicator   | As at 31 December 2019 | As at 31 December 2020 | As at 31 December 2021 | Δ 2021/2020 (%) |
|---|------------------------|------------------------|------------------------|-----------------|
| Accounts receivable                                 | 7,433.11               | 8,547.20               | 6,547.36               | -23.4           |
| Including:  |                        |                        |                        |                 |
| trade receivables                                   | 6,611.23               | 7,578.32               | 5,865.80               | -22.6           |
| for electricity transmission, out of the above item | 6,348.85               | 7,386.47               | 5,725.92               | -22.5           |
| bills receivable                                    | -                      | -                      | -                      | -               |
| advances paid                                       | 32.70                  | 47.52                  | 43.53                  | -8.4            |
| other accounts receivable                           | 789.18                 | 921.36                 | 638.03                 | -30.8           |

The bulk of accounts receivable (87.5%) of the Company was accumulated from the payments for the electricity transmission services rendered.

During the reporting period, the accounts receivable that were deemed impossible to collect amounted to RUB 0.3 mn.

To reduce the accounts receivable, the Company undertakes the following actions:

- Claim-related works, including the collection of fines for overdue payments
- Offset of counter claims
- Restricted energy delivery to consumers, also upon requests from electricity retailers
- Settlement of disputes under the pre-action protocol and in court

### THE RESULTS OF THE COMPANY'S ACTIVITIES TO REDUCE ACCOUNTS RECEIVABLE OF THE SUBCONTRACTORS FOR ELECTRICITY TRANSMISSION SERVICES

| Indicator  | 2019                        | 2020                        | 2021                        |
|--|-----------------------------|-----------------------------|-----------------------------|
| Positive judicial rulings / amount claimed               | 174 cases / RUB 7,325.74 mn | 149 cases / RUB 8,747.78 mn | 204 cases / RUB 5,452.40 mn |
| Filed law writs of execution amounting to (RUB mn)       | 473.58                      | 420.76                      | 286.79                      |
| Arrears under law writs of execution paid                | RUB 989.34 mn, or 209%      | RUB 292.58 mn, or 70%       | RUB 333.18 mn, or 116%      |
| Withheld to collect / amount claimed                     | 8 cases / RUB 38.8 mn       | 1 case / RUB 1.06 mn        | 2 cases / RUB 1.80 mn       |
| Percentage of claimed ruled in favour of the Company (%) | 99.50                       | 99.98                       | 99.96                       |

WITH THE MEASURES TO REDUCE RECEIVABLES, THE SHARE OF CLAIMS SETTLED IN FAVOUR OF THE COMPANY IS AT A STABLE HIGH LEVEL, REACHING 99.96% AS AT 31 DECEMBER 2021.

### RESULTS OF OPERATIONS WITH SUBCONTRACTORS, FOR WHICH THE BANKRUPTCY PROCEDURE WAS COMMENCED

| Indicator  | 2019   | 2020   | 2021   | Δ 2021/2020 (%) |
|--|--------|--------|--------|-----------------|
| Number of subcontractors under the ongoing bankruptcy procedure  | 23     | 23     | 44     | 91              |
| The volume of the Company's claims (on the current payments) included to the creditor claim list or submitted to the debtors under the bankruptcy procedure (RUB mn) | 768.91 | 760.61 | 669.23 | -12             |
| The total amount of cash flows received by the Company's budget from subcontractors under the bankruptcy procedure (RUB mn)  | 1.32   | 6.87   | 0.00   | -               |
| The amount of overdue payments from the subcontractors under the bankruptcy procedure (RUB mn)   | 768.91 | 760.61 | 920.37 | 21              |
| The amount of cash flows saved by the Company due to the purchase of its debt owned to debtors under the bankruptcy procedure (RUB mn)                               | 0.00   | 0.00   | 0.00   | -               |

## BONDED LOANS

The Programme for Exchange Bonds series 002P of the Company was approved by the resolution of the Company's Board of Directors on 20 September 2016 (Minutes No.251/2016); ID number 4-00063-A-002P-02E was assigned to it on 24 October 2016.

The Programme provides for the possibility of exchange bonds placement to the total par value of up to and including RUB 25 bn for up to 30 years. The bonds under this Programme were not placed in the reporting year.

The list of securities admitted to trading on PJSC Moscow Exchange includes documentary interest-bearing non-convertible bearer-payable exchange-traded bonds with mandatory centralised custody of Series 001P-01 placed in 2015 under the Exchange-Traded Bond Programme with identification number 4-00063-A-001P-02E dated 26 August 2015, in the amount of RUB 3.6 bn. On 31 January 2020, in accordance with the decision of the Board of Directors (Minutes No. 371/2019 dated 30 December 2019) the Company repurchased those bonds in full before maturity.

# 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 TGOs, THE COMPANY CONSOLIDATED THE GRID ASSETS IN THE KRASNODAR TERRITORY AND THE REPUBLIC OF ADYGEA DURING THE REPORTING YEAR.

For 2021, STRD-KT approved individual transmission tariffs for 53 TGOs (Order No. 51/2020-e dated 27 December 2020). PJSC Rosseti Kuban signed grid assets lease agreements with two TGOs (LLC Rostekelektroseti and LLC Alga).

With respect to consolidating grid assets, the Company undertaken the following measures during the reporting year:

- In cooperation with the authorities, the Company took active efforts in picking up ownerless movable power property and registering it on own balance books
- The Company informed the Krasnodar Territory Administration of its intention to consolidate the power grid property owned by third parties, at Rosseti Kuban, with submitting the action plan approved by the Ministry of Fuel and Energy, Housing and Utilities of the Krasnodar Territory
- Rosseti Kuban participated in meetings with the Ministry of Fuel and Energy, Housing and Utilities of the Krasnodar Territory on the following issues:
  - Transferring the grid facilities of horticultural and dacha communities to the balance of power grid organisations
  - Developing regulations to improve the criteria according to which owners of electric grid facilities can be classified as TGOs
  - Transferring grid facilities owned by non-compliant entities to qualified TGOs operating the grids, which have a direct grid connection to such facilities

In 2021, Rosseti Kuban consolidated 15,402.7 c.u. of 1,262.2 km in length and 1,351.2 MVA in capacity and completed 82 transactions, including:

- 24 gratuitous transfers of grid facilities from non-profit organisations and individuals
- 56 lease agreements, including 13 agreements with TGOs, 25 agreements with municipal entities, 18 agreements with other owners
- 2 Two transactions of gratuitous use of property
- Takeover of 81 abandoned power facilities

## 15,403 c.u.

CONSOLIDATION BY PJSC ROSSETI KUBAN IN 2021

## 1,262 km

CONSOLIDATED PTL LENGTH

## 1,351 MVA

CONSOLIDATED CAPACITY

### MONITORING THE VOLUMES OF CONSOLIDATION OF POWER GRID ASSETS IN 2019–2021

| Method of consolidation                       | 2019           |                |                 | 2020           |                |                 | 2021           |                |                 |
|---|----------------|----------------|-----------------|----------------|----------------|-----------------|----------------|----------------|-----------------|
|   | MVA            | km             | c.u.            | MVA            | km             | c.u.            | MVA            | km             | c.u.            |
| <b>TOTAL</b>                                  | <b>1,457.1</b> | <b>1,686.1</b> | <b>16,024.2</b> | <b>1,438.1</b> | <b>1,200.4</b> | <b>15,248.9</b> | <b>1,351.2</b> | <b>1,262.2</b> | <b>15,402.7</b> |
| Grid facilities acquired                      | 0              | 0              | 0               | 0              | 0              | 0               | 0              | 0              | 0               |
| Grid facilities in operating lease            | 1,314.1        | 907.7          | 10,422.8        | 1,327.8        | 881.2          | 10,518.1        | 1,324.7        | 1,151.7        | 14,805.5        |
| Other (permanent rights of ownership and use) | 9.7            | 49.4           | 159.6           | 5.5            | 29.6           | 125.1           | 6.2            | 34.0           | 201.3           |
| Other (temporary rights of ownership and use) | 133.3          | 729.0          | 5,441.9         | 104.7          | 289.6          | 4,605.7         | 20.3           | 76.6           | 395.9           |

570

HIGH VOLTAGE LINES ARE MADE WITH SELF-SUPPORTING INSULATED WIRES

82.2%

SHARE OF PROCUREMENTS FROM SMES IN 2021

434 RUB mn

LABOUR SAFETY COSTS IN 2021 (+20% YEAR-ON-YEAR)

# SUSTAINABLE DEVELOPMENT

THE COMPANY MAKES A SIGNIFICANT CONTRIBUTION TO SUSTAINABLE DEVELOPMENT BY ENSURING RELIABLE SUPPLY OF ENERGY AND ENVIRONMENTAL SAFETY, AND PRESERVING BIODIVERSITY. WE TAKE CARE OF THE HEALTH OF ALMOST 9,000 EMPLOYEES, ARE INVOLVED IN THE SOCIAL AND ECONOMIC LIFE OF THE REGION AND SUPPORT SMALL BUSINESSES.

# SUSTAINABILITY MANAGEMENT

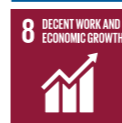
THE COMPANY’S UNDERSTANDING OF SUSTAINABLE DEVELOPMENT IS CONSISTENT WITH THE UN DEFINITION: “DEVELOPMENT THAT MEETS THE NEEDS OF THE PRESENT WITHOUT COMPROMISING THE ABILITY OF FUTURE GENERATIONS TO MEET THEIR OWN NEEDS”.

## CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Given the nature of its business, the Company contributes to the achievement of 8 of the 17 UN SDGs in the course of its operations.

| UN Sustainable Development Goals  | Contribution of the Company to the achievement   |
|---|--|
|  <p><b>3</b> GOOD HEALTH AND WELL-BEING</p>   | <p>Goal 3: Good Health and Well-Being (ensuring healthy lifestyles and promoting well-being for all at all ages)</p> <p>The principles of Rosseti Kuban’s occupational safety and social policy are to recognise and prioritise the life and health of employees over the Company’s operating results, to provide comfortable working and leisure conditions for employees, to improve their social security, and to improve labour and social relations in the workforce.</p> <p>PJSC Rosseti Kuban ensures:</p> <ul style="list-style-type: none"> <li>• compliance with occupational health and safety regulations</li> <li>• social security for employees, including voluntary health insurance (VHI), health resort treatment, financial support for employees and retirees</li> <li>• safety of power facilities for third parties</li> </ul> <p><i>For more details of the Company’s results and achievements in the reporting year, please see the Sustainable Development section.</i></p> |
|  <p><b>4</b> QUALITY EDUCATION</p>           | <p>Goal 4: Quality Education (ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all)</p> <p>Employee training is one of the priorities of the Company’s human resources and social policies. The ratio of employees who participated in off-the-job training was 96% of the average number of employees in the reporting year</p> <p><i>For more details of the Company’s results and achievements in the reporting year, please see the Sustainable Development section.</i></p>   |
|  <p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p> | <p>Goal 7: Affordable and Clean Energy (ensuring universal access to affordable, reliable, sustainable and modern energy for all)</p> <p>The Company maintains a sufficient level of operational reliability of electric grid equipment and ensures non-discriminatory access of consumers to the Company’s electricity transmission services</p> <p><i>For more details on results and achievements of the Company in the reporting year, please see the Operating Results section.</i></p>   |

### UN Sustainable Development Goals



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



Goal 9: Industry, Innovation and Infrastructure (building resilient infrastructure, promoting inclusive and sustainable industrialisation and fostering innovation)



Goal 11: Sustainable Cities and Communities (ensuring inclusive, safe, resilient and environmentally sustainable cities and communities)



Goal 12: Responsible Consumption and Production (ensuring transition to sustainable consumption and production patterns)



Goal 15: Life on Land (protecting and restoring terrestrial ecosystems and promoting their sustainable use, sustainably managing forests, combating desertification, halting and reversing land degradation and halting biodiversity loss)

### Contribution of the Company to the achievement

The Company is actively involved in the social and economic life of the region by creating jobs and employment for suppliers in related industries, as well as by arranging various social programmes and charitable activities. In 2021, the level of average salary of production personnel in the branches of Rosseti Kuban is competitive; in all branches of the Company, it exceeds the accrued salary level being average in the region of operation by 10–50%

In order to eliminate the existing shortage of energy capacity and to meet the demand for the same (including in the longer terms), the Company:

- Participates fully in developing roadmaps for the five-year perspective development of the power industry in the Krasnodar Territory and the Republic of Adygea
- Provides quality service to applicants, accessibility of electricity infrastructure in terms of grid connection of consumers, and development of the power grid complex
- Eliminates power grid constraints to enable the grid connection of new consumers and provide quality and reliable power supply to existing electricity consumers
- Implements the Company’s Innovation Development Programme

*For more details on results and achievements of the Company in the reporting year, please see the Operating Results section.*

The Company provides reliable and uninterrupted power supply to consumers, ensures environmental safety at power grid facilities and promotes the development of small and medium-sized businesses

*For more details on results and achievements of the Company in the reporting year, please see the Operating Results and Sustainable Development sections.*

The Company is working on energy saving and energy efficiency improvements in accordance with the regulations of the Russian Federation and the Krasnodar Territory, as well as the Energy Saving and Energy Efficiency Improvement Programme

*For more details of the Company’s results and achievements in the reporting year, please see the Sustainable Development section.*

The Company carries out the necessary work to preserve the terrestrial ecosystem:

- Land reclamation
- Restoration of terrestrial ecosystems and promotion of their sustainable use
- Sustainable forest management
- Timely compensatory planting in combating desertification and reversing land degradation
- Installation of bird diverters at power grid facilities

*For more details of the Company’s results and achievements in the reporting year, please see the Sustainable Development section.*

# STAKEHOLDER RELATIONS

## Stakeholders:

- State bodies, local authorities, legal entities under public law, as well as legal and natural persons who may have an interest in the Company's results and value creation
- Persons who may affect the Company's operations, products and services or the Company's ability to create value, successfully implement its strategies and achieve its objectives
- Individuals and legal entities who are affected by the Company's activities

## KEY STAKEHOLDERS OF THE COMPANY

| Stakeholders  | Interaction of the Company with its stakeholders   |
|---|--|
| <b>Internal stakeholders</b>  |  |
| Subsidiaries and affiliates of the Company  | <p>These parties are interested in disseminating best corporate governance practices to them and maintaining their image as part of Rosseti Kuban Group. Interaction goes through the management and control bodies of subsidiaries and affiliates 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> <p><i>For more details, please see Appendix 3 to the Report.</i></p>   |
| Company's personnel<br>Social partners (trade unions, employers' associations)        | <p>These parties are interested in attractive business culture, competitive wages, social and health benefits, opportunities for personal, professional development, and work safety.</p> <p>The ways of interaction:</p> <ul style="list-style-type: none"> <li>• through the implementation of the Collective Agreement, a talent pool programme and targeted human resources assessment and development projects</li> <li>• through training and qualification improvement</li> <li>• through meetings between management representatives and employees, professional competitions, cultural and sporting events</li> <li>• through the Council of Young Professionals and the All-Russian Electrical Trade Union</li> <li>• through comprehensive adaptation and mentoring system (if any) for new employees and outreach for veterans</li> </ul> <p><i>For more details, please see the Human Resources Management subsection of the Sustainable Development section.</i></p> |
| <b>Operating environment</b>  |  |
| 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 goes through the General Meetings of Shareholders, representation in management and control bodies, when contacting the Company, as well as through the disclosure of information about the Company</p>   |
| Consumers of electricity and grid connection services, territorial grid organisations | <p>Interaction goes through customer service centres, the Power Grid Services Portal of the Rosseti Group at <a href="http://www.нортал-тп.рф">www.нортал-тп.рф</a>, and the contact centre with the unified federal numbers 8-800-100-15-52 and 8-800-220-0-220. Individuals can also send their appeals through the online reception portal on the official website of Rosseti Kuban at <a href="https://rosseti-kuban.ru">https://rosseti-kuban.ru</a></p> <p><i>For more details, please see the Sustainable Development section.</i></p>  |

## Stakeholders

Partners (suppliers, contractors, business partners, professional and industry associations, including international ones)

## Interaction of the Company with its stakeholders

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.

Interaction is effected through procurement procedures, negotiations, participation in topic-related forums, seminars and conferences with media participation, and through the corporate website

*For more details, please see the Sustainable Development section.*

State (federal, regional and local authorities)

This party is interested in ensuring the reliable and sustainable functioning of the power 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 implementing 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, creation of new jobs, and increase in tax payments.

Interaction is effected through expert discussions, conferences, forums, working meetings and joint events with representatives of regional authorities, setting tariffs for regulated activities, approval of investment programmes and reports on their implementation, participation in working groups to develop roadmaps for prospective development of the power sector, conclusion of cooperation agreements, reporting to authorities, disclosure of information in accordance with the legislation of the Russian Federation, and tax remittance

## Social environment

Society (public, social, charitable and environmental organisations, scientific and educational institutions, non-consumptive population, and media)

The said party is interested in reliable, uninterrupted and high quality energy supply, employment, socio-economic development of the regions of operation, environmental safety and protection, energy security and energy efficiency, implementation of social and charitable programmes, development of science and education in the regions of operation, introduction of advanced scientific technologies, demand for young promising personnel, availability and regularity of information on activities of the Company.

Interaction is effected 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

*For more details, please see the Sustainable Development section.*



# CUSTOMER RELATIONS

THE MAIN FUNCTION OF THE CUSTOMER COMMUNICATION DEPARTMENTS OF ROSSETI KUBAN IS SUPPORTING TIMELY AND UNHINDERED SOLVING THE ISSUES RELATED TO GRID CONNECTION, POWER TRANSMISSION, ELECTRICITY METERING ARRANGEMENT, AND ADDITIONAL SERVICES ARRANGEMENT FOR INDIVIDUALS AND LEGAL ENTITIES, WITHIN THE COMPANY'S OPERATIONAL RESPONSIBILITY.



**Alexander Chepusov**  
Deputy General Director for Development and Power Grid Connection, Rosseti Kuban, PJSC

“ In evolving the customer service system, the Company's management pays special attention to creating awareness of consumers about the services provided by the Company, ensuring comfortable conditions for face-to-face service, and improving the availability of digital services. In the reporting year, due to restrictions related to the distribution of COVID-19, the main way for the Company to interact with its customers was the Rosseti Group's online service, which is available at [www.портал-тп.рф](http://www.портал-тп.рф).

In 2021, Rosseti Kuban received 87,846 appeals via online services, up 34% year-on-year.

In the reporting year, Rosseti Kuban actively cooperated with the representatives of the executive authorities of the Krasnodar Territory and the Republic of Adygea, 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 increasing the availability of power infrastructure”.

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

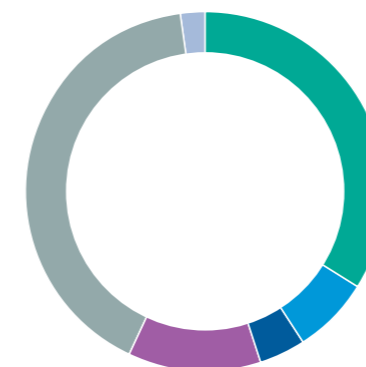
To provide remote services to customers, Rosseti Kuban runs a 24-hour call-centre with the federal phone numbers 8-800-100-15-52 and 8-800-220-0-220. Call-centre operators inform the residents of the Krasnodar Territory and the Republic of Adygea about any power supply issues and recovery work / planned repair schedules. Moreover, they take reports from the customers concerning electricity theft and consult them about grid connection and other Company services.

In 2021, Rosseti Kuban's call centre received more than 870,000 calls, which is 210,000 more than in 2020.

In the reporting year, Rosseti Kuban received 11,121 complaints from customers; out of those, 3,092 were justified.

Based on the results of 110 inspections carried out on the basis of reports of electricity theft submitted by consumers via the call centre, off-the-meter electricity worth RUB 1.38 mn was detected.

## STRUCTURE OF CUSTOMER COMPLAINTS RECEIVED BY THE COMPANY IN THE REPORTING YEAR (%)



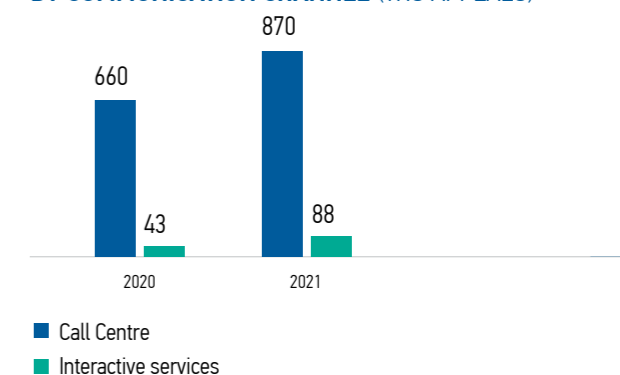
- 34 ■ Power outage
- 7 ■ Maintenance
- 4 ■ Electricity metering
- 12 ■ Grid connection
- 41 ■ Electricity transmission
- 2 ■ Other
- 0 ■ Contact information, service quality, additional services

Complaints from service users were settled, and remedial measures planned for the reporting period were completed.

In 2021, Rosseti Kuban serviced its customers mainly through the Rosseti Group's electric grid services portal at [www.портал-тп.рф](http://www.портал-тп.рф).

In 2021, Rosseti Kuban received 87,846 appeals via online facilities, up 22,373 appeals year-on-year. This includes 53,947 applications for grid connection, 25,677 applications year-on-year.

## STRUCTURE OF CUSTOMER APPEALS BY COMMUNICATION CHANNEL (THS APPEALS)



## THE KEY PROGRESS MADE BY THE COMPANY IN INTERACTION WITH CUSTOMERS IN 2021

For interaction with consumers of services during the period of high COVID-19 incidence and the high-preparedness regime introduced in the Krasnodar Territory and the Republic of Adygea, the following measures were undertaken:

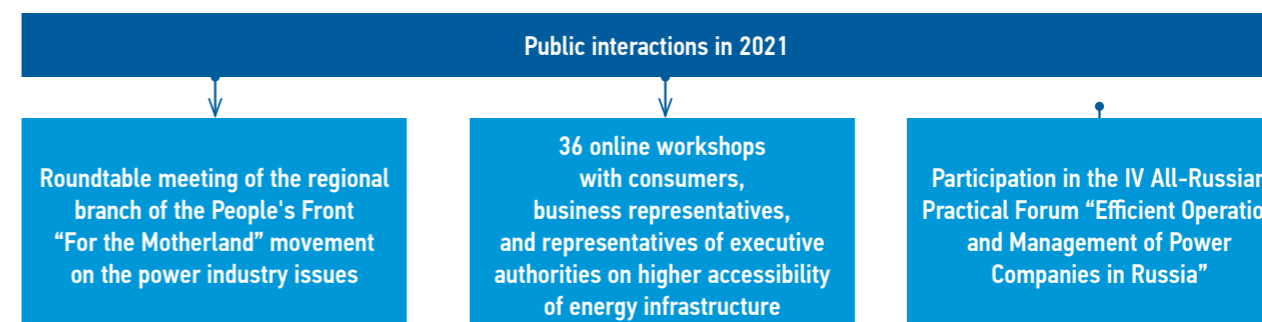
- Limiting the operation of customer service offices
- Keeping consumers informed via the official website of the Company, social networks and mass media about the possibility of receiving services in electronic format via the portal [портал-тп.рф](http://портал-тп.рф) established for the Rosseti Group's customers, without personal visits to service offices
- Updating the personal account on the official website [портал-тп.рф](http://портал-тп.рф) and in the mobile application for higher availability of electronic interaction with consumers during the grid connection activities
- Providing automated workstations in the offices for applicants who have no access to the Internet, consulting by Company specialists on questions arising in application filing

The Light Country portal, a consumer feedback service at the Rosseti's official website, was also got on track; a consumer may use the portal to report on the following issues:

- regular power outages,
- voltage fluctuation / low voltage,
- failures of electric equipment.

To support the customer-oriented approach and improve the quality of services, Rosseti Kuban scheduled the following activities for 2022:

- Development and consolidation of the call centre structure
- Upgrade in the efficiency of customer service at the office sites in order to increase the number of consumers of additional services



# HUMAN RESOURCES MANAGEMENT

## OBJECTIVES OF THE HR AND SOCIAL POLICY OF THE COMPANY

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

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

These key objectives of the HR and Social Policy are accomplished through the range of measures in various aspects of the Company's activities and the achievement of the targets set.

### ASPECTS OF THE HR AND SOCIAL POLICY OF THE COMPANY



In order to maintain a high level of social protection for the personnel of Rosseti Kuban, provide employees with guarantees and compensations and minimise the number of illnesses among the Company's personnel in 2021, the following measures were accepted and implemented:

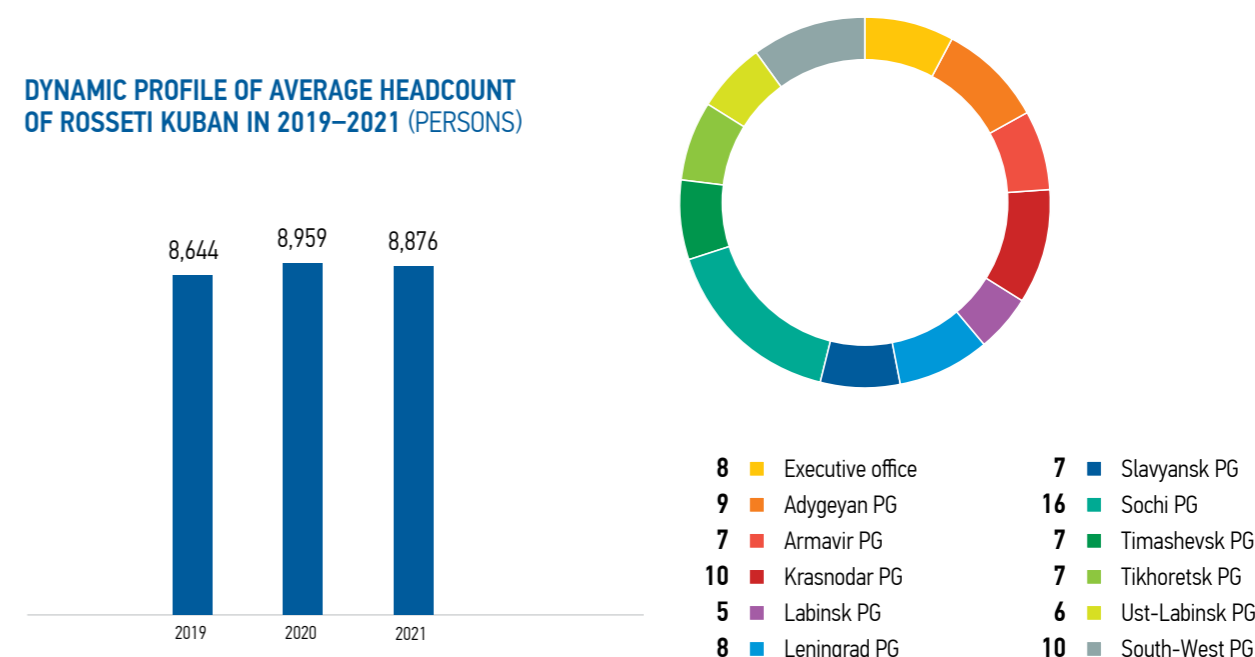
- Bringing as many as possible Company's personnel to work from home
- Distance learning of employees in all programmes available
- Providing non-recurrent financial assistance to employees and veterans

## HEADCOUNT AND PERSONNEL BREAKDOWN

The average number of employees at Rosseti Kuban in 2021 was 8,876, down 0.9% year-on-year. This insignificant decrease in the average headcount was caused by the natural staff rotation.

AVERAGE HEADCOUNT DISTRIBUTION ACROSS THE BRANCHES OF ROSSETI KUBAN (%)

DYNAMIC PROFILE OF AVERAGE HEADCOUNT OF ROSSETI KUBAN IN 2019–2021 (PERSONS)

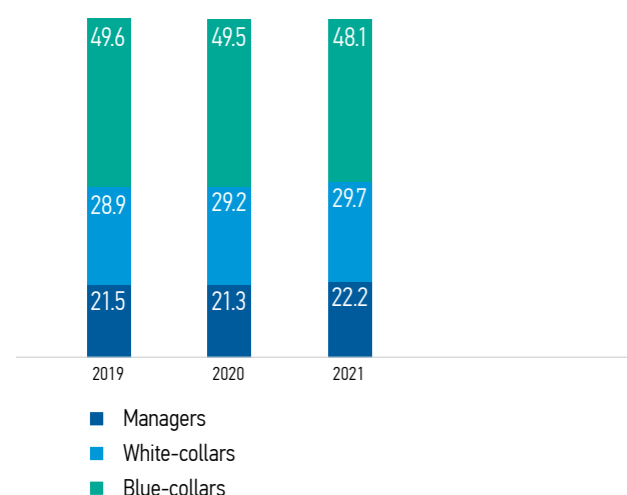


The Company's staffing level in 2021 was 92.9%, including 92.3% – for production staff. The active personnel turnover rate was 10.5%. There were a total of 1,184 new hires in 2021, 976 persons (82%) of them were production staff and 67 persons (6%) – support staff.

ANALYSIS OF ACTIVE STAFF TURNOVER IN THE COMPANY IN 2019–2021 (%)

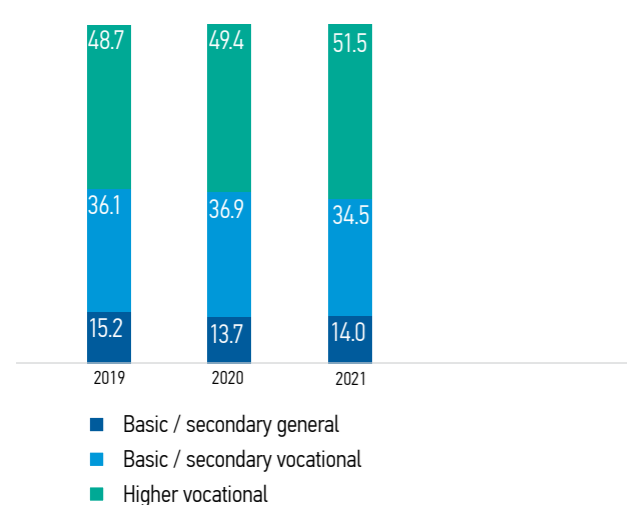
| Active turnover rate  | 2019 | 2020 | 2021 | Δ 2021/2020 (%) |
|-----------------------|------|------|------|-----------------|
| Total for the Company | 7.9  | 6.6  | 10.5 | 3.9             |
| By age groups:        |      |      |      |                 |
| under 35 years        | 10.4 | 9.7  | 14.6 | 4.9             |
| 35–50 years           | 8.1  | 6.6  | 10.2 | 3.6             |
| over 50 years         | 4.5  | 3    | 6.5  | 3.5             |
| By gender:            |      |      |      |                 |
| Women                 | 7.5  | 8.6  | 9.1  | 0.5             |
| Men                   | 8.0  | 6    | 10.9 | 4.9             |
| By region:            |      |      |      |                 |
| Republic of Adygea    | 12.0 | 5.3  | 13.9 | 8.6             |
| Krasnodar Territory   | 7.6  | 6.7  | 10.2 | 3.5             |

STAFF BREAKDOWN BY CATEGORY IN 2019–2021 (%)



The personnel breakdown by categories is typical for a company of the power grid complex and remains stable over the past three years. Blue-collar workers account for major share (48.1%), whereas managers hold 22.2% and white-collar professionals – 29.7%.

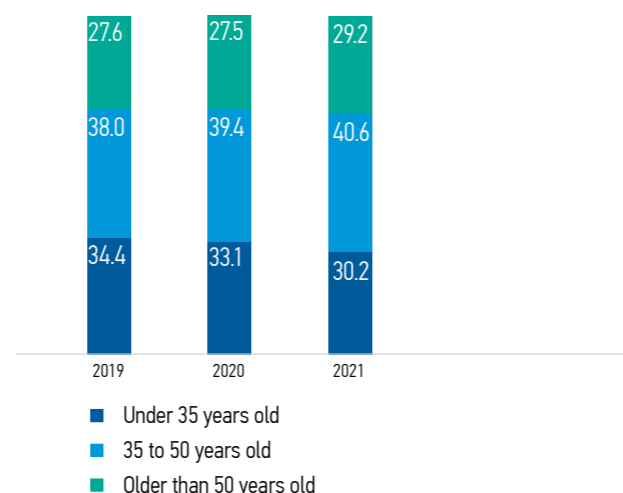
STAFF BREAKDOWN BY EDUCATION IN 2019–2021 (%)



The Company's staff is characterised by a sufficiently high level of qualifications: 86% of employees have professional education, and the number of employees with higher education is increasing (over three years, +2.8 p.p.).

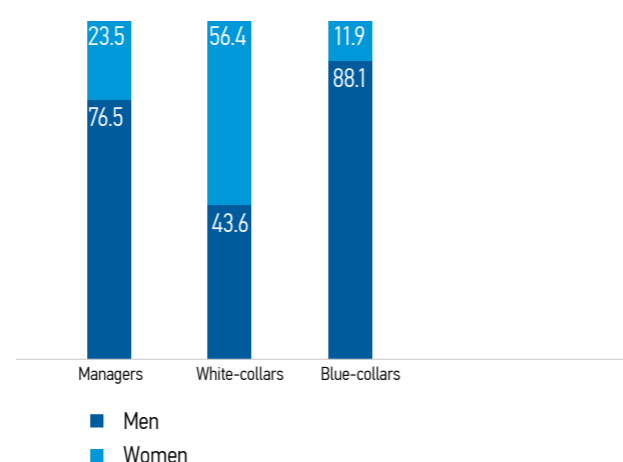
STAFF BREAKDOWN BY AGE IN 2019–2021 (%)

The average age of the Company's employees in 2021 was flat with the 2020 level – 43 years. Over the past three years, there has been an increase in the share of employees aged 35–50 (+2.6 p.p.) against a decrease in the share of employees under 35 (–4.2 p.p.) and the larger share of employees over 50 (+1.6 p.p.).



STAFF BREAKDOWN BY GENDER IN 2021 (%)

The gender composition of the Company's employees also fits the typical profile of power grid companies. As at 31 December 2021, the employees of the Company are presented by 72.3% of men and 27.7% of women; the breakdown by category is shown in the diagram below.



STAFF TRAINING AND DEVELOPMENT

Employee training is one of the priorities of the Company's human resources and social policies that 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
- Rosseti Kuban's HR Management Procedure approved by Order No. 102 dated 22 February 2022

- Regulations on Personnel Training at Rosseti Kuban approved by Order No. 681-od dated 26 November 2020
- Other regulatory documents, as well as 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 – the Institute). In the reporting year, the share of the Institute's trainees was 90% of the total number of the Company's employees.

STAFF TRAINING FOR ROSSETI KUBAN IN 2019–2021

| Indicator   | 2019  | 2020  | 2021  | Δ 2021/2020 (%) |
|---|-------|-------|-------|-----------------|
| Number of off-the-job trainees (persons)  | 9,143 | 8,258 | 8,530 | 3.3             |
| Including production staff  | 8,386 | 7,373 | 7,328 | –0.6            |
| Ratio of the number of off-the-job trainees to average staff headcount (%)  | 106   | 92    | 96    | 4 p.p.          |
| Number of employees who received professional training, retraining and advanced training at the Institute (persons) | 8,633 | 7,044 | 7,695 | 9.2             |
| Including production staff  | 8,003 | 6,545 | 6,927 | 5.8             |
| Number of distance training programmes given at the Institute   | 24    | 46    | 76    | 65.2            |
| Average number of hours of training per employee (academic hours)   | 60    | 58    | 75    | 29.3            |

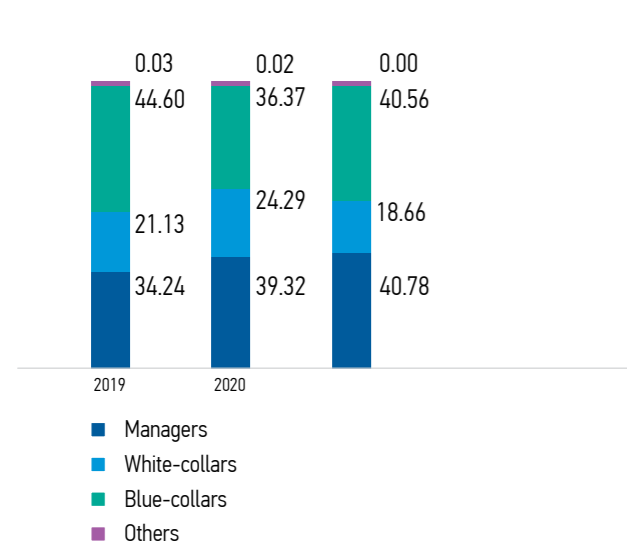
The key indicator (30%) of the Company's Personnel and Social Policy is achieved thanks to the existing ratio of the off-the-job trainees in 2021 to the average headcount.

In 2021, there was a 65% increase in the number of distance learning programmes offered at the Institute. The development of distance learning in 2021 was greatly facilitated by the difficult epidemiological situation in the region of the Company's presence due to the COVID-19 pandemic.

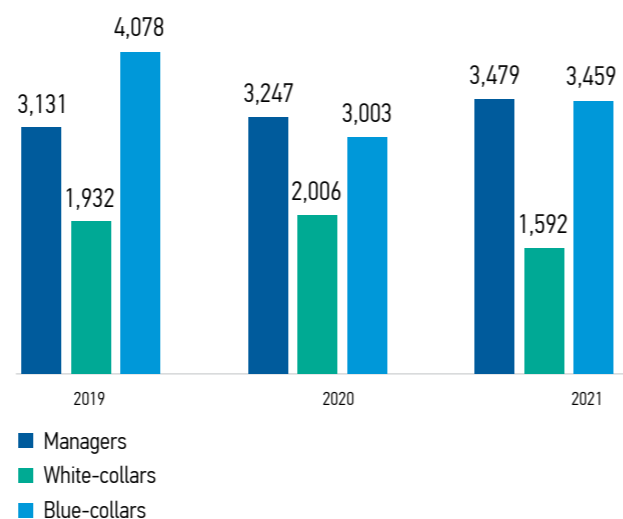
**+65%**

GROWTH IN THE NUMBER OF ONLINE EDUCATION PROGRAMMES IN 2021

THE STRUCTURE OF PERSONNEL PARTICIPATED IN OFF-THE-JOB TRAINING IN 2019–2021, BY CATEGORY (PERSONS)



THE STRUCTURE OF PERSONNEL PARTICIPATED IN OFF-THE-JOB TRAINING IN 2019–2021, BY CATEGORY (%)



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 frequency of the same, as required by regulatory documents.

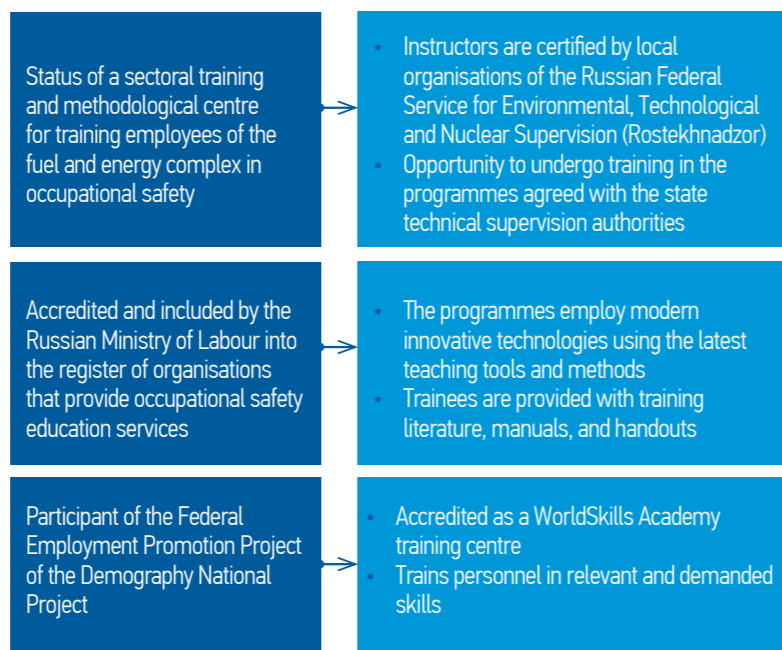
STAFF TRAINING EXPENSES IN 2019–2021 (RUB '000)

| Indicator                                      | 2019    | 2020     | 2021     | Δ 2021/2020 (%) |
|--|---------|----------|----------|-----------------|
| EXPENSES FOR PERSONNEL TRAINING, TOTAL         | 106,018 | 73,836   | 76,259   | +3.3            |
| Including:                                     |         |          |          |                 |
| hosted by the Institute                        | 77,667  | 53,563.2 | 65,130.5 | 21.6            |
| hosted by third-party educational institutions | 28,351  | 20,272.9 | 11,128.5 | -45.1           |

Every year, the Institute trains about 8 thousand students in more than 370 educational programmes aligned with the requirements of professional standards and relevant regulatory documents.

The Institute provides services in the following areas:

- Training in professional education programmes (training, retraining, advanced training of employees), continuing professional education programmes (professional retraining, advanced training of engineering staff)
- Conducting topic-related workshops and practical training aimed at developing corporate and managerial competencies of personnel
- Hosting WorldSkills championships and vocational skills competitions at various levels
- Holding 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



ZERO ACCIDENT RATE

One of the tasks for 2021 within the roadmap for the realisation of the zero-accident concept in Rosseti Group was the training of safe behaviour coaches in the power industry (Vision Zero coach). Two training courses were implemented in this area: “Professional coach of Safe Behaviour in the Power Industry (Vision Zero coach)” and “Fundamentals of Vision Zero in Behavioural Safety as a Subject of Continuous Attention and Analysis by the Manager” (training). The programmes are designed for occupational health and safety specialists and accommodate international practice and the experience of large companies in the Russian Federation.

In 2021, the Company continued training its personnel in live working (first launched in 2020).

In order to develop the mentoring system and to create effective mechanisms for interaction between the mentor and the novice power utility employee, the following strategic sessions were held at the Institute in 2021:

- Strategic session on “organisational models and peculiarities of building the competence in mentoring”
- Strategic session on “technology, practical tools and criteria for evaluating the effectiveness of mentoring process participants”
- Strategic session on “processes of implementing the mentoring system: communication, motivation, feedback”

The key providers of educational services in 2021, other than the Institute, were:

- Rostov-on-Don Training Centre Energetik
- Federal State Budget Institution — Learning and Training Centre of Rostekhnadzor
- Federal State Budget Institution — Training Centre of FAS of Russia
- LLC Uralenergосervice
- EKRA Scientific and Educational Centre, etc.

Mentoring training is a cycle of new programmes designed to ensure intergenerational continuity, transfer personal professional experience to young employees, adapt and motivate new employees to establish a long-term employment relationship with the Company.

In 2021, as a part of the implementation of the Rosseti Group’s Digital Transformation 2030 concept approved by the Group’s Board of Directors (Minutes No. 336 dated 21 December 2018), training for the Company’s personnel on the advanced course Digitalisation of the Power Grid Complex was implemented.

THE GOAL OF THE PROGRAMME IS TO BUILD THE DIGITAL SKILLS OF THE COMPANY’S EMPLOYEES AND INTRODUCE INFORMATION SECURITY, SMART METERING, VIRTUAL AND AUGMENTED REALITY TECHNOLOGIES INTO THE POWER GRID COMPLEX.

In the reporting year, 449 employees of the Company (5.1% of the average headcount) were sent for independent qualification assessment to the Qualification Centre Energia (a branch of JSC Energetik Health Resort); out of those, 419 successfully passed the professional examination and confirmed their professional qualification. In 2021, 1,391 people took part in the assessment of the Company’s needs in recruitment, personnel shake-up, comprehensive assessment of managers by the Assessment Centre method, and psychodiagnostic assessment.

449

EMPLOYEES UNDERWENT AN INDEPENDENT QUALIFICATION ASSESSMENT IN 2021

93%

CONFIRMED THEIR PROFESSIONAL QUALIFICATIONS

## TALENT POOL

To meet the Company demand for qualified and efficient managers in a timely manner and create conditions for the best fulfilment of the staff potential of PJSC Rosseti Kuban, the Company constantly updates and improves its management talent pool and intern talent pool.

The management talent pool is created to satisfy the Company demand in management staff in a timely and efficient manner, including the following positions:

- senior managers,
- mid-rank managers,
- managers and chief engineers for power grid regions.

The main criteria to include employees in the management talent pool are as follows:

- high professional qualification,
- strong production performance,
- managerial experience,
- personal and managerial potential necessary for professional development and career growth in the Company.

### TALENT POOLS OF THE COMPANY

| Indicator   | 2019  | 2020  | 2021  |
|---|-------|-------|-------|
| Headcount of talent pools (persons)   | 406   | 251   | 242   |
| The share of managerial positions secured by the talent pool (%)  | 59.31 | 69.93 | 64.32 |
| Share of succession candidates appointed to target positions in the reporting year (%)                  | 3.3   | 3.3   | 4.6   |
| Share of management positions staffed by internal candidates, including those from the talent pools (%) | 58.4  | 56.8  | 63.9  |
| Youth talent pool (persons)   | 147   | 140   | 100   |



The youth talent pool consists of young specialists aged under 35 years who have high growth potential and are motivated for career progress in the Company.

The membership of the Company's youth talent pools is updated on an annual basis, and development plans for young professionals include participation in training programmes, discipline-related trainings aimed at personal growth and development of competencies, industry-wide and regional conferences, and youth forums in order to get acquainted with the best practices of power grid companies in a timely manner.

## SOCIAL POLICY

THE KEY PRINCIPLES OF THE SOCIAL POLICY OF PJSC ROSSETI KUBAN INCLUDE THE CREATION OF COMFORTABLE CONDITIONS FOR EMPLOYEES' WORK AND REST, THE IMPROVEMENT OF SOCIAL SECURITY AND LABOUR/SOCIAL RELATIONS AMONG EMPLOYEES. SOCIAL ACTIVITIES OF THE COMPANY ARE AIMED AT THE DEVELOPMENT OF THE SOCIAL PARTNERSHIP, THE IMPROVEMENT OF EMPLOYEES' SOCIAL SECURITY, AND THE CREATION OF DEVELOPMENT PROSPECTS FOR THE COMPANY AS A WHOLE.

ROSSETI KUBAN GIVES PRIORITY TO SOCIAL SUPPORT AS IT CONTRIBUTES TO THE MOTIVATION OF EMPLOYEES AND BOOST THEIR DEDICATION TO PRODUCTION ACTIVITIES. 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 ITS GOALS.

In accordance with the collective agreement, as part of the social package, the Company's employees receive financial assistance in case of 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. Compensation is also paid for childcare in pre-schools, etc.

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 PJSC Rosseti Kuban is aligned with the Sectoral Tariff Agreement of the Electric Power Industry of the Russian Federation, the Collective Agreement, bylaws, rules, and other local regulatory documents.

### SOCIAL BENEFITS FOR THE COMPANY'S EMPLOYEES, THEIR FAMILY MEMBERS AND RETIREES (RUB MN)

| Social event                                   | 2019  | 2020  | 2021  |
|--|-------|-------|-------|
| Financial assistance to employees and retirees | 29.74 | 37.28 | 45.23 |
| Compensation payments                          | 0.78  | 0.72  | 0.97  |

## FINANCIAL SUPPORT FOR WORKERS AND RETIREES

The Collective Agreement of the Company covers the support of employees who need better housing conditions through financial aid in mortgage arrangement and partial payment of credit interest. In the reporting period, the Company paid a total of RUB 11.07 mn to 395 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 financial aid to non-working retirees. In the reporting period, over 2.7 thousand 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 10.52 mn.

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 ADDRESSING OF HR ISSUES RELATED TO RECRUITMENT, RETENTION AND MOTIVATION.

## RECREATION

An important factor in improving the workforce efficiency is the promotion of health and recreation of employees and their children. In the reporting year, 608 vouchers were purchased for health resort treatment and recreation of employees and their family members, and 137 employees were partially compensated for the cost of vouchers to children's health camps.

Rosseti Kuban provides its employees with a high quality modern medical services by signing agreements for their voluntary health insurance and accident insurance.

## SPORT

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

- Employees of Rosseti Kuban took an active part in the fulfilment of the test standards of the All-Russian Physical Culture and Sports Complex — Ready for Labour and Defence (GTO relay race)
- The combined team of Rosseti Kuban took part in the championship of the Interregional Amateur Basketball League "Liga Strat KAUB 5x5" of the 2020/2021 season
- Rosseti Kuban's team took part in an open Spartakiade in seven sports: mini-football, volleyball, table tennis, chess, track-and-field athletics, weightlifting and swimming
- Rosseti Kuban's employees also took part in the Krasnodar Workers' Spartakiade

Given the restrictions on holding sports events due to the spread of COVID-19, the combined teams of Rosseti Kuban took part in the following online competitions in the reporting year:

- The first official World Chess Championship for corporations
- The "Energy of the Great Victory" chess tournament
- Competitions in running (race walking) and cycling housed by the specialised online sports platform Vmarafone, among the employees of fuel and energy companies of Russia
- XI Open Chess Tournament of Power Engineers in memory of M. Botvinnik

## CULTURE

Rosseti Kuban attaches great importance to cultural-enlightenment events that help unite and rally its personnel, thus improving the corporate culture. In 2021, the following activities were carried out:

- Celebrating Defender of the Fatherland Day and March 8
- Children's drawing contest "Rosseti: Children Draw!" as part of the contest among children of the Group's employees
- Celebration of the 74th anniversary of the Victory in the Great Patriotic War of 1941–1945
- Celebration of Knowledge Day: congratulations to the children of employees, both first-graders and graduation class students
- Children's drawing competition "Autumn through the Eyes of Children"
- Corporate children's creative contest "Energy of Talents"
- Celebration of the 100th anniversary of the establishment of Rosseti Kuban's branch: Krasnodar Power Grids

- New Year's Eve celebrations: a greeting for employees and children of the Company's employees

More than 400 children took part in the qualifying and final stages of the children's competitions, and more than 150 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.

## ANTI-COVID MEASURES

In order to maintain a high level of social protection for employees and to safeguard against coronavirus infection COVID-19, a range of information and organisational measures were implemented in the Company:

- Printed and electronic information materials on prevention of COVID-19 coronavirus infection and vaccination were distributed
- A hotline was set up to help and advise employees
- Vaccination against coronavirus infection was organised, with more than 80% of employees vaccinated during the reporting period

Due to the epidemiological situation, remote work mode was set during the period of rising incidence of coronavirus infection.

The employees were regularly tested for COVID-19 to protect health, maintain the safe operation of the Company and prevent the spread of coronavirus infection. More than 56 ths tests for coronavirus infection were taken in 2021.

In the reporting year, Rosseti Kuban provided financial assistance to employees who experienced hardship due to the spread of a new coronavirus infection, totalling RUB 1.81 mn

# 80%

OF OUR EMPLOYEES WERE VACCINATED AGAINST COVID-19

# 56+ ths tests

FOR CORONAVIRUS WERE CONDUCTED FOR EMPLOYEES IN 2021

# 1.8 RUB mn.

THE AMOUNT OF FINANCIAL AID TO THE COMPANY'S EMPLOYEES AFFECTED BY COVID-19

## YOUTH POLICY

The Company's Youth Policy covers the activities in 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

### WORKING WITH SCHOOLCHILDREN

The Company conducts comprehensive vocational guidance for the schoolchildren. It includes an open day and study tours of the Company's facilities, as well as special training sessions in schools conducted by the Company employees. The total number of sponsored schoolchildren participating in vocational guidance projects of Rosseti Kuban amounted to more than 265 people in 2021, and this figure stayed flat with same periods in 2020 and 2019.

Vocational guidance is provided 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.

## ALL-RUSSIAN OLYMPIAD OF SCHOOLCHILDREN

To trace and foster talented schoolchildren, the Company annually orchestrates the All-Russian Olympiad of Schoolchildren at Rosseti's Group of Companies. In 2021, more than 70 students of grades 9 and 10 joined the competition, thus representing the regions where the Company operates. Three schoolchildren who became winners and awardees of the Olympiad took part in the energy-related project session of Rosseti's Group hosted by the Orlyonok All-Russian Children's Centre.

## WORKING WITH STUDENTS

As at 31 December 2021, there were 62 cooperation agreements with universities and colleges in the territory of the Company's presence. The main areas of cooperation are target education, practical training, vocational guidance, and organisation of student teams. Kuban State Agrarian University and Kuban State Technological University are among the Company's partner universities.

As at 31 December 2021, 37 students were enrolled in specialised universities under targeted training agreements with the Company. The focus areas of targeted training include Electric Power and Electrical Engineering, Information Systems and Technologies.

# 37

STUDENTS STUDY AT RELEVANT UNIVERSITIES UNDER TARGET STUDY AGREEMENTS WITH THE COMPANY

# 468

STUDENTS COMPLETED INTERNSHIPS AT THE COMPANY'S FACILITIES IN 2021

# 69

GRADUATES WERE RECRUITED BY THE COMPANY

There were a total of 468 students who received hands-on training at the Company's facilities in the reporting period (vs. 701 trainees in 2020 and 813 in 2019). The number of students sent for internships in 2021 compared to previous periods decreased due to the epidemiological situation related to the pandemic of the new coronavirus infection COVID-19.

## 2021 LABOUR SEASON

The 2021 labour season engaged 99 people divided into five student teams. Working at the Company's facilities started with the apprenticeship for a job in educational institutions. The branches of the Company organised the hands-on training, where students were given assignments related to assembling power transmission poles, laying power cables, installing equipment, taking meter readings, and clearing right-of-ways.

In 2021, the Company hired 69 junior specialists who had just graduated from universities and colleges.

The professional and social adaptation of junior specialists, training, career advancement, promotion of scientific and technical potential, social support and involvement in the implementation of socially important projects, including through participation in young specialists' councils, are the objectives of the Youth Policy covering the young employees of the Company.

The Company encourages the participation of young specialists in scientific and technical conferences, competitions and forums. Vladimir Kizin, head of the Relay Protection and Automation Service of Rosseti Kuban, was recognised the first prize winner in the International Competition for Scientific, Scientific, Technical and Innovative Research for Development of the Fuel, Energy and Extractive Industries 2021, which is supported by the Ministry of Energy of the Russian Federation. Employees of Rosseti Kuban's Sochi branch, Alexey Lobanov, head of the Retrofitting and Renovation of Power Grid Facilities, and Dmitry Krutov, head of the Operations and Dispatch Service, became winners of the 2nd All-Russian Power Industry Leaders competition and were among the Top 100 out of more than 3,000 participants.

# OCCUPATIONAL HEALTH AND SAFETY

## OCCUPATIONAL SAFETY

THE KEY OCCUPATIONAL SAFETY PRINCIPLE OF ROSSETI KUBAN IS TO RECOGNISE AND PRIORITISE EMPLOYEES' LIVES AND HEALTH OVER THE RESULTS OF THE COMPANY'S PRODUCTION PERFORMANCE.

The occupational safety initiatives of the Company are aligned with the statutory requirements of the Russian Federation, regional laws, industry sector codes and rules, and executive documents. During 2021, the occupational safety system was subject to systematic improvement across all divisions of the Company with a view to prevent job-related injuries and promote better working conditions as required by the key regulatory documents on occupational safety.

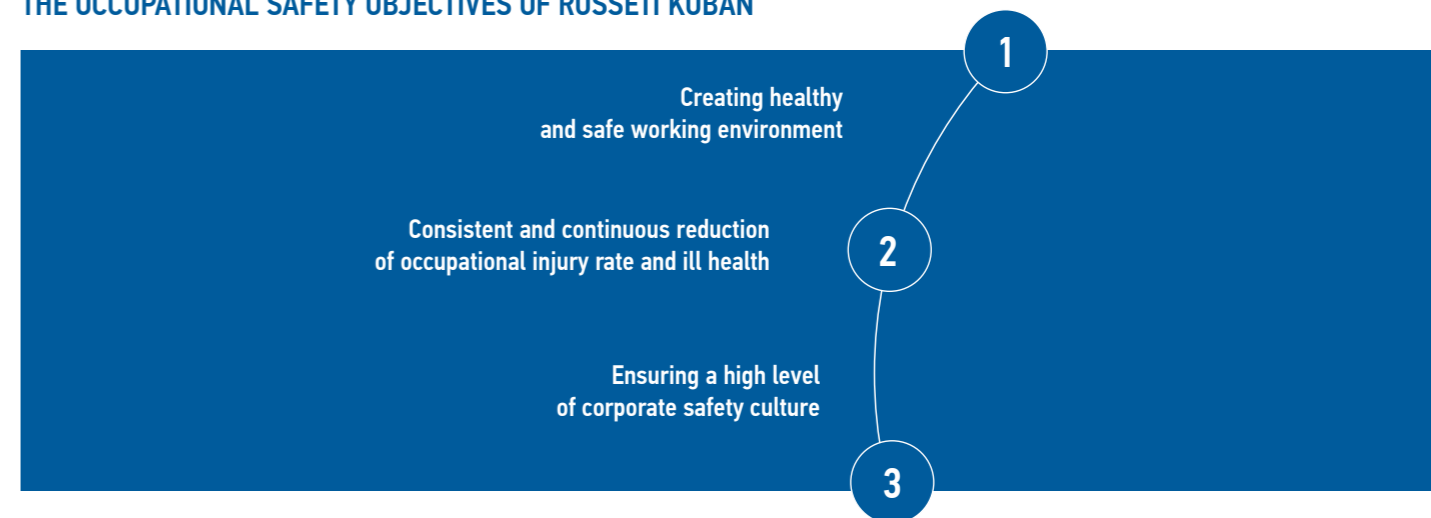
Maintaining safe working conditions and labour safety at Rosseti Kuban and compliance of the same with the requirements established is the responsibility of the Company's management. The Company fully complies with the requirements of the Russian laws regarding the occupational safety obligations of the employer.

The year 2021 was proclaimed the Year of Occupational Safety (the Year of Safety Culture) by the Company's Order No. 2-od dated 11 January 2021.

By introducing and promoting safety culture, the Company's management proves its commitment to a policy of prevention and reduction of occupational injuries and illnesses.

The Company aims to establish own unified labour management system and to ensure safe and normal working conditions for employees at all stages of production. In addition, compliance with occupational health and safety requirements is monitored at all management levels within the Company. To implement the same, the Company has STO 00104604-ISM 007-2018 Regulations on Labour Protection Management System in place that meets the requirements of GOST 12.0.230-2007, interstate standards for labour protection management systems, as well as the labour legislation of the Russian Federation.

### THE OCCUPATIONAL SAFETY OBJECTIVES OF ROSSETI KUBAN



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

**FOLLOWING THE FUNCTIONAL ANALYSIS OF THE OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM IN 2021, THE COMPANY CONSIDERS THE EFFECTIVENESS OF THE TOTAL CORPORATE EFFORTS INVESTED TO BE SATISFACTORY.**

In 2020, in order to create and ensure the operation of a unified occupational health and safety management system in Rosseti Group and to improve the occupational safety system, the Company adopted the corporate standards approved by the order of PJSC Rosseti and uses them for reference purposes. Based on the results of their application in the reporting year, proposals were sent to PJSC Rosseti to improve the documented procedures of the occupational health and safety management system within Rosseti Group. During 2021, systematic work was carried out to improve occupational safety, prevent occupational accidents and improve working conditions:

- The Company undertook occupational safety measures developed following the requirements of order No. 181n of the Ministry of Healthcare and Social Development of Russia dated 1 March 2012 On Approval of Standard List of Annual Employer Events for Improvement of Working Conditions and Occupational Safety and Professional Risks Mitigation
- Comprehensive programmes were implemented to reduce the risk of injuries to the Company's personnel and third parties from electric shocks at the facilities of the Company's power grid complex
- Monthly video conference calls were held with the participation of first deputy directors — chief engineers and heads of branch divisions
- Monthly occupational health and safety days were held, allowing a large number of employees to be involved in the process of self-supervision and mutual supervision and increasing their knowledge and experience
- Some training sessions were held at the Company branches to explain the functioning of the occupational safety system and to determine potential threats and risks for employees' health and safety in a timely manner in a form of business games involving the specialists in mental and physiological support of professional activities
- The Armavir, Slavyansk and Sochi Power Grids branches carried out comprehensive inspections of compliance with current legislation of the Russian Federation and local regulatory acts of the Company aimed at preventing occupational accidents and third-party injuries
- Heads of branches, business units and their deputies carried out unannounced inspections of workplaces to check the personnel's compliance with occupational safety rules when organising and carrying out work on electrical installations

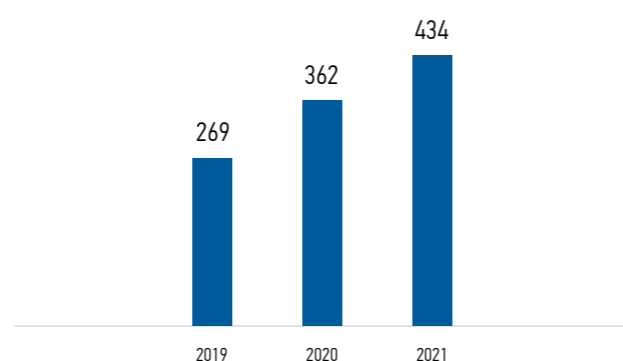
There was one occupational accident, and no occupational diseases were diagnosed among the Company's personnel during the reporting year.

To promote employees' health and life-span, the Company purchased necessary protection and safety equipment in 2021. The annual purchase order for working wear and shoes was fully executed.

**434.3 RUB mn**

OCCUPATIONAL SAFETY COSTS IN 2021 (+20% VS. 2020)

OCCUPATIONAL SAFETY COSTS (RUB MN)



Specific expenses for personal protective equipment (PPE) per one employee amounted to RUB 22.65 ths, up 5.5% year-on-year.

Specific expenses for occupational safety per one employee amounted to RUB 48.9 ths, up 21.1% year-on-year.

**22.7 RUB ths**

SPECIFIC EXPENSES FOR PPE PER EMPLOYEE (+5.5% VS. 2020)

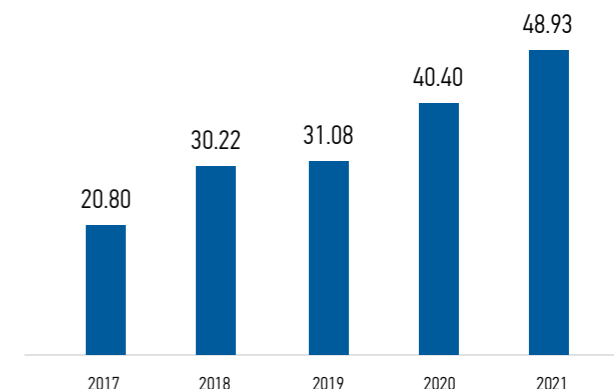
**48.9 RUB ths**

SPECIFIC EXPENSES FOR LABOUR PROTECTION PER EMPLOYEE

(+21% VS. 2020)

**SPECIFIC OCCUPATIONAL SAFETY COSTS PER EMPLOYEE (RUB '000)**

Following the Labour Code of the Russian Federation, the standard financing of the improvement of working conditions and occupational safety amounts to at least 0.2% of the manufacturing costs for products (works, services); the actual amount of financing stood at 0.87%.



**INDUSTRIAL SAFETY**

The operational supervision of 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 of whether Industrial Safety Requirements are Complied with at Hazardous Facilities, as well as with the Regulation of Operational Supervision of whether Industrial Safety Requirements are Complied with at Hazardous Facilities approved by Order No. 324 dated 9 June 2020 and elaborated in line with the following:

- Federal Law No. 116-FZ dated 21 July 1997 On Industrial Safety of Hazardous Production Facilities
- 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 Operational Supervision over Compliance with Industrial Safety Requirements

Rosseti Kuban 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 2019–2021, the hazardous production facilities were operated following the requirements set out in technical regulatory documents.

**REQUIREMENTS FOR THE PERSONNEL IN TERMS OF TRAINING IN INDUSTRIAL SAFETY**





# ENVIRONMENTAL PROTECTION

THE ENVIRONMENTAL POLICY OF THE COMPANY'S POWER GRID COMPLEX SETS GOALS FOR REDUCING THE NEGATIVE IMPACT ON THE NATURAL ENVIRONMENT AND ENSURING ENVIRONMENTAL SAFETY AT FACILITIES, AS WELL AS FOR THE RATIONAL USE OF NATURAL RESOURCES. IN ADDITION, THE COMPANY PLANS TO MODERNISE EQUIPMENT AND APPLY INNOVATIVE AND ENVIRONMENTALLY FRIENDLY TECHNOLOGIES IN THE RETROFITTING, RENOVATION AND CONSTRUCTION OF POWER GRIDS.

When transferring the most efficient type of energy to consumers — electric energy, Rosseti Kuban adversely affects the natural environment components.

- Operation of vehicles, machines (cutting, drilling, woodworking, turning and sharpening), welding and painting works, chemical analysis of transformer oils, transformer oil storage.

The Company carries out an annual update of significant environmental aspects. Key aspects of the Company's environmental impact include:

- Generation, disposal and transfer of waste to third parties
- Arrangement of oil-filled equipment
- Storage of materials and equipment

Since 2009, the Company has had an environmental management system in place that enables it to effectively manage environmental risks, prevent and reduce its negative impact on the environment and improve its image.

## ENVIRONMENTAL ACTIVITIES IN 2021

All of the scheduled environmental policy activities were implemented in the reporting year, including the following:

- Implementation of the requirements of the Stockholm Convention on Persistent Organic Pollutants. The Environmental Policy of the power grid complex sets out a goal for 100% phasing-out of equipment that contains polychlorinated biphenyls (PCBs) with its further disposal by 2025. Such equipment is phased out under the Plan for the Decommissioning of Equipment that Contains PCBs for 2018–2023 approved by the resolution of Kubanenergo Board of Directors (Minutes No. 296/2018 dated 23 January 2018)

- The Company adhered to the requirements of the Russian Environmental Laws:
  1. Industrial environmental monitoring at pollutant sources, sanitary protection zone boundaries, pollutant water discharge points to check the compliance with the set standards for acceptable environmental impact
  2. Sanitary protection zone projects were developed and approved by controlling bodies for 42 power facilities of all the Company's branches and its executive office, to designate special areas acting as buffers and providing the protection for the residents during the operation of the facilities
- The following technical actions were taken to reduce the adverse impact on the environment:
  1. Replacement of 112 oil-filled bushings with solid-insulation bushings
  2. Repair (renovation) of emergency oil discharge systems and transformer oil receivers at 21 substations to prevent potential environmental contamination
  3. Construction/renovation of a 570-km long high voltage line using self-supporting insulated wires, including for the purposes of biodiversity preservation
  4. Installation of a total of 4,217 bird diverters to preserve the biodiversity and prevent death of animals and birds in the course of production processes

433 UNITS  
OF PCB-CONTAINING EQUIPMENT REPLACED  
WITH ENVIRONMENTALLY SAFE ONES

1,343 UNITS  
OF DISMANTLED EQUIPMENT TRANSFERRED  
FOR SAFE DISPOSAL

5. Recycling/recovery of up to 22.9 tonnes of transformer oil (~10% of the oil purchased per year) to reduce the amount of natural resources consumed
6. Voluntary environmental responsibility mechanisms are maintained in operating conditions

ACCORDING TO THE RESULTS OF THE RECERTIFICATION AUDIT OF 2021 CONDUCTED BY THE AUDITORS FROM LLC ROSTEKHSERT, THE COMPANY SUCCESSFULLY CONFIRMED ITS COMPLIANCE WITH THE NEW REVISION OF ISO 14001:2015 — ENVIRONMENTAL MANAGEMENT SYSTEM. THE CERTIFICATE ISSUED AS A RESULT OF THE AUDIT IS VALID UNTIL MARCH 2024.

BIOLOGICAL DIVERSITY PRESERVATION:

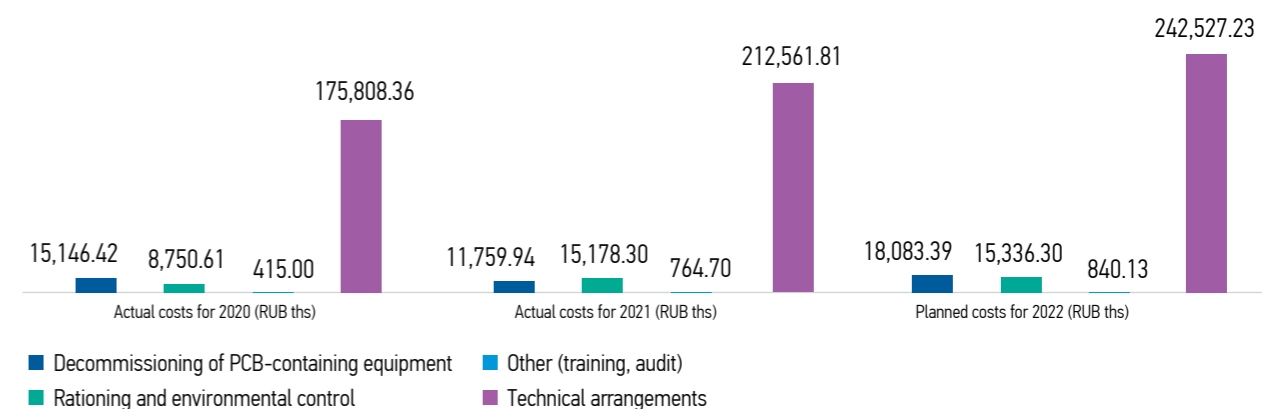
570 km

OF HIGH VOLTAGE LINES ARE MADE WITH SELF-SUPPORTING INSULATED WIRES

4,217

BIRD DIVERTERS WERE INSTALLED IN 2021

CHANGES OF EXPENSES FOR IMPLEMENTATION OF THE ENVIRONMENTAL POLICY (RUB '000)

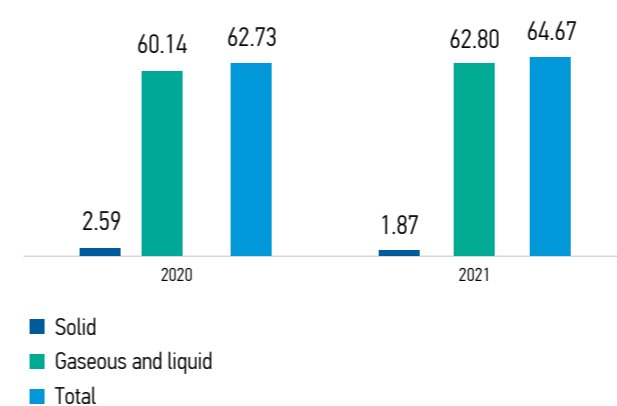


## ENVIRONMENTAL PERFORMANCE IN 2021

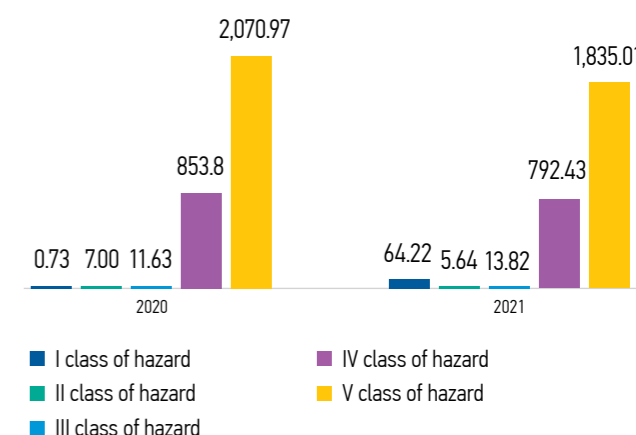
The gross air emissions increased by 3% year-on-year (to 64.67 tonnes).

In 2021, the Company achieved a reduction in the generation of waste of hazard classes II and IV. This decreased the volume of waste sent for recycling and disposal by 4.2% (to 532 tonnes).

TOTAL GROSS AIR EMISSIONS (T)



WASTE GENERATION IN THE COURSE OF THE COMPANY'S ACTIVITIES IN 2021 (T)



ENVIRONMENTAL PERFORMANCE OF THE COMPANY IN 2019–2021

| Indicator   | 2019   | 2020   | 2021   | Δ 2020/2021 (%) |
|---|--------|--------|--------|-----------------|
| Gross air emissions, total (t)                            | 71.44  | 62.73  | 64.67  | 3.1             |
| Volume of waste transferred for disposal and treatment, t | 605.75 | 555.08 | 531.57 | -4.2            |
| Environmental impact fee (RUB '000)                       | 211.49 | 226.59 | 170.77 | -24.6           |
| Installation of bird diverters at power grid facilities   | 2,304  | 4,978  | 4,217  | -15.3           |

## ENERGY CONSUMPTION AND ENERGY SAVING

In the reporting year, the Company aligned its energy saving and energy efficiency improvement activities with:

- 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 RPC-PTD KT On Approval of Requirements for Programmes in the Field of Energy Saving and Energy Efficiency Improvement 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
- Energy Saving and Energy Efficiency Improvement Programme of Rosseti Kuban for 2017–2022, approved by decision of the Board of Directors on 2 June 2021 (Minutes No. 436/2021) (hereinafter – 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.

The targets of the Programme are as follows:

- Reduction of electricity losses in transmission and distribution
- Consumption of energy resources for utility needs
- Number of LED-based lighting devices

ENERGY SAVING TARGETS IN 2021 WERE ACHIEVED:

# 9.92%

ELECTRICITY LOSSES AGAINST A TARGET OF 10.50%

# 4.16 ths TFOE

CONSUMPTION OF ENERGY RESOURCES AGAINST A TARGET OF 4.27 THS TFOE)

# 80%

OF LIGHTING DEVICES ARE OF LED TYPE

COMPANY'S INDICATORS FOR ENERGY CONSUMPTION AND ENERGY SAVINGS IN 2019–2021

| Indicator   | Units of measurement | Period |        |        |                 |
|---|----------------------|--------|--------|--------|-----------------|
|   |                      | 2019   | 2020   | 2021   | Δ 2021/2020 (%) |
| Consumption of energy resources for utility needs of administrative and industrial buildings  | ths TFOE             | 4.17   | 4.14   | 4.16   | 0.5             |
|   | RUB mn               | 114.74 | 120.74 | 123.75 |                 |
| Consumption of natural resources for utility needs of administrative and industrial buildings | ths cu.m             | 73.19  | 68.70  | 69.45  | 1.1             |
|   | RUB mn               | 2.53   | 2.51   | 2.62   |                 |
| Motor fuel consumption by motor vehicles and special-purpose vehicles                         | ths TFOE             | 9.06   | 8.72   | 8.79   | 0.8             |
|   | RUB mn               | 300.05 | 284.92 | 303.55 |                 |

AMOUNT OF ENERGY RESOURCES USED BY THE COMPANY IN 2021

| Types of resources     | Units of measurement     | 2021 (plan) | 2021 (actual) | Δ (%) |
|------------------------|--------------------------|-------------|---------------|-------|
| Atomic energy          | The resource is not used |             |               |       |
| Thermal energy         | Gcal                     | 2,655.85    | 3,183.90      | 19.9  |
|                        | RUB mn                   | 9.00        | 6.44          |       |
| Electric energy        | mn kWh                   | 31.22       | 29.76         | -4.7  |
|                        | RUB mn                   | 124.71      | 116.58        |       |
| Electromagnetic energy | The resource is not used |             |               |       |
| Petroleum              |                          |             |               |       |
| Motor petrol           | ths l                    | 4,383.10    | 4,286.59      | -2.2  |
|                        | RUB mn                   | 176.09      | 171.77        |       |
| Diesel fuel            | ths l                    | 3,312.26    | 3,193.87      | -3.6  |
|                        | RUB mn                   | 132.84      | 131.78        |       |
| Furnace fuel oil       | The resource is not used |             |               |       |
| Natural gas            | ths cu.m                 | 122.93      | 118.85        | -3.3  |
|                        | RUB mn                   | 1.62        | 0.72          |       |
| Coal                   |                          |             |               |       |
| Oil shale              |                          |             |               |       |
| Peat                   | The resource is not used |             |               |       |
| Others                 |                          |             |               |       |

# MANAGEMENT SYSTEMS

The Company has adopted and currently has in place the following management systems:

- Quality Management System that 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
- Environmental Management System that 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

- Energy Management System that 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
- The Occupational Health and Safety Management System, a part of the general management system that helps manage risks and improve occupational health and safety performance

The Company's management systems comply with the requirements of international standards ISO 14001, ISO 45001, ISO 50001 and ISO 9001.

## VALIDITY OF MANAGEMENT SYSTEM CERTIFICATES

| Management systems     | Certificate validity | Certification authority                    |
|------------------------|----------------------|--|
| ISO 9001 <sup>1</sup>  | 18 February 2024     | LLC ROSTEKHSERT                            |
| ISO 14001 <sup>2</sup> | 18 February 2024     | LLC ROSTEKHSERT                            |
| ISO 45001 <sup>3</sup> | 18 February 2024     | LLC ROSTEKHSERT                            |
| ISO 50001 <sup>4</sup> | 28 December 2024     | Russian Register Certification Association |

Main participants of the management systems include:

- 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 functioning of management systems
- business units of the Company and S&As involved in the functioning of management systems

Key operating results of the Management Systems:

- Increased reliability and stability of power supply

Please see Ensuring Reliable and Efficient Operation of the Power System

- Higher safety of power supplies

Please see Ensuring Reliable and Efficient Operation of the Power System

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

Please see Occupational Health and Safety

- Enhanced energy efficiency

Please see Energy Consumption and Energy Saving

- Ensuring environmental safety

Please see Environmental Protection

- Enhanced quality level of grid connection services

Please see Grid Connection

In general, Management Systems demonstrated positive operating results over the past year.



<sup>1</sup>. ISO 9001 — Quality Management System.  
<sup>2</sup>. ISO 14001 — Environmental Management System.  
<sup>3</sup>. ISO 45001 — Labour Safety and Health Protection Management System.  
<sup>4</sup>. ISO 50001 — Environmental Management System.

# ANTI-CORRUPTION POLICY AND ECONOMIC SECURITY

## ANTI-CORRUPTION POLICY OF THE COMPANY

Rosseti and its subsidiaries' 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 Anti-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 (corruption prevention)
- Identification, prevention and suppression of corruption and sundry offences
- Minimisation and (or) remediation of consequences of corruption and sundry offences

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 PJSC Rosseti Kuban.

[Click here to open the Anti-Corruption Policy on the Company's website](#)  
 In the reporting year, the Anti-Corruption Plan for 2021 was approved by Order of PJSC Rosseti Kuban dated 8 February 2021 No. 60-od.

### KEY FOCUS AREAS OF THE ANTI-CORRUPTION POLICY IN 2021

| The focus area of the Anti-Corruption Policy  | Measures  |
|---|---|
| Establishment of the inner control and risk management process to prevent and combat corruption | Reports on the results of anti-corruption monitoring for 2020 and 6M 2021, as well as quarterly reports on the results of implementation of measures to comply with the insider information control laws were prepared and submitted to the Audit Committee and further to the Board of Directors of the Company for consideration. The Reports were reviewed and took under advisement by the Audit Committee and the Board of Directors of the Company without any comment  |
| Identification and clearing of conflict of interests  | Employees' conflicts of interests were subject to annual declaration in 2020; the Company collected 2,210 declarations and identified nine pre-conflict cases. All pre-conflict situations were resolved by the end of 2021. The Corporate Ethics Compliance and Conflict of Interest Commission of Rosseti Kuban had two meetings. The members checked the submitted statements of income, property, and property liabilities born by the top managers or their immediate family members in 2020. The findings of this audit showed no signs of affiliation, conflict of interest or pre-conflict cases. Candidates for vacant jobs at the Company were also subject to the declaration of conflicts of interests. A total of 190 conclusions were issued on screening of candidates applying for vacant positions at Rosseti Kuban in 2021, 32 of which were negative |
| Development of and Introduction of Standards and Procedures to Ensure Fair Work Practices       | In 2021, agreements on compliance with the requirements of the Anti-Corruption Policy and the Code of Corporate Ethics and Conduct of Employees were obtained from 101 new employees of the Company. The Company developed and approved seven organisational decrees on anti-corruption compliance and the implementation of its Anti-Corruption Policy   |
| Review and verification of reports of corruption and other abuses                               | In 2021, the Company received 21 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 checked every such report. None of the reported cases was confirmed  |

| The focus area of the Anti-Corruption Policy   | Measures   |
|--|--|
| Control over the Company's compliance with the Russian Law against unlawful use of insider information and market manipulation | <p>The control in the following areas was aligned with the Regulations on Insider Information of the Company approved on 20 June 2019 by the Company's Board of Directors (Minutes No. 348/2019) and enacted by the Company's Order No. 671 dated 16 July 2019:</p> <ul style="list-style-type: none"> <li>• Ongoing control of compliance with the Russian Laws</li> <li>• Procedural framework</li> <li>• Coordination of efforts to develop the insider information control system</li> </ul> <p>In 2021, there were detected no case of breach of Federal Law No. 224-FZ dated 27 July 2010 On Countering the Misuse of Insider Information and Market Manipulation and the regulatory legal acts of the Russian Federation adopted thereunder. As at 28 December 2021 (date of the Moscow Exchange's last inquiry of the reporting year), the Company's Insider List has 23 legal persons and 367 individuals. Monthly lists of the Company's insiders were sent via the Insider Lists system of the Moscow Exchange web service in electronic form. The Company publishes information for insiders at the corporate website in the For Shareholders and Investors / Information for Insiders section</p> |
| Prevention of corruption in interaction with partners and subcontractors   | <p>Information about signed agreements, additional agreements, and new subcontractors of business partners was added on a daily basis to the Company's automated system for collection and analysis of beneficiary data; more than 65 thousand agreements and additional agreements were uploaded in 2021. The procurement documentation underwent the approval procedure. In 2021, 736 procurement procedures were conducted, the starting (maximum) price was reduced in 129 procurement procedures for a total of RUB 113.26 mn, and two procurement procedures (totalling RUB 0.89 mn) were cancelled. Anti-corruption reservation and the subcontractor's duty to submit beneficiary data were added to more than 6,900 agreements submitted for procurement procedures</p>   |
| Joint corporate effort to prevent and combat corruption  | <p>The Declaration of Rosseti Kuban PJSC on compliance with the Anti-Corruption Charter of Russian Business (to be submitted every two years) was updated and sent to the Chamber of Commerce and Industry of the Russian Federation. The details on the website of the Chamber of Commerce and Industry of the Russian Federation were updated accordingly. Together with the representatives of the Russian Ministry of Labour, the Company took part in one-day workshop on "Implementation of the Anti-Corruption Policy at Rosseti and Rosseti's Subsidiaries and Affiliates. Innovations in Russian anti-corruption legislation"</p>   |
| Legal education and laying the groundwork of lawful behaviours, consulting 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. During 2021, 923 employees of the executive office and branches of Rosseti Kuban underwent training under a programme on preventing and combating corruption. Along with the representatives of the 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 meeting on the year-end results</p>  |

For 2022, the Company scheduled to approve and implement its Annual Anti-Corruption Plan and to enhance the mechanisms for the following:

- Identification and clearing of conflict of interests
- Implementation of anti-corruption procurement standards
- Prevention of corruption when interacting with partners and subcontractors

# ENSURING ECONOMIC SECURITY OF OPERATIONS

In the reporting year, to ensure the economic security of own operations, the Company undertook the following:

- Protecting the Company's interests against external and internal threats of an economic nature
- Combating the off-the-meter electricity consumption and an increase in accounts receivable
- Interacting with law enforcement and supervisory authorities
- Conducting verifications of the following:

1. appeals of individuals and legal entities on the matters of unlawful acts
2. potential and existing subcontractors of the Company, their business reputation and financial position, to identify and prevent possible unfair practices on their part
3. persons recruited, in terms of the credibility of the documents provided and the existence of compromising information

In 2021, the ratio of detected and recovered damage more than doubled compared to 2020. In the reporting year, all quarterly targets (including KPIs of General Director) for accounts receivable repayment were fulfilled by more than 100%.

ENSURING THE ECONOMIC SECURITY OF OPERATIONS IS ONE OF ROSSETI KUBAN'S MOST IMPORTANT TASKS.

## 212 RUB mn

RECOVERED ON PENALTIES FOR LATE PAYMENT OF ELECTRICITY

## 333 RUB mn

OF DEBTS UNDER WRITS OF EXECUTION

SETTLED IN 2021



In 2021, RUB 212 mn in penalties were collected for late payment for electricity transmission services.

In 2021, the security department received 171 writs of execution worth RUB 286.797 mn. The amount of claims settled during the year under writs of execution was RUB 333.184 mn (debt under writs of previous periods was partially recovered).

The most significant results of economic security activities in the reporting year:

- Cardinal improvement in the payment discipline of the Company's main debtor, PJSC TNS-Energy Kuban, which for five years has not demonstrated a significant positive trend
- Compensation for the RUB 140 mn damage caused to the Company by the illegal actions of LLC Vympelsetstroy — using an invalid enforcement document
- Initiation of criminal proceedings under Article 165 of the Criminal Code of the Russian Federation against representatives of LLC Multiservice, which caused damage to the Company in the amount of RUB 36 mn as a result of wrongful placement of the FOCL

## KEY PERFORMANCE INDICATORS FOR ECONOMIC SECURITY OF ROSSETI KUBAN IN 2019–2021

| Indicators in terms of security  | 2019  | 2020                   | 2021  | Δ 2021/2020 (%) |
|--|-------|------------------------|-------|-----------------|
| Control measures to prevent corruption, internal audits, comprehensive audits of the financial and economic activities of branches, during which, among other things, the presence of corruption manifestations was checked  | 1,896 | 1,514                  | 1,427 | -6              |
| 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) | 4,498 | 2,534                  | 2,124 | -19             |
| Number of negative conclusions on the results of examinations of participants in procurement procedures  | 83    | 26                     | 30    | 15              |
| Number of calls via the whistleblower hotline processed  | 12    | 20                     | 21    | 5               |
| Prevented material damage based on the results of the work done (RUB mn)   | 45.27 | 5,170.522 <sup>1</sup> | 132.2 | -               |

<sup>1</sup> The significant discrepancy in the amounts of prevented damage in 2020–2021 is due to the fact that in 2020 there was an unprecedented prevention of damage to the amount of RUB 5 bn that could have been caused by criminal attacks on energy facilities (judgement entered into legal force).

# DISCLOSURE OF INFORMATION

ROSSETI KUBAN'S INFORMATION POLICY IS AIMED AT SATISFYING THE NEEDS OF STAKEHOLDERS FOR COMPLETE, RELEVANT AND RELIABLE INFORMATION ABOUT THE COMPANY AND ITS ACTIVITIES, AS WELL AS AT PROVIDING FREE AND UNHINDERED ACCESS TO SUCH INFORMATION.

## DISCLOSURE SYSTEM

### PRINCIPLE OF INFORMATION TRANSPARENCY OF THE COMPANY

| Principles                               | Principle implementation   |
|--|--|
| Regularity, consistency and timeliness   | <ul style="list-style-type: none"> <li>Compliance with the disclosure requirements of the laws of the Russian Federation, relevant market regulators and internal documents of the Company</li> <li>Continuity of information disclosure process</li> <li>Shortest terms of the disclosure</li> <li>Timely 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</li> </ul> |
| Availability and accessibility           | To spread information about its activities, the Company uses the channels and methods that are accessible for the majority of the shareholders and effective in providing a complete, easy and non-selective access to the information disclosed   |
| Completeness, accuracy and comparability | The Company aims to: <ul style="list-style-type: none"> <li>Disclose full, objective and accurate information to the shareholders without trying to avoid disclosing negative information about itself</li> <li>Disclose information in a way that is clear, non-controversial and commensurable</li> <li>Maintain the neutral character of the information disclosed (it shall be independent of the interests of any persons or groups)</li> </ul>   |

When disclosing the information, the Company aims to maintain a rational balance between the interests of the shareholders and the interests of the Company itself related to keeping the sensitive business data confidential if they can significantly influence its competitive edge.

The Company keeps high standards of corporate social responsibility and supports on-going communication with target audiences to improve its business reputation and increase the fair value of the business.

Since 2006, the Company has been using the Regulations on the Information Policy describing the goals, objectives, principles, means, methods, procedures, and terms of information disclosure and the list of disclosures.

Apart from the data subject to obligatory disclosure, the Company publishes detailed information on its operations, securities, and shareholders, as well as its executive and control bodies, significant transactions, and subsidiaries and affiliates.

The Company makes disclosures both in Russian and English in all situations when it's acceptable according to the laws of the Russian Federation and does not contradict to the substance of the disclosure in a given case (interview, public representations when the simultaneous translation is not an option, etc). The Company aims to synchronise the disclosures in Russian and in English.

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 is enforced by General Director 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 annual reports of the Company for 2015, 2016, and 2018–2020 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 under RUB 40 bn.

[Click here to open the Regulation on Information Policy on the Company's website](#)

## COMMUNICATIONS WITH GOVERNMENTAL BODIES AND PUBLIC ORGANISATIONS

The key goals of Rosseti Kuban in communications with public authorities and the public relations is to build effective information channels with target audiences and to pursue the uniform communication policy of Rosseti Group.

In the reporting year, Rosseti Kuban actively covered working meetings of the Company's management with representatives of federal, regional and municipal authorities, in the public space of the region and in the media.

In particular, during 2021, information support was provided for the following events with the participation of representatives of the Russian Ministry of Energy, PJSC Rosseti Kuban, the authorities of the Krasnodar Territory and the Republic of Adygea:

- A working meeting between the head of the Republic of Adygea, M. Kumpilov, and the management of Rosseti Kuban on the modernisation of the energy infrastructure in the Republic of Adygea (January 2021)
- A working meeting of Krasnodar head, A.Pervyshov and the management of Rosseti Kuban at the renovation site of one of the largest substations in the regional capital, Postovaya, to discuss the progress of the renovation (April 2021)
- The working meeting of PJSC Rosseti General Director A.Rumin, the Governor of the Krasnodar Territory V.Kondratyev, Acting General Director of Rosseti Kuban B. Ebzeev on the functioning and development of the Krasnodar Territory power grid complex (May 2021)
- The Company's participation in a meeting on resource supply to gardening and dacha communities in the Krasnodar Territory, which was held in Krasnodar on the initiative of the Deputy Chairman of the State Duma Committee for Control and Regulation, N. Kostenko (July 2021)
- Working meeting of the Head of the Republic of Adygea, M. Kumpilov, and Acting General Director of Rosseti Kuban, B. Ebzeev, on the prospects for modernising the energy infrastructure in the region (July 2021)
- Participation of the Company in the meeting of the Operational Headquarters for the liquidation of the consequences of the weather disaster in Sochi, interaction with municipal

services and the regional division of the Ministry of Emergency Situations of Russia during the organisation and implementation of recovery works at the flooded power facilities (July 2021)

- Participation of the Acting General Director of the Company B. Ebzeev in a meeting on preparations for the autumn-winter period 2021/2022 chaired by the Head of the Administration (Governor) of the Krasnodar Territory V.Kondratiev (August 2021)

The following PR campaigns were run:

- on information support for the implementation of the Company investment and repair programmes, the preparations to and operations during autumn and winter
- on preventing non-contractual and off-the-meter consumption of electricity
- on preventing electric trauma of third parties at the power grid facilities
- on making explanations 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
- on informing the consumers in the Krasnodar Territory and the Republic of Adygea about the acts of illegal electricity meter replacement by third parties
- on informational support for Rosseti Kuban measures related to interactions during massive blackouts under hazardous natural phenomena

## SOCIAL COMMUNICATIONS

In 2021, the Company continued implementing several target communication programmes to promote the image of a socially responsible institution.

In the reporting year, about 120 secondary educational institutions of the Krasnodar Territory and the Republic of Adygea were covered by measures under the comprehensive Programme to reduce the risks of injuries to personnel and third parties at the facilities of the power grid complex of Rosseti Kuban. More than 250 lectures and lessons on electrical safety were held and attended by about 20 ths students.

To prevent electric trauma among children, creative contests, topic-related tours, and open days were organised. A total of about 45 events were held in general education institutions. The Company website runs an information platform for the Prevention of Child Electric Trauma containing various teaching aids to arrange topic-related talks on electric trauma prevention.

In addition, as part of its outreach activities, the Company organises creative competitions, topic-related games and online tours of its substations for children.

On International Children's Day, the Company opened the #BrighterTogether topic-related educational shift at the All-Russian Children's Centre Orlyonok. The Company experts held a lecture on "Power Industry is a Driver of Science and Technology", a practical lesson on electrical safety "Safe Holidays" and an EnergoQWUZE intellectual game.

To celebrate the 76th anniversary of the Victory, a PR project "Your Victory is in Our Hearts" was run on the Company's official social media pages, featuring photos and videos of power engineers who are veterans of the Great Patriotic War. The Company took part in a federal social project of Rosseti Group called "Victory Stories".

In celebration of Astronautics Day and the 60th anniversary of YuriGagarin's flight into space, the Company held a creative competition "Energy of Space Conquerors" (at the official social media pages). Its co-organisers were the Krasnodar Regional Public Organisation "Federation of Kuban Cosmonautics" and the All-Russian Creative Public Organisation "Union of Russian Artists". More than 60 children and teenagers took part in the competition. An online race called Cosmos Nearby (Space is Close) was launched on social media based on the data on memorable places connected with the history of astronautics in the Krasnodar Territory and the Republic of Adygea.

In August 2021, at the All-Russian Children's Centre Orlyonok, the specialists from Rosseti Kuban conducted an online tour of the 220 kV Port substation as part of the Rosseti Group's power industry project-oriented shift.

In August 2021, Rosseti's Young Professionals Open Corporate Championship was held in Krasnodar; the Championship was based on the WorldSkills methodology. Rosseti Kuban organised live broadcasts of the opening and closing ceremonies of the Championship.

In November 2021, Rosseti Kuban held an electrical safety lesson, an EnergoQWUZE thematic game and an online tour through the 220 kV Port substation, for participants of the Young Power Engineer School at the Smena All-Russian Children's Centre. The Company runs online tours on substations for adults and children.

## MEDIA COMMUNICATIONS

To promote brand recognition, positive reputation, and image of Rosseti Kuban, and expand the audience of its media influence, the Company undertook close interactions with the leading regional and industrial media in 2021.

Public media events involving the Company's personnel and management were aimed at building a positive and holistic image of the Company and enhancing its business reputation.

In 2021, the printed media of the Krasnodar territory and the Republic of Adygea published over 150 messages concerning the Company's activities.

20 THS OF THE COMPANY'S MEDIA HITS IN 2021<sup>1</sup>

7.1 THS SOCIAL MEDIA POSTS

<sup>1</sup> Source: SCAN-Interfax monitoring system.

During the reporting period, 629 news items were posted on the corporate website of the Company. Besides, some information was published on the official pages of the Company in social media and blogs. The bulk of news items on the Company's activities during the period under review came from the Internet media, with quite a large of contribution from central news agencies.

The most significant Company events covered by federal and regional media include:

- Large-scale reconstruction of the power grid complex in the Republic of Adygea
- Implementation of the 2021 Investment Campaign at Rosseti Kuban
- Remediation of consequences of the disaster and rehabilitation works on power grid facilities during 2021
- Holding of the Group's Young Professionals — an open corporate championship (WorldSkills format) in Krasnodar at the Corporate Energy Institute for Continuing Education
- Prevention of unauthorised electricity consumption and electrical equipment theft (over 180 press releases published on the official corporate website of Rosseti Kuban; seven TV spots went on air, more than 20 messages were aired on Kuban TV channels and radio stations; about 1,500 highlights for these problems can be found in online media, and five round tables concerning the relevant topics were held)
- Prevention of children's electrical injuries (more than 1.2 thousand references in the mass media)
- Prevention of illegal replacement of electricity metering devices by third-party organisations in the area of responsibility of Rosseti Kuban (about 140 materials were published in the mass media and social media)
- Prevention of illegal placement of FOCLs on overhead power line poles within the Company's remit
- PR support for socially oriented "Labourer" projects (85 articles published on the corporate website, 22 articles in printed media, and 120 reprints at the Internet resources)

In 2021, the Company continued to work on populating the content and improving the structure of the corporate website. The technical upgrade of the website was undertaken to comply with the standards for proper obligatory and voluntary disclosure of information in a timely manner, to maintain the best level of transparency.

## BEST PRESS SERVICE IN THE REGION

The Press Service of Rosseti Kuban was recognised as the best one on a regional level, following the results of the regional stage of the Sixth All-Russian MediaTEK Competition of media, press services of fuel & energy complex and the regional administrations. Also, the employees of the External Communications vertical line won the "Popularisation of the Fuel and Energy Sector Occupations" nomination and took the second prize in the "Safe Energy" nomination. The Company's project "Safe Energy for the Children of Kuban" was among the winners of the prestigious "Press Service of the Year" international competition. The award ceremony was held in Moscow in May 2021.



## CONGRESS AND EXHIBITION ACTIVITIES

Amid the lock-down conditions imposed due to the spread of the COVID-19 coronavirus infection, many congress and exhibition events in 2021 were cancelled or conducted in online mode.

In October 2021, Boris Ebzeev, Acting General Director of Rosseti Kuban, took part in the "Russian Energy Week 2021" international forum. Rosseti Kuban and the Research and JSC Radio

and Microelectronics Production Company concluded a strategic cooperation agreement during this forum to initiate the pilot operation of new Russian-made high-tech equipment at power grid facilities.

# PROCUREMENT

ROSSETI KUBAN 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 ARTICLE OF ASSOCIATION, AND THE UNIFIED PROCUREMENT STANDARD OF ROSSETI PJSC<sup>1</sup> (PROCUREMENT REGULATION) (HEREINAFTER – THE STANDARD).

The Company's collegial working body for the development and implementation of unified procurement policy, ensuring 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 choosing contractors based on the results of regulated procedures is the Central Tender Commission.

Procurement principles:

- Information transparency of procurement
- 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 laws governing the arrangement of procurement activities, as well as anti-corruption laws, 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 above internal Company's documents.

## PROCUREMENT METHODS USED BY THE COMPANY (IN DESCENDING ORDER OF IMPORTANCE)

### COMPETITIVE PROCUREMENTS

- Tender, auction
- Requests for offers, requests for quotations
- Competitive pre-selection
- Request for prices based on the results of competitive pre-selection

### NON-COMPETITIVE PROCUREMENTS

- Preliminary selection
- Request for prices based on the results of competitive pre-selection
- Price comparison
- Purchase from a single supplier (contractor)
- Procurement through participation in procedures arranged by product sellers

<sup>1</sup> The Standard was approved as an internal document by the resolution of the Board of Directors dated 29 December 2018 (Minutes No. 327/2018) and put into effect by PJSC Kubanenergo's Order No. 47 dated 18 January 2019. Following the resolution of the Board of Directors dated 1 July 2021 (Minutes No. 438/2021), the Company signed on to the Standard approved by the resolution of the Board of Directors of Rosseti (Minutes No. 462 dated 28 June 2021).

## PARTICIPATION OF SMES IN PROCUREMENTS BY ROSSETI KUBAN, PJSC

Since 2014 on, the Company and SMEs have been engaged in the Partnership Programme under the implementation of the roadmap for cooperation with SMEs. In 2018, Rosseti Kuban joined the Partnership Programme between Rosseti Group and SMEs (Order No. 231 dated 6 March 2018), under which the Unified Register of Partnership Programme Participants was created. In this way, a SME becomes a partner for all subsidiaries and affiliates of PJSC Rosseti.

Since 2014, the Company also has an advisory body to address the efficiency of procurement, including purchases from SMEs; this body, along with the Company's employees, includes representatives of JSC SME Corporation, the Fund for Infrastructure and Educational Programmes, regional offices of the Russian Union of Industrialists and Entrepreneurs, the Opora Russia All-Russian Non-Governmental Organisation of SME, the Delovaya Rossiya All-Russian Public Organisation, and the Chamber of Commerce.

## KEY RESULTS OF THE COMPANY'S PROCUREMENT ACTIVITIES IN 2021

In 2021, the Company summarised 806 procurement procedures totalling RUB 22,944.0 mn. Using electronic commerce means, 704 purchases were made for RUB 21,701.0 mn, which was 100% of the total purchases (excluding purchases from a single supplier).

As a result of regulated procurements in the reporting year, the Company gained an economic effect of RUB 788.0 mn, which was 3.3 % of the total planned annual expenditures for the purchase of goods, work, and services<sup>1</sup>.

The results of 12 purchases of innovative and high-tech products totalling RUB 1,646.5 mn were summed up as of the end of 2021.

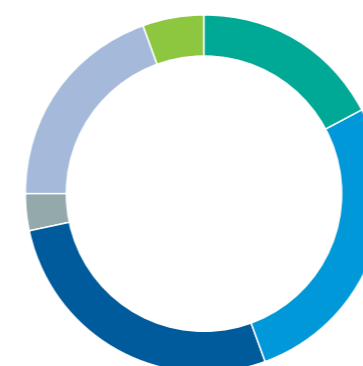
23 RUB BN

THE VOLUME OF THE COMPANY'S PROCUREMENTS IN 2021

82%

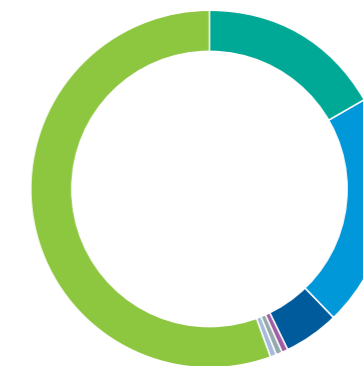
SHARE OF SME PROCUREMENTS

### STRUCTURE OF THE COMPANY'S PURCHASES IN 2021 BY METHOD (RUB MN)



- 3,980 Online tender (64 purchases)
- 6,234 Online auction (9 purchases)
- 6,262 Online invitation for proposal (115 purchases)
- 0 Pre-selection (3 purchases)
- 750 Request for prices based on the results of competitive pre-selection (278 purchases)
- 4,472 Purchase from a single supplier based on the results of failed competitive procedures (235 purchases)
- 1,242 Purchase from a single supplier (102 purchases)

### THE COMPANY'S PROCUREMENT STRUCTURE BY ACTIVITIES (RUB MN)



- 3,912 New construction and expansion of power grid facilities (166 purchases)
- 4,847 Retrofitting and renovation of power grid facilities (333 purchases)
- 1,144 Energy repair production (64 purchases)
- 147 IT procurements (24 purchases)
- 69 R&D (2 purchases)
- 4 Consulting services (2 purchases)
- 12,817 Other purchases (215 purchases)

<sup>1</sup> This indicator takes into account framework agreements for which the difference between the marginal initial contract price and the winning price is zero; their share in the total number of contracts concluded as a result of the procurement procedures was 27%.



**PROCUREMENT PERFORMANCE OF THE COMPANY FOR 2019–2021 (%)**

| Indicator   | Period |      |      |
|---|--------|------|------|
|   | 2019   | 2020 | 2021 |
| Share of open procurement procedures in total procurement volume  | 98.6   | 98.1 | 97.2 |
| Share of procedures carried out using e-commerce means (electronic trading platforms) in the total volume of purchases (excluding purchases from a single supplier) | 100    | 100  | 100  |
| Amount of savings achieved  | 11.3   | 10.6 | 3.3  |
| Share of SME procurements   | 88.9   | 91.7 | 82.2 |
| Share of purchases among SMEs only  | 48.4   | 29.2 | 19.9 |

## 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 bidding procedures
- Introducing mandatory actions to reduce prices of procurement participants (rebidding, 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



# 84.4%

OVERALL ESTIMATION OF THE COMPANY'S CORPORATE GOVERNANCE FOR 2020/2021 CORPORATE YEAR

# 61%

OF PRINCIPLES AND RECOMMENDATIONS OF THE BANK OF RUSSIA'S CORPORATE GOVERNANCE CODE WERE COMPLIED WITH IN 2021 (54% — A YEAR EARLIER)

## CORPORATE GOVERNANCE

THE COMPANY IMPROVES TRANSPARENCY AND CORPORATE GOVERNANCE AND FOLLOWS BEST PRACTICES AND GUIDELINES IN THIS AREA TO FULLY ENSURE AND PROTECT THE RIGHTS AND INTERESTS OF SHAREHOLDERS AND INVESTORS.



“

The Company's established corporate governance model is a well-functioning system, which is one of the foundations of the Company's sustainable development and provides a balance of interests between all stakeholders”.

**Yulia Galinova**

Deputy General Director for Corporate Governance, Rosseti Kuban, PJSC

# 22.5

RUB bn

CAPITALISATION OF THE COMPANY AS AT THE END OF 2021

# MEMORANDUM OF THE CONTROLLING SHAREHOLDER – ROSSETI, PJSC ON CONTROLLED POWER GRID COMPANIES

## PURPOSE OF OWNERSHIP AND PLANS FOR CONTROLLED SHAREHOLDINGS

Rosseti, PJSC is a public holding company with a state stake of 88.04% in the authorised capital. The Company was established under Presidential Decree No. 1567 dated 22 November 2012 to improve the efficiency and development of the power grid complex of the Russian Federation and to coordinate works on the management of this complex through subsidiaries and affiliates (S&As).

PJSC Rosseti owns controlling stakes in 14 key distribution grid companies<sup>1,2</sup> and main power grid company PJSC FGC UES.

Rosseti, PJSC considers these controlled shareholdings to be strategic assets which are not planned to be disposed of.

## KEY ASSETS-RELATED OBJECTIVES

The key objective of Rosseti in managing these subsidiaries, according to the Development Strategy of Rosseti Group until 2030 approved by the Board of Directors of Rosseti (Minutes No. 388 dated 26 December 2019), is to develop the electric grid sector based on advanced innovative technologies to meet the needs of consumers and the Russian economy.

Rosseti, PJSC defined the strategic development priorities for the companies of the Group:

- Ensuring a reliable, high quality and affordable electricity supply and contributing to the energy security of the Russian Federation
- Ensuring further improvements in the efficiency of the core business, including through digitalisation and innovation
- 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
- Implementing the sustainable development principles

<sup>1</sup> PJSC Rosseti Kuban, PJSC Rosseti Lenenergo, PJSC Rosseti Moscow Region, PJSC Rosseti Volga, PJSC Rosseti North-West, PJSC Rosseti Northern Caucasus, PJSC Rosseti Siberia, OJSC IDGC of Urals, PJSC Rosseti Centre, PJSC Rosseti Centre and Volga region, PJSC Rosseti South, PJSC TDC, JSC Rosseti Tyumen, and JSC Yantarenergo.

<sup>2</sup> OJSC IDGC of Urals renders services under Rosseti Urals brand. PJSC TDC renders services under Rosseti Tomsk brand. JSC Yantarenergo renders services under Rosseti Yantar brand. PJSC FGC UES renders services under Rosseti FGC UES brand.

## PRINCIPLES OF CORPORATE GOVERNANCE AT ROSSETI, PJSC

PJSC Rosseti manages the companies of the Group in accordance with unified corporate standards aimed at ensuring the efficiency of business processes and quality control. As a controlling shareholder, Rosseti is fully aware of the importance of improving corporate governance in Group's 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 makes sure that every year the number of independent directors on the boards of directors of Group's publicly traded companies is sufficient to comply with listing rules and corporate governance principles. To ensure the independence and objectivity of the 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 Group's companies and supports their initiatives to protect the rights and interests of minority shareholders.

Pursuant to Order of the Government of the Russian Federation No. 1094-r dated 29 May 2017, Rosseti undertakes to ensure that at least 50% of net profit determined according to financial statements, including consolidated profits prepared under international financial reporting standards, is allocated to dividend payments on shares of Group's companies, subject to the net profit adjustment stipulated in the above order of the Government of the Russian Federation.



# PRINCIPLES AND OBJECTIVES OF CORPORATE GOVERNANCE OF ROSSETI KUBAN, PJSC

## OBJECTIVES OF THE COMPANY'S CORPORATE GOVERNANCE

Respect for the rights and interests of shareholders

Increase in shareholder value and investment appeal

Earning of profit from operations

Effective management of owned assets

## CORPORATE GOVERNANCE PRINCIPLES

### Accountability

In accordance with Russian laws, the Bank of Russia's Corporate Governance Code approved on 21 March 2014 by 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

### 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

### 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

### Responsibility

The Company acknowledges and ensures the rights of its shareholders and all stakeholders stipulated by the legislation of the Russian Federation



## KEY CORPORATE GOVERNANCE DOCUMENTS IN THE COMPANY

- Articles of Association
- Provisions regulating the activities of the Company's management bodies (General Meeting of Shareholders, Board of Directors, Management Board)
- Regulations on the committees under the Board of Directors
- Methodology of assessment of the performance of the Board of Directors and committees thereunder
- Corporate Governance Code
- Regulation on the Dividend Policy
- Regulations on insider information and information policy
- Regulations on the Corporate Secretary of the Company
- Protocol for coordination between the Company with business entities, shares (interests) of which are owned by Rosseti Kuban, PJSC, etc.

## POLICIES REGULATING THE MAIN BUSINESS PROCESSES OF THE COMPANY

- Anti-corruption policy
- Internal audit policy
- Internal control policy
- Risk management policy
- Environmental policy
- Code of Corporate Ethics and Conduct of Employees, etc.

For more details on the documents, please visit the Company's website

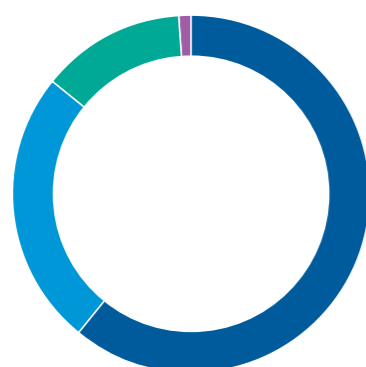
The Company has a Corporate Governance Code in place in order to ensure and protect the rights and interests of all shareholders of the Company, to improve corporate governance practices, to ensure transparency of the Company's management efficiency and to confirm its commitment to following the recommendations and advanced principles of corporate governance<sup>1</sup>.

Rosseti Kuban abides by the principles and recommendations of the Corporate Governance Code of the Bank of Russia as well. The report on the Company's compliance thereof in 2021 is available in [Appendix 1](#). The Board of Directors

certifies that all report contains complete and accurate information on the Company's compliance with the principles and recommendations of the Corporate Governance Code of the Bank of Russia.

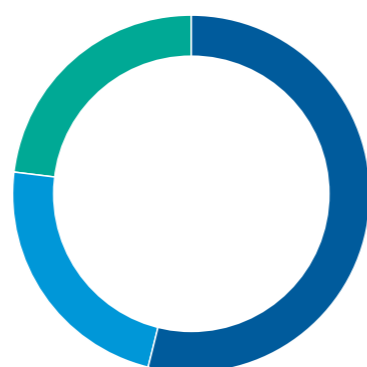
The Company's compliance with the principles and recommendations of the Bank of Russia's Corporate Governance Code improved in the reporting year compared to the previous one.

### COMPLIANCE OF THE COMPANY WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE OF THE BANK OF RUSSIA IN 2021 (%)



- 61 Complied with
- 25 Partially complied with
- 13 Not complied with
- 1 Not evaluated

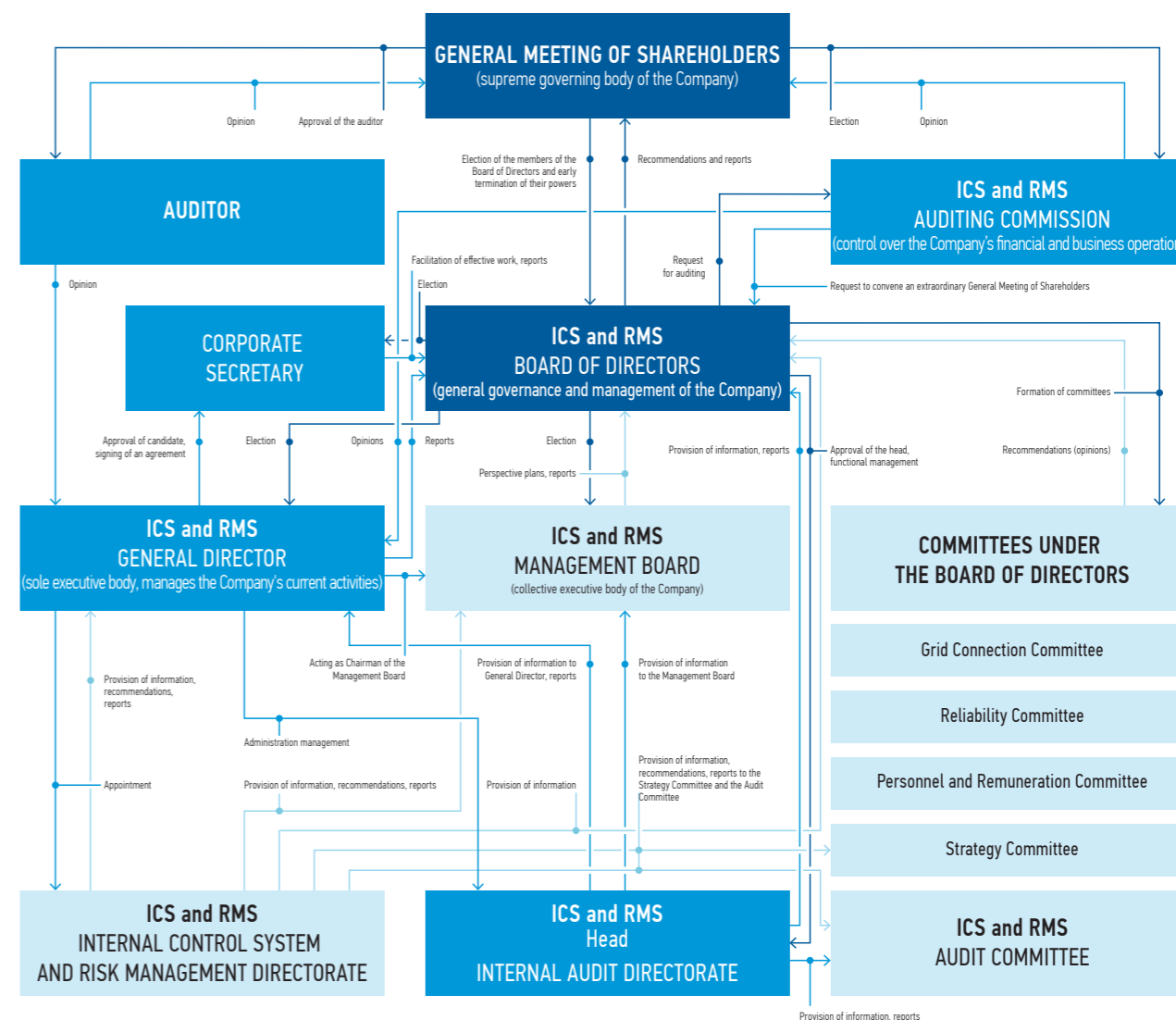
### COMPLIANCE OF THE COMPANY WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE OF THE BANK OF RUSSIA IN 2020 (%)



- 54 Complied with
- 23 Partially complied with
- 23 Not complied with

<sup>1</sup> 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).

## SCHEME OF CORPORATE GOVERNANCE AT ROSSETI KUBAN, PJSC



The ICS and RMS are the main actors in the internal control and risk management system.

## ENHANCING CORPORATE GOVERNANCE IN 2021

The Company continued to improve its corporate governance framework in the reporting year.

The annual General Meeting of Shareholders approved a new version of Rosseti Kuban's Articles of Association, which took into account certain recommendations of the Corporate Governance Code of the Bank of Russia and expanded the competence of the Board of Directors in terms of decision-making on prevention, identification and settlement of internal conflicts between the Company's bodies, shareholders and employees. The regulations on the General Meeting of Shareholders, the Board of Directors and the Management Board were revised and approved.

In 2021, due to the difficult epidemiological situation, subject to the provisions of Federal Law No. 17-FZ dated 24 February 2021 on Amendments to the Federal Law on International Companies and International Funds and the suspension of certain provisions of the Federal Law "On Joint Stock Companies" and the Federal Law "On Limited Liability Companies", the Company held its annual General Meeting by absentee vote, with shareholders being given the opportunity to vote by filling in the electronic ballot form on the official website of the registrar – JSC IRC – R.O.S.T.

The following documents were updated and approved as amended by the Board of Directors of the Company:

- Corporate Governance Code of Rosseti Kuban, PJSC (in order to bring it in line with the requirements of the Corporate Governance Code of the Bank of Russia, the Listing Rules of the Moscow Exchange and generally accepted corporate governance principles)
- Internal Audit Policy (to bring it in line with the requirements of the Corporate Governance Code of the Bank of Russia)
- Risk Management Policy (to bring it in line with the standards set out in the COSO Framework for Enterprise Risk Management. Integration with Strategy and Performance, national standard GOST R ISO 31000-2019 Risk Management. Principles and Guidelines approved by Rosstandart Order No. 1379-st dated 10 December 2019 "On Approval of the National Standard of the Russian Federation", International Standard ISO 31000-2018 Risk Management – Guidance

A total of 177 corporate events were held in 2021, including:

- 4 meetings of shareholders
- 47 meetings of the Board of Directors
- 83 meetings of committees under the Board of Directors
- 43 meetings of the Management Board

## PLANS TO IMPROVE CORPORATE GOVERNANCE FOR 2022

In 2022, the Company will keep on working on the improvement of the corporate governance, based on analysis of the best corporate governance practices, as well as the results of the corporate governance assessment by the internal audit and planned assessment (self-assessment) of the operation of the Board of Directors and its committees, including:

- Updating 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
- Ensuring that the Company's activities comply with the requirements of internal documents and conducting the necessary corporate procedures

- Conducting the self-assessment of the performance efficiency of the Board of Directors and its committees
- Planning and delivering the corrective action plans based on the results of the corporate governance assessment carried out by the internal audit function
- Supervising the timely and proper implementation of decisions of the Company's governing bodies
- Disclosing information about the Company in full and timely manner as required the laws on joint stock companies and the stock market

## CORPORATE GOVERNANCE ASSESSMENT

The Company carries out the annual self-assessment of the corporate governance level in order to provide the Board of Directors of the Company, the Board's Audit Committee and the executive bodies of the Company with objective and independent information on the current state of corporate governance and its efficiency, as well as to develop recommendations to improve the same.

In the reporting year, the Company's internal audit conducted an assessment of corporate governance at the end of the 2020/2021 corporate year concerning 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 employed the Company's methodology, which corresponds to the standard corporate governance assessment method adopted at Rosseti's S&As.

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 2020/2021 CORPORATE YEAR BY THE INTERNAL AUDIT

| Component  | Maximum score | For the 2020/2021 corporate year |  | Reference: compliance with the established criteria in 2019/2020 corporate year (%) | Reference: compliance with the established criteria in 2018/2019 corporate year (%) |
|--|---------------|----------------------------------|--|---|---|
|  |               | The Company's score              | Compliance with the established criteria (%) |   |   |
| Shareholders' rights   | 71            | 67                               | 94.4   | 93  | 89  |
| Board of Directors   | 154           | 119.5                            | 77.6   | 74  | 63  |
| Executive management   | 40            | 22                               | 55.0   | 85  | 85  |
| Transparency and disclosures                                     | 130           | 112                              | 86.2   | 82  | 82  |
| Risk management, internal control, and internal audit            | 63            | 61                               | 96.8   | 97  | 95  |
| Corporate social responsibility, business ethics, and compliance | 31            | 31                               | 100.0  | 100   | 87  |
| Total score  | 489           | 412.5                            | 84.4   | 84  | 79  |

# GENERAL MEETING OF SHAREHOLDERS

THE GENERAL MEETING OF SHAREHOLDERS IS A SUPREME GOVERNING 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 powers of the General Meeting of Shareholders are determined by the Federal Law "On Joint Stock Companies" and the Articles of Associations of the Company.

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.

[The resolutions of the General Meeting of Shareholders are available on the Company's website](#)

## GENERAL MEETINGS OF SHAREHOLDERS IN 2021

| Date of the General Meeting of Shareholders | Date and Minutes No. of the General Meeting of Shareholders | Quorum of the General Meeting of Shareholders (% of total number of outstanding voting shares) | Key resolutions made by the General Meeting of Shareholders  |
|---|---|--|--|
| 24 February 2021                            | 26 February No. 44  | 93.44 for all agenda items   | <ul style="list-style-type: none"> <li>To increase the authorised capital of Rosseti Kuban, PJSC by placing 69,583,132 additional shares</li> <li>To early terminate the powers of the members of the Internal Auditing Commission of the Company</li> <li>To elect members of the Company's Auditing Commission</li> </ul>  |
| 3 June 2021                                 | 4 June 2021 No. 45  | 93.44 for all agenda items   | <ul style="list-style-type: none"> <li>To approve the annual report and the annual accounting statements of the Company for 2020</li> <li>To approve the distribution of the Company's profit (loss) for 2020</li> <li>Not to pay dividends on the Company's ordinary shares at the end of 2020 due to the loss incurred</li> <li>To elect members to the Company's Board of Directors and the Auditing Commission</li> <li>To approve LLC Ernst &amp; Young as the Company's auditor</li> <li>To approve a new revision of the Company's Articles of Association</li> <li>To approve a new revision of the Regulations on the General Meeting of Shareholders of the Company</li> </ul> |

| Date of the General Meeting of Shareholders | Date and Minutes No. of the General Meeting of Shareholders | Quorum of the General Meeting of Shareholders (% of total number of outstanding voting shares) | Key resolutions made by the General Meeting of Shareholders   |
|---|---|--|---|
| 31 August 2021                              | 2 September 2021 No. 46                                     | 93.44 for all agenda items   | <ul style="list-style-type: none"> <li>To early terminate the powers of all members of the Board of Directors of the Company</li> <li>To elect members of the Board of Directors</li> </ul> |
| 30 December 2021                            | 12 January 2022 No. 47                                      | 93.56 for all agenda items   | <ul style="list-style-type: none"> <li>To early terminate the powers of all members of the Board of Directors of the Company</li> <li>To elect members of the Board of Directors</li> </ul> |

As required by Russian laws and in order to prevent the spread of coronavirus infection, the General Meetings of Shareholders in 2021 were held by absentee voting.

- On 30 June 2021, the new version of the Company's Articles of Association underwent official registration.

The resolutions of these General Meeting of Shareholders to be enforced were accomplished.

- The additional issue was officially registered and listing prospectus was registered on 1 April 2021; the issue of additional shares is in progress.
- An agreement with LLC Ernst & Young to audit the RAS and IFRS financial statements for 2021 was signed and is being fulfilled.

Given the rotation of the members of the Board of Directors and the Auditing Commission, the extraordinary General Meetings of Shareholders decided to early terminate the powers of the Board of Directors and the Auditing Commission and to elect new members of the Board of Directors and the Auditing Commission.



# BOARD OF DIRECTORS

THE BOARD OF DIRECTORS IS A COLLEGIAL MANAGEMENT BODY RESPONSIBLE FOR GENERAL MANAGEMENT OF THE COMPANY'S ACTIVITIES, DEFINING ITS STRATEGY, SUPERVISING THE ACTIVITIES OF THE COMPANY'S EXECUTIVE BODIES, AS WELL AS EXECUTION OF DECISIONS OF THE GENERAL MEETING OF SHAREHOLDERS AND SECURING THE LEGITIMATE INTERESTS OF ROSSETI KUBAN'S SHAREHOLDERS.

Main goals and objectives of the Board of Directors:

- Defining the development strategy of the Company, which is aimed to enhance its market value and investment attractiveness, to receive maximum profits, and expand corporate assets
- Providing the exercise and protection of the rights and legitimate interests of the shareholders, as well as assisting in corporate conflict resolution
- Providing for full, reliable and objective disclosure of the Company's information to shareholders and other parties concerned
- Establishing effective internal control mechanisms
- Conducting 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 shall 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 shall not be restricted
- The interests of various shareholder groups shall 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 the 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 Directors<sup>1</sup>.

According to the Articles of Association of Rosseti Kuban, the competence 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 Board members in 2021 amounted to RUB 9.3 mn.

## MEMBERSHIP OF THE BOARD OF DIRECTORS

Eleven members of the Board of Directors<sup>2</sup> shall be elected by the General Meeting of the Company Shareholders and shall remain in the office until the next annual General Meeting of Shareholders. If the Board of Directors is elected at an extraordinary General Meeting of Shareholders, its members shall remain in office up to the next annual General Meeting of Shareholders.

Directors elected to the Board of Directors to the first time are provided with an opportunity to get an insight into the Company's strategy, corporate governance system,

risk management and internal control system, distribution of duties between the executive bodies of the Company and other important information on production and financial and business activities of the Company.

During the reporting year, there were four compositions of the Company's Board of Directors, two of which were elected by resolutions of the annual General Meetings of Shareholders in 2020 and 2021 and two – by resolutions of extraordinary General Meetings of Shareholders in the reporting year.

### THE CURRENT BOARD OF DIRECTORS (ELECTED AT THE EXTRAORDINARY GENERAL MEETING OF THE COMPANY ON 30 DECEMBER 2021)<sup>1</sup>

#### Daniil Krainskiy

Chairman of the Board of Directors, Non-Executive Director<sup>2</sup>

|   |  |
|---|--|
| <b>Year of birth</b>  | 1979   |
| <b>Education</b>  | Higher. Graduated from Moscow State Law Academy, majoring in Jurisprudence, lawyer   |
| <b>Work experience for the last five years</b>                    |  |
| 2011–2017   | First Deputy General Director of JSC United Energy Company   |
| 2017 – present time   | Deputy General Director for Legal Support of Rosseti, PJSC (primary place of employment)   |
| 2018 – present time   | Advisor to the General Director, member of the Board of Directors of Rosseti Lenenergo, PJSC<br>Chairman of the Board of Directors of JSC Lenenergo Energy Service Company   |
| 2019 – present time   | Member of the Management Board of Rosseti Lenenergo, PJSC  |
| 2020 – present time   | Deputy General Director for Legal Support (part-time), PJSC FGC UES<br>Member of the Board of Directors at PJSC Rosseti Northern Caucasus, PJSC Rosseti Centre, PJSC Rosseti Siberia, OJSC IDGC of Urals and PJSC Rosseti Moscow Region.<br>Member of the Board of Directors and the Management Board of the managing organisation (PJSC Rosseti Lenenergo) of LLC Energotrans |
| 2021 – present time   | Chairman (member) of the Boards of Directors of PJSC TDC, JSC Tyvaenergo, PJSC Rosseti Volga, PJSC Rosseti North-West, PJSC Rosseti South, JSC STC UES, JSC Rosseti Tyumen, JSC Yantarenergo, JSC VOLS-VL Management, and JSC STC FGC UES.<br>Member of the Strategy Committee of the Board of Directors of Rosseti Kuban, PJSC  |
| 2022 – present time   | Member of the Management Board of Rosseti, PJSC<br>Member of the Board of Directors of JSC ECMC UES  |
| <b>Period of service on the Board of Directors of the Company</b> | Since 3 June 2021 to the present time  |

#### Grigory Gladkovskiy

Non-Executive Director

|  |   |
|--|---|
| <b>Year of birth</b>                           | 1984  |
| <b>Education</b>                               | Higher. Graduated from the Moscow State Institute of International Relations, majoring in Finance and Credit, international economist with knowledge of foreign languages |
| <b>Work experience for the last five years</b> |   |
| 2016–2018                                      | Head of the Digital Platform Division of PJSC Sberbank  |
| 2018–2019                                      | Advisor to the Director General of JSC UEC  |
| 2019 – present time                            | Deputy Chief Engineer of Rosseti, PJSC (primary place of employment)  |

<sup>1</sup> The Regulation on the Board of Directors of Rosseti Kuban, PJSC is published on the Company's website in the About the Company / Constituent and Internal Documents section.

<sup>2</sup> Consent to the disclosure of personal information set out in the Corporate Governance section was obtained from all persons who are or were members of the Company's management and control bodies, except for Vasily Varseev and Alexey Polinov, information about whom was taken from publicly available sources of information.

<sup>1</sup> The statements of experience of the Board of Directors' members state only the latest positions in each of the place of employment. All of the positions held by the Board of Directors' members can be found in quarterly reports of the Issuer (Issuer's reports) published on the Company's website in the For Shareholders and Investors / Information Disclosure / Reports of the Equity Issuer section.

Information on the place of employment of the Board of Directors' members and the positions they hold are given in accordance with the data provided to the Company by them at the end of the reporting year. The Company understands "the present time" as 31 December 2021.

<sup>2</sup> The status of the Board members (executive, non-executive, independent) is defined by the criteria of the Corporate Governance Code.



|   |   |
|---|---|
| 2019 – present time   | Member of the Board of Directors of JSC Operator of APCS  |
| 2020 – present time   | Chairman of the Boards of Directors of JSC NWEUK, JSC FTC<br>Member of the Boards of Directors of JSC ENIN, JSC STC FGC UES |
| <b>Period of service on the Board of Directors of the Company</b> | Since 3 June 2021 to the present time   |

**Yuri Goncharov**

Non-Executive Director

|   |  |
|---|--|
| <b>Year of birth</b>  | 1977   |
| <b>Education</b>  | Higher. Graduated: <ul style="list-style-type: none"> <li>Moscow State Mining University, majoring in Management, Master's Degree in Management</li> <li>Moscow Institute of Economics, Politics and Law, majoring in Jurisprudence, Bachelor of Jurisprudence</li> </ul>  |
| <b>Work experience for the last five years</b>                    |  |
| 2013 – present time   | Chief Adviser for Rosseti, PJSC (primary place of employment)  |
| 2012–2017   | Member of the Board of Directors of JSC Yantarenergo   |
| 2014 – present time   | Member of the Boards of Directors of JSC Rosseti Tyumen and OJSC IDGC of Urals   |
| 2017–2019   | Member of the Board of Directors of PJSC IDGC of Siberia   |
| 2018–2019   | Member of the Board of Directors of PJSC MOESK   |
| 2020–2020   | Member of Audit Committee of the Board of Directors of OJSC IDGC of Urals  |
| 2020 – present time   | Member of the Boards of Directors of PJSC Rosseti Northern Caucasus, PJSC Rosseti Centre and Volga region, PJSC Rosseti North-West.<br>Member of the Strategy Committee of the Board of Directors of OJSC IDGC of Urals.<br>Chairman of the Audit Committee, member of the Strategy Committee of the Board of Directors of PJSC Rosseti Northern Caucasus.<br>Member of the Strategy Committee, Chairman of the Personnel and Remuneration Committee of the Board of Directors of PJSC Rosseti Centre and Volga region |
| 2020–2021   | Chairman of the Personnel and Remuneration Committee of the Board of Directors of PJSC Rosseti North-West.<br>Member of the Board of Directors, member of the Personnel and Remuneration Committee, Deputy Chairman of the Audit Committee of the Board of Directors of PJSC Rosseti Lenenergo   |
| 2021 – present time   | Member of the Boards of Directors of PJSC Rosseti Volga, PJSC Rosseti Centre   |
| 2022 – present time   | Member of the Board of Directors of JSC NWEUK  |
| <b>Period of service on the Board of Directors of the Company</b> | Since 31 August 2021 to the present time   |

**Alexander Kazakov**

Non-Executive Director

|   |   |
|---|---|
| <b>Year of birth</b>  | 1948  |
| <b>Education</b>  | Higher. Graduated Moscow Engineering and Economic Institute named after S. Ordzhonikidze, majoring in Economics, engineer-economist.<br>Holds a doctorate degree in Economics |
| <b>Work experience for the last five years</b>                    |   |
| 2011–2019   | Chairman of the Board of Directors of OJSC DVEUK  |
| 2018–2021   | Chairman, member of the Board of Directors of PJSC IDGC of Centre   |
| 2018 – present time   | Chairman, member of the Board of Directors of PJSC Rosseti Centre and Volga region  |
| 2020–2021   | Member of the Board of Directors of PJSC Rosseti Volga  |
| 2021 – present time   | Member of the Board of Directors of PJSC Rosseti South  |
| 2021–2021   | Member of the Audit Committee under the Board of Directors of PJSC Rosseti Kuban  |
| 2021–2022   | Chairman of the Personnel and Remuneration Committee of PJSC Rosseti Kuban  |
| <b>Period of service on the Board of Directors of the Company</b> | Since 3 June 2021 to the present time   |

**Madina Kaloeva**

Non-Executive Director

|   |   |
|---|---|
| <b>Year of birth</b>  | 1980  |
| <b>Education</b>  | Higher. Graduated from North Ossetian State University n.a. . Khengurov, majoring in Jurisprudence, lawyer  |
| <b>Work experience for the last five years</b>                    |   |
| 2013 – present time   | Director for Corporate Governance – Head of Corporate Governance Department of PJSC FGC UES (primary place of employment)   |
| 2020 – present time   | Director for Corporate Governance – Head of Corporate Governance Department of PJSC Rosseti (part-time)   |
| 2014 – present time   | Member of the Supervisory Board of JSC UES SakRusenergo.<br>Member of the Board of Directors of JSC MTCES   |
| 2014–2021   | Member of the Board of Directors of LLC FGC UES Power Index   |
| 2015–2021   | Member of the Board of Directors of LLC FGC – Asset Management  |
| 2017 – present time   | Member of the Board of Directors of JSC Energy Forecasting Agency   |
| 2019 – present time   | Member of the Board of Directors of LLC IT Energy Services  |
| 2021 – present time   | Member of the Boards of Directors of PJSC Rosseti Centre and Volga region, JSC STC UES, JSC VOLLS-VL Management, JSC TCC, JSC ENIN.<br>Chairman of the Board of Directors of JSC Kuban Main Grids |
| 2021–2021   | Member of the Board of Directors of JSC DVEUK-UNPG, JSC NWEUK   |
| <b>Period of service on the Board of Directors of the Company</b> | Since 31 August 2021 to the present time  |

**Konstantin Kravchenko**

Non-Executive Director

|   |  |
|---|--|
| <b>Year of birth</b>  | 1973   |
| <b>Education</b>  | Higher. Graduated from Voronezh Polytechnic Institute, majoring in PGR Design and Technology, design & process engineer.<br>Holds a candidate degree in Technical Science  |
| <b>Work experience for the last five years</b>                    |  |
| 2012–2018   | Head of the Department of Information Technology, Automation and Telecommunications of OJSC Gazprom Neft   |
| 2018–2020   | Director of Information Technology at the Corporate Governance Centre of the Moscow representative office of Uralvagonzavod Research and Production Corporation n.a. F. Dzerzhinsky  |
| 2020–2021   | Deputy General Director for Information Technology, JSC Uralvagonzavod Concern   |
| 2021 – present time   | Chief Advisor to the General Director, acting Deputy General Director for Digital Transformation of PJSC Rosseti (primary place of employment)   |
| 2021 – present time   | Chief Advisor to the General Director, acting Deputy General Director for Digital Transformation of PJSC FGC UES (part-time).<br>Acting General Director of JSC VOLLS-VL Management.<br>Member of the Boards of Directors of JSC VOLLS-VL Management, JSC Rosseti Tyumen, JSC MTCES, LLC IT Energy Service, JSC Chitatehenergo, LLC Infrastructural Investments-3, PJSC Rosseti Siberia, PJSC Rosseti Kuban, PJSC Rosseti Centre and Volga region, JSC FTC |
| 2022 – present time   | Member of the Board of Directors of JSC NWEUK  |
| <b>Period of service on the Board of Directors of the Company</b> | Since 30 December 2021 to the present time   |

**Mikhail Medvedev**

Independent Director

|   |  |
|---|--|
| <b>Year of birth</b>  | 1969   |
| <b>Education</b>  | Higher. Graduated from Saint-Petersburg State University of Economics and Finance, majoring in Finance and Credit, economist   |
| <b>Work experience for the last five years</b>                    |  |
| 2011–2019   | Deputy General Director for LLC Intratool Holding  |
| 2015–2018   | Deputy General Director for Economics and Finance of LLC Safonovo Industrial Park  |
| 2017 – present time   | Member of the Strategy and Development Committee under the Board of Directors of JSC Tumenergo.<br>Member of the Reliability Committee of the Board of Directors of PJSC Rosseti Kuban |
| 2018 – present time   | Adviser to General Director of JSC Avangard (primary place of employment)  |
| 2019 – present time   | Member of the Strategy Committee of the Board of Directors of Rosseti Kuban, PJSC  |
| <b>Period of service on the Board of Directors of the Company</b> | Since 16 June 2017 to the present time   |

**Alexey Molskiy**

Non-Executive Director

|   |   |
|---|---|
| <b>Year of birth</b>  | 1980  |
| <b>Education</b>  | Higher. Graduated from Moscow Power Engineering Institute, majoring in Power Systems and Grids, engineer, and Economics and Management of Electric Power Enterprises, engineer-economist  |
| <b>Work experience for the last five years</b>                    |   |
| 2006–2020   | First Deputy Chairman of the Management Board of PJSC FGC UES   |
| 2016–2020   | Member of the Management Board of PJSC FGC UES  |
| 2020 – present time   | Deputy General Director for Investments, Capital Construction and Service Sales, member of the Management Board of PJSC Rosseti (part-time)   |
| 2020 – present time   | Deputy General Director for Investments, Capital Construction and Service Sales of PJSC FGC UES (primary place of employment)   |
| 2014 – present time   | Chairman of the Supervisory Board of JSC UES SakRusenergo   |
| 2015–2017   | Chairman and President of SRO Union Energostroy   |
| 2016–2017   | Chairman of the Board of Directors of JSC ECOMC UES, JSC Energy Forecasting Agency, JSC Kuban Main Grids, JSC Tomsk Main Grids  |
| 2016 – present time   | Member of the Board of Directors of JSC TaigaEnergoStroy  |
| 2019 – present time   | Chairman, member of the Board of Directors of JSC ECOMC UES. Chairman, member of the Board of Directors of OJSC Tomsk Main Grids  |
| 2019–2020   | Chairman of the Board of Directors for JSC Energosetproekt  |
| 2020 – present time   | Member of the Presidium of the CIGRE RNC.<br>Member of the Board of Directors of PJSC Rosseti Moscow Region   |
| 2021 – present time   | Member of the Boards of Directors of PJSC TDC, JSC Tyvaenergo, PJSC Rosseti Volga, PJSC Rosseti North-West, PJSC Rosseti Northern Caucasus, PJSC Rosseti Centre, PJSC Rosseti Siberia, JSC Rosseti Tyumen, JSC TCC, PJSC Rosseti South, JSC VOLLS-VL Management |
| 2020 – present time   | Chairman of the Grid Connection Committee of the Board of Directors of PJSC Rosseti Kuban   |
| <b>Period of service on the Board of Directors of the Company</b> | Since 3 June 2021 to the present time   |

**Alexey Polinov**

Non-Executive Director

|  |  |
|--|--|
| <b>Year of birth</b>                           | 1978   |
| <b>Education</b>                               | Higher. Graduated from Moscow State Construction University, majoring in Economics and Management at the Enterprise (in construction), economist.<br>Holds a candidate degree in Economic Sciences |
| <b>Work experience for the last five years</b> |  |
| 2014–2017                                      | Deputy General Director for Development of JSC Syntez Group  |
| 2018–2018                                      | Advisor to the Director General of JSC UEC   |
| 2018 – present time                            | Adviser to PJSC Rosseti Lenenergo  |
| 2019 – present time                            | Member of the Management Board; member of the Strategy Committee of the Board of Directors of PJSC Rosseti Lenenergo   |

|   |  |
|---|--|
| 2021 – present time   | Chief Advisor to General Director of PJSC Rosseti, Acting General Director for Economics and Finance of PJSC Rosseti   |
| 2021 – present time   | Member of the Boards of Directors of PJSC Rosseti Lenenergo, PJSC Rosseti North-West, PJSC Rosseti South, PJSC Rosseti Moscow Region, PJSC Rosseti Siberia, OJSC IDGC of Urals, JSC Rosseti Tyumen, JSC Yantarenergo, LLC FSK Asset Management, JSC ECMC UES |
| <b>Period of service on the Board of Directors of the Company</b> | Since 3 June 2021 to the present time  |

### Boris Ebzeev

Executive Director

|   |  |
|---|--|
| <b>Year of birth</b>  | 1975   |
| <b>Education</b>  | Higher. Graduated from Lomonosov Moscow State University, majoring in Jurisprudence, lawyer. He holds a candidate degree in Legal Sciences |
| <b>Work experience for the last five years</b>                    |  |
| 2014 – present time   | Chairman of the Management Board, General Director of PJSC Rosseti South (primary place of employment)                                     |
| 2014–2019   | Member of the Board of Directors of JSC Donenergo  |
| 2015 – present time   | Member of the Board of Directors of PJSC Rosseti South   |
| 2018 – present time   | Chairman of the Board of Directors for JSC VMES  |
| 2021 – present time   | Chairman of the Management Board, acting General Director (part-time) of PJSC Rosseti Kuban  |
| <b>Period of service on the Board of Directors of the Company</b> | Since 31 August 2021 to the present time   |

### Viktor Yavorskiy

Independent Director

|   |  |
|---|--|
| <b>Year of birth</b>  | 1955   |
| <b>Education</b>  | Higher. Graduated from Moscow Power Engineering Institute, majoring in Automated Control Systems, system engineer            |
| <b>Work experience for the last five years</b>                    |  |
| 2002 – present time   | General Director of LLC Technology Centre  |
| 2006 – present time   | President of LLC OSBI KLASS Audit and Consulting Group (primary place of employment)   |
| 2013 – present time   | Member of Management Board Presidium for All-Russian Non-Governmental Organisation of Small and Medium Business OPORA RUSSIA |
| 2014 – present time   | General Director for LLC Tori-Audit  |
| 2015–2019   | Member of the Board of Directors of JSC Tumenenergo  |
| 2020–2021   | Chairman of the Audit Committee under the Board of Directors of PJSC Rosseti Kuban   |
| <b>Period of service on the Board of Directors of the Company</b> | Since 20 June 2019 to the present time   |

## THE BOARD OF DIRECTORS ELECTED BY THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS ON 31 AUGUST 2021 AND SITTING UNTIL A NEW BOARD OF DIRECTORS WAS ELECTED ON 30 DECEMBER 2021<sup>1</sup>

1. Daniil Krainskiy, Chairman of the Board of Directors, non-executive director.
2. Grigory Gladkovskiy, non-executive director.
3. Yuri Goncharov, non-executive director.
4. Alexander Kazakov, non-executive director.
5. Madina Kaloeva, non-executive director.
6. Mikhail Medvedev, independent director.
7. Alexey Molskiy, non-executive director.
8. Alexey Polinov, non-executive director.
9. Boris Ebzeev, executive director.
10. Viktor Yavorskiy, independent director.

Were re-elected to the Company's Board of Directors by the extraordinary General Meeting of Shareholders of PJSC Rosseti Kuban on 30 December 2021.

[For more details, please see the Current Board of Directors section \(elected at the extraordinary General Meeting of the Company's Shareholders on 30 December 2021\).](#)

### Konstantin Mikhailik

Non-Executive Director

|                      |  |
|----------------------|--|
| <b>Year of birth</b> | 1983   |
| <b>Education</b>     | Higher. Graduated: <ul style="list-style-type: none"> <li>• St. Petersburg University of the Ministry of Internal Affairs of Russia, majoring in Jurisprudence, lawyer</li> <li>• Moscow State Institute of International Relations (University) of the Ministry of Foreign Affairs of Russia, majoring in Finance and Credit, international economist with knowledge of foreign languages</li> <li>• National Research University MPEI, majoring in Electricity and Electrical Engineering</li> </ul> Holds a candidate degree in Legal Sciences<br>Supplementary vocational education: <ul style="list-style-type: none"> <li>• Institute of Management Accountants (IMA USA), Certified Management Accountants (CMA) degree</li> <li>• Association of Certified Fraud Examiners (ACFE USA), Certified Fraud Examiners degree</li> </ul> |

### Work experience for the last five years

|   |  |
|---|--|
| 2015–2018   | First Deputy General Director of PJSC IDGC of Centre   |
| 2019–2021   | Deputy General Director for Digital Transformation of PJSC Rosseti (primary place of employment)   |
| 2020–2021   | Deputy General Director for Digital Transformation of PJSC FGC UES (part-time)   |
| 2020–2020   | Member of the Board of Directors of JSC STC UES  |
| 2020–2021   | Member of the Boards of Directors of PJSC Rosseti South, JSC VOLs-VL Management, PJSC Rosseti North-West, PJSC TDC, JSC FTC, PJSC Rosseti Centre |
| 2021–2021   | Member of the Boards of Directors of PJSC Rosseti Centre and Volga region, PJSC Rosseti Siberia, JSC NWEUK                                       |
| <b>Period of service on the Board of Directors of the Company</b> | From 31 August to 30 December 2021   |

<sup>1</sup> The statements of experience of the Board of Directors' members state only the latest positions in each of the place of employment. All of the positions held by the Board of Directors members (in chronological order) can be found in quarterly reports of the Company published online on the website of Rosseti Kuban, PJSC in the For Shareholders and Investors / Information Disclosure / Reports of the Equity Issuer section. Information on the place of employment of the Board of Directors' members and the positions they hold are given in accordance with the data provided to the Company by them as at 31 August 2021.

## THE BOARD OF DIRECTORS ELECTED BY THE ANNUAL GENERAL MEETING OF SHAREHOLDERS ON 3 JUNE 2021 AND SITTING UNTIL A NEW BOARD OF DIRECTORS WAS ELECTED ON 31 AUGUST 2021<sup>1</sup>

1. Daniil Krainskiy, Chairman of the Board of Directors, non-executive director.
2. Grigory Gladkovskiy, non-executive director.
3. Alexander Kazakov, non-executive director.
4. Mikhail Medvedev, independent director.
5. Alexey Molskiy, non-executive director.
6. Alexey Polinov, non-executive director.
7. Viktor Yavorskiy, independent director.

Were re-elected to the Company's Board of Directors by the extraordinary General Meeting of Shareholders of PJSC Rosseti Kuban on 30 December 2021.

[For more details, please see the Current Board of Directors section \(elected at the extraordinary General Meeting of the Company's Shareholders on 30 December 2021\).](#)

### Natalya Ozhegina

Non-Executive Director

|   |   |
|---|---|
| <b>Year of birth</b>  | 1970  |
| <b>Education</b>  | Higher. Graduated from Krasnoyarsk State University, majoring in Jurisprudence, lawyer.<br>Holds a candidate degree in Legal Sciences<br>Supplementary education: graduated from the Diplomatic Academy of the Ministry of Foreign Affairs of the Russian Federation in 2010, majoring in International Relations.<br>In 2017, she undertook professional retraining at the National Research University Higher School of Economics on the programme of Human Resources Manager in Organisational Management. |
| <b>Work experience for the last five years</b>                    |   |
| 2009–2021   | Deputy Chairman of the Management Board for Human Resources of PJSC FGC UES   |
| 2020–2021   | Deputy General Director for Human Resources (part-time) of PJSC Rosseti   |
| 2021–2021   | Member of the Board of Directors of PJSC Rosseti South.<br>Member of the Audit Committee under the Board of Directors of PJSC Rosseti Kuban   |
| <b>Period of service on the Board of Directors of the Company</b> | From 3 June to 31 August 2021   |

### Yegor Prokhorov

Non-Executive Director

|   |  |
|---|--|
| <b>Year of birth</b>  | 1982   |
| <b>Education</b>  | Higher. Graduated from St. Petersburg State University, majoring in Mathematical Methods in Economics, mathematical economist.<br>Holds a candidate degree in Economic Sciences                  |
| <b>Work experience for the last five years</b>                    |  |
| 2013 – present time   | Deputy General Director for Strategy of PJSC Rosseti (primary place of employment)   |
| 2020 – present time   | Deputy General Director for Strategy of PJSC FGC UES (part-time)   |
| 2014–2017   | Member of the Board of Directors of PJSC IDGC of Siberia   |
| 2014–2018   | Member of the Board of Directors of PJSC Lenenergo   |
| 2015–2016   | Member of the Board of Directors of PJSC TDC   |
| 2016–2018   | Member of the Board of Directors of PJSC FTC, JSC STC UES  |
| 2016–2019   | Member of the Board of Directors of PJSC FGC UES   |
| 2017–2018   | Member of the Boards of Directors of PJSC IDGC of Volga and JSC Yantarenergo   |
| 2017–2019   | Member of the Board of Directors of JSC DVEUK  |
| 2019–2020   | Member of the Board of Directors of PJSC IDGC of Center and Volga Region   |
| 2020–2021   | Member of the Boards of Directors of PJSC Rosseti Volga, OJSC IDGC of Urals and PJSC Rosseti Northern Caucasus   |
| 2021–2021   | Member of the Boards of Directors of PJSC TDC, PJSC IDGC of Centre, JSC Rosseti Tyumen, PJSC Rosseti South.<br>Member of the Strategy Committee of the Board of Directors of Rosseti Kuban, PJSC |
| <b>Period of service on the Board of Directors of the Company</b> | From 3 June to 31 August 2021  |

### Sergey Sergeev

Non-Executive Director in this composition

|                      |   |
|----------------------|---|
| <b>Year of birth</b> | 1976  |
| <b>Education</b>     | Higher. Graduated: <ul style="list-style-type: none"> <li>• Novocherkassk State Technical University, majoring in Industrial and Civil Construction, civil engineer</li> <li>• Academy of National Economy under the Government of the Russian Federation, majoring in Economics, Management, Finance and Legal Foundations of Joint Stock Companies, economist</li> </ul> Completed the advanced training courses: <ul style="list-style-type: none"> <li>• at the Interbranch Regional Centre for Further Training and Retraining of Irkutsk State Technical University</li> <li>• at the Institute for Further Training of Fuel and Energy Company Managers and Specialists</li> <li>• at National Research University MPEI on the Bases of Modern Electrical Engineering</li> <li>• at LLC VolgaPromAudit Expert Centre</li> <li>• at Energy Institute for Advanced Training of PJSC Kubanenergo (Further Professional Education Institution) on Labour Safety Training for Managers and Specialists</li> </ul> |

<sup>1</sup> The statements of experience of the Board of Directors' members state only the latest positions in each of the place of employment. All of the positions held by the Board of Directors members (in chronological order) can be found in quarterly reports of the Company published online on the website of Rosseti Kuban, PJSC in the For Shareholders and Investors / Information Disclosure / Reports of the Equity Issuer section. Information on the place of employment of the Board of Directors' members and the positions they hold are given in accordance with the data provided to the Company by them as at 30 June 2021.

**Work experience for the last five years**

|                     |   |
|---------------------|---|
| 2013–2019           | Deputy General Director for Capital Construction of PJSC Rosseti                      |
| 2016–2020           | Member of the Board of Directors of PJSC FGC UES and PJSC Lenenergo                   |
| 2019–2020           | Member of the Board of Directors of PJSC MOESK  |
| 2019–2021           | General Director, Chairman of the Management Board of PJSC Rosseti Kuban              |
| 2021 – present time | Deputy Director General for Investments of JSC ECMC UES (primary place of employment) |

**Period of service on the Board of Directors of the Company** From 25 May 2020 to 31 August 2021

**Maria Tikhonova**

Non-Executive Director

**Year of birth** 1980

**Education** Higher. Graduated:

- Volga-Vyatka Academy of Public Administration, majoring in State and Municipal Administration
- Higher School of Economics, majoring in MBA in Finance

In 2005, she took a retraining course at the Academy of National Economy under the Government of the Russian Federation on State Management of Economic Development.  
Holds a candidate degree in Economic Sciences

**Work experience for the last five years**

|                     |  |
|---------------------|--|
| 2013 – present time | Deputy General Director for Corporate Governance of PJSC FGC UES   |
| 2013–2020           | Member of the Management Board of PJSC FGC UES   |
| 2020 – present time | Deputy General Director for Corporate Governance (part-time) of PJSC Rosseti   |
| 2018–2019           | Member of the Board of Directors of JSC DVEUK  |
| 2019–2020           | Member of the Board of Directors of JSC Electromagistral   |
| 2021 – present time | Chairman of the Board of Directors of PJSC Rosseti Siberia, JSC Tyvaenergo, PJSC TDC, member of the Board of Directors of OJSC IDGC of Urals, PJSC Rosseti Volga, JSC Yantarenergo, JSC Rosseti Tyumen, JSC STC UES, JSC DVEUK-UNPG, PJSC TNS Energo Group |

**Period of service on the Board of Directors of the Company** From 3 June to 31 August 2021

## THE BOARD OF DIRECTORS ELECTED BY THE ANNUAL GENERAL MEETING OF SHAREHOLDERS ON 29 MAY 2020 AND SITTING UNTIL A NEW BOARD OF DIRECTORS WAS ELECTED ON 3 JUNE 2021

**Alexander Gavrilov**

Chairman of the Board of Directors, Non-Executive Director

**Year of birth** 1973

**Education** Higher. Graduated:

- Kuban State University, majoring in Accounting and Audit, economist
- Kuban State University of Technology, majoring in Development and Exploitation of Oil and Gas Fields, engineer

Completed the advanced training courses:

- in Risk Management at LLC Ernst&Young
- in Organising the Mobilisation in Fuel and Energy Companies with Mobilisation Assignments at FSAEI FVE IPK TEK
- in Safety Knowledge Training and Assessment for Managers and Specialists at Federal State Budget Institution "Learning and Training Centre" of Rostechndzor
- in First Aid for Workplace Accidents at LLC International Education Academy
- in Training of Chairmen and Members of Committees on Prevention and Control of Emergencies and Fire Safety Arrangements in Civil Defence and Unified State Warning System and Emergency Recovery at Energy Institute for Advanced Training Further Professional Education Institution of PJSC Kubanenergo

Participated in training programmes on the Strategy and Tactics in the Age of Digitalisation in the Electric Power Industry at ANO Innopolis University.  
Holds a doctorate degree in Economics

**Work experience for the last five years**

|           |  |
|-----------|--|
| 2013–2019 | General Director, Chairman of the Management Board of PJSC Kubanenergo |
| 2014–2019 | Member of the Board of Directors of PJSC Kubanenergo                   |
| 2019–2021 | Chairman of the Board of Directors of PJSC Rosseti Kuban               |

**Period of service on the Board of Directors of the Company** From 23 June 2014 to 3 June 2021

**Igor Alyushenko**

Non-Executive Director

|   |   |
|---|---|
| <b>Year of birth</b>  | 1967  |
| <b>Education</b>  | Higher. Graduated from Novocherkassk Polytechnic Institute, majoring in Electrical Engineering  |
| <b>Work experience for the last five years</b>                    |   |
| 2009–2019   | Deputy Head of Technical Audit Service of the branch of operational dispatch office of Centre of JSC UES  |
| 2019 – present time   | Deputy Chief Engineer — Chief Dispatcher of PJSC Rosseti (primary place of employment)  |
| 2019–2020   | Member of the Board of Directors of PJSC IDGC of North-West   |
| 2020 – present time   | Deputy Chief Engineer — Chief Dispatcher of PJSC FGC UES  |
| 2020–2021   | Chairman of the Board of Directors of PJSC Rosseti Siberia. Member of the Board of Directors of PJSC IDGC of Centre and Volga Region, PJSC Rosseti Volga. Member of the Strategy Committee of the Board of Directors of Rosseti Kuban, PJSC |
| 2021 – present time   | Member of the Board of Directors of PJSC Rosseti South  |
| <b>Period of service on the Board of Directors of the Company</b> | From 29 May 2020 to 3 June 2021   |

**Alexander Varvarin**

Non-Executive Director

|  |   |
|--|---|
| <b>Year of birth</b>                           | 1975  |
| <b>Education</b>                               | Higher. Graduated from the Griboyedov Institute of International Law and Economics, majoring in Legal Studies, lawyer   |
| <b>Work experience for the last five years</b> |   |
| 2005 – present time                            | Vice President for Legal Regulation and Enforcement, RUIE (primary place of employment)   |
| 2006 – present time                            | General Director, member of the Board of Directors of the Corporate Relations Development and Economic Dispute Resolution Center Non-Commercial Partnership               |
| 2008 – present time                            | Chairman of the Board of the Association “Interregional Self-Regulating Organisation of Professional Arbitration Managers”  |
| 2009–2016                                      | Member of the Board of Directors of OJSC Russian Public Opinion Research Centre (VCIOM)<br>Chairman of the Board of Directors of OJSC VNIPIneft                           |
| 2011–2016                                      | Chairman of the Board of Directors of OJSC Innovation Centre for Textile and Consumer Industry  |
| 2011–2017                                      | Member of the Board of Directors of PJSC IDGC of Volga  |
| 2012 – present time                            | Member of the Auditing Commission of OJSC RZD   |
| 2014–2018                                      | Chairman of the Grid Connection Committee of the Board of Directors of PJSC Kubanenergo   |
| 2014–2017                                      | Member of the Personnel and Remuneration Committee of the Board of Directors of PJSC Kubanenergo  |
| 2016–2016                                      | Member of the Board of Directors of OJSC All-Russian Research Institute for Oil Refining  |
| 2017–2018                                      | Member of the Board of Directors of OJSC Mosenergostroy CIC, JSC Oil Recovery Interbranch Scientific and Technical Complex  |
| 2018–2020                                      | Member of the Board of Directors of PJSC IDGC of Centre.<br>Member of the Audit Committee and the Grid Connection Committee of the Board of Directors of PJSC Kubanenergo |
| 2018–2021                                      | Member of the Board of Directors of the Institute of Internal Auditors Association  |

|   |  |
|---|--|
| 2020–2021   | Member of the Board of Directors of OJSC Russian Public Opinion Research Centre (VCIOM).<br>Member of the Personnel and Remuneration Committee and the Grid Connection Committee of the Board of Directors of PJSC Rosseti Kuban |
| <b>Period of service on the Board of Directors of the Company</b> | From 17 June 2013 to 3 June 2021   |

**Vasilii Varseev**

Non-Executive Director

|   |   |
|---|---|
| <b>Year of birth</b>  | No information provided   |
| <b>Education</b>  |   |
| <b>Work experience for the last five years</b>                    |   |
| 2020  | Director of the Security Department of PJSC Rosseti (primary place of employment) |
| 2020  | Member of the Board of Directors of PJSC Rosseti Northern Caucasus                |
| <b>Period of service on the Board of Directors of the Company</b> | From 29 May 2020 to 3 June 2021   |

**Denis Guryanov**

Non-Executive Director

|   |   |
|---|---|
| <b>Year of birth</b>  | 1977  |
| <b>Education</b>  | Higher. Graduated from the Peoples' Friendship University of Russia, Master of Law.<br>Completed professional retraining at Lomonosov Moscow State University in the Basic Management Pool Training Programme |
| <b>Work experience for the last five years</b>                    |   |
| 2013–2020   | Director of the Department for Corporate Governance of PJSC Rosseti (primary place of employment)   |
| 2015–2017   | Member of the Board of Directors of PJSC IDGC of Siberia  |
| 2015–2020   | Member of the Board of Directors of PJSC IDGC of Center and Volga Region  |
| 2017–2020   | Member of the Board of Directors of PJSC IDGC of Northern Caucasus  |
| 2020–2021   | Member of the Board of Directors of PJSC Rosseti South, PJSC TDC, JSC Severkavkazenergo, JSC VOLS-VL Management, JSC STC UES, JSC FTC   |
| <b>Period of service on the Board of Directors of the Company</b> | From 29 May 2020 to 3 June 2021   |

**Andrey Logatkin**

Non-Executive Director

|   |   |
|---|---|
| <b>Year of birth</b>  | 1979  |
| <b>Education</b>  | Higher. Graduated from Università commerciale Luigi Bocconi (Milan, Italy), majoring in Economics and Enterprise Management (by sector), economist          |
| <b>Work experience for the last five years</b>                    |   |
| 2016–2018   | General Director of LLC Artpol Anapa Hills  |
| 2018 – present time   | Director — Head of the International Cooperation Department, PJSC Rosseti (primary place of employment)   |
| 2021 – present time   | Director – Head of International Cooperation Department, PJSC FGC UES   |
| 2019–2020   | Member of the Board of Directors of PJSC IDGC of Centre   |
| 2019 – present time   | Member of the Russian National Committee of the World Energy Council (Fuel and Energy Complex Association).<br>Member of the Board of Directors of JSC ENIN |
| <b>Period of service on the Board of Directors of the Company</b> | From 29 May 2020 to 3 June 2021   |

**Ivan Terekhov**

Non-Executive Director

|   |   |
|---|---|
| <b>Year of birth</b>  | 1980  |
| <b>Education</b>  | Higher. Graduated: <ul style="list-style-type: none"> <li>• Moscow State University of Medicine and Dentistry, majoring in General Medicine</li> <li>• Sechenov Moscow Medical Academy, majoring in University Lecturer</li> <li>• Peoples' Friendship University of Russia, majoring in Human Resources Management</li> </ul> Holds a candidate degree in Medical Sciences |
| <b>Work experience for the last five years</b>                    |   |
| 2013 – present time   | Head of Insurance Office in the Strategy Department of PJSC Rosseti (primary place of employment)   |
| 2021 – present time   | Head of Insurance Department of the Strategy Department of PJSC FGC UES   |
| 2016–2021   | Member of the Board of Directors of PJSC Dagestan Energy Retail Company   |
| 2017–2018   | Member of the Board of Directors of PJSC Severkavkazenergo  |
| 2020–2021   | Member of the Audit Committee under the Board of Directors of PJSC Rosseti Kuban  |
| <b>Period of service on the Board of Directors of the Company</b> | From 25 May 2020 to 3 June 2021   |

**Irina Shagina**

Non-Executive Director

|   |  |
|---|--|
| <b>Year of birth</b>  | 1979   |
| <b>Education</b>  | Higher. Graduated from the All-Russian State Distance-Learning Institute of Finance and Economics, majoring in Accounting and Audit, and from the Vladimir Law Institute of Federal Penitentiary Service of Russia, majoring in Jurisprudence  |
| <b>Work experience for the last five years</b>                    |  |
| 2015 – present time   | Head of Tariff Policy Department of PJSC Rosseti (primary place of employment)   |
| 2021 – present time   | First Deputy Head of Economic Planning and Tariff Setting Department of PJSC FGC UES   |
| 2016–2018   | Member of the Board of Directors of PJSC IDGC of Volga   |
| 2017–2018   | Member of Strategy and Development Committee of the Board of Directors of PJSC IDGC of Centre, PJSC IDGC of Center and Volga Region, PJSC IDGC of Northern Caucasus  |
| 2017–2019   | Member of the Audit Committee of the Board of Directors of PJSC Kubanenergo  |
| 2018–2021   | Member of the Board of Directors of PJSC TDC, PJSC IDGC of North-West  |
| 2018–2019   | Member of the Strategy and Development Committee of the Board of Directors of PJSC MOESK, OJSC IDGC of Urals   |
| 2019–2020   | Member of the Strategy Committee of the Board of Directors of PJSC IDGC of Centre, PJSC IDGC of Center and Volga Region, PJSC Rosseti Lenenergo  |
| 2019–2021   | Member of the Strategy Committee of the Board of Directors of PJSC TDC.<br>Member of the Audit Committee of the Board of Directors of PJSC IDGC of North-West.<br>Member of the Strategy Committee of the Board of Directors of Rosseti Kuban, PJSC  |
| 2020–2021   | Member of the Personnel and Remuneration Committee of PJSC IDGC of North-West.<br>Member of the Board of Directors, member of the Audit Committee of the Board of Directors of OJSC IDGC of Urals.<br>Member of the Board of Directors of OJSC Tomsk Main Grids.<br>Member of the Audit Committee of the Board of Directors of PJSC TDC.<br>Member of the Audit Committee under the Board of Directors of PJSC Rosseti Kuban |
| <b>Period of service on the Board of Directors of the Company</b> | From 16 June 2017 to 3 June 2021   |

**Sergey Sergeev**

Executive director until 18 May 2021

Non-executive director since 18 May 2021

Re-elected to the Company's Board of Directors by the extraordinary General Meeting of Shareholders of PJSC Rosseti Kuban on 30 June 2021. For more details, please see the Board of Directors elected by the annual General Meeting of Shareholders on 3 June 2021 and sitting until a new Board of Directors was elected on 31 August 2021 section.

**Mikhail Medvedev**

Independent Director

**Viktor Yavorskiy**

Independent Director

Were re-elected to the Company's Board of Directors by the extraordinary General Meeting of Shareholders of PJSC Rosseti Kuban on 30 December 2021. For more details, please see the Current Board of Directors (elected at the extraordinary General Meeting of Shareholders of the Company on 30 December 2021) section.

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PROPORTION OF INDEPENDENT DIRECTORS ON ALL BOARDS  
OF DIRECTORS

### STRUCTURE OF THE BOARD OF DIRECTORS IN 2021

| Indicator                                       | Membership of the Board of Directors                          |  |  |   |
|---|---|--|--|---|
|   | From 29.05.2020 to 03.06.2021                                 | From 03.06.2021 to 31.08.2021                                  | From 31.08.2021 to 30.12.2021  | From 30.12.2021 to the present time                           |
| Gender structure of the Board of Directors      | 10 men, 1 woman   | 9 men, 2 women   | 10 men, 1 woman  |   |
| Tenure on the Board of Directors:               | Average tenure – 3 years                                      |  | Average tenure – 2 years   |   |
| • 1 year  | 5 people / 45.5%  | 8 people / 72.7%   | 9 people / 81.8%   |   |
| • 2–3 years                                     | 1 person / 9.1%   |  | –  |   |
| • 5 years and more                              | 5 people / 45.4%  | 2 people / 18.2%   | 2 people / 18.2%   |   |
| Education of members of the Board of Directors: | 9 people – 1 higher education, 2 people – 2 higher educations | 10 people – 1 higher education, 1 person – 2 higher educations | 8 people – 1 higher education, 2 people – 2 higher education, 1 person – 3 higher educations | 9 people – 1 higher education, 2 people – 2 higher educations |
| • economics and management                      | 4 people  |  | 7 people   | 6 people  |
| • jurisprudence                                 | 3 people  | 2 people   | 5 people   | 4 people  |
| • power engineering, engineering                | 4 people  |  | 3 people   |   |
| • medicine                                      | 1 person  |  | –  |   |
| Age of members of the Board of Directors:       | Average age – 48.3 years                                      | Average age – 48.2 years                                       | Average age – 47.5 years   | Average age – 48.5 years                                      |
| • 30–40 years                                   | –   |  | 2 people   | 1 person  |
| • 41–50 years                                   | 8 people  | 5 people   | 6 people   | 7 people  |
| • 51–75 years                                   | 3 people  | 4 people   |  | 3 people  |

All persons on the Board of Directors of the Company during 2021 are the citizens of the Russian Federation.

None of the members of the Board of Directors:

- Owned the Company shares or closed transactions with them during the reporting year<sup>1</sup>
- Took training courses at the expense of the Company
- Had no family ties with persons 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

- Did not 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 management bodies of the Company's competitors) in the reporting year
- Received any loans (credits) from the Company

<sup>1</sup> According to the data provided to the Company by the Board members.

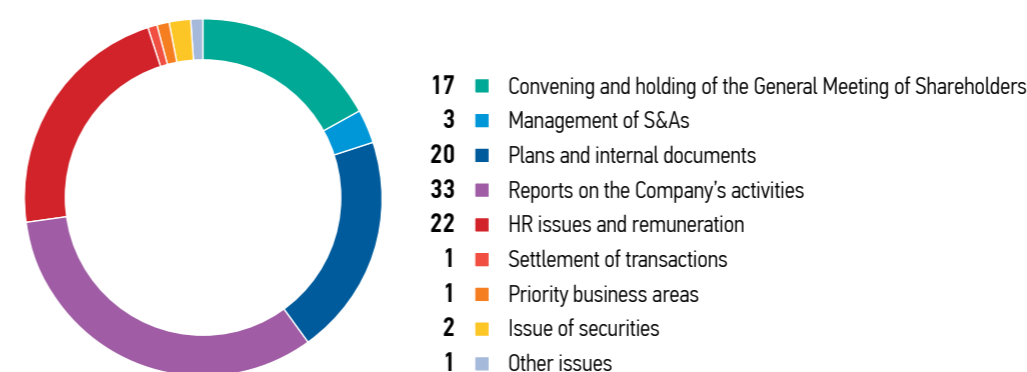
## PERFORMANCE OF THE BOARD OF DIRECTORS

In 2021, 47 meetings of the Board of Directors were held, three of which were held in person, one – in mixed form and the rest – in absentia (by questionnaire).

### ACTIVITY OF THE BOARD OF DIRECTORS

| Indicator  | 2019 | 2020 | 2021 |
|--|------|------|------|
| Quantity of the Board's meetings held                                | 44   | 42   | 47   |
| Including in person (in mixed form)                                  | 7    | 2    | 4    |
| Number of issues discussed   | 149  | 153  | 184  |
| Including decisions taken  | 149  | 153  | 184  |
| Number of tasks given to the Company's executive bodies              | 29   | 21   | 26   |
| Attendance of the Board members at the Board meetings on average (%) | 99.3 | 95.2 | 87.7 |

### STRUCTURE OF ISSUES CONSIDERED BY THE BOARD OF DIRECTORS OF THE COMPANY IN 2021 BY TOPICS (%)



The structure of the issues considered by the Board of Directors corresponds to its role in the management of the Company. The following topics are of highest importance in the structure of the questions considered:

- Convening and holding the General Meeting of Shareholders
- Approving plans and internal documents

- Reviewing management reports on various aspects of the Company's activities
- HR issues and remuneration



## KEY RESOLUTIONS MADE BY THE BOARD OF DIRECTORS OF PJSC ROSSETI KUBAN IN THE REPORTING YEAR

|   |   |
|---|---|
| <b>THE FOLLOWING LONG-TERM COMPANY PLANS AND PROGRAMMES WERE APPROVED</b>                   | <ul style="list-style-type: none"> <li>Updated programme on Digital Transformation for 2020–2030</li> <li>Innovative development programme</li> <li>Adjusted plan for the development of the production asset management system and its resource plan</li> <li>Forecast figures of the business plan</li> <li>Changes to the investment programme</li> <li>Plan for maintaining the effectiveness and development of the internal control system and risk management system</li> <li>Adjusted energy saving and energy efficiency improvement programme</li> <li>Charging infrastructure development programme</li> </ul>   |
| <b>THE FOLLOWING ANNUAL AND QUARTERLY PLANS AND PROGRAMMES OF THE COMPANY WERE APPROVED</b> | <ul style="list-style-type: none"> <li>Business Plan</li> <li>Roadmap for the actions to reduce the accounts receivable for energy transmission services</li> <li>Procurement plan</li> <li>Non-state pension programme for the Company's employees</li> <li>Insurance coverage programme</li> <li>Target KPIs of the Company's General Director and procedure of their calculation and assessment</li> <li>Credit plan</li> </ul>  |
| <b>THE FOLLOWING INTERNAL DOCUMENTS OF THE COMPANY WERE APPROVED</b>                        | <ul style="list-style-type: none"> <li>As an internal document of the Company – PJSC Rosseti's Regulation on Unified Technical Policy in the Power Grid Sector as amended</li> </ul> <p>New revisions:</p> <ul style="list-style-type: none"> <li>Risk Management Policy</li> <li>Internal Audit Policy</li> <li>Provisions on how to design and implement an innovation development programme</li> <li>Business planning standard and regulations</li> <li>Regulations for depositing temporary free cash</li> <li>Non-core asset disposal programme</li> <li>Corporate Governance Code</li> <li>Amendments to the Regulations on Financial Incentives for the General Director of PJSC Rosseti Kuban</li> </ul> |
| <b>THE FOLLOWING RESOLUTIONS WERE TAKEN</b>   | <ul style="list-style-type: none"> <li>On the Company's accession to the changes of the Uniform Procurement Standard of PJSC Rosseti (Procurement Regulations), to implementation of the Environmental Policy of PJSC Rosseti</li> <li>On approval of the revised organisational structure of the executive office</li> <li>On updating of the status of the Company's priority business areas</li> <li>On approval of the Company's listing prospectus</li> </ul>  |
| <b>THE FOLLOWING WAS REVIEWED</b>   | <ul style="list-style-type: none"> <li>Reports of General Director on various aspects of the Company's financial and business activities and the implementation of the Board's resolutions</li> <li>Drafts of new revisions of the Articles of Association and a revised Regulation on the General Meeting of Shareholders (suggested for approval to the annual General Meeting of Shareholders)</li> </ul>  |

At meetings held in present (in mixed format) during the reporting year, the Board of Directors did as follows:

- Considered the progress report on the business plan for 2020, 2021, Q1 and Q2 and H1 2021
- Considered the progress report on the investment programme for 2020, Q1 and Q2 2021 and H1 2021

- Approved the business plan for 2022 and projections for 2023–2026

The performance assessment of the Board of Directors and its committees were not conducted during the reporting year.

## PARTICIPATION OF THE BOARD MEMBERS OF PJSC ROSSETI KUBAN IN MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES IN 2021

| Full name   | Membership of the Board of Directors (1 – from 29.05.2020 to 03.06.2021<br>2 — from 03.06.2021 to 31.08.2021<br>3 — from 31.08.2021 to 30.12.2021<br>4 — from 30.12.2021 to the present time) | Number of meetings attended by a member of the Board of Directors (from those possible to attend) <sup>1</sup> |                       |                 |                    |                                      |                           |
|---|---|--|-----------------------|-----------------|--------------------|--------------------------------------|---------------------------|
|   |   | Board of Directors   | Reliability Committee | Audit Committee | Strategy Committee | Personnel and Remuneration Committee | Grid Connection Committee |
| Alexander Gavrilov, Chairman of the Board of Directors of the 1st composition | 1   | 21 of 21   | –                     | –               | –                  | –                                    | –                         |
| Igor Alyushenko   |   | 21 of 21   | –                     | –               | 12 of 12           | –                                    | –                         |
| Alexander Varvarin  |   | 21 of 21   | –                     | –               | –                  | 8 of 8                               | 3 of 3                    |
| Vasily Varseev  |   | 0 of 21  | –                     | –               | –                  | –                                    | –                         |
| Denis Guryanov  |   | 18 of 21   | –                     | –               | –                  | –                                    | –                         |
| Andrey Logatkin   |   | 21 of 21   | –                     | –               | –                  | –                                    | –                         |
| Ivan Terekhov   |   | 18 of 21   | –                     | 8 of 9          | –                  | –                                    | –                         |
| Irina Shagina   |   | 21 of 21   | –                     | 9 of 9          | 12 of 12           | –                                    | –                         |
| Sergey Sergeev  | 1 and 2   | 32 of 32   | –                     | –               | –                  | –                                    | –                         |
| Mikhail Medvedev  | 1, 2, 3, 4  | 47 of 47   | 8 of 8                | –               | 25 of 25           | –                                    | –                         |
| Viktor Yavorskiy  |   | 47 of 47   | –                     | 16 of 16        | –                  | –                                    | –                         |
| Natalya Ozhegina  | 2   | 10 of 11   | –                     | 1 of 1          | –                  | 1 of 2                               | –                         |
| Egor Prokhorov  |   | 9 of 11  | –                     | –               | 1 of 1             | –                                    | –                         |
| Maria Tikhonova   |   | 11 of 11   | –                     | –               | –                  | –                                    | –                         |

<sup>1</sup> 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.

| Full name   | Membership of the Board of Directors (1 – from 29.05.2020 to 03.06.2021 2 — from 03.06.2021 to 31.08.2021 3 — from 31.08.2021 to 30.12.2021 4 — from 30.12.2021 to the present time) | Number of meetings attended by a member of the Board of Directors (from those possible to attend) <sup>1</sup> |                       |                 |                    |                                      |                           |
|---|--|--|-----------------------|-----------------|--------------------|--------------------------------------|---------------------------|
|   |  | Board of Directors   | Reliability Committee | Audit Committee | Strategy Committee | Personnel and Remuneration Committee | Grid Connection Committee |
| Daniil Krainskiy, Chairman of the Board of Directors of the 2nd, 3rd, 4th composition | 2, 3, 4  | 26 of 26   | –                     | –               | 9 of 9             | –                                    | –                         |
| Grigory Gladkovskiy   |  | 26 of 26   | –                     | –               | –                  | –                                    | –                         |
| Alexander Kazakov   |  | 25 of 26   | –                     | 6 of 6          | –                  | 8 of 8                               | –                         |
| Alexey Molskiy  |  | 24 of 26   | –                     | –               | –                  | –                                    | 7 of 7                    |
| Alexey Polinov  |  | 12 of 26   | –                     | –               | –                  | –                                    | –                         |
| Yuri Goncharov  | 3 and 4  | 15 of 15   | –                     | 5 of 5          | –                  | –                                    | –                         |
| Madina Kaloeva  |  | 15 of 15   | –                     | –               | –                  | –                                    | –                         |
| Boris Ebzeev  |  | 15 of 15   | –                     | –               | –                  | –                                    | –                         |
| Konstantin Mikhailik  | 3  | 0 of 15  | –                     | –               | –                  | –                                    | –                         |
| Konstantin Kravchenko   | 4  | 0 (no meetings of the 4th Board of Directors were held during the year)  | –                     | –               | –                  | –                                    | –                         |

The work plan for the 2021/2022 corporate year was approved by the Board of Directors on 2 December 2021 for 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 of the resolutions of the Board of Directors and the General Meeting of Shareholders

The plan includes:

- Essential issues to be considered at the Board's 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 persons (Company's executive bodies) responsible for the preparation of issues to be considered at the meetings of the Board of Directors

On 9 February 2022, the Board of Directors of the Company decided (Minutes No. 464/2022 dated 11 February 2022) to conduct the self-assessment of the Board of Directors and its Committees for the 2021/2022 corporate year.

[Minutes of the meetings of the Board of Directors of PJSC Rosseti Kuban are published on the Company's website in the About the Company / Management / Board of Directors section.](#)



# REPORT OF THE BOARD OF DIRECTORS ON THE COMPANY'S PROGRESS IN THE PRIORITY AREAS

TO PURSUE THE DEVELOPMENT STRATEGY OF THE POWER GRID COMPLEX OF THE RUSSIAN FEDERATION AS WELL AS OTHER STRATEGIES AND PROGRAMMES, THE COMPANY HEREIN STATES ITS PRIORITIES.

## THE BOARD'S PROGRESS REPORT ON THE COMPANY'S KEY PRIORITIES IN 2021

| Priority   | Basis   | Baselines for 2021 targets  | Progress in 2021   |   |                                     | Plan for 2022   |
|--|---|---|--|---|-------------------------------------|---|
|  |   |   | Plan   | Actual  | Reasons of non-delivery of the plan |   |
| Ensuring the established level of reliability and quality of provided services as statutory required | Decision of the Board of Directors dated 18 November 2011, Minutes No. 121/2011 | Order No. 62/2017-e of the Regional Energy Commission – Department of Prices and Tariffs of the Krasnodar Territory dated 27 December 2017 "On Setting Tariffs for Organisations Providing Electricity Transmission Services" | <p>Approved values:</p> <ul style="list-style-type: none"> <li>the quality level indicator of the grid connection (<math>I_{gc}</math>) – 1.0 (with allowable deviation – <math>&gt;0.74</math> and <math>\leq 1.26</math>);</li> <li>Indicator of the average duration of interruption of electricity transmission to the point of delivery (<math>I_{SAIDI}</math>) – not more than 4.3800 h (taking into account the permissible deviation – not more than 5.6940 h);</li> <li>Indicator of the average frequency of electricity transmission interruptions per the point of delivery (<math>I_{SAIFI}</math>) – not more than 1.0101 interruptions (taking into account the permissible deviation – not more than 1.3131 interruptions)</li> </ul> | <p>Achieved values:</p> <ul style="list-style-type: none"> <li>Grid connection quality indicator (<math>I_{gc}</math> 1,065) – 1.065;</li> <li>Indicator of the average duration of interruption of electricity transmission to the point of delivery (<math>I_{SAIDI}</math>) – 4.0939 h;</li> <li>Indicator of the average frequency of electricity transmission interruptions per the point of delivery (<math>I_{SAIFI}</math>) – 1.2873 interruptions</li> </ul> | –                                   | <p>Approved values:</p> <ul style="list-style-type: none"> <li>Grid connection quality indicator (<math>I_{gc}</math>) – not more than 1.0;</li> <li>Indicator of the average duration of interruption of electricity transmission to the point of delivery (<math>I_{SAIDI}</math>) – 4.3143 h;</li> <li>Indicator of the average frequency of electricity transmission interruptions per the point of delivery (<math>I_{SAIFI}</math>) – 0.9950 interruptions</li> </ul> |

| Priority  | Basis  | Baselines for 2021 targets   | Progress in 2021   |  |                                     | Plan for 2022   |
|---|--|--|--|--|-------------------------------------|---|
|   |  |  | Plan   | Actual   | Reasons of non-delivery of the plan |   |
| Providing accessible energy infrastructure and good quality of grid connection to the Company's grids | Decision of the Board of Directors dated 12 September 2014, Minutes No. 196/2014 | Process regulation RP 00104604-ISM 006-2020 Grid Connection. Efficiency is assessed by the quality of review of grid connection applications as specified in para. 2.9 of the Standard Procedure for Calculating and Evaluating the Achievement of Key Performance Indicators of the Individual Executive Bodies of Subsidiaries and Affiliates of PJSC Rosseti engaged in electricity transmission and grid connection activities, approved by Order No. 300 of PJSC Rosseti dated 15 May 2020, subject to the procedure for calculating and evaluating the KPI performance of the General Director of PJSC Rosseti Kuban approved by Company Order No. 598-od dated 9 October 2020 as well as by indicator "Drafting and issuing the certificate of grid connection and other related documents to applicants with a maximum capacity of up to 150 kW consumer terminals", established by para. 3.1.1. of the Target Model "Grid Connection" approved by Order No. 147-r of the Government of the Russian Federation dated 31 January 2017 | The planned value of the quality indicator for grid connection application review is <1.3. Compliance with the deadlines for grid connection services is assessed by the indicator "Drafting and issuing the certificate of grid connection and other related documents to applicants with a maximum capacity of up to 150 kW consumer terminals". The planned value is 10 days                                  | 1.001  | –                                   | Achieving the quality of review of grid connection applications of 1.3 maximum (in accordance with para. 2.9 the Standard Procedure for Calculating and Evaluating the Achievement of Key Performance Indicators of the Individual Executive Bodies of Subsidiaries and Affiliates of PJSC Rosseti engaged in electricity transmission and grid connection activities, approved by Order No. 300 of PJSC Rosseti dated 15 May 2020, subject to the procedure for calculating and evaluating the KPI performance of the General Director of PJSC Rosseti Kuban approved by Company Order No. 598-od dated 9 October 2020 |
| Planning the development of Company's Distribution Power Grid Complex                                 | Decision of the Board of Directors dated 5 September 2011, Minutes No. 116/2011  | Process regulation RP 00104604-ISM 006-2020 Grid Connection  | To take active part in the development of the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory for 2022–2026 and the Roadmap for Development of the Electric Power Industry in the Republic of Adygea for 2021–2025<br>To involve a design organisation to develop a Comprehensive Programme for the Development of Power Grids of PJSC Rosseti Kuban for 2021–2025 | 1 day<br>Direct participation in the development of the Roadmap of Perspective Development of the Electric Power Industry of the Krasnodar Territory for 2022–2026 and the Roadmap of Development of the Electric Power Industry of the Republic of Adygea for 2021–2025. By order of PJSC Rosseti Kuban, JSC FTC developed a comprehensive programme of development of power grids of Rosseti Kuban PJSC for the period 2021–2025. This Programme is now the basis for yearly drafting of proposals on adding steps to the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory and the Republic of Adygea on a five-year time frame | –                                   | To take active part in the development of the Roadmap for Prospective Development of the Electric Power Industry in the Krasnodar Territory for 2023–2027 and the Roadmap for Development of the Electric Power Industry in the Republic of Adygea for 2022–2026.<br>To involve a design organisation to design a Comprehensive Programme for the Development of Power Grids of PJSC Rosseti Kuban for 2022–2026  |

| Priority  | Basis   | Baselines for 2021 targets   | Progress in 2021   |                       |                                     | Plan for 2022   |
|---|---|--|--|-----------------------|-------------------------------------|---|
|   |   |  | Plan   | Actual                | Reasons of non-delivery of the plan |   |
| Improving the counter-terrorism and anti-sabotage protection of the Company's grid facilities | Decisions of the Board of Directors dated 5 August 2010, Minutes No. 94/2010; dated 29 January 2015, Minutes No. 202/2015 | <p>In order to ensure the safety of the Company's facilities, the following measures to be taken:</p> <ul style="list-style-type: none"> <li>to observe Rosseti's Order No. 18 dated 22 January 2020 On the Approval of Counter-Terrorism Procedures for Facilities of PJSC Rosseti S&amp;As as well as the Company's counter-terrorism regulations;</li> <li>to keep the security equipment of the Company's facilities up and running;</li> <li>to inspect officers of private security firms on duty at the Company's facilities off the schedule;</li> <li>to weekly brief the dispatchers and personnel of off-site teams on duty on how to act if signs of a terrorist nature are detected at the Company's facilities;</li> <li>to train the staff of the Company's branches to respond to unauthorised personnel or foreign objects at the facilities;</li> <li>to update plans of the Company's emergency-response cooperation with law enforcers in the Krasnodar Territory and the Republic of Adygea; develop and coordinate appropriate cooperation procedures;</li> <li>to equip the following stations with security engineering means: Boiko-Ponura substation, 110 kV Gazoapparat substation, 110 kV Kommunar substation, 110 kV Lebedi substation, 110 kV Albashi substation, and 110 kV Pereyaslovskaya substation;</li> <li>to take measures to ensure safety of the Company's power facilities during the 2022 Volleyball World Championship and other public and political events; to ensure safety of the Company's power facilities during public and political events (the Russian Investment Forum 2021 in Sochi), etc.</li> </ul> | Public and political events in the Krasnodar Territory were cancelled in the reporting year due to the COVID-19 pandemic. The plans were fully implemented, except for the issues related to security of the Company's power facilities during social and political events (the Russian Investment Forum 2021 in Sochi), etc., and due to the adjustment of the investment programme, adjustments were made to the timing of installation of engineering and technical security equipment: 110 kV Gasapparat substation, 110 kV Albashi substation | Plan was accomplished | –                                   | <p>In order to ensure the safety of the Company's facilities, the following measures to be taken:</p> <ul style="list-style-type: none"> <li>to observe Rosseti's Order No. 18 dated 22 January 2020 On the Approval of Counter-Terrorism Procedures for Facilities of PJSC Rosseti S&amp;As as well as the Company's counter-terrorism regulations;</li> <li>to keep the security equipment of the Company's facilities up and running;</li> <li>to renew the security service contracts;</li> <li>to inspect officers of private security firms on duty at the Company's facilities off the schedule;</li> <li>to weekly brief the dispatchers and personnel of off-site teams on duty on how to act if signs of a terrorist nature are detected at the Company's facilities;</li> <li>to train the staff of the Company's branches to respond to unauthorised personnel or foreign objects at the facilities;</li> <li>to update plans of the Company's emergency-response cooperation with law enforcers in the Krasnodar Territory and the Republic of Adygea; develop and coordinate appropriate cooperation procedures;</li> <li>to equip the 110 kV Gazoapparat substation and the 110 kV Albashi substation with security equipment</li> </ul> |

| Priority   | Basis  | Baselines for 2021 targets   | Progress in 2021  |   |  | Plan for 2022   |
|--|--|--|---|---|--|---|
|  |  |  | Plan  | Actual  | Reasons of non-delivery of the plan  |   |
| Improving the Internal Control and Risk Management System, promoting internal audit function                   | Decision of the Board of Directors dated 12 September 2014, Minutes No. 196/2014 | Implementation of the plan for maintaining efficiency and developing the Company's internal control and risk management system for 2021–2023 approved by resolution of the Board of Directors of PJSC Rosseti Kuban (Minutes No. 433/202 dated 24 May 2021) for 2021 | In 2021, 14 activities under the Plan for maintaining the efficiency and developing the Company's internal control and risk management system for 2021–2023 were envisaged. All activities were completed on time, in addition, one activity planned for 2022 was completed ahead of schedule |   | Implementation of measures in accordance with the Plan for maintaining efficiency and developing the Internal Control and Risk Management System of PJSC Rosseti Kuban approved by decision of the Board of Directors of PJSC Rosseti Kuban (Minutes No. 433/2021 dated 24 May 2021) | Implementation of the plan for maintaining efficiency and developing the Company's internal control and risk management system for 2021–2023 approved by resolution of the Board of Directors of PJSC Rosseti Kuban (Minutes No. 433/2021 dated 24 May 2021) for 2021 |
| Innovative development while overseeing the delivery of the Company's current innovation development programme | Decision of the Board of Directors dated 30 March 2021, Minutes No. 426/2021     | Board of Directors Decision No. 450/2021 dated 13 October 2021   | $I_{R\&D}$ (R&D Cost Indicator) – 0.15% of planned own revenues.<br>$I_{INTEGRATION}$ (Innovative Product (Goods, Works, Services) Procurement Indicator) – 4.6% of planned utilisation of the investment programme   | $I_{R\&D}$ (R&D Cost Indicator) – 0.16% of planned own revenues, 105% of the plan<br>$I_{INTEGRATION}$ (Innovative Product (Goods, Works, Services) Procurement Indicator) – 4.33% of actual utilisation of the investment programme, 94% of the plan | The targets were achieved  | $I_{R\&D}$ (R&D Cost Indicator) – 0.15% of planned own revenues.<br>$I_{INTEGRATION}$ (Innovative Product (Goods, Works, Services) Procurement Indicator) – 4.7% of planned utilisation of the investment programme   |

# COMMITTEES OF THE BOARD OF DIRECTORS

IN ORDER TO PROVIDE FOR THE EFFICIENT GENERAL GOVERNANCE OF PJSC ROSSETI KUBAN BY ITS BOARD OF DIRECTORS, THE FOLLOWING COMMITTEES WERE SET UP.

The Company has five committees:

- Reliability Committee
- Audit Committee
- Strategy Committee
- Personnel and Remuneration Committee
- Grid Connection Committee

The committees have the status of collegial advisory bodies under 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 control the activities of the Company's executive bodies
- Development of necessary recommendations for the Board of Directors and executive bodies of PJSC Rosseti Kuban
- Consideration of other issues by order of the Board of Directors

The activities of each of the Committees are covered by respective Regulations<sup>1</sup>.

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 Committee remain in office up to the next election of the respective Committee.

The Committees align their work with the action plans that are designed against the action plan of the Board of Directors, resolutions of the Board of Directors and Committees, proposals of committee members and General Director.

On 7 July 2021, the Board of Directors reviewed the committees' progress reports for the 2020/2021 corporate year.

In the reporting year, all issues to be pre-considered by the Board Committees were considered in a timely manner.

[The meeting minutes of Board Committees of PJSC Rosseti Kuban are published on the Company's website in the About the Company / Management / Committees under the Board of Directors section.](#)

There is a remuneration payment for the participation of committee members in committee meetings. The total amount of remuneration paid to members of the Board Committees in 2021 was RUB 3,477,000. The Company has no outstanding remuneration to the committee members.

## RELIABILITY COMMITTEE

|  |  |
|--|--|
| <b>Establishment date</b>  | 15 September 2006  |
| <b>Date and number of the Minutes of the Board's meeting, at which the Regulations on the Committee (as amended) were approved</b> | No.281/2017 dated 21 July 2017   |
| <b>Key tasks of the Committee</b>  | <p>Drawing up and giving recommendations (conclusions) to the Board of Directors on the following aspects of its activities:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Evaluation of the completeness and adequacy of measures taken based on accident investigation results, as well as control over their implementation</li> <li>• Examination of the quality of investigations of the causes of production violations (accidents)</li> <li>• Examination of the Company's emergency planning activities (emergency preparedness, set-up and execution of emergency restoration procedures at power grid facilities)</li> <li>• Analysis and implementation control for the programmes of prevention and personnel and third-party injury risk mitigation at the power installations of PJSC Rosseti Kuban</li> <li>• Control and assessment of the Company's technical services performance in terms of ensuring operational reliability and safety of power grids</li> <li>• Examination of the internal technical control system in the Company</li> <li>• Examination of the occupational safety management system</li> <li>• Examination of the environmental policy implementation programme</li> <li>• Examination of the fire and industrial safety system</li> </ul> |
| <b>The personnel composition of the Committee in office in the reporting year</b>  | <p>Members of the Committee acting from 7 July 2020 to 30 June 2021:</p> <ul style="list-style-type: none"> <li>• Vladimir Ukolov (Committee Chairman), Deputy Director for the Situation Analysis Centre, PJSC Rosseti</li> <li>• Eduard Bogomolov, First Deputy Director for the Centre for Technical Supervision, PJSC Rosseti Centre</li> <li>• Mikhail Medvedev, adviser to General Director of JSC Avangard, member of the Board of Directors of PJSC Rosseti Kuban</li> <li>• Olga Ocheredko, Head of the Finance Department, member of the Management Board, PJSC Rosseti Kuban</li> <li>• Igor Shishigin, (until November 2020), — Deputy General Director for Technical Issues – Chief Engineer, member of the Management Board, PJSC Rosseti Kuban</li> </ul> <p>Committee compositions acting from 19 July 2021 to 30 September 2021, from 20 October 2021 to 31 January 2022, current composition elected on 1 March 2022:</p> <ul style="list-style-type: none"> <li>• Palina Kanyuka (Committee Chairwoman), Head of Production Activity Department, PJSC Rosseti</li> <li>• Alexey Mishanin, Deputy General Director for Technical Issues – Chief Engineer, member of the Management Board, PJSC Rosseti Kuban</li> <li>• Eduard Bogomolov (Deputy Chairman of the Committee), First Deputy Director for the Centre for Technical Supervision, PJSC Rosseti</li> </ul>   |

<sup>1</sup> The Regulations on the Board of Directors' Committees of PJSC Rosseti Kuban are published on the Company's website in the About the Company / Constituent and Internal Documents section.

**Performance results of the Committee in the reporting year**

There were 14 meetings of the Committee in 2021 by absentee ballot, and 30 questions were considered.

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:
  - Updated digital transformation programme for the period until 2030
  - Adjusted 2020–2022 plan for the development of the production asset management system and a resource plan for its implementation
  - The new version of PJSC Rosseti's Regulation on the Unified Technical Policy in the Power Grid Complex as the Company's internal document
- On consideration of the following reports:
  - On the implementation of the Investment Programme in terms of providing its comprehensive reliability
  - On the implementation of the development plan for the production asset management system in 2020
  - On the implementation of activities stipulated in the digital transformation programme until 2030
  - On the results of the Company's readiness for the 2021/2022 heating season
  - On the work done by the Reliability Committee in the 2020/2021 corporate year

In the reporting year, the Committee also considered the following issues:

- Maintenance and repair programme for 2021
- Action plan to eliminate bottlenecks impacting the reliable power supply to the Company's customers for 2021
- The Company's management reports:
  - On the way the Company handled the 2020/2021 autumn-winter period and the 2021 fire-hazardous period
  - On the preparation for heating season
  - On the delivery of the maintenance and repair programme for the Company's facilities
  - On the implementation of the action plan to eliminate bottlenecks impacting the reliable power supply to the Company's customers
  - On the implementation of comprehensive programmes on injury risk mitigation for the Company personnel and third-parties
- Analysed the functioning of the power grid regions for consolidation, regrouping, liquidation

Proportion of issues pre-considered by the Committee with the preparation of recommendations to the Board of Directors in the total number of issues considered: in 2020 – 37.5%, in 2021 – 33.3%.  
 Attendance of Committee members at its meetings on average: in 2020 – 93.8%, in 2021 – 88.8%

## AUDIT COMMITTEE

|  |   |
|--|---|
| <b>Establishment date</b>  | 16 October 2009   |
| <b>Date and number of the Minutes of the Board's meeting, at which the Regulations on the Committee (as amended) were approved</b> | No.233/2016 dated 18 March 2016, as amended on 28 October 2016, No.253/2016   |
| <b>Key tasks of the Committee</b>  | <ul style="list-style-type: none"> <li>• Review of the Company's financial statements and supervision of their preparation</li> <li>• Monitoring of the reliability and efficiency of the internal control system, risk management system, and corporate governance practices</li> <li>• Control over external audits and selection of the auditor</li> <li>• Ensuring independence and objectivity of the internal audit function</li> <li>• Control over the efficiency of the system for countering unfair practices of the Company's employees or third parties</li> </ul>  |
| <b>The personnel composition of the Committee in office in the reporting year</b>  | <p>Board Committee acting from 7 July 2020 to 19 July 2021:</p> <ul style="list-style-type: none"> <li>• Viktor Yavorskiy (Committee Chairman), member of the Management Board Presidium of All-Russian Non-Governmental Organisation of Small and Medium Business OPORA RUSSIA, member of the Board of Directors of PJSC Rosseti Kuban</li> <li>• Irina Shagina, Head for Tariff Policy Department of PJSC Rosseti, member of the Board of Directors of PJSC Rosseti Kuban</li> <li>• Ivan Terekhov, Head of Insurance Office of the Strategy Department, member of the Board of Directors of PJSC Rosseti Kuban</li> </ul> <p>Board Committee acting from 19 July 2021 to 31 August 2021:</p> <ul style="list-style-type: none"> <li>• Viktor Yavorskiy (Committee Chairman), member of the Management Board Presidium of All-Russian Non-Governmental Organisation of Small and Medium Business OPORA RUSSIA, member of the Board of Directors of PJSC Rosseti Kuban</li> <li>• Alexander Kazakov, member of the Board of Directors of PJSC Rosseti Kuban</li> <li>• Natalya Ozhegina, member of the Board of Directors of PJSC Rosseti Kuban</li> </ul> <p>Committee composition acting from 20 October 2021 to 30 December 2021, current Committee elected on 1 March 2022:</p> <ul style="list-style-type: none"> <li>• Viktor Yavorskiy (Committee Chairman), member of the Management Board Presidium of All-Russian Non-Governmental Organisation of Small and Medium Business OPORA RUSSIA, member of the Board of Directors of PJSC Rosseti Kuban</li> <li>• Yuri Goncharov, Chief Advisor of PJSC Rosseti, member of the Board of Directors of PJSC Rosseti Kuban</li> <li>• Alexander Kazakov, member of the Board of Directors of PJSC Rosseti Kuban</li> </ul> |



### Performance results of the Committee in the reporting year

In 2021, the Committee met 17 times (three in person and the rest by absentee voting) and considered 54 issues.

In the reporting year, the Committee provided the Board of Directors with conclusions (recommendations) on the following crucial issues:

- On approval of the following:
  - Progress reports on the action plan and the results of internal audit, measures to develop and improve internal audit
  - Changes to the action plan for the development and improvement of internal audit activities for 2020–2024
  - Action plan of the Internal Audit Directorate for 2021 and 2022
  - Plan for maintaining the effectiveness and developing the internal control system and risk management system
- On consideration of the candidate of the Company's external auditor of the Company's 2021 statements and determination of their remuneration
- 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
  - Report of organisation, functioning and improvement of the Company's internal control system in 2020
  - Internal audit report regarding the efficiency of the internal control and risk management systems of the Company
  - Report on the level of effectiveness and quality of the external audit process
  - Internal audit report regarding the corporate governance performance for 2020/2021 corporate year
  - RAS financial statements of the Company
  - Report on the compliance with the insider information control laws
  - Audit Committee performance report for the 2020/2021 corporate year

In the reporting year, the Audit Committee of the Board of Directors also considered the following:

- Information of the external auditor on key problems in the Company's financial statements
- Information on significant aspects of the accounting policy in 2021 and planned changes for 2022
- 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 for 2020
- 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

Proportion of issues pre-considered by the Committee with the preparation of recommendations to the Board of Directors in the total number of issues considered: in 2020 – 37.1%, in 2021 – 43.4%.

Attendance of Committee members at its meetings on average: in 2020 – 100%, in 2021 – 96.2%

## STRATEGY COMMITTEE

|  |   |
|--|---|
| <b>Establishment date</b>  | 5 February 2010   |
| <b>Date and number of the Minutes of the Board's meeting, at which the Regulations on the Committee (as amended) were approved</b> | No.358/2019 dated 16 August 2019  |
| <b>Key tasks of the Committee</b>  | <p>Development of recommendations (conclusions) concerning the following issues and submission them to the Board of Directors:</p> <ul style="list-style-type: none"> <li>• Strategic development and business priorities</li> <li>• Company's innovation development</li> <li>• Organisation of business processes</li> <li>• Business planning</li> <li>• Dividend Policy</li> <li>• Risk management</li> <li>• Efficiency assessment for the operations of the Company and its S&amp;As</li> </ul>   |
| <b>The personnel composition of the Committee in office in the reporting year</b>  | <p>Members of the Committee acting from 6 August 2020 to 19 July 2021:</p> <ul style="list-style-type: none"> <li>• Dmitriy Andropov (Committee Chairman), Head for Finance Department of PJSC Rosseti</li> <li>• Igor Alyushenko, Deputy Chief Engineer – Chief Dispatcher of PJSC Rosseti, member of the Board of Directors of PJSC Rosseti Kuban</li> <li>• Astkhik Bashindzhagyan, Deputy Head for Corporate Governance Department of PJSC Rosseti</li> <li>• Konstantin Guselnikov, General Director of LLC Fininvestkonsalting</li> <li>• Mikhail Medvedev, adviser to General Director of JSC Avangard, member of the Board of Directors of PJSC Rosseti Kuban</li> <li>• Dmitriy Mikheev, Head of the Department for Service Sales of PJSC Rosseti</li> <li>• Olga Ocheredko, Deputy General Director for Economics and Finance of PJSC Rosseti Kuban, member of the Management Board of PJSC Rosseti Kuban</li> <li>• Maria Polyanskaya, First Deputy Head of the Strategy Department of PJSC Rosseti</li> <li>• Irina Shagina, Head for Tariff Policy Department of PJSC Rosseti, member of the Board of Directors of PJSC Rosseti Kuban</li> </ul> <p>The current composition of the Committee (elected on 19 July 2021):</p> <ul style="list-style-type: none"> <li>• Dmitriy Andropov (Committee Chairman), Head for Finance Department of PJSC Rosseti</li> <li>• Konstantin Guselnikov, General Director for LLC Fininvestkonsalting</li> <li>• Kirill Iordanidi, Deputy General Director for Economy and Finance, PJSC Rosseti South, Deputy General Director for Economy and Finance (part-time) and member of the Management Board of PJSC Rosseti Kuban</li> <li>• Elena Kovaleva, Deputy Head of Corporate Governance Department, PJSC Rosseti</li> <li>• Daniil Krainskiy, Deputy General Director for Legal Support of PJSC Rosseti, Chairman of the Board of Directors of PJSC Rosseti Kuban</li> <li>• Mikhail Medvedev, adviser to General Director of JSC Avangard, member of the Board of Directors of PJSC Rosseti Kuban</li> <li>• Dmitriy Mikheev, Head of the Department for Service Sales of PJSC Rosseti</li> <li>• Yegor Prokhorov, Deputy General Director for Strategy of PJSC Rosseti</li> <li>• Andrey Tulba, Director for Economics and Finance – Head of Economic Planning and Tariff Setting Department of PJSC Rosseti</li> </ul> |

**Performance results of the Committee in the reporting year**

There were 25 meetings of the Committee in 2021 (three – in person and the rest – by absentee voting) and 50 issues were considered. Recommendations were made for the Board of Directors concerning the following critical issues:

- On proposals to the extraordinary General Meeting of Shareholders to increase the authorised capital of the Company
- On updating of the status of the Company's priority business areas
- On approval of the following:
  - Updated digital transformation programme for the period until 2030
  - The Company's business plan
  - Plan for maintaining the effectiveness and developing the internal control system and risk management system
  - The new version of PJSC Rosseti's Regulation on the Unified Technical Policy in the Power Grid Complex as the Company's internal document
  - Charging infrastructure development programme
  - Innovative development programmes
  - Revised risk management policy
  - Revised divestment programme for non-core assets
  - KPI targets for General Director,
  - Reports on the achievement of the KPIs of the Company's General Director and on the delivery of the innovation development programme
- On approval of amendments to the Investment Programme
- On update of the Company's register of non-core assets
- On consideration of the following reports:
  - Report on the works performed by the Strategy Committee in the 2020/2021 corporate year
  - Progress report on the Company's business plan and investment programme
  - Progress report on the higher-priority investment projects
  - Report on the organisation, operation, and efficiency of the risk management system
  - Progress report on the digital transformation, smart metering development programmes, etc.

Proportion of issues pre-considered by the Committee with the preparation of recommendations to the Board of Directors in the total number of issues considered: in 2020 – 94.9%, in 2021 – 90%.

Attendance of Committee members at its meetings on average: in 2020 – 99.5%, in 2021 – 99.6%

## PERSONNEL AND REMUNERATION COMMITTEE

|  |  |
|--|--|
| <b>Establishment date</b>  | 6 August 2010  |
| <b>Date and number of the Minutes of the Board's meeting, at which the Regulations on the Committee (as amended) were approved</b> | No.194/2014 dated 1 August 2014  |
| <b>Key tasks of the Committee</b>  | <p>Development of recommendations (conclusions) concerning the following issues and submission them to the Board of Directors:</p> <ul style="list-style-type: none"> <li>• Establishing criteria for selecting and evaluating candidates for the Board of Directors and executive bodies of the Company</li> <li>• Establishing principles and criteria for determining the remuneration of members of the Company's governing bodies</li> <li>• Determining the material terms of contracts with Board members and executive bodies</li> <li>• Regularly assessing the performance of the Director General and members of the Management Board</li> <li>• Determining remunerations for the members of the Board of Directors</li> </ul>   |
| <b>The personnel composition of the Committee in office in the reporting year</b>  | <p>Members of the Committee acting from 7 July 2020 to 30 June 2021:</p> <ul style="list-style-type: none"> <li>• Natalya Ozhegina (Committee Chairwoman), Deputy General Director for HR Management of PJSC Rosseti, member of the Board of Directors of PJSC Rosseti Kuban since 3 June 2021</li> <li>• Yulia Kuznetsova, Head of the HR Management Department of PJSC Rosseti</li> <li>• Alexander Varvarin, Vice President for the Corporate Relations and Legal Support Office of RUIE, Board member of PJSC Rosseti Kuban until 3 June 2021</li> </ul> <p>Committee compositions acting from 19 July 2021 to 30 September 2021, from 20 October 2021 to 31 January 2022, current composition elected on 1 March 2022:</p> <ul style="list-style-type: none"> <li>• Alexander Kazakov (Chairman of the Committee), member of the Board of Directors of PJSC Rosseti Kuban</li> <li>• Yulia Kuznetsova, acting Deputy General Director for HR Management of PJSC Rosseti</li> <li>• Irina Kosinskaya, Deputy Head of Human Resources and Organisational Design Department of PJSC Rosseti</li> </ul>   |
| <b>Performance results of the Committee in the reporting year</b>  | <p>There were 18 meetings of the Personnel and Remuneration Committee by absentee ballot in 2021 and 28 issues were considered. Recommendations were made for the Board of Directors concerning the following issues:</p> <ul style="list-style-type: none"> <li>• Changes to the composition of the Company's Management Board</li> <li>• Changes to the regulations on incentives for General Director</li> <li>• On the approval of the individual performance evaluation of the General Director</li> <li>• On approval of target KPI values for General Director</li> <li>• On determination of the person authorised to exercise the rights and duties of an employer in relation to the Company's General Director</li> <li>• On approval of the organisational structure of the executive office</li> <li>• On approval of General Director KPI achievement reports</li> <li>• On preliminary approval of candidates for the positions defined by the Board of Directors of the Company</li> <li>• On reviewing of the report of the Personnel and Remuneration Committee on works performed in the 2020/2021 corporate year</li> <li>• On the consideration of the progress report of the Corporate Secretary</li> <li>• On approval of the organisational structure of the executive office</li> <li>• On the approval of an agreement to extend the collective agreement</li> </ul> <p>In addition, the Personnel and Remuneration Committee approved the composition of the management and youth talent pools.</p> <p>Proportion of issues pre-considered by the Committee with the preparation of recommendations to the Board of Directors in the total number of issues considered: in 2020 – 76.9%, in 2021 – 82.1%.</p> <p>Attendance of Committee members at its meetings on average: in 2020 – 88.5%, in 2021 – 98.8%</p> |

# GRID CONNECTION COMMITTEE

|  |  |
|--|--|
| <b>Establishment date</b>  | 11 October 2011  |
| <b>Date and number of the Minutes of the Board's meeting, at which the Regulations on the Committee (as amended) were approved</b> | No.281/2017 dated 19 July 2017   |
| <b>Key tasks of the Committee</b>  | <p>Development of recommendations (conclusions) to the Board of Directors concerning the following issues:</p> <ul style="list-style-type: none"> <li>• Improvement of the legal framework of the anti-trust law and provision of equal-opportunity access to the grid connection services</li> <li>• Improvement of the Company's internal standards for ensuring equal-opportunity access to the grid connection services</li> <li>• Development of principles and criteria for assessing the Company's performance efficiency regarding connecting customers to power grids</li> <li>• Assessment of the Company's performance related to grid connection of consumers</li> <li>• Assessment of the Company's performance efficiency in the improvement of power grid development plans in the regions of presence</li> <li>• Analysis 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</li> </ul>   |
| <b>The personnel composition of the Committee in office in the reporting year</b>  | <p>Members of the Committee acting from 7 October 2020 to 30 June 2021:</p> <ul style="list-style-type: none"> <li>• Alexey Molskiy (Committee Chairman), Deputy General Director for Investment, Capital Construction and Service Sales of PJSC Rosseti</li> <li>• Alexander Varvarin, Vice President for the Corporate Relations and Legal Support Office of RUE All-Russian Non-Governmental Organisation, Board member of PJSC Rosseti Kuban</li> <li>• Vladimir Davydkin, Head of the Office of the Department for Grid Connection and Infrastructure Development of PJSC Rosseti</li> <li>• Andrey Lyashko, First Deputy Minister of the Fuel and Energy Complex and Housing and Communal Services of the Krasnodar Territory</li> <li>• Vladimir Skladchikov (until December 2020) – Deputy General Director for Development and Grid Connection</li> </ul> <p>Committee compositions acting from 19 July 2021 to 30 September 2021, from 20 October 2021 to 31 January 2022:</p> <ul style="list-style-type: none"> <li>• Alexey Molskiy (Committee Chairman), Deputy General Director for Investment, Capital Construction and Service Sales of PJSC Rosseti, member of the Board of Directors of PJSC Rosseti Kuban</li> <li>• Vladimir Davydkin, Head of the Office of the Department for Grid Connection and Infrastructure Development of PJSC Rosseti</li> <li>• Dmitry Zhuravlev, Deputy General Director for Development and Grid Connection of PJSC Rosseti South</li> <li>• Oksana Zaitseva, Head of Grid Connection Department of PJSC Rosseti Kuban</li> <li>• Alexander Kalinichenko, acting Deputy General Director for Development and Grid Connection of PJSC Rosseti Kuban</li> </ul> |

## Performance results of the Committee in the reporting year

There were 10 meetings of the Committee in 2021 (one – in person and the – rest by absentee voting) and 16 issues were considered, and among other things:

- The Committee formulated recommendations to the Board of Directors on the consideration of the report of the Grid Connection Committee on the work done for the 2020/2021 corporate year, the report on the current activities of the Company on grid connection of consumers to the power grids
- The Committee monitored the Company's actions concerning the connection of consumers to the Company's grids
- The Committee reviewed the following management reports:
  - On the Company's involvement in drafting the regional electric power industry development roadmap
  - On the implementation of grid connection contracts with breached deadlines
  - On the elaboration of comprehensive development programmes for 35 kV and above power grids
  - On the achievement of KPIs for grid connection deadlines
  - On the progress on the roadmap for the development of additional (non-tariff) services
  - On the implementation of measures to improve the accessibility of energy infrastructure

Proportion of issues pre-considered by the Grid Connection Committee with the preparation of recommendations to the Board of Directors in the total number of issues considered: in 2020 – 20%, in 2021 – 25%.

Attendance of Committee members at its meetings: in 2020 – 94.7%, in 2021 – 95.0%



# EXECUTIVE BODIES

## THE CURRENT ACTIVITIES OF PJSC ROSSETI KUBAN ARE MANAGED BY THE SOLE EXECUTIVE BODY — THE GENERAL DIRECTOR AND THE COLLECTIVE EXECUTIVE BODY — THE MANAGEMENT BOARD.

The General Director and the Management Board report to the General Meeting of Shareholders and the Board of Directors.

Following the Articles of Association of the Company, General Director is elected by the Board of Directors and is the Chairman of the Management Board. All the Management Board members are also elected by the Board of Directors, as suggested by the General Director and to the number determined by the resolution of the Board of Directors.

Each of the Management Board members including its Chairman has the experience, knowledge, and qualifications necessary to properly fulfil their duties. 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.

## GENERAL DIRECTOR

Following the Articles of Association of Rosseti Kuban, the General Director governs the current operations of the Company according to the resolutions of the General Meeting of Shareholders, the Board of Directors and the Management Board.

The competence of the General Director includes 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.

The General Director acts on the behalf of the Company without powers of attorney and taking into consideration the restrictions provided in the existing legislation of the Russian Federation, the Articles of Associations, and the resolutions of the Board of Directors of PJSC Rosseti Kuban.

Relations of the General Director with the Board of Directors:

- 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 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.

The functions of the sole executive body (General Director) of the Company in the reporting year were performed by:

- until 18 May 2021 – Sergey Sergeev<sup>1</sup>
- since 18 May 2021 to the present time – Boris Ebzeev (acting General Director, part-time)<sup>2</sup>

<sup>1</sup> For more details on Sergey Sergeev, please see the composition of the Board of Directors elected at the annual General Meeting of Shareholders on 3 June 2021 and acting until 31 August 2021.

<sup>2</sup> For more details on Boris Ebzeev, please see the current Board of Directors and Management Board section.

# 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 competence.

The key objectives of the Management Board are as follows:

- Enforcing the rights and legitimate interests of the Company's shareholders
- Preparing suggestions on the Development Strategy of the Company
- Implementing 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 departments
- Increasing the efficiency of the internal control and risk monitoring systems
- Ensuring high level of return on the Company's assets and the maximum profit from the Company's operations

Relations of the Board of Directors and Management Board of the Company:

- 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 strategy
- The Management Board develops and submits prospective plans for the implementation of the Company's core activities, business plan, annual report, follow-up report on how the Management Board fulfil the resolutions of the General Meeting of Shareholders and the Board of Directors

The Company's Management Board acts in compliance with the Articles of Association and the Regulation on the Management Board<sup>1</sup> as approved by the resolution of the General Meeting of the Shareholders.

## COMPOSITION OF THE MANAGEMENT BOARD

During the reporting year, the composition of the Company's Management Board underwent the following changes due to personnel movements:

- The powers of the following members of the Management Board were terminated: Olga Ocheredko, Inna Skiba and Maxim Schepakin

- The following members of the Management Board were elected: Julianna Jabrailova, Yulia Galinova, Kirill Iordanidi, Lyudmila Loskutova

### THE MANAGEMENT BOARD COMPOSITION ACTING AS AT THE END OF THE REPORTING YEAR<sup>2</sup>

#### Boris Ebzeev

Chairman of the Management Board

|   |   |
|---|---|
| <b>Year of birth</b>  | 1975  |
| <b>Education</b>  | Higher. Graduated from Lomonosov Moscow State University , majoring in Jurisprudence, lawyer. He holds a candidate degree in Legal Sciences |
| <b>Work experience for the last five years</b>  |   |
| 2014 – present time   | Chairman of the Management Board, General Director of PJSC Rosseti South (primary place of employment)                                      |
| 2014–2019   | Member of the Board of Directors of JSC Donenergo   |
| 2015 – present time   | Member of the Board of Directors of PJSC Rosseti South  |
| 2018 – present time   | Chairman of the Board of Directors for JSC VMES   |
| 2021 – present time   | Acting General Director (part-time), member of the Board of Directors of PJSC Rosseti Kuban   |
| <b>The date of entry into office for the Chairman of the Company's Management Board</b> | 18 May 2021   |

<sup>1</sup> The Regulation on the Management Board of PJSC Rosseti Kuban is published on the Company's website in the About the Company / Constituent and Internal Documents section.

<sup>2</sup> Only the latest positions in each of the work places are given in the statements of experience of the Management Board members. All of the positions held by the Management Board members (in chronological order) can be found in quarterly reports of the Equity Issuer published online on the Company's website in the For Shareholders and Investors / Information disclosure / Reports of the Equity Issuer section.

## Edgar Armaganyan

|   |  |
|---|--|
| <b>Year of birth</b>                            | 1984   |
| <b>Education</b>                                | Higher. Graduated: <ul style="list-style-type: none"> <li>Kuban State Agrarian University, majoring in Electrification and Automation, engineer</li> <li>Moscow Institute of Entrepreneurship and Law, majoring in Organisation Management, manager</li> </ul> Completed a professional retraining course in the field of: <ul style="list-style-type: none"> <li>"Jurisprudence: Civil-Law Relations" with the right to conduct professional activities in the field of "Jurisprudence: Civil-Law Relations" – at Kuban State University</li> <li>"Management" with the right to carry out professional activity in the field of "Organisation Controlling" at Bauman Moscow State Technical University</li> <li>"Nuclear, Thermal and Renewable Energy and Related Technologies" with professional qualifications in "Researcher. Research Teacher" at Trubilin Kuban State Agrarian University</li> </ul> |
| <b>Work experience for the last five years</b>  |  |
| 2009 – present time                             | First Deputy General Director — Director of Sochi Power Grids Branch of PJSC Rosseti Kuban (primary place of employment)   |
| 2015–2017                                       | Member of the Reliability Committee of the Board of Directors of PJSC Kubanenergo  |
| 2016 – present time                             | Chairman of the Board of Directors for JSC Energoservice Kuban   |
| <b>Date of election to the Management Board</b> | 28 August 2014   |

## Yulia Galinova

|   |  |
|---|--|
| <b>Year of birth</b>                            | 1978   |
| <b>Education</b>                                | Higher. Graduated from the International Institute of Economics and Law, majoring in Jurisprudence, lawyer |
| <b>Work experience for the last five years</b>  |  |
| 2014–2021                                       | Deputy Head of the Legal Department of PJSC Rosseti Kuban  |
| 2021 – present time                             | Deputy General Director for Corporate Governance of PJSC Rosseti Kuban (primary place of employment)       |
| <b>Date of election to the Management Board</b> | 30 September 2021  |

## Julianna Jabrailova

|   |   |
|---|---|
| <b>Year of birth</b>                            | 1981  |
| <b>Education</b>                                | Higher. Graduated: <ul style="list-style-type: none"> <li>Higher Kuban Institute of International Business and Management, majoring in Finance and Credit, economist</li> <li>Kuban State Agrarian University, majoring in Agro-Engineering, Bachelor's degree</li> </ul> Completed a professional retraining course in the field of: <ul style="list-style-type: none"> <li>"Organisation management" with the right to carry out professional activity in the field of "Organisation Controlling" at Bauman Moscow State Technical University</li> <li>MBA "Top Manager" with professional qualifications in "Master of Business Administration (MBA)" at the Russian Presidential Academy of National Economy and Public Administration</li> </ul> |
| <b>Work experience for the last five years</b>  |   |
| 2014 – present time                             | Deputy General Director – Chief of the Office of PJSC Rosseti South (primary place of employment)   |
| 2016 – present time                             | Member of the Management Board of PJSC Rosseti South. Board Chairman for JSC Energetik Health Resort  |
| 2017 – present time                             | Director of Kubanenergo, a branch of Rosseti South, PJSC (part-time)  |
| 2018 – present time                             | Member of the Supervisory Board – All-Russian Branch Association of Employers of the Electric Power Industry "Energy Employment Organisation Association of Russia"   |
| 2021 – present time                             | Member of the Management Board, Deputy General Director – Chief of the Office (part-time) of PJSC Rosseti Kuban   |
| <b>Date of election to the Management Board</b> | 30 June 2021  |

## Kirill Iordanidi

|  |  |
|--|--|
| <b>Year of birth</b>                           | 1985   |
| <b>Education</b>                               | Higher. Graduated: <ul style="list-style-type: none"> <li>University of Indianapolis (Indiana, USA), majoring in Economics and Finance</li> <li>International College (Intercollege, Republic of Cyprus), majoring in Management</li> <li>South Russian State University of Economics and Service, majoring in Management, Master's degree</li> </ul> Completed professional retraining under the MBA programme "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 |
| <b>Work experience for the last five years</b> |  |
| 2016–2021                                      | Head of the Economics Department of PJSC Rosseti South   |
| 2021 – present time                            | Deputy General Director for Economics and Finance (primary place of employment), member of the Management Board, member of the Strategy Committee of the Board of Directors of PJSC Rosseti South  |

|   |   |
|---|---|
| 2017 – present time                             | Member of the Board of Directors, Deputy Chairman of the Board of Directors of JSC Energetik Health Resort                                      |
| 2017–2021                                       | Member of the Board of Directors, Chairman of the Board of Directors of JSC Sokolovskoye Agricultural Enterprise                                |
| 2018–2018                                       | Deputy Director for Economics and Finance (part-time), Volgogradenergo branch of PJSC IDGC of South   |
| 2019 – present time                             | Member of the Board of Directors of LLC YugStroyMontazh   |
| 2021 – present time                             | Deputy General Director for Economics and Finance (part-time), member of the Strategy Committee of the Board of Directors of PJSC Rosseti Kuban |
| <b>Date of election to the Management Board</b> | 30 September 2021   |

### Viktor Korzhanevskiy

|   |  |
|---|--|
| <b>Year of birth</b>                            | 1977   |
| <b>Education</b>                                | Higher. Graduated: <ul style="list-style-type: none"> <li>Ust-Kamenogorsk Energy Technical School, majoring in Installation and Operation of Electrical Equipment of Enterprises and Civil Buildings, electrician technician</li> <li>Serikbayev East Kazakhstan Technical University, majoring in Instrumentation, electrical engineer</li> </ul> |
| <b>Work experience for the last five years</b>  |  |
| 2015–2018                                       | Deputy General Director for Capital Construction of JSC TCC  |
| 2019 – present time                             | Deputy General Director for Investment Activities, Rosseti Kuban, PJSC   |
| 2020 – present time                             | Member of the Board of Directors of JSC Energoservice Kuban  |
| <b>Date of election to the Management Board</b> | 27 August 2020   |

### Lyudmila Loskutova

|   |  |
|---|--|
| <b>Year of birth</b>                            | 1973   |
| <b>Education</b>                                | Higher. Graduated from Kuban State Agrarian University, majoring in Accounting, Analysis and Audit, economist.<br>Completed professional retraining courses at Bauman Moscow State Technical University, majoring in Organisational Management |
| <b>Work experience for the last five years</b>  |  |
| 2013 – present time                             | General Accountant – Head of the Accounting and Tax Accounting Department, Rosseti Kuban, PJSC   |
| <b>Date of election to the Management Board</b> | 30 September 2021  |

### Alexey Mishanin

|   |  |
|---|--|
| <b>Year of birth</b>                            | 1975   |
| <b>Education</b>                                | Higher. Graduated: <ul style="list-style-type: none"> <li>Kstovsk Oil Technical School, majoring in Installation and Operation of Electrical Equipment of Enterprises and Civil Buildings, electrician technician</li> <li>Nizhny Novgorod State Technical University, majoring in Industrial and Urban Power Supply, electrical engineer</li> </ul> |
| <b>Work experience for the last five years</b>  |  |
| 2007–2017                                       | Head of the Operations Department for PJSC IDGC of Center and Volga Region   |
| 2017–2020                                       | Deputy Chief Engineer for Operations of PJSC Rosseti Siberia   |
| 2020 – present time                             | Deputy General Director for Technical Issues — Chief Engineer, Rosseti Kuban, PJSC   |
| 2021 – present time                             | Member of the Reliability Committee of the Board of Directors of PJSC Rosseti Kuban, member of the Board of Directors of JSC Energoservice Kuban   |
| <b>Date of election to the Management Board</b> | 16 November 2020   |

### Oleg Nishchuk

|   |  |
|---|--|
| <b>Year of birth</b>                            | 1978   |
| <b>Education</b>                                | Higher. Graduated from Kuban State University, majoring in World Economics, economist.<br>Completed professional retraining at Bauman Moscow State Technical University, based at the Kubanenergo Training Centre, majoring in Management and the right to carry out professional activities in Organisation Controlling |
| <b>Work experience for the last five years</b>  |  |
| 2015–2018                                       | Deputy Head for the Service Sales and Electricity Metering Department of PJSC Kubanenergo  |
| 2016 – present time                             | Member of the Board of Directors of JSC Energoservice Kuban  |
| 2018 – present time                             | Deputy General Director for Service Sales of PJSC Rosseti Kuban  |
| <b>Date of election to the Management Board</b> | 18 December 2018   |

All members of the Company's Management Board are citizens of the Russian Federation.

The average age of the Management Board member is 43 years.

There are three women on the Management Board.

None of the Management Board members held any positions in the management bodies of any commercial organizations when bankruptcy procedures were initiated and/or implemented in 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 year<sup>1</sup>
- Made any transactions with the Company in the reporting year
- Received any loans (credits) from the Company
- Had no family ties with persons 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

<sup>1</sup> According to the data provided to the Company by the Management Board members.

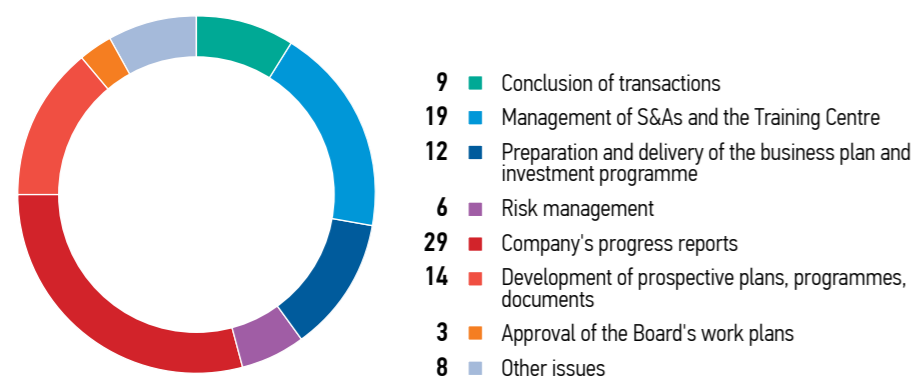
# PERFORMANCE OF THE MANAGEMENT BOARD

## ACTIVITY OF THE MANAGEMENT BOARD

| Indicator                  | 2019 | 2020 | 2021 |
|----------------------------|------|------|------|
| Number of meetings held    | 26   | 33   | 43   |
| • In person                | 5    | 6    | 2    |
| Number of issues discussed | 88   | 80   | 157  |

The Management Board meetings in the reporting year were conducted according to its work plans (approved quarterly) and at the initiative of Chairman of the Management Board.

## STRUCTURE OF ISSUES CONSIDERED BY THE MANAGEMENT BOARD IN 2021 BY TOPIC (%)



# CORPORATE SECRETARY

THE BOARD OF DIRECTORS OF PJSC ROSSETI KUBAN ELECTS A CORPORATE SECRETARY<sup>1</sup> 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 an official of PJSC Rosseti Kuban securing the Company's compliance 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, with prior review by the Personnel and Remuneration Committee.

Starting from 20 June 2011, Olga Russu has continuously been in the position of Company's Corporate Secretary.

## Olga Russu

|  |  |
|--|--|
| <b>Year of birth</b>                           | 1967   |
| <b>Education</b>                               | Higher. Graduated: <ul style="list-style-type: none"> <li>• Krasnodar Polytechnic Institute, majoring in Economics and Organisation of Food Industry</li> <li>• Ural State Service Academy, majoring in Jurisprudence</li> </ul> Completed professional retraining in organisational management at Bauman Moscow State Technical University based at Kubanenergo Training Centre.<br>Completed the advanced training course on Corporate Secretary at the Russian School of Management |
| <b>Work experience for the last five years</b> |  |
| 2011 – present time                            | Chief Specialist, Deputy Head of Corporate Provision Office of PJSC Rosseti Kuban  |

Corporate Secretary of PJSC Rosseti Kuban Olga Russu:

- Did not own the Company's shares or close transactions with them during the reporting year
- Has no connections with persons who are members of the governing and (or) control bodies of the Company's financial and economic activities
- Was not held administratively liable for violations in the field of finance, taxes and fees, securities market, or criminally liable for economic and/or public-order crimes
- Did not 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

<sup>1</sup> The functions, appointment and displacement procedures, rights and duties of the Corporate Secretary are aligned with the Regulation on the Corporate Secretary as approved by the Board of Directors (published on the website of PJSC Rosseti Kuban in the About the Company / Constituent and Internal Documents section).

# AUDITING COMMISSION

THE AUDITING COMMISSION IS A PERMANENT ELECTED INTERNAL CONTROL BODY OF PJSC ROSSETI KUBAN.

The Auditing Commission carries out regularly monitoring the Company's financial and business activities, its separate divisions, officials of the management bodies and subdivisions of the executive office for compliance through document audits and ex-post reviews of the following:

- Legitimacy, economic feasibility and efficiency (appropriateness) of the business and finance transactions carried out by the Company during the reporting period
- Completeness and accuracy of the representation of business and financial transactions in the Company's documents

The objectives of the Auditing Commission include:

- Control over the Company's financial and business operations
- Independent assessment of reliability of data in the Company's Annual Report, annual accounting statements, report on related-party transactions

The Auditing Commission acts in the interests of the Company's shareholders and reports to the General Meeting of Shareholders. It is independent of the Company's officials, executive bodies, and subdivision head in the executive office in the implementation of its functions.

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 competence of the Revision 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 raising and expenditure 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 to 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, identifying 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

In its activities, the Auditing Commission abides by the laws of the Russian Federation, the Articles of Association of the Company, and the Regulation on the Auditing Commission<sup>1</sup>.

The Auditing Commission consists of five members.

# COMPOSITION OF THE AUDITING COMMISSION

During the reporting year, there were three compositions of the Company's Auditing Commission.

## MEMBERS OF THE AUDITING COMMISSION ELECTED AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY ON 3 JUNE 2021 (MINUTES NO. 45 DATED 4 JUNE 2021)

### Svetlana Kovaleva (Chairwoman)

|   |   |                                      |   |
|---|---|--------------------------------------|---|
| <b>Year of birth</b>                                    | 1980  |                                      |   |
| <b>Education</b>  | Higher. Graduated: <ul style="list-style-type: none"> <li>• Civil Aviation Academy, majoring in Jurisprudence</li> <li>• National Research University MPEI, majoring in Production Management and Project Management</li> </ul> |                                      |   |
| <b>Data on work experience for the last three years</b> |   |                                      |   |
| <b>Period</b>   | <b>Organisation</b>   | <b>Position</b>                      |   |
| <b>from</b>   | <b>to</b>   |                                      |   |
| 2017  | present time  | PJSC FGC UES                         | Director of Internal Audit – Head of Internal Audit             |
| 2020  | present time  | PJSC Rosseti                         | Director of Internal Audit – Head of Internal Audit (part-time) |
| 2018  | present time  | JSC DVEUK                            | Member of the Audit Committee of the Board of Directors         |
| 2020  | present time  | JSC Rosseti Tyumen, JSC Yantarenergo | Chairman of the Audit Committee of the Board of Directors       |

### Olga Pyatakova

|   |  |                 |   |
|---|--|-----------------|---|
| <b>Year of birth</b>                                    | 1974   |                 |   |
| <b>Education</b>  | Higher. Graduated: <ul style="list-style-type: none"> <li>• Volgograd State Academy of Architecture and Civil Engineering, majoring in Industrial and Civil Engineering</li> <li>• Plekhanov Russian Academy of Economics, majoring in Finance and Credit</li> </ul> |                 |   |
| <b>Data on work experience for the last three years</b> |  |                 |   |
| <b>Period</b>   | <b>Organisation</b>  | <b>Position</b> |   |
| <b>from</b>   | <b>to</b>  |                 |   |
| 2014  | present time   | PJSC FGC UES    | Chief Expert in the Operational Audit Division of the Internal Audit Department             |
| 2020  | present time   | PJSC Rosseti    | Chief Expert in the Operational Audit Division of the Internal Audit Department (part-time) |

<sup>1</sup> The Regulation on the Auditing Commission is published on the Company's website <https://rosseti-kuban.ru> in the About the Company / Constituent and Internal Documents section.



## Kirill Rogachyov

|                      |  |
|----------------------|--|
| <b>Year of birth</b> | 1984   |
| <b>Education</b>     | Higher. Graduated: <ul style="list-style-type: none"> <li>Moscow State Aviation Technological University – Tsiolkovsky Russian State Technological University, with a degree in economics and company management</li> <li>Moscow Border Institute of the Federal Security Service of the Russian Federation, majoring in Jurisprudence. State-Legal.</li> </ul> Completed professional retraining courses: <ul style="list-style-type: none"> <li>at the International Academy of Expertise and Assessment, majoring in Internal Audit and Control in Commercial Organisations, specialist in internal audit and control in commercial organisations</li> <li>in NOKU “Professional standard” for process management specialisation</li> </ul> |

## Data on work experience for the last three years

| Period | Organisation | Position                             |   |
|--------|--------------|--------------------------------------|---|
| from   | to           |                                      |   |
| 2010   | present time | PJSC FGC UES (formerly OJSC FGC UES) | Chief Expert in the Operational Audit Division of the Internal Audit Department             |
| 2020   | present time | PJSC Rosseti                         | Chief Expert in the Operational Audit Division of the Internal Audit Department (part-time) |

## Svetlana Trishina

|                      |  |
|----------------------|--|
| <b>Year of birth</b> | 1979   |
| <b>Education</b>     | Higher. Graduated from Amur State University, majoring in Finance and Credit. Completed a professional retraining course at the International Academy of Expertise and Assessment, majoring in Internal Audit and Control in Commercial Organisations and refresher courses at the International Academy of Expertise and Assessment in Internal Audit |

## Data on work experience for the last three years

| Period | Organisation | Position     |  |
|--------|--------------|--------------|--|
| from   | to           |              |  |
| 2017   | present time | PJSC FGC UES | Head of the Financial Audit Department; Head of the Financial Audit, Methodology and Reporting Department; Head of the Corporate Audit and Control Department of Subsidiaries; Deputy Head of the Internal Audit Department, Deputy Head of the Internal Audit Department – Head of the Subsidiaries Corporate Audit and Control Department of the Internal Audit Department |
| 2020   | present time | PJSC Rosseti | Deputy Head of Internal Audit Department – Head of Corporate Audit and Control of Subsidiaries, Internal Audit Department (part-time)  |

## Viktor Tsarkov

|                      |   |
|----------------------|---|
| <b>Year of birth</b> | 1977  |
| <b>Education</b>     | Higher. Graduated: <ul style="list-style-type: none"> <li>Moscow Institute of Economics, Management and Law, majoring in Economics</li> <li>Russian Academy of Public Administration under the President of the Russian Federation, majoring in Management</li> </ul> |

## Data on work experience for the last three years

| Period | Organisation | Position     |  |
|--------|--------------|--------------|--|
| from   | to           |              |  |
| 2017   | present time | PJSC FGC UES | First Deputy Head of the Internal Audit Department             |
| 2020   | present time | PJSC Rosseti | First Deputy Head of the Internal Audit Department (part-time) |

Members of the Audit Committee elected at the annual General Meeting of the Company on 24 February 2021 (Minutes No. 44 dated 26 February 2021) and acting from 24 February 2021 to 3 June 2021:

Svetlana Kovaleva, Viktor Tsarkov and Svetlana Trishina were re-elected to the Auditing Commission at the annual General Meeting of Shareholders held on 3 June 2021. For more details see above.

## Svetlana Kovaleva

Chairwoman of the Auditing Commission

## Viktor Tsarkov

## Svetlana Trishina

## Elena Roptanova

|                      |  |
|----------------------|--|
| <b>Year of birth</b> | 1974   |
| <b>Education</b>     | Higher. Graduated from the Samara State Academy of Economics, majoring in Economics and Company Management |

## Data on work experience for the last three years

| Period | Organisation | Position     |  |
|--------|--------------|--------------|--|
| from   | to           |              |  |
| 2017   | 2020         | JSC MTCES    | Chief Expert of the Internal Control Department  |
| 2020   | 3 June 2021  | PJSC FGC UES | Chief Expert in the Division of Corporate Audit and Control of Subsidiaries, Internal Audit Department             |
| 2020   | 3 June 2021  | PJSC Rosseti | Chief Expert in the Division of Corporate Audit and Control of Subsidiaries, Internal Audit Department (part-time) |

**Konstantin Venevtsev**

|                      |  |
|----------------------|--|
| <b>Year of birth</b> | 1989   |
| <b>Education</b>     | Higher. Graduated from National Research University MPEI, majoring in: <ul style="list-style-type: none"> <li>• Electrical Engineering, Electromechanics and Electrotechnology</li> <li>• Organisation Management</li> </ul> |

**Data on work experience for the last three years**

| Period |             | Organisation | Position  |
|--------|-------------|--------------|---|
| from   | to          |              |   |
| 2017   | 3 June 2021 | PJSC FGC UES | Chief Expert in the Operational Audit Division of the Internal Audit Department             |
| 2020   | 3 June 2021 | PJSC Rosseti | Chief Expert in the Operational Audit Division of the Internal Audit Department (part-time) |

The Auditing Commission members elected at the annual General Meeting of Shareholders held on 29 May 2020 and acting up to 24 February 2021: Marina Lelekova, Svetlana Kim, Elena Kabizkina, Sergay Malyshev, Ludmila Skrynnikova. The biographies of the members of the Company's Audit Committee elected by the annual General Meeting of Shareholders on 29 May 2000 (Minutes No. 43) are published in the Company's Annual Report for 2020<sup>1</sup>.

The members of the Auditing Commission do not have shares in the authorised capital (shares of any type) PJSC Rosseti Kuban and in the authorised capital of subsidiaries and affiliates of PJSC Rosseti Kuban.

There were no transactions between the Company and the members of the Auditing Commission in 2021. PJSC Rosseti Kuban 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:

- 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 PJSC Rosseti Kuban
- 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) laws were initiated against those organisations

# TRACK RECORD OF THE AUDITING COMMISSION

During 2021, 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 posted on the Company's official website<sup>1</sup>.

The Company's financial and economic activities for 2020 were audited in 2021.

The audit programme of the Company's financial and economic activities included the following aspects:

- Assessment of the reliability of the financial statements of PJSC Rosseti Kuban formed as of 31 December 2020
- Assessment of the reliability of the Annual Report of PJSC Rosseti Kuban for 2020
- Verification of activities of PJSC Rosseti Kuban related to the organisation of technological and price audit of progress reports on the investment programme of PJSC Rosseti Kuban, 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 PJSC Rosseti Kuban

- Assessment of the financial position of PJSC Rosseti Kuban as at 31 December 2020
- Assessment of the reliability of the data contained in the Report on related-party transactions concluded by PJSC Rosseti Kuban in 2020
- Verification of certain issues related to corporate governance of PJSC Rosseti Kuban
- Other issues related to the circumstances identified during the auditing

The conclusion of the Auditing Commission was approved by the Auditing Commission of the Company (Minutes No. 2ns dated 19 April 2021), according to which an opinion was expressed on the reliability of the data contained in the annual report for 2020, the financial statements of the Company for 2020, in all material respects. There were no facts of distortion of the information contained in the report on interested party transactions concluded in 2020. This Conclusion was included in the materials provided to the Company's shareholders in preparation for the annual General Meeting of Shareholders of the Company in 2021.



<sup>1</sup> The Company's Annual Report for 2020 is published on the official website <https://rosseti-kuban.ru> in the To Shareholders and Investors / Disclosure / Annual Reports section.

<sup>1</sup> Decisions of the Auditing Commission meetings are published on the Company's website <https://rosseti-kuban.ru> in the About the Company / Control of Business Activity / Auditing Commission section.

# REMUNERATION OF MANAGEMENT AND CONTROL BODIES

## REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS

In the reporting year, remuneration and expenditure reimbursement for the Board members were accrued and paid in accordance with the revised Regulation on Remuneration and Reimbursement Payment to the Board of Directors of the Company approved by the resolution of the annual General Meeting of Shareholders of Kubanenergo on 20 June 2019 (Minutes No.42) (hereafter – 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:

$$S_{(1)} = R_{base} / 4 \times 100 / 130 \times (\frac{n}{m}),$$

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**  $R_{base}$

|                      |             |
|----------------------|-------------|
| Over RUB 200 bn      | RUB 3 mn    |
| Over RUB 70 bn       | RUB 2.7 mn  |
| Over RUB 30 bn       | RUB 2.2 mn  |
| Over RUB 10 bn       | RUB 1.6 mn  |
| Over RUB 1 bn        | RUB 1 mn    |
| Over RUB 600 mn      | RUB 800 ths |
| Less than RUB 600 mn | RUB 600 ths |

- n is 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 is the total number of meetings of the Board of Directors (irrespective of the form of a meeting) in the reporting quarter
- uplifts expressed in % relative to the remuneration base part are defined additionally:
  - 30% – for the Chairman of the Company's Board of Directors
  - 20% – for the Chairman of the specialised Committee under the Board of Directors
  - 10% – for the membership in the specialised Committee under the Company's Board of Directors

Uplifts for performing the duties of a Committee Chairman and/or member for the Board of Directors 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 don't take part in more than 50% of the meetings held in the reporting quarter.

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 and Reimbursement Payment to the Board of Directors:

- Does not apply to the members of the Board of Directors that are simultaneously members of executive bodies

- Provides 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<sup>1</sup> (RUB '000)

| Indicator  | Corporate 2018/2019 | 2019          | Corporate 2019/2020 | 2020          | Corporate 2020/2021 | 2021 <sup>2</sup> |
|--|---------------------|---------------|---------------------|---------------|---------------------|-------------------|
| Basic remuneration for participation in the Board of Directors                     | 7,558               | 12,568        | 17,421              | 20,692        | 14,885              | 14,478            |
| Uplift of 30% to the Chairman of the Board of Directors                            | 69                  | 213           | 511                 | 635           | 497                 | 496               |
| Uplift of 20% to the Chairman of a specialised Committee of the Board of Directors | 277                 | 373           | 321                 | 395           | 336                 | 545               |
| Uplift of 10% for membership in a specialised Committee of the Board of Directors  | 346                 | 611           | 1,215               | 1,604         | 1,274               | 959               |
| <b>TOTAL</b>   | <b>8,250</b>        | <b>13,765</b> | <b>19,468</b>       | <b>23,326</b> | <b>16,992</b>       | <b>16,478</b>     |

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.

<sup>1</sup> To ensure comparison of indicators in 2018–2020, the amounts of remuneration accrued and paid to the members of the Board of Directors for corporate years were released, as till 20 June 2019, there was a Regulation, under which remuneration to the members of the Board of Directors was paid once as per the results of work during the period from candidate election to the Board of Directors to formation of the new composition of the Board of Directors. The amount of the remuneration for participation in the work of the Company's Board of Directors was calculated in the same way as specified in the current Regulation, but the amount of the base annual remuneration ( $R_{base}$ ) set in relation to the Company's revenues had different values.

<sup>2</sup> In addition, the members of the Board of Directors also received extra payments from the net profits if the Company market capitalisation increases during their work. Subject to accrual and payment of remuneration for the fourth quarter of 2021 in January 2022.

## REMUNERATION OF MEMBERS OF EXECUTIVE BODIES

### REMUNERATION AND REIMBURSEMENT OF EXPENSES PAID TO THE MEMBERS OF THE COMPANY'S EXECUTIVE BODIES (RUB '000)

| Indicator  | 2019          | 2020          | 2021          |
|--|---------------|---------------|---------------|
| Remuneration for participation in the Management Board | 1,459         | 1,918         | 1,506         |
| Salary   | 31,266        | 29,359        | 28,324        |
| Bonuses  | 23,936        | 24,765        | 21,528        |
| Reimbursement of expenses                              | 228           | 920           | 1,437         |
| Other types of remuneration                            | 2,112         | 3,352         | 3,284         |
| <b>TOTAL</b>   | <b>59,001</b> | <b>60,314</b> | <b>56,079</b> |

For the members of executive bodies, the Company has no remuneration or reimbursement payments overdue.

## REMUNERATION AND REIMBURSEMENT FOR THE AUDITING COMMISSION MEMBERS

According to the effective Regulation on the Remuneration and Reimbursement Paid to the Auditing Commission of PJSC Kubanenergo<sup>1</sup> (hereinafter — the Regulation), as approved by the annual General Meeting of Shareholders (Minutes No.40 dated 28 May 2018), the members of the Auditing Commission receive remunerations depending on the results of the work during the corporate year and employees involvement with the work of such controlling body.

The remuneration amount for the Auditing Commission is calculated while taking into consideration the following:

- the size of the base part of the remuneration set according to the Company profits calculated using RAS for the fiscal year;

- the 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 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 rates set by the said Regulations.

### REMUNERATION ACCRUED AND PAID TO THE MEMBERS OF THE AUDITING COMMISSION (RUB '000)

|  | 2019<br>(for 2018/2019 corporate year) | 2020<br>(for 2019/2020 corporate year) | 2021<br>(for 2020/2021 corporate year) |
|--|--|--|--|
|  | 790                                    | 648                                    | 756                                    |

The expenses of the Auditing Commission members were not reimbursed in the reporting year.

The Company has no remuneration or reimbursement payments overdue to the Auditing Commission members.

<sup>1</sup> The Regulation on the Remuneration and Reimbursement Paid to the Auditing Commission of the Company is published on the Company's website in the About the Company / Constituent 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.

## INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (ICS AND RMS)



**Alexey Menshenin**  
Head of Internal Control and Risk Management Directorate, Rosseti Kuban, PJSC

“ In the current climate of change and constraint, a timely overhaul of internal controls and risk management becomes imperative for the efficient operation of the company”.

## FUNCTIONING OF ICS AND RMS

The Internal Control System and Risk Management System (ICS and RMS) of Rosseti Kuban are integrated into the Corporate-Wide Management System; they are established to provide reasonable assurance regarding the achievement of the objectives related to the following focus areas:

- Operational efficiency and strong performances of the Company including achievement of financial and operating results, protection of the Company's assets
- Compliance with the applicable laws and local regulations in the Company's commercial activities and financial accounting
- Reliability and timeliness of financial statements and other types of statements
- Ensuring sustainable continuous operation and development of the Company through timely identification, assessment, and management of risks that pose a threat to the effective

implementation of the Company's business and reputation, the health of its employees, the environment, or property interests of shareholders and investors

In order to ensure the functioning of the ICS and RMS, the Company put the following fundamental regulatory documents in place:

- Internal Control Policy of the Company (Minutes No. 233/2016 of the Board of Directors dated 18 March 2016). The Company's Internal Control Policy discloses the main requirements for the organisation and operation of ICS and RMS as established by the Board of Directors of the Company.

[Open the Internal Control Policy on the Company's website](#)

- Procedure for implementing the requirements of the Internal Control Policy of the Company (approved by Order No. 369-od dated 30 June 2021). The components and principles of the ICS and RMS specified in the Internal Control Policy are elaborated, detailed and described in the Internal Control Policy Implementation Procedure.
- Risk Management Policy (Minutes dated 18 March 2016 No. 233/2016), in 2021. The Board of Directors approved a new version of the Policy (Minutes No. 420/2021 dated 24 February 2021). The Policy is a Company's internal document, which determines its attitude to risks, establishes the general principles, objectives, and tasks of ICS and RMS, approaches to ICS and RMS organisation, the allocation of responsibility between ICS and RMS participants, and the nature of their cooperation, risk management milestones.

In addition, the Company has the following risk management regulations:

- Company's Risk Management Regulation
- Tree risk model
- ICS and RMS maturity model of the Company
- List of basic risk management activities
- Procedure for determining the preferred risk (risk appetite) of the Company

[Open the Risk Management Policy on the Company's website](#)

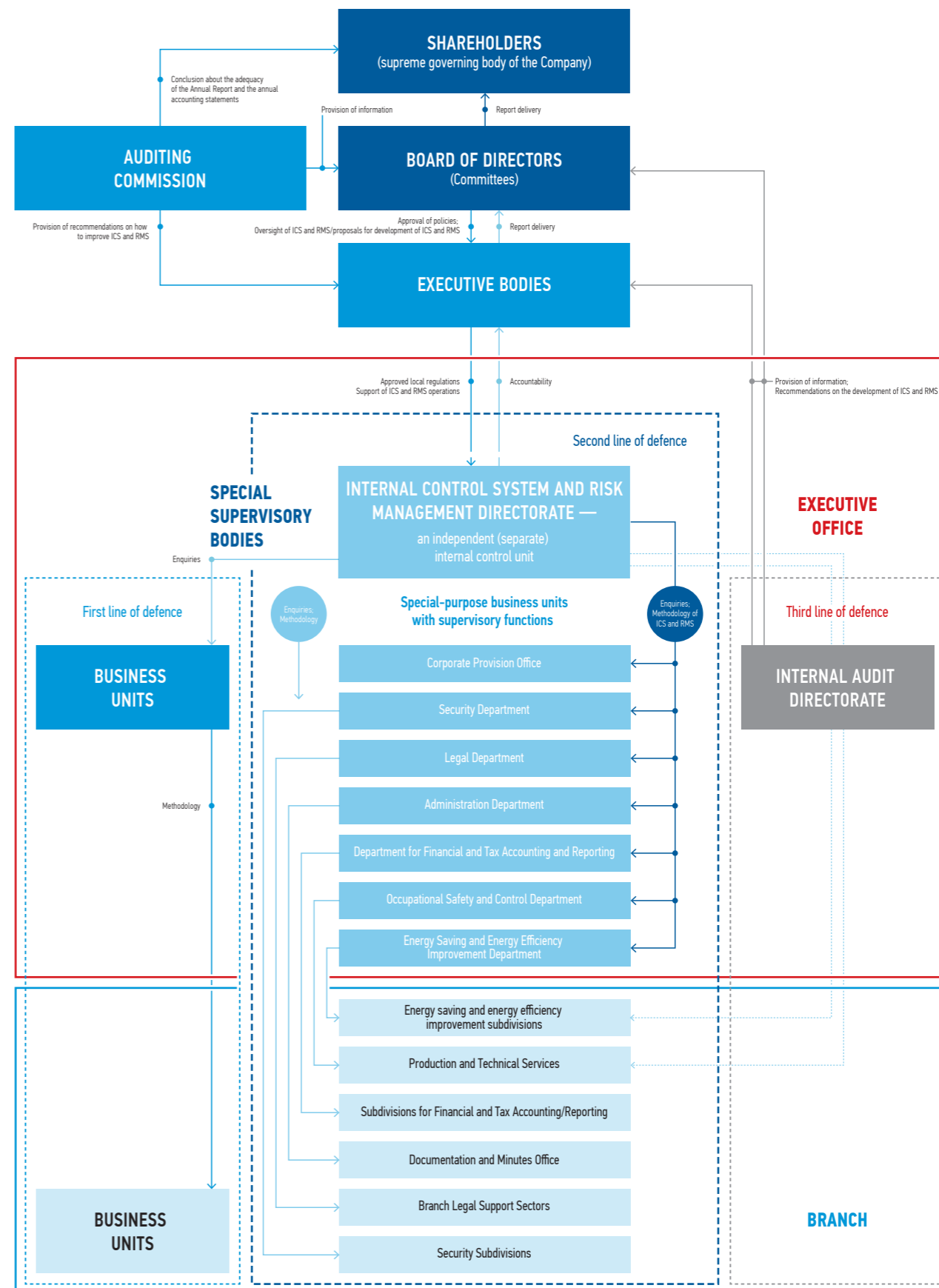
## MAIN PARTICIPANTS OF ICS AND RMS

The internal control and risk management process covers all areas of activity and is carried out at 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 OF ICS AND RMS PARTICIPANTS



The control procedures are implemented continually in all of the Company processes (areas of activity), at all management levels according to the Three Defence Lines model:

- the level of governing bodies (sole and collective executive bodies), the Company's units and divisions performing control procedures as part of their functions and professional duties is the first line of defence;
- the level of the Company's control divisions is the second line of defence;
- the level of Internal Audit Department is the third line of defence.

By the resolution of the Board of Directors<sup>1</sup>, the Company established the Internal Control and Risk Management Directorate.

The main functions of the Internal Control and Risk Management Directorate are as follows:

- Developing and ensuring the implementation and adaptation of the main methodological documents for the establishment and improvement of ICS and RMS
- Assisting the Company's management in creation of a control environment, developing the recommendations on the description and implementation of control procedures in processes (areas of activity) and assigning relevant responsibilities to officials, and ongoing monitoring of the implementation of internal control measures and procedures in the Company
- General coordination of risk management processes

## ICS AND RMS PERFORMANCE EVALUATION

In order to ensure that the ICS and RMS are effective and in line with objectively changing requirements and conditions, the Company carries out the following on the annual basis:

- Self-assessment of the ICS by the Company's management

The functions of the ICS and RMS parties can be found in Appendices 7 and 8 to the Annual Report; the same is described and formalised in the following documents:

- [Company's Articles of Association](#)
- [Regulation on the Audit Committee of the Board of Directors](#)
- [Company's Internal Control Policy, Risk Management Policy and Procedure of Internal Control Policy Implementation](#)
- The internal documents regulating the distribution of responsibilities between the Deputy General Directors and other managers reporting to the Company's General Director; regulations on divisions, job descriptions, and control and risk matrices
- Regulation on Specialised Internal Control Bodies

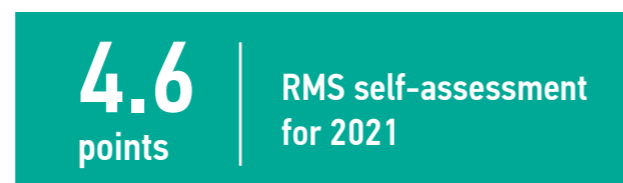
Control procedures for processes and sub-processes of the main and supporting activities, as well as governance processes of the Company are recorded in control and risk matrices.

[Open the incorporation and internal documents on the Company's website](#)

- Self-assessment of RMS effectiveness by the Internal Control And Risk Management Directorate
- Independent assessment of the effectiveness of the ICS and RMS by internal audit



- The Company's management completes check-lists with methodological support from the Internal Control and Risk Management Directorate
- The ICS maturity level is assessed as intermediate between "Optimum" (Level 5) and "High" (Level 6)



- The Internal Control and Risk Management Directorate assesses whether the current level of RMS maturity meets the established criteria of the Company's RMS Maturity Model
- RMS maturity level is assessed as intermediate between "Moderate" (Level 4) and "Optimal" (Level 5)

For all processes, the ICS is assessed by process owners as effective; for most processes, the ICS is "fully compliant" with the ICS criteria set out in the Methodology for Self-assessment of the Effectiveness of Control Procedures and ICS Processes (Areas of Activities).

**THIS DECISION RATED THE MATURITY LEVEL OF THE ICS AS BEING BETWEEN "OPTIMUM" (LEVEL 5) AND "HIGH" (LEVEL 6) — 5.3 POINTS, AND THE MATURITY LEVEL OF THE RMS AS BEING BETWEEN "MODERATE" (LEVEL 4) AND "OPTIMUM" (LEVEL 5) — 4.6 POINTS.**

The results of the 2021 self-assessment indicate an optimal level of RMS maturity. Of the 14 elements in the Risk Management Framework group, seven are at an "optimum" maturity level, five are at a "high" maturity level and two are at a "basic" maturity level.

The results of the assessment of the effectiveness of the Company's ICS and RMS at the end of 2021 and recommendations aimed at improving the effectiveness of ICS and RMS are reflected in the internal auditor's report and were considered at the meeting of the Company's Board of Directors (Minutes No. 477/2022 dated 19 May 2022 ) with a preliminary review by the Audit Committee of the Board of Directors (Minutes No. 127/2022 dated 6 May 2022).

Due to the change in the methodology for assessing ICS and RMS in 2021, no information is provided on the dynamics of ICS and RMS maturity levels for 2021 compared to the previous year.

## IMPROVEMENT OF ICS AND RMS IN 2021

In order to develop and improve ICS and RMS, the Board of Directors 1 approved the Plan for maintaining the efficiency and development of ICS and RMS of Rosseti Kuban PJSC, aimed at achieving a "high" maturity level of ICS and "optimal" maturity level of RMS. The plan for 2021 had 14 activities to be implemented. All activities have been completed on time, in addition, one activity planned for 2022 has been completed ahead of schedule.

In the reporting year, the Company implemented the following key actions aimed at the improvement of the ICS and RMS:

- Ongoing control of high-risk business processes within the activities of the collegial bodies (on settlement of receivables, consolidation of energy supply facilities, identification of non-core assets, introduction of automated information systems)
- Technical specifications for the implementation and improvement of the Company's automated information systems with regard to the automation of control procedures were agreed upon
- Local regulations defining control procedures, including those intended for control efficiency and sufficiency were approved;
- Control measures were taken to assess the adequacy, effectiveness and efficiency of the ICS and RMS
- ICS, RMS and management system were integrated within the framework of development and approval of the process regulations containing information on description, indicators of progress, risks and control procedures of the process as a single document
- The methodological basis of ICS and RMS was updated. In particular, new revisions of the Internal Control Policy Implementation Procedure, Regulations On Specialised Internal Control Bodies, and methodologies for self-assessment (by process owners) of the effectiveness of the internal control system of the processes supervised were approved. The Risk

Management Policy was also updated; a unified methodology for determining risk appetite in accordance with Rosseti Group standards was introduced; the format of the annual report on the organisation, functioning and efficiency of ICS and RMS to be submitted to the Board of Directors was approved. In addition, a uniform procedure for planning, organising and carrying out verification activities in the Company was developed.

### ICS and RMS improvement plans for 2022

In accordance with the Plan for maintaining the efficiency and development of ICS and RMS of PJSC Rosseti Kuban, the main ICS and RMS objectives for 2022 are as follows:

- Linking strategic objectives to the risk register
- Applying a mechanism for considering and analysing risk scenario conditions and their possible consequences when setting business goals, developing strategic initiatives, and planning and implementing the Investment Programme
- Updating the methodology for identifying, assessing, passporting and managing risks and carrying out a self-assessment of the effectiveness of the RMS
- Implementing/updating and evaluating the effectiveness of existing control procedures, including self-assessment by process owners
- Carrying out control activities and implementing procedures for ongoing monitoring of high-risk processes
- Developing a mechanism for monitoring financial stability, supporting the procedures for liquidation and bankruptcy of counterparties

<sup>1</sup> Minutes No. 241/2016 dated 31 May 2016.

<sup>1</sup> Minutes No. 433/2021 dated 24 May 2021.

# KEY RISKS

The risk management system 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.

According to the Company's Risk Management Regulation, the Management Board established and approved the Company's 2021 Risk Register<sup>1</sup> of 19 functional risks, i.e., aggregated risks of business processes that have a significant impact on the Company's activities, including key performance

indicators of the Company's sole executive body, and respectively on achieving goals in the management of the power grid complex and meeting the strategic objectives of Rosseti Group.

To determine the risk impact on the Company's operations, the level of risk materiality is defined. Risks are ranked according to three levels of materiality: moderate, significant, and critical.

Based on the quarterly risk reassessment conducted during 2021, nine risks were rated as "critical" and "significant" at year-end.

## MATERIALITY OF CRITICAL AND SIGNIFICANT FUNCTIONAL RISKS OF THE COMPANY

| Sl.No. | Risk ID | Risk   | Risk materiality       |                        |
|--------|---------|--|------------------------|------------------------|
|        |         |  | as at 31 December 2020 | as at 31 December 2021 |
| 1      | FR01-01 | Reducing the scope of electricity transmission services to consumers connected to regional distribution grids  | Significant            | Moderate               |
| 2      | FR01-05 | Increased costs for transmission services of other grid organisations  | Moderate               | Significant            |
| 3      | FR01-14 | Court ruling (dispute resolution) to recover debts for electricity transmission services against the Company   | Significant            | Significant            |
| 4      | FR02-01 | Increased funding for the investment programme as a whole and/or for individual titles (in relation to the limits established)   | Moderate               | Significant            |
| 5      | FR03-01 | Failure of counterparties to pay for electricity transmission services within the timeframe and/or in an incomplete amount set out in the agreement/contract   | Significant            | Moderate               |
| 6      | FR04-02 | Increase in interest rates on loans and borrows  | Significant            | Significant            |
| 7      | FR09-01 | Occupational accidents in the Company  | Critical               | Critical               |
| 8      | FR12-04 | Involvement of the Company/the Company's employees in corrupt practices  | Significant            | Critical               |
| 9      | FR13-03 | Disruption and/or interruption of the information infrastructure and telecommunication systems of power grid facilities  | Significant            | Significant            |
| 10     | 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 | Significant            | Significant            |
| 11     | FR13-07 | Deliberate illegal acts by both legal entities and individuals and Company's employees, causing economic damage and damage to business reputation  | Significant            | Significant            |

For all functional risks, the Company develops measures aimed at reducing and minimising the consequences of the realisation

of risks, and approves the Company's Risk Management Action Plan.

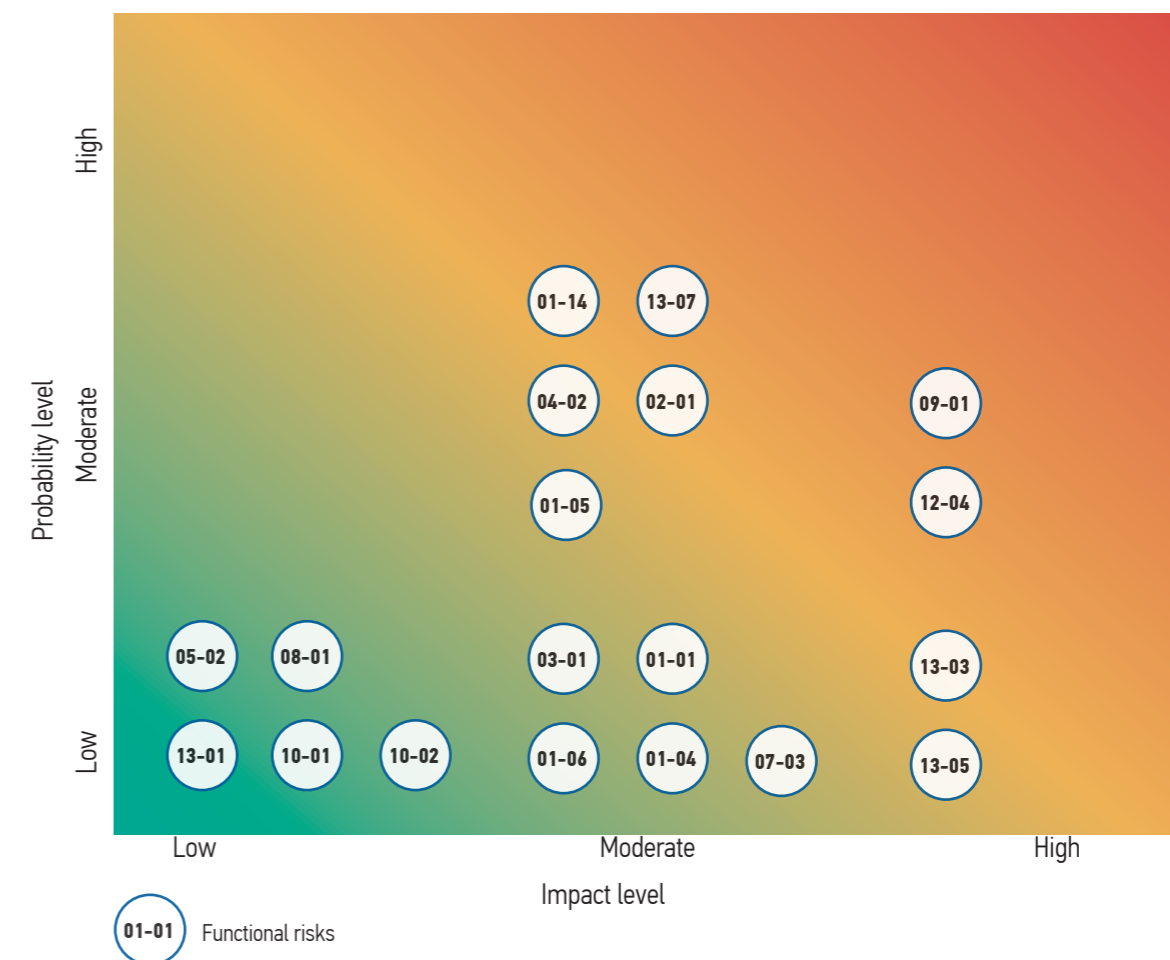
<sup>2</sup> Minutes No. 31/2020 dated 26 November 2020.

## MANAGEMENT OF "SIGNIFICANT" AND "CRITICAL" RISKS IN 2021

| Name, designation and level of risk materiality  | Impact on performance indicators                                | Risk materiality | Risk management activities  |
|--|---|------------------|---|
| Increased costs for transmission services of other grid organisations (FR01-05)  | Achievement of consolidated profit from operations (EBITDA)     | Significant      | <ul style="list-style-type: none"> <li>Submission of supporting material to the regulatory authorities (STRD-KT) confirming the level of economically justified costs.</li> <li>Working with the regional regulator (STRD-KT) to advocate the need for Rosseti Kuban to outpace the growth of expenses as a backbone company holding the "common pot" of the Krasnodar Territory and the Republic of Adygea</li> </ul>  |
| Court ruling (dispute resolution) to recover debts for electricity transmission services against the Company (FR01-14)                   | Achievement of consolidated profit from operations (EBITDA)     | Significant      | <ul style="list-style-type: none"> <li>Submission of documents for the claim procedures.</li> <li>Preparation of documents confirming the actual performance of the Company's obligations, by the responsible unit</li> </ul>   |
| Increased funding for the investment programme as a whole and/or for individual titles (in relation to the limits established) (FR02-01) | Achievement of the consolidated net debt/ EBITDA indicators     | Significant      | <ul style="list-style-type: none"> <li>Monitoring of non-exceeding the approved amount of funding for the Investment Programme.</li> <li>Monitoring of the implementation of investment projects in terms of cost and time-frames.</li> <li>Application of the methodology for planning the cost of investment projects in compiling the Company's Investment Programme (during planning, tendering and implementation of the Investment Programme)</li> </ul>  |
| Increase in interest rates on loans and borrows (FR04-02)  | Ensurance of dividend flow                                      | Significant      | <ul style="list-style-type: none"> <li>Negotiations with creditor banks, sending letters about considering the possibility of reducing interest rates on loans</li> </ul>   |
| Occupational accidents in the Company (FR09-01)  | No increase in the number of employees injured in accidents     | Critical         | <ul style="list-style-type: none"> <li>Delivery on the comprehensive programme for mitigating injury risk aimed at the safe performance of works at electrical facilities.</li> <li>Control of the performance of regulatory and administrative documents, health, and labour safety programmes.</li> <li>Timely and high-quality work with the staff.</li> <li>Preliminary and periodic medical examinations of employees.</li> <li>Video recording of works at electrical facilities</li> </ul>   |
| Involvement of the Company/the Company's employees in corrupt practices (FR12-04)  | Legal compliance, including anti-corruption and anti-trust laws | Critical         | <p>Implementation of the Anti-Corruption Plan in PJSC Rosseti Kuban for 2021, including:</p> <ul style="list-style-type: none"> <li>Conduct of supervisory checks on employees' compliance with the principles of the Company's Anti-Corruption Policy</li> <li>Conduct of internal audits and investigations into violations of the Company's Anti-Corruption Policy</li> <li>Identification and clearing of conflict of interests; Review and verification of reports of corruption and other abuses</li> <li>Education and laying foundations of lawful behaviours, consulting and training for employees</li> </ul> |

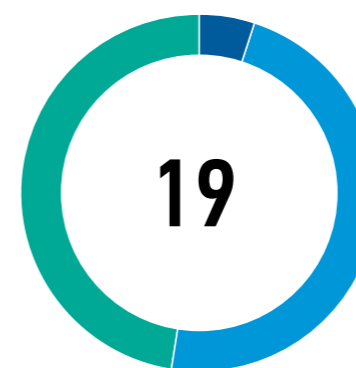
| Name, designation and level of risk materiality  | Impact on performance indicators                            | Risk materiality | Risk management activities  |
|--|---|------------------|---|
| Disruption and/or interruption of the information infrastructure and telecommunication systems of power grid facilities (FR13-03)  | Ensuring comprehensive security of the Company's operations | Significant      | <ul style="list-style-type: none"> <li>Introducing the information protection tools at information infrastructure facilities pursuant to the relevant statements of work.</li> <li>Monitoring the actions of the Company's employees via information security systems.</li> <li>Monitoring and analysis of external information security events</li> </ul>  |
| 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 (FR13-05) | Ensuring comprehensive security of the Company's operations | Significant      | <ul style="list-style-type: none"> <li>Installation of technical security equipment, video surveillance systems, access control system, and security alarm system.</li> <li>Ensuring the physical security of the most critical fuel and energy facilities of the Company.</li> <li>Introducing the information protection tools at information infrastructure facilities pursuant to the relevant statements of work.</li> <li>Monitoring the actions of the Company's employees via information security systems.</li> <li>Monitoring and analysis of external information security events</li> </ul> |
| Deliberate illegal acts by both legal entities and individuals and Company's employees, causing economic damage and damage to business reputation (FR13-07)  | Ensuring comprehensive security of the Company's operations | Significant      | <p>Implementing the action plan of the Department of Security of Rosseti Kuban for 2021, including:</p> <ul style="list-style-type: none"> <li>Strengthening the protection of the Company's facilities and property</li> <li>Conducting control measures and official inspections to identify the signs of illegal actions on the part of legal entities and individuals, as well as employees of the Company</li> <li>Sending applicant materials to law enforcement agencies, organising interaction with law enforcement agencies</li> </ul>  |

KEY RISK ASSESSMENT MAP OF THE COMPANY AS AT 31 DECEMBER 2021



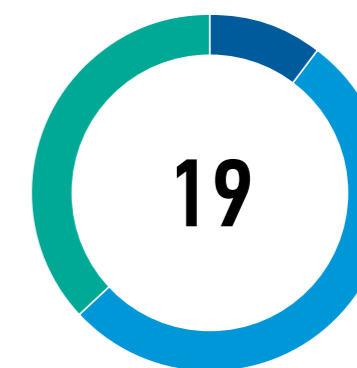
The dynamic profile of the risk assessment in 2021 is shown in the charts.

INITIAL ESTIMATE FOR 2021



1 Critical  
9 Moderate  
9 Significant

FINAL ASSESSMENT BASED ON Q4 2021 RESULTS



2 Critical  
10 Moderate  
7 Significant



# 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 Internal Audit Directorate is the subdivision responsible for the implementation of the internal audit function in the Company.

The Internal Audit Directorate 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;
- monitors and organises the activities of the internal audit unit, including approving the internal audit unit's regulations, the plan of its activities, the report on the implementation of the plan and the budget of the internal audit unit. It shall also pre-approve the decisions of the sole executive body of the Company on the appointment, dismissal (not on the initiative of an employee) of the head of internal audit, imposition of disciplinary sanctions on him/her and approve the terms of the employment contract and remuneration of the head of internal audit, consider the results of the quality assessment of the internal audit function.

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. 454/2021 dated 15 November 2021).

In 2021, the average headcount of the personnel performing the internal audit function was 5.5 persons.

The function of the Company's internal audit is regulated by the following key documents:

- Internal Audit Policy of the Company and the Code of Ethics for Internal Auditors approved by the resolution of the Board of Directors (Minutes No. 454/2021 dated 15 November 2021)
- Regulation on the Internal Audit Department approved by the resolution of the Board of Directors (Minutes No.251/2016 dated 23 September 2016)
- Programme on Assurance and Improvement of Internal Audit Quality approved by the resolution of the Company's Board of Directors (Minutes No.257/2016 dated 5 December 2016)
- 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 2021 is assessed as "compliant". The satisfaction assessment is conducted following the Programme on Assurance and Improvement of Internal Audit Quality in the Company via polling.

The Company has developed an action plan for the development and improvement of internal audit activities in the Company for the period from 2020 to 2024, approved by the resolution of the Board of Directors dated 30 March 2020 (Minutes No. 383/2020 dated 2 April 2020) and amended by the resolution of the Board of Directors dated 19 February 2021 (Minutes No. 420/2021 dated 24 February 2021). The action plan for improvement of Company's internal audit is implemented to the fullest extent in terms of events planned for 2021.

# TRANSACTIONS MADE BY ROSSETI KUBAN, PJSC IN 2021

IN 2021, ROSSETI KUBAN DID NOT MAKE ANY TRANSACTIONS RECOGNISED IN CHAPTER X OF FEDERAL LAW ON JOINT STOCK COMPANIES AS SIGNIFICANT TRANSACTIONS.

In 2021, the Company made no significant transactions (groups of related transactions) with liabilities of 10 per cent and more of carrying amount of the Company's assets according to its accounting data for the completed reporting period, which would precede a transaction.

In the reporting year, the Company made four related-party transactions (Chapter XI of Federal Law On Joint Stock Companies). The report on the related-party transactions made by the Company in 2021 can be found in Appendix 2 to this Report.



# SHARES AND DIVIDENDS

## AUTHORISED CAPITAL AND AUTHORISED SHARES

|  | At the beginning of 2021  | At the end of 2021  |
|--|---|---|
| <b>Type, category, kind, form of issuance of securities</b>  | Ordinary registered uncertified shares  |   |
| <b>The nominal value of each share (RUB)</b>   | 100   |   |
| <b>Authorised capital (RUB)</b>  | 33,465,783,700  | 33,465,783,700  |
| <b>Number of outstanding shares (pcs)</b>  | 334,657,837   | 341,825,681   |
| <b>State registration number of the issuance of securities and the date of state registration</b>                                | No. 1-02-00063-A dated 8 July 2003 (main issue)   | No. 1-02-00063-A dated 8 July 2003 (main issue)<br>No. 1-02-00063-A dated 1 April 2021 (additional issue) |
| <b>Presence/absence of a special right of the Russian Federation to participate in the Company's management ("golden share")</b> | No special right of the Russian Federation to participate in the management of the Company ("golden share") |   |
| <b>Existence of authorised shares that the Company may float in addition to those already in circulation</b>                     | 142,649,400 ordinary shares for the total par value of RUB 14,264.94 mn                                     | 135,481,556 ordinary shares for the total par value of RUB 13,548.16 mn                                   |
| <b>Number of own shares on the Company's balance (pcs)</b>   | 0   | 0   |
| <b>Number of shares of the Company owned by its controlled entities (pcs)</b>  | 0   | 0   |

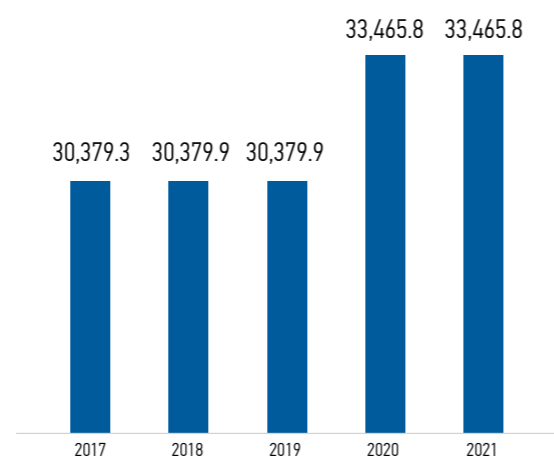
In the reporting year, an additional issue of shares began to be placed, continuing into 2022. The authorised capital of the Company did not change during the reporting year.

The Company did not place any preferred shares.

The Articles of Association of PJSC Rosseti Kuban states that each registered ordinary share of the Company grants the same 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 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.

**CHANGE IN THE COMPANY'S AUTHORISED CAPITAL (RUB MN)**



## ISSUANCE 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 conducted 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 1 year from the date of state registration of this additional issue of securities.

On 14 March 2022, the Board of Directors resolved to approve the listing prospectus of Rosseti Kuban's securities, providing for an extension of the term of placement of securities, pursuant to paragraph 12 of Article 22 of Federal Law No. 39-FZ dated 22 April 1996 On the Securities Market (Minutes No. 470/2022 dated 14 March 2022). On 14 March 2022, the approved listing prospectus was sent to the Bank of Russia for registration. On 25 April 2022, the Bank of Russia registered a listing prospectus and the placement of additional shares continued.

### INFORMATION ON THE ADDITIONAL ISSUE OF SECURITIES

#### Issue goals

- Financing of the following activities:
  - Creating energy infrastructure for investment projects in the Republic of Adygea
  - Renovation of power centres in the Sochi power district, including reimbursement of costs incurred by the Company
- improving the financial sustainability of PJSC Rosseti Kuban
- debt reduction

|  |  |
|--|--|
| <b>Share allocation price</b>  | RUB 100 per one share  |
| <b>Form of payment for shares</b>  | Monetary funds   |
| <b>Period of pre-emptive right for the acquisition of additionally issued shares</b>   | 10 April 2021 – 3 February 2022  |
| <b>Number of securities placed as a result of shareholders exercising their pre-emptive right to purchase securities</b>   | 9,003,528 pcs  |
| <b>Collection period of offers for acquisition of shares of additional issue stipulated by the listing prospectus registered on 1 April 2021</b>   | 11 February 2020 – 2 March 2022  |
| <b>Date from which the placement of securities was suspended due to the resolution of the Board of Directors to approve the listing prospectus of Rosseti Kuban providing for the extension of the securities placement period</b> | 14 March 2022  |
| <b>Information on the additional issue of PJSC Rosseti Kuban shares on the Company website</b>   | Home / For Shareholders and Investors / Information Disclosure / Disclosure of information at specific stages of the securities issue procedure / Issue of shares of Rosseti Kuban constituting additional issue (state registration number 1-02-00063-A dated 1 April 2021) |

## SHARE CAPITAL

The largest shareholders are:

- PJSC Rosseti, which owns 93.58% of the voting shares of the Company
- JSC DVEUK-UNPG, which owns 6.09% of the voting shares of the Company

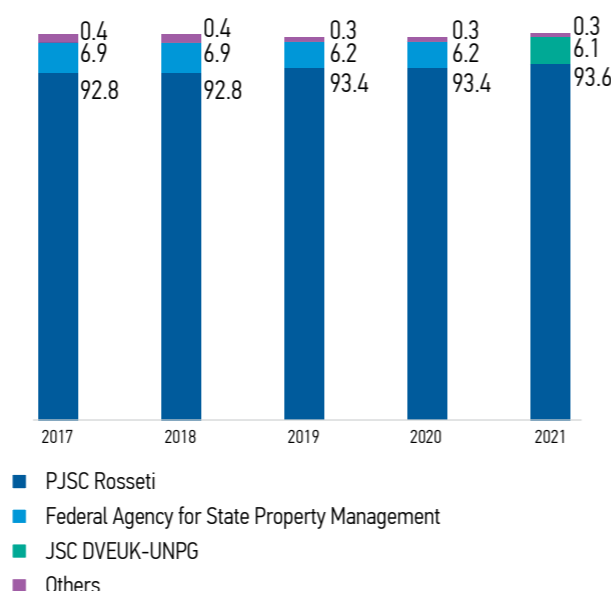
The Russian Federation indirectly owns voting shares in Rosseti Kuban due to its dominant interest in the above companies (88.04% in PJSC Rosseti and 100% in PJSC DVEUK-UNPG).

The Company does not have any other shareholders who own more than 5% of PJSC Rosseti Kuban's shares. The Company has no information about any shareholder agreement made. The Company does not hold any shares of its own. There are no cross-holdings of the Company's shares.

In the third quarter of the reporting year, the Russian Federation represented by the Federal Agency for State Property Management (Rosimushchestvo) transferred ownership of the entire package of 6.09% of the Company's voting shares held by it to JSC DVEUK-UNPG.

In addition, there were minor changes (up to 1%) in the structure of the Company's share capital due to placing additionally issued shares.

SHARE CAPITAL STRUCTURE OF ROSSETI KUBAN IN 2017–2021 (%)



### STATISTICAL INFORMATION ON PERSONS ENTERED INTO IN THE REGISTER OF SHAREHOLDERS OF ROSSETI KUBAN AS AT 31 DECEMBER 2021

| Type of personal account / other account and category of registered person | Number of shares   | % of issued shares | % of outstanding shares |
|--|--------------------|--------------------|-------------------------|
| Account of unidentified persons  | 3,364              | 0.0008             | 0.0010                  |
| Emission account   | 62,415,288         | 15.4401            |                         |
| Legal entities — owners (accounts – 16)                                    | 340,710,069        | 84.2839            | 99.6736                 |
| Individual owners, including co-ownership accounts (accounts – 1,791)      | 342,913            | 0.0848             | 0.1003                  |
| Nominee holders of Central Securities Depository (accounts – 2)            | 769,335            | 0.1903             | 0.2251                  |
| <b>TOTAL ON THE LIST (ACCOUNTS – 1,811)</b>                                | <b>404,240,969</b> | <b>100.0000</b>    | <b>100.0000</b>         |

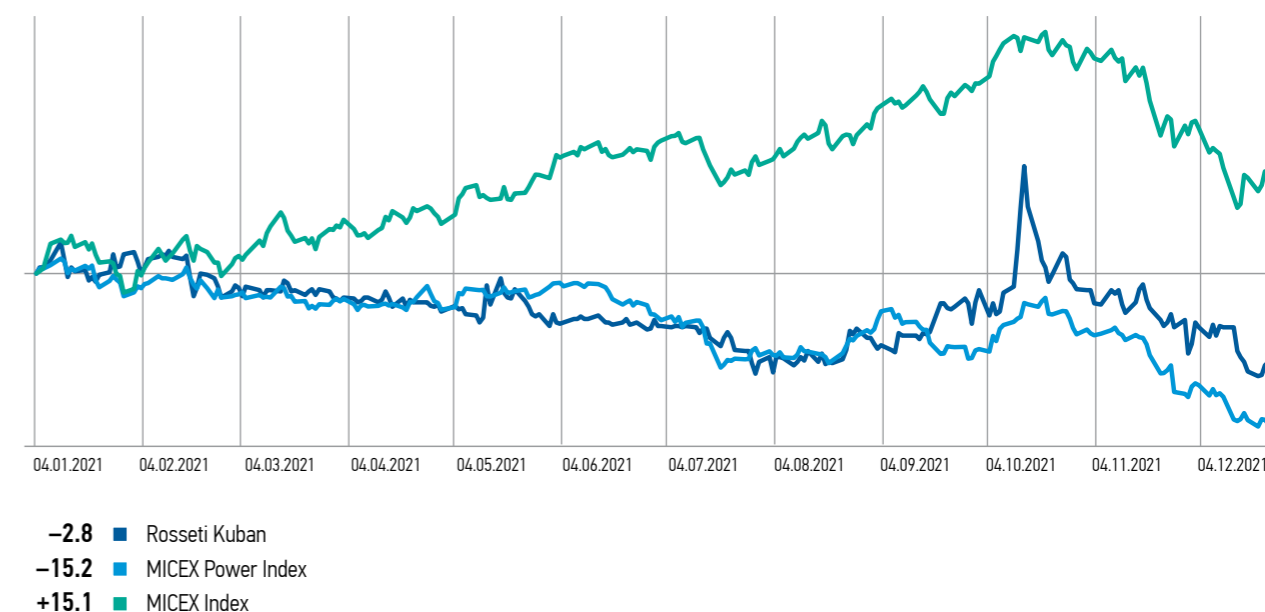
## EQUITY MARKET AND THE COMPANY'S CAPITALISATION

Shares of Rosseti Kuban PJSC are traded on Level 3 of the List of Securities Admitted to Trading on the Moscow Exchange; ticker: KUBE, ISIN code: RU0009046767.

Information on the current bids and transaction prices is available in Russian and English:

<http://moex.com/>  
<https://rosseti-kuban.ru/>

CURVE OF ROSSETI KUBAN'S SHARE PRICE (%)



The Company's market capitalisation at the end of 2020 was RUB 22.7 bn, and at the end of 2021, including the additionally issued shares, it was RUB 22.46 bn

# 22.5 RUB bn

THE COMPANY'S CAPITALISATION AT THE END OF 2021

The maximum capitalisation in 2021 was RUB 28.8 bn, while the minimum level was RUB 21.1 bn. In the reporting year, the share price declined by 2.8% (closing price calculation) on the back of a 15.1% increase in the MICEX Index and a 15.2% decrease in the MICEX Power Index.

### MOVEMENTS OF PRICE PER ONE SHARE OF ROSSETI KUBAN IN 2021 (RUB)

| Closing price (end of 2020) | Minimum price | Maximum price | Closing price (end of 2021) | Relative gain for the period (%) |
|-----------------------------|---------------|---------------|-----------------------------|----------------------------------|
| 68.3                        | 63            | 86            | 66.4                        | -2.8                             |

### BID PRICES AND TRADED VALUE

| Indicator  | 2019  | 2020  | 2021  | 2021/2020 (relative increase) (%) |
|--|-------|-------|-------|-----------------------------------|
| Weighted average price at the end of the period (RUB)  | 63.6  | 68.5  | 66.7  | -2.6                              |
| Market capitalisation on last trading day (RUB bn) (including outstanding additional shares) | 20.88 | 22.69 | 22.46 | -1.0                              |
| Trading volume (mn shares)   | 0.8   | 1.7   | 0.8   | -52.9                             |
| Trading volume (RUB mn)  | 57.4  | 129.3 | 60.3  | -53.4                             |

The volume of trading the shares of the Company on the Moscow Exchange in 2021 amounted to RUB 60.3 mn / 0.8 mn pcs.

The Company's shares are not included in the stock index calculation bases.

The low traffic in 2021 was due to the insignificant amount of shares in free circulation.

## DIVIDENDS

The Dividend Policy of the Company is a set of principles and methods used by the Company to determine the proportions of the capitalised part of the Company's profits and the part of profits payable in the form of dividends. In addition, it is also a system of relations and principles for determining the procedure and timing for the payment of dividends and for establishing the Company's responsibility for the performance of the obligation to pay dividends.

The Dividend Policy of the Company is based on the strict observance of the shareholders' rights as prescribed by the existing laws of the Russian Federation, the Articles of Association, and the internal documents of the Company. The Dividend Policy of the Company is aimed at raising the investment attractiveness of the Company and increasing its market capitalisation. The Policy is based on the balance of the interests of the Company and its shareholders.

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/ Constituent and Internal Documents](#) section.

Main principles of the Company's Dividend Policy:

- Complying with the Company practices for dividend accrual and payment, the laws of the Russian Federation and the standards of corporate governance (Decree No. 1094-r of the Government of the Russian Federation dated 29 May 2017)
- Maintaining optimal balance of interests of the Company and its shareholders
- Setting the dividend volume to at least 50% of the net profits determined according to the financial statements, including the consolidated reports prepared following the IFRS and calculated using the procedures set out by the Dividend Policy Regulations
- Ensuring the quarterly dividend payments 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 2018–2020<sup>1</sup> (RUB '000)

| Indicator   | For 2018<br>(annual General Meeting of Shareholders – 2019) | For 2019<br>(annual General Meeting of Shareholders – 2020) | For 2020<br>(annual General Meeting of Shareholders – 2021) |
|---|---|---|---|
| Undistributed profit (loss) of the reporting period | 151,158   | 2,428,011   | –1,501,278  |
| Including:  |   |   |   |
| • Reserve fund                                      | 7,560   | 121,401   | –   |
| • Profit for development                            | 0   | 1,669,696   | –   |
| • Dividends   | 143,638   | 636,914   | –   |
| • Recovery of prior year losses                     | –   | –   | –   |

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 2021.

### HISTORY OF DIVIDEND PAYMENTS MADE BY THE COMPANY IN 2016–2020

|  | Dividend period (year)  |                                     |                                     |                                     |                          |
|--|---|-------------------------------------|-------------------------------------|-------------------------------------|--------------------------|
|  | 2016  | 2017                                | 2018                                | 2019                                | 2020                     |
| Number and date of the Minutes of the General Meeting of Shareholders, when the dividend payment decision was made | No. 39 dated 29 June 2017   | No. 40 dated 25 May 2018            | No. 42 dated 20 June 2019           | No. 43 dated 29 May 2020            | No. 45 dated 4 June 2021 |
| Record date of making a list of persons entitled to dividends for the particular dividend period                   | 27 June 2017  | 5 June 2018                         | 1 July 2019                         | 15 June 2020                        | –                        |
| The volume of declared (accrued) dividends for the shares of this category (type) per one share in (RUB)           | 1.762658567   | 1.0585165                           | 0.472815                            | 1.90318                             | –                        |
| Cumulative declared (accrued) dividends for all shares of this category (type) (RUB)                               | 535,125,135   | 321,570,274                         | 143,638,050                         | 636,914,105                         | –                        |
| The total amount of dividends paid on all Company shares of one category (type) (RUB)                              | 534,876,410.47  | 321,443,450.61                      | 143,566,208.80                      | 636,641,664.89                      | –                        |
| The payment term for the declared dividends on the Company shares  | 10 and 25 working days <sup>1</sup>   | 10 and 25 working days <sup>1</sup> | 10 and 25 working days <sup>1</sup> | 10 and 25 working days <sup>1</sup> | –                        |
| Form of payment and other provisions for the declared dividends on the Company shares                              | Monetary funds  |                                     |                                     |                                     | –                        |
| Causes of non-distribution of declared dividends   | The questionnaire contains no dividends allocation data to be provided by a registered person |                                     |                                     |                                     | –                        |

Based on the year-end results, 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.

There are no dividend arrears owed by the Company.

<sup>1</sup> Decisions on profit distribution for 2018–2020 were adopted by the annual General Meeting of Shareholders of the Company (No. 42 dated 20 June 2019, No. 43 dated 29 May 2020, No. 45 dated 4 June 2021 respectively).

<sup>1</sup> For nominee shareholders that are securities market professional trustees, the term of payment is 10 working days maximum, and for other registered shareholders the same is 25 working days from the record date.

# REFERENCE INFORMATION

# CONTACT DETAILS

|  |   |
|--|---|
| <b>Full trade name</b>   | <b>Public Joint Stock Company Rosseti Kuban</b>   |
| Short 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 |   |
| Address  | Krasnodar, Russian Federation   |
| Postal Address   | 2A Stavropolskaya st., Krasnodar, Russian Federation, 350033  |
| Information about State Registration as Legal Entity   | Certificates of State Registration No. 127 dated 10 February 1993<br>Primary State Registration Number: 1022301427268   |
| Constituent entity of the Russian Federation where the Company is registered   | Krasnodar Territory   |
| Banking Details  | INN/KPP 2309001660/997650001<br>S.A. 40702810330020101989<br>in the Krasnodar Branch of PJSC Sberbank No. 8619, Krasnodar<br>C.A. 30101810100000000602<br>BIK 040349602 |
| Contact Phone/Fax  | +7 (861) 212-24-03 / +7 (861) 268-24-93   |
| Email address  | telet@rosseti-kuban.ru  |
| Web-page address   | <a href="https://www.rosseti-kuban.ru/">https://www.rosseti-kuban.ru/</a>   |

## CONTACT PERSON FOR SHAREHOLDERS

Chief Specialist of the Corporate Support  
Department

+7 (861) 212-26-72  
yurchenkoai@rosseti-kuban.ru

**Anna Yurchenko**

## CONTACT PERSON FOR INVESTORS AND FINANCIAL ANALYSTS

Head of the Corporate Support Department

+7 (861) 212-23-09  
didenkoe@rosseti-kuban.ru

**Yekaterina Didenko**

## CONTACT PERSON FOR CUSTOMERS

|   |   |
|---|---|
| <b>Deputy Head of the Customer Relations Department</b> | <b>Evgeny Vorobyov</b><br>+7 (861) 212-21-02<br>vorobievs@rosseti-kuban.ru  |
| <b>Internet-reception desk</b>                          | <b>Company's website <a href="http://www.rosseti-kuban.ru">www.rosseti-kuban.ru</a> – For Customers / Customer Service Center / Interactive Feedback System section (internet office)</b> |
| Interactive Service                                     | Rosseti Group's power grid services portal<br><a href="http://www.портал-тп.рф">www.портал-тп.рф</a>  |
| Call Centre   | 8-800-100-15-52 and 8-800-220-0-220 (24/7)  |

## CONTACTS OF THE CUSTOMER SERVICE CENTRES

| Branch of PJSC Rosseti Kuban   | Contact Phone  | Email address                        |
|--|--|--------------------------------------|
| Main Consumer Service Centre of the Executive Office of PJSC Rosseti Kuban | +7 (861) 212-22-22   | client.service@rosseti-kuban.ru      |
| Adygean power grids  | +7 (8772) 53-52-02   | client.service@ades.rosseti-kuban.ru |
| Armavir power grids  | +7 (86137) 6-98-03   | uslugi@armset.ru                     |
| Labinsk power grids  | +7 (86169) 6-91-53   | cok@labnet.kuban.ru                  |
| Leningrad power grids  | +7 (86145) 7-35-00   | kazantsevali@lenseti.kuban.ru        |
| Slavyansk power grids  | +7 (86146) 4-33-14   | klient@slavseti.ru                   |
| Sochi power grids  | +7 (8622) 69-02-42<br>(Sochi)<br>+7 (862) 227-03-27<br>(Sochi, Adler District)               | tsoksochi@elsetisochi.ru             |
| Timashevsk power grids   | +7 (86130) 23-2-65   | cok@timseti.kuban.ru                 |
| Tikhoretsk power grids   | +7 (86196) 7-04-17   | goryainovane@tihset.ru               |
| Ust-labinsk power grids  | +7 (86135) 5-03-43   | uslugi@useti.kuban.ru                |
| Power grids of South-West branch   | +7 (8617) 64-34-33<br>+7 (8617) 64-34-45<br>(Novorossiysk),<br>+7 (86133) 2-09-50<br>(Anapa) | novolato@novuzs.ru                   |

## FOR JOBSEEKERS

| Rosseti Kuban, PJSC              | Full Name of the Person Responsible for Staff Recruitment                      | Contact Phone Number, E-mail                            |
|----------------------------------|--|---|
| Executive Office                 | Natalya Novikova,<br>Chief Specialist of the HR Training and Development Group | +7 (861) 212-26-36<br>novikovani@rosseti-kuban.ru       |
| Adygean power grids              | Lyubov Arabkina,<br>Head of the HR Department                                  | + 7 (8772) 53-54-30<br>ArabkinaLA@ades.rosseti-kuban.ru |
| Armavir power grids              | Natalya Agapova, Head of Human Resources                                       | +7 (86137) 6-98-66<br>agapova_nd@armset.ru              |
| Krasnodar power grids            | Maria Marchenko,<br>Leading Specialist of the HR Department                    | +7 (861) 255-73-35<br>marchenkomy@krasnodarseti.ru      |
| Slavyansk power grids            | Victoria Shubina,<br>Category II Specialist of the HR Department               | + 7 (86146) 4-15-37<br>ShubinaVO@slavseti.ru            |
| Sochi power grids                | Vera Klevtsova,<br>Deputy Head of the HR Department                            | +7 (862) 269-02-18<br>personal@elsetisochi.ru           |
| Power grids of South-West branch | Oksana Lomakina,<br>Category I Specialist of the HR Department                 | + 7 (8617) 678-437<br>lomakinaoa.novuzs.ru              |
| Labinsk power grids              | Elena Malova,<br>Category II Specialist of the HR Department                   | +7 (861) 69-6-95-25<br>Malova@labnet.kuban.ru           |
| Leningrad power grids            | Olga Smetanina,<br>Category I Specialist in the HR Management                  | + 7 (86145) 7-59-45<br>SmetaninaON@lenseti.kuban.ru     |
| Timashevsk power grids           | Iraida Bednaya,<br>Head of the HR Department                                   | +7 (861)302-32-23<br>BednayaIV@timseti.kuban.ru         |
| Tikhoretsk power grids           | Marina Savelyeva,<br>Head of the HR Department                                 | + 7 (86196) 7-47-73<br>savelevamg@tihset.ru             |
| Ust-labinsk power grids          | Irina Telyatnikova,<br>Leading Specialist of the HR Department                 | + 7 (86135) 91-3-37<br>telyatnikovaia@useti.kuban.ru    |

## BRANCHES OF PJSC ROSSETI KUBAN AS OF 31 DECEMBER 2021

| Name:                            | Location  |
|----------------------------------|---|
| Adygean power grids              | 358 Shovgenova st., Maikop, Republic of Adygea, 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          |
| Power grids of South-West branch | 1 Vostochnyi mol., Novorossiysk, Krasnodar Territory, Russia            |

## PJSC ROSSETI KUBAN'S PRESS SERVICE

Phone: +7 (861) 212-24-68

Media request email: [sadymva@rosseti-kuban.ru](mailto:sadymva@rosseti-kuban.ru)

# REGISTRAR'S DETAILS

|                             |   |
|-----------------------------|---|
| <b>Full trade name</b>      | <b>Joint Stock Company "Independent Registrar Company R.O.S.T."</b> |
| Short name                  | JSC IRC – R.O.S.T.  |
| INN/OGRN                    | 7726030449/1027739216757  |
| Address                     | 18 Stromynka st., bldg 5B, Moscow, 107076                           |
| Licence to keep a register: |   |
| • number                    | 045-13976-000001  |
| • date of issue             | 3 December 2002   |
| • validity period           | Unlimited   |
| • issuing authority         | Russian Federal Securities Committee                                |
| Contact Phone/Fax           | +7 (495) 780-73-63 / +7 (495) 989-76-50                             |
| Email address               | info@rrost.ru   |
| Web-page address            | www.rrost.ru  |

JSC IRC – R.O.S.T. keeps a register of the owners of the Company securities since 16 December 2010.

There are no transfer agents of JSC IRC – R.O.S.T. that can provide services to people registered as shareholders of PJSC Rosseti Kuban.

# TERMS AND ABBREVIATIONS

Average Headcount is 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) is 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

Corporate Year is a period between the election of members of the Board of Directors and the Auditing Commission at the General Meeting of Company Shareholders and the next Annual General Meeting of Company Shareholders

CPL – Cable Power Line

Delivery to the Grid is 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

DPGR are distribution power grid regions in branches of the Company's branches, comprising and controlling (via the Head of DPGR) several grid sections and the following groups: operational dispatch group, mechanical aid group, and energy transport group

DTS – Distribution Transformer Substation

EBITDA – Earnings before Interest, Taxes, Depreciation, and Amortisation

Electricity Losses:

Actual (Reported) Electricity Losses stand for 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 stand for 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)

Electricity Metering Device is 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.

Excessive (Commercial) Electricity Losses stand for a difference between actual and standard electricity losses, paid to the full extent by the operator of the grid where these excessive losses occurred

FEC – Fuel & Energy Complex

Feeder – a power line connecting bus bars of electric switchgear with distribution and consumer power grids powered from them

FOCL – Fibre-Optic Communication Line

Grid Connection is 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 is an organisation responsible for transmission and/or distribution of electricity in power grids

GS – Grid Section

Guaranteeing Energy Supplier is 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



Load-Caused Electricity Losses are losses depending on the load in transformers and lines occurring during electricity transmission

Loss of Revenue is a shortfall in the income of the regulated organisation due to providing grid connection benefits to customers consuming less than 15 kW that occur because of the discrepancy between the actual expenses for grid connections made and the payment received for them set in accordance with the current laws of the Russian Federation

M&R – Maintenance and Repair

Net Delivery is the amount of electric power transmitted (supplied) via distribution grids at 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

OCB – Oil Circuit Breaker

OPL – Overhead Power Line

PAMS – Production Asset Management System

PBU – Accounting Regulations

PG – Power Grids

PGR – Power Grid Regions in the Company's Branches

Power Centre – substation bars with a voltage of 110, 35, 6/10 kV

Process-Related Disturbances (Emergency) is an unauthorised disconnection of normal power grid operations

PTL – Power Transmission Line

R&D – Research and Development

RAS – Russian Accounting Standards

Related Grid Organisation is a grid operator than is a legal owner of the power grid facilities connected directly to the power grids of other operators (it cooperates with)

Required Gross Revenue, RGR of the Company is 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, FGC UES PJSC, and the purchase of electricity to compensate losses

Required Gross Revenue, RGR of the Region is an economically feasible amount of funds necessary for grid organisations functioning in the Krasnodar Territory and the Republic of Adygea to perform regulated activities related to power transmission during the reporting period of regulation

Required single-pot gross revenue is an economically feasible amount of funds necessary for the organisation to perform regulated activities within the reporting period of regulation, taking into account the costs of services of territorial grid companies, PJSC FGC UES, and the purchase of electricity to compensate losses.

ROE (Return On Equity) is cost-effectiveness of equities; represents performance efficiency; a ratio of net profits for the period divided by equities of an organisation

ROTA (Return on total assets) is cost-effectiveness of total assets; represents performance efficiency; a ratio of net profits (of before-tax profits) for the period divided by the total value of company assets for the period

RPA Setting is a relay actuation (release) parameter or time set

S&A – Subsidiaries and Affiliates of the Company or PJSC Rosseti

SG – Switchgear (of a substation or a power plant)

Single-Pot Tariffs for Electricity Transmission are uniform tariffs for electricity transmission services in the Krasnodar Territory and the Republic of Adygea for all consumers of electricity transmission services irrespective of which power grid organisation they are connected to, differentiated according to the voltage levels

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 is metering to control electricity consumption within power plants, substations, businesses, buildings, flats, etc. Meters used for technical metering are called technical meters

Technical Losses are 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) is a commercial organisation that owns power grid facilities by right of property or other grounds set of 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

Underdelivery is insufficient delivery of electric power to consumers due to disturbances in the power grid

UNPG – Unified National Power Grid (of Russia)

Volume of Services Rendered is 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 (UOM)

'000 – thousand

bn – billion

d – day

Gcal – gigacalorie

h – hour

km – kilometer

kV – kilovolt

kVA – kilovolt-ampere

kW – kilowatt

kWh – kilowatt-hour

m – metre

min – minute

mn – million

MVA – megavolt-ampere

MW – megawatt

p.p. – percentage point

pcs – pieces

RUB – Russian Rouble

s – second

t – tonne

TFOE – tonnes of fuel oil equivalent

VA – volt-ampere

# APPENDICES TO THE ANNUAL REPORT

The following Appendices are an integral part of this Annual Report

| Appendix No. | Name of the Appendix  | Page numbers in the Annual Report |
|--------------|---|-----------------------------------|
| 1            | Report on Compliance of PJSC Rosseti Kuban 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) | 242–287                           |
| 2            | Report on the Transactions Made by PJSC Rosseti Kuban in 2021 and Recognised as Related-party Transactions under the Russian Law  | 288–295                           |
| 3            | Information on Non-Core Assets of PJSC Rosseti Kuban Participation of PJSC Rosseti Kuban in Commercial and Non-Commercial Organisations   | 296–305                           |
| 4            | Independent Auditor's Opinion on the Accounting (Financial) Statements of Public Joint Stock Company Rosseti Kuban for 2021 (signed on 25 February 2022)  | 306–399                           |
| 5            | IFRS Consolidated Financial Statements for 2021 with Auditor's Report   | 400–467                           |
| 6            | Opinion of the Auditing Commission  | 468–481                           |
| 7            | Functions of Participants in the Internal Control System of PJSC Rosseti Kuban  | 482–486                           |
| 8            | Participants in the Risk Management System and their Functions  | 487                               |

# APPENDICES

# APPENDIX 1

REPORT ON COMPLIANCE OF PJSC ROSSETI KUBAN 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 the compliance with the principles and recommendations of the Corporate Governance Code (hereinafter referred to as the Report) was considered by the Board of Directors of PJSC Rosseti Kuban at its meeting on 11 May 2022 (Minutes No. 476/2022 dated 13 May 2022).

The Board of Directors certifies that the Report contains complete and accurate information on the Company's compliance with the principles and recommendations of the Corporate Governance Code of the Bank of Russia for 2021.

PJSC Rosseti Kuban performs Corporate Governance Code compliance assessment as per the guidelines recommended by the Bank of Russia in Letter No. IN-06-28/102 dated 27 December 2021 on the Disclosure of Information on the 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 PJSC Rosseti Kuban for 2021, which describes the most significant aspects of the corporate governance model and practices.

| No.        | Corporate governance principles  | Assessment Criteria for the Compliance with the Corporate Governance Principle  | Status of the compliance with a corporate governance principle          | Explanations of a deviation from the assessment criteria for the compliance with the corporate governance principle   |
|------------|--|---|---|---|
| 1          | 2  | 3   | 4   | 5   |
| <b>1.1</b> | <b>The company shall ensure equal and fair treatment of all shareholders in the exercise of their right to participate in the corporate governance.</b>  |   |   |   |
| 1.1.1      | The company creates the most favorable conditions for shareholders for the participation in the general meeting, conditions for formulating 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.   | <ol style="list-style-type: none"> <li>The company provides affordable and accessible communication ways such as a hotline, e-mail or a forum on the Internet so that shareholders can express their views and send questions about the agenda during preparation to the general meeting.</li> <li>These channels of communication were organized by the company and made available to shareholders in preparation for each general meeting held during the reporting period.</li> </ol>  | <p><b>compliant</b></p> <p>partially compliant</p> <p>not compliant</p> |   |
| 1.1.2      | The procedure for notifying of a general meeting and providing materials for the meeting enables the shareholders to prepare for it properly.  | <ol style="list-style-type: none"> <li>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 thereof, unless a longer period is stipulated by law.</li> <li>The meeting notice lists the documents required for admission to the venue.</li> <li>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 auditing commission (if establishment of the same is stipulated by the company's articles of association).</li> </ol>  | <p><b>compliant</b></p> <p>partially compliant</p> <p>not compliant</p> | <p>According to Articles 2 and 3 of Federal Law No. 17-FZ dated 24 February 2021 On Amending the Federal Law On International Companies and International Funds and Suspending Certain Provisions of the Federal Law On Joint Stock Companies and the Federal Law On Limited Liability Companies, a general shareholders' meeting, the agenda of which includes items referred to in Clause 2 of Article 50 of Federal Law No. 208-FZ dated 26 December 1995 On Joint Stock Companies, may, in 2021, by resolution of the board of directors (supervisory board) of a joint stock company, be held in the form of an absentee ballot.</p> <p>Due to the adverse epidemiological situation associated with high rates of coronavirus infection COVID-19, the Board of Directors of PJSC Rosseti Kuban decided to convene the annual General Meeting of Shareholders in absentia (Minutes No. 429/2021 dated 29 April 2021). 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 PJSC Rosseti Kuban in the form of absentee voting is a forced measure. PJSC Rosseti Kuban 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. | <ol style="list-style-type: none"> <li>During the reporting period, shareholders had 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.</li> <li>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 therefor.</li> <li>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.</li> </ol> | <p><b>compliant</b></p> <p>partially compliant</p> <p>not compliant</p> |   |
| 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.   | <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>   | <p><b>compliant</b></p> <p>partially compliant</p> <p>not compliant</p> |   |
| 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.  | <ol style="list-style-type: none"> <li>The company's articles of association foresees 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).</li> </ol>  | <p><b>compliant</b></p> <p>partially compliant</p> <p>not compliant</p> |   |

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| 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.  | <ol style="list-style-type: none"> <li>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 thereof, and shareholders were given the opportunity to express their opinions and ask questions of interest on the agenda.</li> <li>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.</li> <li>The sole executive body, the accounting officer, the chairman 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.</li> <li>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.</li> </ol> | compliant<br>partially compliant<br>not compliant              | Due to the COVID-19 pandemic, the annual general meeting of shareholders of pjsc rosseti kuban in the reporting period was held in the form of absentee voting, so the above criteria for assessing the compliance with this principle of corporate governance are not applicable.   |
| <b>1.2</b> | <b>The shareholders were given equal and equitable opportunities to receive a proportion of the company's profit as dividends.</b>   |  |  |  |
| 1.2.1      | The company has developed and implemented a transparent and clear mechanism for determining the amount of dividends and their payment.   | <ol style="list-style-type: none"> <li>The company's regulation on the dividend policy was approved by the board of directors and disclosed on the company's website.</li> <li>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.</li> <li>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).</li> </ol>   | compliant<br>partially compliant<br>not compliant              | <p>Criterion 1 is complied with.</p> <p>Criterion 2 is complied with.</p> <p>Criterion 3 is not complied with due to a loss from the Company's performance in 2020; therefore, the Board of Directors of the Company recommended to the annual General Meeting of Shareholders not to pay dividends on the Company's ordinary shares for 2020.</p> <p>Non-compliance is time-limited.</p> <p>Since the Company generated net profit for 2022, the materials for the annual General Meeting of Shareholders of the Company, the agenda of which includes an item on profit distribution (including the payment (declaration) of dividends), include a justification of the proposed distribution of net profit.</p> |
| 1.2.2      | The company does not make a decision on dividend payment if such a decision is economically unfeasible and may create a misleading impression as to the company's operations, despite formal compliance of such decision with the legislation. | <ol style="list-style-type: none"> <li>The regulations on company's dividend policy, in addition to the statutory restrictions, defines the financial/economic circumstances the company should not decide to pay dividends under.</li> </ol>  | compliant<br>partially compliant<br>not compliant              |  |
| 1.2.3      | The company does not allow a deterioration in terms of dividend rights of existing shareholders.   | <ol style="list-style-type: none"> <li>In the reporting period, the company did not take any actions causing a deterioration in terms of dividend rights of existing shareholders.</li> </ol>  | compliant<br>partially compliant<br>not compliant              |  |

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| 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.  | 1. During the reporting period, there were no other ways other than dividends for the entities who has control over the company to receive profit (income) at the company's expense (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).   | compliant<br>partially compliant<br>not compliant              |   |
| <b>1.3 The corporate governance system and practices should ensure and equitable treatment of all shareholders who hold shares of one class (type), including minority (small) shareholders and foreign shareholders, by the company.</b>   |  |   |  |   |
| 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.  | 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.   | compliant<br>partially compliant<br>not compliant              |   |
| 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.  | compliant<br>partially compliant<br>not compliant              |   |
| <b>1.4 Shareholders have reliable and effective methods to record ownership of shares and an opportunity to freely and quickly dispose of their shares.</b>   |  |   |  |   |
| 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 technologies and service conditions of the company's registrar meet the needs of the company and its shareholders and ensure that shareholder rights are regarded and exercised in the most efficient manner.  | compliant<br>partially compliant<br>not compliant              |   |
| <b>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.</b> |  |   |  |   |
| 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. | 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.<br>2. During the reporting period, the nominations (appointments, personnel) <sup>1</sup> 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.<br>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. | compliant<br>partially compliant<br>not compliant              | Criterion 1 is complied with.<br>Criterion 2 is partially complied with.<br>The Personnel and Remuneration Committee of the Board of Directors of the Company considered issues on preliminary approval of candidates for key positions, as well as approval of candidates for election to the Management Board of the Company.<br>Criterion 3 is partially complied with.<br>The Company's strategy has not been approved as a unified document, thus, the strategy progress report of the sole executive body and members of the collective executive body was not reviewed by the Board of Directors in the reporting year.<br>However, the Company works towards the compliance with the recommendations of the Code. According to Sub-clause 1 of Clause 15.1 of Article 15 of the Company's Articles of Associations, the Board of Directors competences include the determination of business priorities and strategy of the Company. According to Sub-clause 19 of Clause 15.1 of Article 15 of the Company's Articles of Association, the Board of Directors quarterly reviews the progress reports on the Company's business plan which is a strategic document. In addition, according to Sub-clause 34 of Clause 15.1 of Article 15 of the Company's Articles of Associations, the General Director regularly reports to the Board of Directors on the critical issues of the Company's activities, including the implementation of the resolutions of the Board of Directors. Non-compliance is time-limited. The Company is intent on achieving the compliance with the elements of the Code in the future. |

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| 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. | <ol style="list-style-type: none"> <li>1. In the reporting period, the board of directors reviewed the issues related to the implementation and update of the strategy, approval of the financial and economic plan (budget) of the company, as well as the consideration of criteria and indicators (including interim ones) related to the implementation of the company's strategy and business plans.</li> </ol>  | compliant<br><b>partially compliant</b><br>not compliant       | During 2021, the Company's Board of Directors met to consider issues related to the approval of the Company's financial and economic plan (business plan), reviewing the criteria and indicators (including interim ones) of the business plan, and updating the status of the Company's priority business areas.<br>Due to absence of the approved Company's strategy, issues related to the implementation and review of the strategy, as well as the consideration of the criteria and indicators (including interim ones) related to the implementation of the Company's strategy were not considered by the Company's Board of Directors in 2021.<br>Non-compliance is time-limited.<br>The Company plans to achieve the compliance with the element of the Code provided that the Board of Directors approves the Development Strategy.  |
| 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"> <li>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.</li> <li>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 whether it is expedient to submit the issue of revising the company's risk appetite by the board of directors for consideration.</li> </ol> | compliant<br><b>partially compliant</b><br>not compliant       | Criterion 1 is complied with.<br>Criterion 2 is partially complied with.<br>The Company's Board of Directors approved the Risk Management Policy (Minutes No. 420/2021 dated 24 February 2021), which defines the concept of risk appetite and its approval procedure.<br>The Company's preferred risk (risk appetite) determination procedure was approved by the Company's Order No. 602-od dated 21 October 2021.<br>The preferred risk (risk appetite) of Rosseti Group was reviewed by the Management Board of PJSC Rosseti and recommended for approval by the Company's Board of Directors (Minutes No. 1112/1 dated 2 March 2022).<br>Non-compliance is time-limited. The preferred risk (risk appetite) will be submitted to the Company's Board of Directors for approval after the preferred risk (risk appetite) of PJSC Rosseti and PJSC Rosseti's S&As (Rosseti Group) are approved. |
| 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"> <li>1. The company has 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.</li> <li>2. In the reporting period, the meetings of the board of directors reviewed issues related to the said policy (policies).</li> </ol>  | <b>compliant</b><br>partially compliant<br>not compliant       |  |
| 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"> <li>1. The board of directors is instrumental in preventing, identifying and resolving internal conflicts.</li> <li>2. The company has a system in place to identify transactions involving a conflict of interest and a system of measures for resolving such conflicts.</li> </ol>   | <b>compliant</b><br>partially compliant<br>not compliant       |  |
| 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"> <li>1. The company's internal documents define the persons responsible for implementing the information policy.</li> </ol>   | <b>compliant</b><br>partially compliant<br>not compliant       |  |

<sup>1</sup> Hereinafter referred to as the nominations committee.



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| 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.  | 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.  | compliant<br>partially compliant<br>not compliant              |   |
| <b>2.2 The board of directors is accountable to the company's shareholders.</b>   |  |  |  |   |
| 2.2.1   | Information on the performance of the board of directors is disclosed and presented to shareholders.   | 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 each of directors.<br>2. the annual report contains the information on the key results of performance assessment (self-assessment) of the board of directors carried out in the reporting period.  | compliant<br>partially compliant<br>not compliant              | Criterion 1 is complied with.<br>Criterion 2 is not complied with, as the performance of the Board of Directors of the Company was not assessed during the reporting year.<br>Non-compliance is time-limited.<br>On 9 February 2022, the Board of Directors of the Company decided to evaluate the performance of the Board of Directors of the Company and its Committees for the corporate year 2021–2022 in the form of a self-assessment.<br>The Board of Directors of the Company plans to review the results of the self-assessment before the annual General Meeting of Shareholders in 2022.  |
| 2.2.2   | The chairman of the board of directors is available for communication with the company's shareholders.   | 1. The company has a transparent procedure in place to ensure that shareholders can send their enquires to and receive feedback from the chairman of the board of directors (and, where applicable, the senior independent director).  | compliant<br>partially compliant<br>not compliant              |   |
| <b>2.3 The board of directors is an effective and professional governing body of the company capable of making objective independent judgments and take decisions in the interests of the company and its shareholders.</b> |  |  |  |   |
| 2.3.1   | The members of the board of directors can only be 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. | 1. In the reporting period, the board of directors (or the nomination committee) assessed nominees to the board of directors with regard to their experience, knowledge, business reputation, lack of conflict of interest, etc.   | compliant<br>partially compliant<br>not compliant              | During the reporting year, the Board of Directors and its Personnel and Remuneration Committee did not assess the nominees to the Board of Directors.<br>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.<br>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, Company's shares ownership, positions held in other organisations, etc.<br>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.<br>Non-compliance is time-limited.<br>The Company intends to achieve the compliance with this criterion in the future. |
| 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 extend 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 the election to the board of directors, the company provided its shareholders with biographical details of all candidates for the board of directors, results of the assessment of their professional qualifications, skills and experience for the compliance 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 as set forth in recommendations 102–107 of the Code and the written consent of the candidates for election to the board of directors. | compliant<br>partially compliant<br>not compliant              | At the General Meeting of Shareholders, which were held in the reporting period and which agenda included the election of the Board of Directors, the Company did not present the shareholders the results of the Board of Directors' assessment of the candidates' professional qualifications, experience and skills in relation to the current and expected needs of the Company. In order to comply with this criterion, the Company intends to develop amendments to the Company's internal documents with regard to the said regulations.<br>Non-compliance is time-limited. The Company intends to achieve the compliance with this criterion in the future.   |

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| 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. | compliant<br>partially compliant<br><b>not compliant</b>       | The performance assessment of the Board of Directors was not conducted in the reporting year. Non-compliance is time-limited. On 9 February 2022, the Board of Directors of the Company decided to assess the performance of the Board of Directors and its committees for the corporate year 2021–2022 in the form of a self-assessment.   |
| 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.  | compliant<br>partially compliant<br><b>not compliant</b>       | The issue of whether the number of members of the Board of Directors complies with the needs of the Company and the interests of the shareholders in the reporting period was not submitted for consideration by the Board of Directors of the Company as the Board of Directors had no relevant competence under the Federal Law On Joint Stock Companies and the Company's Articles of Association. The assessment of whether the number of members of the Board of Directors complies with the needs of the Company and the interests of shareholders in the reporting period could be made as part of the external assessment/self-assessment of the Board of Directors of the Company. Nevertheless, the Board of Director underwent no such assessment during the reporting year. Non-compliance is time-limited. On 9 February 2022, the Board of Directors of the Company decided to assess the performance of the Board of Directors and its committees for the corporate year 2021–2022 in the form of a self-assessment. |
| <b>2.4 An adequate number of independent directors sit on the board of directors.</b> |   |   |  |   |
| 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 judgments 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.                   | <b>compliant</b><br>partially compliant<br>not compliant       |   |

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| 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, content should prevail over form. | <ol style="list-style-type: none"> <li>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.</li> <li>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).</li> <li>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.</li> </ol> | compliant<br><b>partially compliant</b><br>not compliant       | <p>Criteria 1 and 2 are not complied with.</p> <p>In the reporting period, the Board of Directors and the Personnel and Remuneration Committee carried out no 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 quarterly asked the members of the Board of Directors to submit the information required and sufficient to disclose the data about them and specify 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.</p>  |
| 2.4.3 | Independent directors comprise at least one third of the elected members of the board of directors.   | <ol style="list-style-type: none"> <li>Independent directors comprise at least one third of the elected members of the board of directors.</li> </ol>  | compliant<br>partially compliant<br><b>not compliant</b>       | <p>In the reporting period, the Board of Directors includes two independent directors, which is less than one third of the total number of independent directors. The Company has no opportunity to affect the compliance with this element of the Code. At the same time, the proportion of independent members sitting on the Board of Directors currently meets the issuer corporate governance requirements established by the Listing Rules of the Moscow Exchange. Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code in the future. The risks associated with incomplete implementation of the Code's recommendations are mitigated by the effective organisation of independent directors' activities in the Company. 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.  | <ol style="list-style-type: none"> <li>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.</li> </ol>   | compliant<br><b>partially compliant</b><br>not compliant       | <p>The Criterion is partially complied with. 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. The Company's Articles of Association do not define the very notion of material corporate actions. However, the matters specified in the Corporate Governance Code relating to material actions:</p> <ul style="list-style-type: none"> <li>reorganisation of the Company</li> <li>acquisition of 30 per cent or more of the voting shares of the Company (acquisition)</li> <li>the Company's execution of major transactions</li> <li>increase or decrease in the authorised capital of the Company</li> <li>listing and delisting of the Company's shares</li> <li>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.</li> </ul> <p>Most of these issues (with the exception of share listings and delisting and authorised capital reductions) fall within the remit of the Strategy Committee of the Board of Directors. During the reporting period, the General Meeting of Shareholders of the Company decided to increase the authorised capital of the Company out of the listed material corporate actions. In all of these cases, the independent directors preliminarily assessed these corporate actions as part of the consideration of materials for the meeting of the Board of Directors of the Company regarding recommendations to the General Meeting of Shareholders on increasing the Company's authorised capital. The Company plans to include provisions regulating legal relations related to material corporate actions taken by the Company in the Articles of Association and internal documents of the Company.</p> |

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| <b>2.5 The chairman of the board of directors ensures that the functions assigned to the board of directors are performed as efficiently as possible.</b>   |  |  |  |   |
| 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 chairman of the board of directors. | <ol style="list-style-type: none"> <li>The chairman of the board of directors is an independent director or a senior independent director was selected from among independent directors.</li> <li>The role, rights and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are properly specified in the company's internal documents.</li> </ol>  | compliant<br><b>partially compliant</b><br>not compliant       | Criterion 1 is not complied with.<br>The Chairman of the Board of Directors is not an independent director.<br>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.<br>The Company has no opportunity to affect the compliance with the criterion. Non-compliance is time-limited.<br>The Company plans to achieve compliance with the element of the Code in the future.<br>Criterion 2 is complied with.   |
| 2.5.2   | The chairman 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.   | <ol style="list-style-type: none"> <li>The performance of the chairman 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.</li> </ol>   | compliant<br>partially compliant<br><b>not compliant</b>       | No assessment of the performance of the Board of Directors was carried out in the reporting year.<br>On 9 February 2022, the Board of Directors of the Company decided to carry out a self-assessment of the performance of the Board of Directors and its Committees based on the results of the 2021–2022 corporate year.<br>Non-compliance is time-limited.<br>The Company plans to achieve the compliance with the element of the Code, starting from 2022.   |
| 2.5.3   | The chairman 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.  | <ol style="list-style-type: none"> <li>The duty of the chairman 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.</li> </ol>   | <b>compliant</b><br>partially compliant<br>not compliant       |   |
| <b>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.</b> |  |  |  |   |
| 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.                | <ol style="list-style-type: none"> <li>The company's internal documents stipulate that a member of the board of directors shall inform the board of directors whether 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.</li> <li>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.</li> <li>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.</li> </ol> | compliant<br><b>partially compliant</b><br>not compliant       | Criterion 1 is complied with.<br>Criterion 2 is complied with.<br>Criterion 3 is complied with partially in terms of the members of the Board of Directors which are also members of the Board Committees.<br>The criterion that allows to a member of the Board of Directors and its Committee to get professional advice on issues concerning his/her competence at Company's expense is contained in the Regulations on the Committees.<br>However, the Regulation on the Board of Directors does not provide for this procedure. The Company intends to amend the Regulation on the Board of Directors of the Company accordingly in the future.<br>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.   | <ol style="list-style-type: none"> <li>The company has adopted and published an internal document which clearly determines the rights and responsibilities of the members of the board of directors.</li> </ol>  | <b>compliant</b><br>partially compliant<br>not compliant       |   |

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| 2.6.3      | Members of the board of directors have sufficient time to perform their duties.   | <ol style="list-style-type: none"> <li>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 analyzed as part of the procedure for assessment (self-assessment) of the board of directors' performance in the reporting period.</li> <li>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.</li> </ol> | compliant<br>partially compliant<br><b>not compliant</b>       | <p>Criterion 1 is not complied with. The performance assessment of the Board of Directors was not conducted in the reporting year. The approved Methodology for the assessment of the Board of Directors and its Committees provides for an analysis of the Board of Directors' activities, including individual attendance at meetings of the Board of Directors and its Committees and time devoted to preparation for participation. High level of attendance of members of the Board of Directors in the reporting year confirms that the members of the Board of Directors have enough time to execute their duties. The non-compliance is time-limited. On 9 February 2022, the Board of Directors of the Company decided to evaluate the performance of the Board of Directors and its Committees for the corporate year 2021–2022 in the form of a self-assessment.</p> <p>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.</p> <p>However, in a real-case scenario, the Company:</p> <ul style="list-style-type: none"> <li>Quarterly requests the data on held positions from the members of the governing bodies</li> <li>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</li> </ul> <p>Non-compliance is time-limited.<br/>The Company plans to achieve compliance with the indicated recommendation of the Code in the future.</p> |
| 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. | <ol style="list-style-type: none"> <li>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.</li> <li>The company runs a formalised induction programme for newly elected members of the board of directors.</li> </ol>   | <b>compliant</b><br>partially compliant<br>not compliant       |  |
| <b>2.7</b> | <b>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.</b>   |  |  |  |
| 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.  | <b>compliant</b><br>partially compliant<br>not compliant       |  |

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| 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.                             | <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>              | <p>compliant</p> <p>partially compliant</p> <p>not compliant</p> |  |
| 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.  | <ol style="list-style-type: none"> <li>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.</li> </ol>   | <p>compliant</p> <p>partially compliant</p> <p>not compliant</p> | <p>The list of issues that must be considered by the Board of Directors at in-person meetings is set out in the Regulation on the Board of Directors and does not completely correspond to the list given in recommendation 168 of the Code.</p> <p>At the same time, according to this Regulation, the form of a meeting of the Board of Directors is determined by the Chairman of the Company's Board of Directors, in recognition of the importance of agenda items.</p> <p>The Company has no opportunity to affect the compliance with the criterion. Non-compliance is time-limited.</p> <p>The Company plans to achieve compliance with the element of the Code in the future.</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. | <ol style="list-style-type: none"> <li>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.</li> </ol>  | <p>compliant</p> <p>partially compliant</p> <p>not compliant</p> | <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.</p> <p>The Company plans to achieve compliance with this recommendation of the Code in the future by submitting proposals to shareholders to amend the Company's Articles of Association accordingly.</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 the members of the Board of Directors and the Company's decision-making procedures: decisions made by the Board of Directors are based on the consensus of all members of the Board of Director, and key decisions are worked out in advance within the committees of the Board of Directors.</p> |
| <b>2.8</b> | <b>The board of directors establishes committees for preliminary consideration of the most important issues related to the company's business.</b>   |   |  |  |
| 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.                                    | <ol style="list-style-type: none"> <li>The board of directors has formed the audit committee consisting of independent directors only.</li> <li>The company's internal documents set out the duties of the audit committee, including, among other things, those specified in recommendation 172 of the Code.</li> <li>At least one member of the audit committee who is an independent director has experience in and knowledge of preparation, analysis, evaluation and audit of financial statements.</li> <li>The meetings of the audit committee were held at least once a quarter in the reporting period.</li> </ol> | <p>compliant</p> <p>partially compliant</p> <p>not compliant</p> | <p>Criterion 1 is not complied with. The Audit Committee has one Independent Director who is the Chairman of the Committee. 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. Non-compliance is time-limited.</p> <p>The Company plans to achieve compliance with the element of the Code in the future.</p> <p>Criteria 2–4 are complied with.</p>   |

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| 2.8.2 | A remuneration committee consisting of independent directors and chaired by an independent director who is not the chairman of the board of directors has been established for preliminary consideration of any issues related to the establishment of an efficient and transparent remuneration practice. | <ol style="list-style-type: none"> <li>1. The board of directors has formed the remuneration committee consisting of independent directors only.</li> <li>2. The chairman of the remuneration committee is an independent director who is not the chair of the board of directors.</li> <li>3. The company's internal documents determine the tasks of the remuneration committee, including but not limited to the tasks covered by 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.</li> </ol>  | compliant<br><b>partially compliant</b><br>not compliant       | <p>Criterion 1 is partially complied with. The Company has established the Personnel and Remuneration Committee. Independent Directors are not involved in its membership.</p> <p>Criterion 2 is not complied with. The Personnel and Remuneration Committee is chaired by a person who is not the Chairman of the Board of Directors.</p> <p>Criterion 3 is partially complied with. The tasks of the Human Resources and Remuneration Committee are set out in the Regulations on the Human Resources and Remuneration Committee of the Board of Directors, but the Regulations do not contain the tasks covered by recommendation 180 of the Code. The Company plans to achieve compliance with this element of the Code in the future by submitting proposals to the Company's shareholders for appropriate amendments to these Regulations. Non-compliance is time-limited.</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.                       | <ol style="list-style-type: none"> <li>1. The board of directors has established the nomination committee (or another committee performs its duties specified in recommendation 186 of the Code) consisting mostly of independent directors.</li> <li>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.</li> <li>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 organised 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.</li> </ol> | compliant<br><b>partially compliant</b><br>not compliant       | <p>Criterion 1 is partially complied with. The Company has established the Personnel and Remuneration Committee. Independent Directors are not involved in its membership.</p> <p>Criterion 2 is partially complied with. Out of the tasks specified in the recommendations of the Code, the Personnel and Remuneration Committee is responsible only for the following: determining the criteria for selection of candidates to the Board of Directors, Management Board and the position of the sole executive body of the Company, as well as their preliminary assessment; regular assessment of the performance of the person running the functions of the sole executive body and members of the Management Board; preparing a proposal for the Board of Directors on the possibility to reappoint the same persons.</p> <p>The Company has no opportunity to influence upon compliance with the criteria indicated. Non-compliance is time-limited. The Company plans to achieve compliance with the indicated recommendation of the Code in the future.</p> |

| No.  | Corporate governance principles   | Assessment Criteria for the Compliance with the Corporate Governance Principle  | Status of the compliance with a corporate governance principle | Explanations of a deviation from the assessment criteria for the compliance with the corporate governance principle  |
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| 2.8.4  | Given the scale of business and the risk level, the company's board of directors has 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 have been either formed or considered unnecessary.   | compliant<br>partially compliant<br><b>not compliant</b>       | In the reporting period, the Board of Directors did not consider whether the membership of its Committees was consistent with the duties of the Board of Directors and the objectives of the Company's operations due to absence of practice regarding considering this issue. The Company has in place five Committees of the Board of Directors: Audit Committee, Strategy Committee, Personnel and Remuneration Committee, Reliability Committee, and Grid Connection Committee. The key objectives of the activities, competences and powers of the Committees, as well as procedure of their formation and operation are determined by the Regulations on the Committees approved by the Board of Directors. Non-compliance is time-limited. The Company plans to achieve compliance with the indicated recommendation of the Code in the future. |
| 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.<br>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 chairman of the relevant committee.   | compliant<br><b>partially compliant</b><br>not compliant       | Criterion 1 is complied with relative to the Audit Committee only. Criterion 2 is partially complied with. It is complied with relative to the Audit Committee. Pursuant to Paragraph 10.4.25 of the Regulation on the Audit Committee of the Company's Board of Directors, the third parties can be invited by the Chairman of the Committee to attend a meeting. The criterion is not complied with relative to the Personnel and Remuneration Committee. Pursuant to Paragraph 10.2.1 of the Regulation on the Personnel and Remuneration Committee, in-person meetings of the Committee can be attended by the members of the Committee, and invited persons as well. Non-compliance is time-limited. The Company plans to achieve compliance with the indicated recommendation of the Code in the future.   |
| 2.8.6  | The chairmen of the committees regularly inform the board of directors and its chairman on the performance of their committees.   | 1. In the reporting period, the chairmen of the committees regularly reported to the board of directors on the performance of their committees.   | <b>compliant</b><br>partially compliant<br>not compliant       |  |
| <b>2.9 The board of directors arranges an assessment of the performance of the board of directors, its committees and members.</b> |   |   |  |  |
| 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.<br>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.<br>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. | compliant<br><b>partially compliant</b><br>not compliant       | Criterion 1 is complied with. Criteria 2 and 3 were not complied with. No assessment (self-assessment) of the Board of Directors' performance was carried out in the reporting year. Non-compliance is time-limited. The company plans to achieve compliance with this recommendation of the Code from 2022 onwards.   |



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| 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 the board of directors' performance at least once during the last three reporting periods.  | compliant<br>partially compliant<br><b>not compliant</b>       | An external organisation (consultant) was not engaged to perform an independent assessment of the Board of Directors' performance during the last three reporting periods. Non-compliance is time-limited. The Company plans to achieve compliance with the indicated recommendation of the Code in 2024. |
| <b>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.</b>  |  |  |  |   |
| 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.   | <b>compliant</b><br>partially compliant<br>not compliant       |   |
| 3.1.2  | The corporate secretary is sufficiently independent from the company's executive bodies and has the necessary powers and resources to carry out his or her tasks.  | 1. The company adopted and disclosed an internal document: the regulations on the corporate secretary.<br>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.<br>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. | <b>compliant</b><br>partially compliant<br>not compliant       |   |
| <b>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.</b> |  |  |  |   |
| 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.  | <b>compliant</b><br>partially compliant<br>not compliant       |   |

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| 4.1.2      | The company's remuneration policy has been 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).   | compliant<br>partially compliant<br>not compliant              |   |
| 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.  | compliant<br>partially compliant<br>not compliant              |   |
| 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.   | compliant<br>partially compliant<br>not compliant              |   |
| <b>4.2</b> | <b>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.</b>  |  |  |   |
| 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.<br>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. | compliant<br>partially compliant<br>not compliant              |   |

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| 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.   | compliant<br>partially compliant<br>not compliant              |   |
| 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.   | compliant<br>partially compliant<br>not compliant              |   |
| <b>4.3</b> | <b>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.</b>  |   |  |   |
| 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.  | <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ol> | compliant<br>partially compliant<br>not compliant              | <p>The Company's remuneration system for Senior Managers is based on the achievement of the approved Company's performance indicators (KPIs). The list of positions included in the Senior Manager category is approved by the Board of Directors of the Company. PJSC Rosseti Kuban's Senior Managers include: First Deputy General Director — Director of Sochi Power Grids branch of PJSC Rosseti Kuban, Deputy General Directors. The results of achieving the target indicators are reviewed by the Board of Directors and only after the Board of Directors has decided to approve the relevant report, remuneration may be paid in the amount in line with the results achieved. Hence, there is no possibility of receiving an unrightful remuneration.</p>   |
| 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 has 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.  | compliant<br>partially compliant<br>not compliant              | <p>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 Company shares). At the same time, the Company uses other management incentives based on the achievement of KPIs set by the Board of Directors. It should be noted that the performance of a number of indicators has an impact on the capitalisation and long-term growth of the Company's shareholder value. The Company is considering the possibility of introducing a long-term incentive programme for senior managers using the Company's shares (financial instruments based on the Company's shares), based on market conditions, government regulation and the Rosseti Group's policy on this issue.</p> |

| No.        | Corporate governance principles   | Assessment Criteria for the Compliance with the Corporate Governance Principle  | Status of the compliance with a corporate governance principle | Explanations of a deviation from the assessment criteria for the compliance with the corporate governance principle |
|------------|---|---|--|---|
| 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.  | compliant<br>partially compliant<br>not compliant              |   |
| <b>5.1</b> | <b>The company has created an effective risk management and internal control system aimed at providing reasonable assurance that the company would achieve its goals.</b>   |   |  |   |
| 5.1.1      | The board of directors has established the principles of and approaches to organising 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.  | compliant<br>partially compliant<br>not compliant              |   |
| 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.   | compliant<br>partially compliant<br>not compliant              |   |
| 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.<br>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.  | compliant<br>partially compliant<br>not compliant              |   |
| 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 systems.<br>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 systems; information on the results of the review is included in the company's annual report. | compliant<br>partially compliant<br>not compliant              |   |

| No.  | Corporate governance principles   | Assessment Criteria for the Compliance with the Corporate Governance Principle  | Status of the compliance with a corporate governance principle | Explanations of a deviation from the assessment criteria for the compliance with the corporate governance principle |
|--|---|---|--|---|
| <b>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.</b> |   |   |  |   |
| 5.2.1  | To conduct internal audit, the company has created 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.  | compliant<br>partially compliant<br>not compliant              |   |
| 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.<br>2. During 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.   | compliant<br>partially compliant<br>not compliant              |   |
| <b>6.1 The company and its operations are transparent to shareholders, investors and other stakeholders.</b>   |   |   |  |   |
| 6.1.1  | The company has developed and implemented an information policy ensuring effective communication between the company, its shareholders, investors and other stakeholders.   | 1. The board of directors has approved the company's information policy developed taking into account the recommendations of the Code.<br>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.   | compliant<br>partially compliant<br>not compliant              |   |
| 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 of the same on the company's website.<br>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).<br>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.   | compliant<br>partially compliant<br>not compliant              |   |
| <b>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.</b>                               |   |   |  |   |
| 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.<br>2. If the company's securities are traded on foreign organised markets, the disclosure of significant information in the Russian Federation and on such markets is simultaneous and equivalent during the reporting year.<br>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. | compliant<br>partially compliant<br>not compliant              | Criterion 1 is complied with.<br>Criteria 2 and 3 are not applicable to the Company.                                |

| No.   | Corporate governance principles   | Assessment Criteria for the Compliance with the Corporate Governance Principle   | Status of the compliance with a corporate governance principle  | Explanations of a deviation from the assessment criteria for the compliance with the corporate governance principle   |
|---|---|--|---|---|
| 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  | <ol style="list-style-type: none"> <li>1. The company's information policy defines approaches to disclosure of information on other events (actions) which have a significant effect on the value or quotation of its securities, while disclosure of which is not required by law.</li> <li>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.</li> <li>3. The company discloses information on controlled entities that are significant 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.</li> <li>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 the joint stock company.</li> </ol> | <p>compliant<br/> <b>partially compliant</b><br/>                     not compliant</p>                     | <p>Criterion 1 is not complied with.<br/>                     This criterion was not met in the reporting year, but in 2022 the Board of Directors approved a new version of the Regulation on Information Policy that takes these requirements into account.<br/>                     Criterion 3 is not applicable to the Company due to the absence of subsidiaries and affiliates that are significant to the Company.<br/>                     Criterion 4 is not met due to the absence of legal requirements. At the same time, the Annual Report for 2021 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.<br/>                     Non-compliance is time-limited. The Company plans to achieve compliance with the elements of the Code in the future.</p> |
| 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.  | <ol style="list-style-type: none"> <li>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.</li> <li>2. The company's annual report contains information on the company's environmental and social policy.</li> </ol>   | <p><b>compliant</b><br/>                     partially compliant<br/>                     not compliant</p> |   |
| <p><b>6.3 The company provides equal and easy access to information and documents at the shareholders' request.</b></p> |   |  |   |   |
| 6.3.1   | Shareholders can exercise their right of access to company documents and information without unnecessary difficulties.  | <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>   | <p>compliant<br/> <b>partially compliant</b><br/>                     not compliant</p>                     | <p>The Company's Information Policy, which was in force in 2021, stipulates that shareholders should be granted easy access to information, but it does not define a procedure for provision of information on legal entities controlled by the Company, at the shareholders' request. This inadequacy was time-limited and resolved in 2022.<br/>                     In accordance with Clause 8.5 of the new edition of the Regulation on Information Policy approved by the resolution of the Board of Directors of the Company on 5 April 2022 (Minutes No. 472/2022 dated 8 April 2022), the procedure for providing information on legal entities controlled by the Company upon shareholders' request is determined.</p>  |
| 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. | <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>   | <p><b>compliant</b><br/>                     partially compliant<br/>                     not compliant</p> |   |

| No.   | Corporate governance principles  | Assessment Criteria for the Compliance with the Corporate Governance Principle   | Status of the compliance with a corporate governance principle | Explanations of a deviation from the assessment criteria for the compliance with the corporate governance principle   |
|---|--|--|--|---|
| <b>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.</b> |  |  |  |   |
| 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. | <ol style="list-style-type: none"> <li>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.</li> </ol> | compliant<br><b>partially compliant</b><br>not compliant       | The Company's Articles of Associations does not provide a list of transactions or other actions constituting significant corporate actions, nor establishes criteria for their definition. However, decision-making on matters relating to material actions referred to in recommendation 303 of the Code (e.g. reorganisation 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 shareholders' meeting, the Board of Directors will make recommendations to shareholders accordingly. The Company plans to include provisions in the Articles of Association and internal documents of the Company regulating in detail the procedure for taking significant corporate actions by the Company. |
| 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.   | <ol style="list-style-type: none"> <li>The company has established a procedure whereby independent directors express their opinions on significant corporate actions before those actions are approved.</li> </ol>   | compliant<br>partially compliant<br><b>not compliant</b>       | This procedure is not set out in the internal documents of the Company. The Company plans to include provisions in the Articles of Association and internal documents of the Company regulating the possibility for Independent Directors to state their position on significant corporate actions prior to approval of the same. Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code in the future.   |
| 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.   | <ol style="list-style-type: none"> <li>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.</li> <li>During the reporting period, all significant corporate actions were approved prior to their implementation.</li> </ol>   | <b>compliant</b><br>partially compliant<br>not compliant       |   |

| No.        | Corporate governance principles  | Assessment Criteria for the Compliance with the Corporate Governance Principle   | Status of the compliance with a corporate governance principle    | Explanations of a deviation from the assessment criteria for the compliance with the corporate governance principle   |
|------------|--|--|---|---|
| <b>7.2</b> | <b>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.</b> |  |   |   |
| 7.2.1      | Information on significant corporate actions is disclosed, and an explanation of the reasons, conditions and consequences of such actions is provided.   | <ol style="list-style-type: none"> <li>3. If the company performed significant corporate actions during the reporting period, the company disclosed information on such actions in a timely and detailed manner, including disclosing the reasons, conditions and consequences of such actions for shareholders.</li> </ol>  | <p><b>compliant</b><br/>partially compliant<br/>not compliant</p> |   |
| 7.2.2      | The rules and procedures for the implementation of significant corporate actions are set forth in the company's internal documents.  | <ol style="list-style-type: none"> <li>4. The company's internal documents determine the cases and procedure for engaging a appraiser to determine the value of property to be alienated or acquired under a major transaction or a related-party transaction.</li> <li>5. 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.</li> <li>6. 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.</li> </ol> | <p>compliant<br/><b>partially compliant</b><br/>not compliant</p> | <p>Criterion 1 is complied with.<br/>Criterion 2 is complied with.<br/>Criterion 3 is not complied with.</p> <p>The Company will consider a possibility of corresponding changes development in case of necessity. Non-compliance is time-limited. The Company plans to achieve compliance with the element of the Code in the future.</p> <p>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.</p> <p>Given the nature of the activities of the Rosseti Group, which includes the Company, transactions with legal entities controlled by PJSC Rosseti Kuban, as well as with the Company's controlling entity (PJSC Rosseti) and other entities controlled by PJSC Rosseti, are related-party transactions.</p> <p>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 recognised as related-party transactions. Thus, Federal Law No. 343-FZ dated 3 July 2016 introduced since 1 January 2017 a new procedure for interested-party transactions through notification of members of management bodies, and also expanded the list of transactions that are not recognised as interested-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. 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 recognised as related-party transactions. 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.</p> |



# APPENDIX 2

## REPORT ON THE TRANSACTIONS MADE BY PJSC ROSSETI KUBAN IN 2021 AND RECOGNISED AS RELATED-PARTY TRANSACTIONS UNDER THE RUSSIAN LAW

Approved  
by the Resolution of the Board of Directors  
of Rosseti Kuban, PJSC  
dated 11 May 2022  
(Minutes No. 476/2022  
dated 13 May 2022)  
The reliability of the data is confirmed  
by the Resolution of the Auditing Commission  
of Rosseti Kuban, PJSC  
29 April 2022  
(Minutes No. 3/2022 dated 29 April 2022)

### **B. Ebzeev**

Acting General Director  
of PJSC Rosseti Kuban

| Sl. No. | Transaction   | Date of a transaction | Material terms of a transaction (parties, subject, price <sup>1</sup> , validity period)  | Related party (parties)  | Related-party transaction notification (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 for supply of electricity metering devices for the grid connection of the applicants' consumers | 27 January 2021       | <p>Parties of the Agreement:<br/>PJSC Rosseti Kuban (Buyer)<br/>JSC VOLLS-VL Management (Supplier)</p> <p>Subject of the Agreement:<br/>The Supplier undertakes, in accordance with the terms and conditions of the Agreement, to supply electricity metering devices for the connection of applicants to the grids of PJSC Rosseti Kuban in 2021 (hereinafter referred to as the Goods), and the Buyer undertakes to accept and pay for the Goods within the period specified in the Agreement.<br/>The description, quantity, price, range (nomenclature) and contents of the Goods are defined in Appendix 1 to the Agreement.<br/>Price of the Agreement:<br/>The price of the Agreement amounts to RUB 472,744,019.08, including VAT at the rate of 20%.<br/>Term of delivery of the Goods under the Agreement:<br/>The Supplier shall deliver the Goods to the Buyer within 60 calendar days from the date of signing the Agreement.<br/>Validity period of the Agreement:<br/>The Agreement is valid since the signing by the Parties and until full implementation of the obligations by the Parties</p>  | <ul style="list-style-type: none"> <li>PJSC Rosseti — PJSC Rosseti Kuban's controlling entity, and also the controlling entity of JSC VOLLS-VL Management, which is a Party to the transaction</li> <li>Denis Guryanov — the Member of the Board of Directors of PJSC Rosseti Kuban, also the Member of the Board of Directors of JSC VOLLS-VL Management, which is a Party to the transaction</li> </ul>  | No. RK/1200/2 (outgoing) dated 11 January 2021          | No requests for holding a meeting of the Board of Directors of the Company to resolve the issue of obtaining consent for making the related-party transaction by entities listed in Sub-clause 1 of Article 83 of the Federal Law No. 208-FZ On Joint Stock Companies dated 26 December 1995 have been received |
| 2       | Agreement for construction and installation activities on the facilities of the Sochi Power Grid branch   | 24 February 2021      | <p>Parties of the Agreement:<br/>PJSC Rosseti Kuban (Customer)</p> <p>The leader of the collective participant JSC Energoservice Kuban, the member of the collective participant LLC Erlang North-West (Contractor).</p> <p>Subject of the Agreement:<br/>Under the Agreement, the Contractor undertakes to carry out construction and installation activity on the facility of the investment programme of the Sochi Power Grids branch of PJSC Rosseti Kuban: reconstruction of 110 kV Kudepsta substation with replacement of transformers from 2x16 MVA to 2x25 MVA in accordance with the summary table of works cost and transfer to the Customer the completed construction (reconstruction) facility in the scope of design documentation, in respect of which the Acceptance Certificate of the completed construction facility was signed by the Acceptance Commission as the result of works performance, and the Customer undertakes to accept the result of works and pay the stipulated price in the procedure provided for by the Agreement.<br/>Price of the Agreement:<br/>The price of the works under the Agreement is RUB 672,026,720.00, including VAT at the rate of 20%.<br/>Time frame of the work under the Agreement:<br/>Commencement of work performance: from the date of concluding the Agreement.<br/>Completion of work performance: Q4 2022.<br/>Validity period of the Agreement:<br/>The Agreement shall enter into force on the date of its signing and shall remain in force until all obligations under it have been performed in full by the Parties</p> | <ul style="list-style-type: none"> <li>PJSC Rosseti Kuban's controlling entity is PJSC Rosseti, which is also the controlling entity of JSC Energoservice Kuban being a Party to the transaction.</li> <li>E. Armaganyan — the Member of the Management Board of PJSC Rosseti Kuban, and also the Member of the Board of Directors of JSC Energoservice Kuban.</li> <li>V. Korzhanevskiy — the Member of the Management Board of PJSC Rosseti Kuban, and also the Member of the Board of Directors of JSC Energoservice Kuban.</li> <li>A. Mishanin — the Member of the Management Board of PJSC Rosseti Kuban, and also the Member of the Board of Directors of JSC Energoservice Kuban.</li> <li>O. Nishchuk — the Member of the Management Board of PJSC Rosseti Kuban, and also the Member of the Board of Directors of JSC Energoservice Kuban</li> </ul> | No. RK/1200/26-rs dated 27 January 2021                 | No requests for holding a meeting of the Board of Directors of the Company to resolve the issue of obtaining consent for making the related-party transaction by entities listed in Sub-clause 1 of Article 83 of the Federal Law No. 208-FZ On Joint Stock Companies dated 26 December 1995 have been received |

<sup>1</sup> 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.

| Sl. No. | Transaction  | Date of a transaction | Material terms of a transaction (parties, subject, price <sup>1</sup> , validity period)   | Related party (parties)  | Related-party transaction notification (letter details) | Authority that made the decision on the authorisation of the transaction or its succeeding approval (if available — Minutes details)  |
|---------|--|-----------------------|--|--|---|---|
| 3       | Service Agreement for organising the functioning and development of the electricity grid complex | 7 July 2021           | <p>Parties of the Agreement:<br/>PJSC Rosseti Kuban — the Customer<br/>PJSC Rosseti — the Contractor</p> <p>Subject of the Agreement:<br/>The Contractor undertakes to provide a service to the Customer to organise the functioning and development of the Customer's power grid complex (hereinafter referred to as the Service) in accordance with the terms and conditions of the Agreement, and the Customer undertakes to accept and pay for the Service in accordance with the terms and conditions of the Agreement.</p> <p>Price of the Agreement:<br/>The Service Price for 2021 shall not exceed RUB 125,324,743.15, including VAT at the rate of 20%.</p> <p>The term for the provision of the Service under the Agreement: from 1 January 2021 to 31 December 2021.</p> <p>Validity period of the Agreement:<br/>The Agreement shall come into force as of its signing by the Parties and shall remain in force until 31 December 2021 and, with regard to settlements, until the Parties have performed their obligations in full. The Agreement shall apply to legal relations between the Parties arising from 1 January 2021</p>  | The Company's controlling entity is PJSC Rosseti, which is also a Party to the transaction   | No. RK/1200/155-rs dated 23 April 2021                  | No requests for holding a meeting of the Board of Directors of the Company to resolve the issue of obtaining consent for making the related-party transaction by entities listed in Sub-clause 1 of Article 83 of the Federal Law No. 208-FZ On Joint Stock Companies dated 26 December 1995 have been received |
| 4       | Interest-bearing loan agreement  | 6 September 2021      | <p>Parties of the Agreement:<br/>LLC FGC – Asset Management is the Lender, PJSC Rosseti Kuban is the Borrower</p> <p>Subject of the Agreement:<br/>The Lender provides the Borrower with a loan not exceeding the aggregate debt limit, and the Borrower undertakes to return the received funds to the Lender and pay interest to the Lender for the use of funds, in conformity with the Agreement.</p> <p>The aggregate debt limit under the Agreement as the maximum lump sum amount owed by the Borrower under the Agreement, is RUB 600,000,000.0.</p> <p>Tranche is the funds provided by the Lender to the Borrower under the terms and conditions provided for in the application for the use of the loan, drawn up by the Borrower in the form set out in the Agreement and sent by the Borrower to the Lender for the receipt of a Tranche in accordance with the terms and conditions of the Agreement (hereinafter referred to as the Application).</p> <p>Type of loan: interest-bearing loan.</p> <p>Lending purpose:<br/>Replenishment of current capital, financing of investment activities, refinancing of the debt portfolio of the Borrower, as well as other purposes as agreed with the Lender.</p> <p>Price of the Agreement:<br/>The price of the Agreement consists of the following:</p> <ul style="list-style-type: none"> <li>the amount of finances being lent (lump sum of total tranches issued and outstanding), not exceeding RUB 600,000,000.0,</li> <li>the amount of accrued interest for the entire term of the loan.</li> </ul> | <ul style="list-style-type: none"> <li>PJSC Rosseti — the controlling party of PJSC Rosseti Kuban and LLC FGC — Asset Management of PJSC Rosseti, which are Parties to the transaction</li> <li>Aleksey Polinov — the Member of the Board of Directors of PJSC Rosseti Kuban, and also the Member of the Board of Directors of LLC FGC — Asset Management</li> </ul> | No. RK/001/470-rs dated 4 August 2021                   | No requests for holding a meeting of the Board of Directors of the Company to resolve the issue of obtaining consent for making the related-party transaction by entities listed in Sub-clause 1 of Article 83 of the Federal Law No. 208-FZ On Joint Stock Companies dated 26 December 1995 have been received |

The cell continues on page 296–297.

| Sl. No. | Transaction                     | Date of a transaction | Material terms of a transaction (parties, subject, price <sup>1</sup> , validity period)  | Related party (parties)  | Related-party transaction notification (letter details) | Authority that made the decision on the authorisation of the transaction or its succeeding approval (if available — Minutes details)  |
|---------|---------------------------------|-----------------------|---|--|---|---|
| 4       | Interest-bearing loan agreement | 6 September 2021      | <p>Interest rates:<br/>Interest is accrued on the provided tranches amount since the moment of receiving the fund by the Borrower from the Lender and until the implementation of the obligations under the Agreement by the Borrower. The interest rate shall be set on the basis of the Borrower's Application as agreed with the Lender. The interest rate shall not exceed the key rate of the Bank of Russia, i.e., +3% per annum.<br/>Interest payment: as defined in the Borrower's Application.<br/>Term of the loans:<br/>The term of each tranche under the agreement shall be determined at the time of granting the tranche on the basis of the Borrower's Application agreed upon with the Lender.<br/>The final maturity date under the Loan Agreement and for each of the Tranches is no later than 5 years from the date of the Agreement conclusion.<br/>By agreement between the parties, the repayment period for each Tranche may be extended, but may not exceed the final repayment period of 5 years from the date of the Agreement conclusion.<br/>Procedure of funds provision:<br/>Funds are provided by one or several Tranches, without limitation for the number of Tranches.<br/>The total amount of debt by the Tranches (excluding the debt on accrued interest) under the Agreement shall not exceed the aggregate debt limit.<br/>Additional conditions:<br/>The Lender has the right to refuse to grant a tranche.<br/>The Lender has a right to unilaterally change the interest rate for the use of borrowed funds for all and/or individual existing and/or newly granted tranches, including due to the change in market conditions and/or the funding conditions of the Lender and/or the change in the creditworthiness of the Borrower.<br/>The Borrower undertakes to repay the amount of each loan received in full, as well as the interest, by the deadline set out in the Application.<br/>The Borrower has the right, upon agreement with the Lender, to early repay the debt on all or some of the existing Tranches and interest for the use of borrowed funds in compliance with the terms of early repayment of the debt defined in the Agreement.<br/>For returning the loan, interest is paid first, and then the amount of the Tranche, unless otherwise agreed by the Parties.<br/>Validity period of the Agreement:<br/>The Agreement is valid since the signing and until full implementation of the obligations under the Agreement by the Parties</p> | <ul style="list-style-type: none"> <li>PJSC Rosseti — the controlling party of PJSC Rosseti Kuban and LLC FGC — Asset Management of PJSC Rosseti, which are Parties to the transaction</li> <li>Aleksey Polinov — the Member of the Board of Directors of PJSC Rosseti Kuban, and also the Member of the Board of Directors of LLC FGC — Asset Management</li> </ul> | No. RK/001/470-rs dated 4 August 2021                   | No requests for holding a meeting of the Board of Directors of the Company to resolve the issue of obtaining consent for making the related-party transaction by entities listed in Sub-clause 1 of Article 83 of the Federal Law No. 208-FZ On Joint Stock Companies dated 26 December 1995 have been received |

# APPENDIX 3

## INFORMATION ON NON-CORE ASSETS OF PJSC ROSSETI KUBAN PARTICIPATION OF PJSC ROSSETI KUBAN IN COMMERCIAL AND NON- COMMERCIAL ORGANISATIONS

### DISPOSAL OF NON-CORE ASSETS DURING THE REPORTING PERIOD

Pursuant to the Presidential Decree No. 596 dated 7 May 2012, the Russian Government Directives No. 4863p-P13 dated 7 July 2016, and Russian Government Directive No. 894-r dated 10 May 2017, a new version of the Non-Core Asset Disposal Programme for Rosseti Kuban, PJSC (hereinafter the Programme) was approved by the Board of Directors on 27 December 2021 (Minutes No. 460/2021 dated 28 December 2021).

The Programme specifies basic approaches, principles and procedures of non-core asset identification and sale, sets up criteria for attributing assets to non-core ones, the procedure of the Non-Core Asset Register keeping, approaches to non-core asset evaluation, main provisions on non-core asset disposition, as well as the procedure of reporting on implementing the Non-Core Asset Register.

By resolution of the Company's Board of Directors dated 13 December 2021 (Minutes No. 458/2021 dated 16 December 2021), the updated Non-Core Asset Register aligned with the Programme was approved.

### IN 2021, A NON-CORE ASSET WAS SOLD THROUGH AN ELECTRONIC PUBLIC OFFERING ON THE RTS-TENDER TRADING PLATFORM:

| Sl. No.      | Asset description  | Asset inventory No. (if applicable) | Balance sheet item containing the asset as at the reporting date prior to the asset divestment | Balance sheet items (analytics included) containing income and expenditure from asset disposal (91.1. 91.2) | Carrying amount, RUB '000 | Actual sale value, RUB '000 | Deviation of the actual sale value from the carrying amount, RUB '000 | Reasons for the deviation of the actual sale value from the carrying amount |
|--------------|--|-------------------------------------|--|---|---------------------------|-----------------------------|---|---|
| 1            | Property complex, at: 1a Krasnaya Street, Belorechensk, Krasnodar Territory. | —                                   | 1152   | 91.1.<br>91.2.  | 1,816.76                  | 1886.87                     | 70.11   | Electronic bidding by public offer  |
| <b>TOTAL</b> |  |                                     |  |   | <b>1,816.76</b>           | <b>1886.87</b>              |   |   |

## PARTICIPATION OF PJSC ROSSETI KUBAN IN COMMERCIAL ORGANISATIONS

As at 31 December 2021, PJSC Rosseti Kuban had blocks of shares of four joint stock companies, including two subsidiaries.

### INFORMATION ON PARTICIPATION IN SUBSIDIARIES, AFFILIATES AND OTHER BUSINESS ENTITIES (COMMERCIAL ORGANISATIONS) IN 2021

| Short Company Title         | Region of activity  | Core business   | Purpose of participation | PJSC Rosseti Kuban's share in the authorised capital of the Company as at 31 December 2021 | 2021 Financial Performance |                     | Dividends received in the reporting year on shares held by the Company |
|-----------------------------|---------------------|---|--------------------------|--|----------------------------|---------------------|--|
|                             |                     |   |                          |  | Revenue RUB '000           | Net profit RUB '000 |  |
| 1.                          | 2.                  | 3   | 4                        | 5  | 6                          | 7                   | 8  |
| <b>Core companies</b>       |                     |   |                          |  |                            |                     |  |
| JSC Energoservice Kuban     | Krasnodar Territory | Design, installation and commissioning of metering units for electricity, gas and process equipment, hot and cold water supply  | Ownership of shares      | 100  | 1,738,640                  | 877                 | 19,895   |
| <b>Non-core companies</b>   |                     |   |                          |  |                            |                     |  |
| JSC Energetik Health Resort | Krasnodar Territory | Organisation of recreation and health improvement for children and adults, primarily employees of PJSC Rosseti Kuban and their families; organisation and holding of seminars and conferences | Ownership of shares      | 100  | 88,411                     | 2,968               | 0  |
| CJSC Turbogaz               | Krasnodar Territory | Development of energy saving technologies; manufacturing, operation, maintenance and repair of power plants; generation and sale of electricity   | Ownership of shares      | 4  | 0                          | 0                   | 0  |
| JSC RITEK-SOYUZ             | Krasnodar Territory | Organisation, implementation and support of research and development, engineering, construction and installation and commissioning works; monitoring and controlling                          | Ownership of shares      | 1  | 153,122                    | (1,323)             | 0  |

Blocks of shares of the above joint stock companies are included in the Non-Core Asset Register.

With regard to blocks of shares, the method of disposal is "retaining participation". The method of disposal is established prior to making a separate systemic decision regarding these assets.

The size of the stake in the voting shares of CJSC Turbogaz and CJSC RITEK-SOYUZ owned by the Company does not allow it to independently make decisions on the functioning of these commercial organisations, including determining the membership of their management and control bodies.

Interaction of PJSC Rosseti Kuban with its subsidiaries is carried out in line with the legislation of the Russian Federation, Articles of Associations and internal documents of the Company and its subsidiaries, including the Procedure for Interaction of the Company with Business Entities, Shares (Interests) of Which Are Owned by the Company approved by the resolution of the Board of Directors of the Company (Minutes No. 69/2009 dated 27 March 2009).

#### MAIN GOALS OF COMPANY'S INTERACTION WITH SUBSIDIARIES:

- Ensuring stable financial development and profitability of subsidiaries
- Ensuring protection of the rights and interests of shareholders of the Company and subsidiaries
- Increasing the investment attractiveness of the Company and subsidiaries by providing the investment community with complete, timely, and reliable information about the activities of subsidiaries, as well as the balanced state and predictability of corporate policy in general
- Developing and implementing a coordinated and effective Investment Policy of subsidiaries

#### MANAGEMENT AND CONTROL OF THE ACTIVITIES OF SUBSIDIARIES IS CARRIED OUT BY THE COMPANY THROUGH THE FOLLOWING CORPORATE GOVERNANCE MECHANISMS:

- In accordance with the Articles of Association of Rosseti Kuban, the functions of General Meetings of Shareholders of 100% subsidiaries are performed by the Management Board of the Company
- General management of the subsidiaries' activities is carried out by their Boards of Directors, most of their members are representatives of Rosseti Kuban
- On the main issues of the agenda of General Meetings of Shareholders and meetings of the Boards of Directors of subsidiaries, the position of Rosseti Kuban is determined by the Board of Directors of the Company
- The financial and economic activities of subsidiaries are regularly monitored by their Auditing Commissions consisting of representatives of PJSC Rosseti Kuban

The operational management of each subsidiary is implemented by the sole executive body — the General Director. Collective executive bodies (Management Boards) are not provided for by the Articles of Association of subsidiaries.

Detailed information on subsidiaries and affiliates of PJSC Rosseti Kuban is published on the Company's website in the section About the Company / Subsidiary Companies.

## DATA ON ACTIVITIES OF ENERGETIK HEALTH RESORT JSC IN THE REPORTING YEAR

### FINANCIAL AND ECONOMIC PERFORMANCE INDICATORS OF ENERGETIK HEALTH RESORT JSC

| Sl. No. | Description   | 2021   | 2020   | 2019   |
|---------|---|--------|--------|--------|
| 1       | Revenue, RUB '000                                       | 88,411 | 41,013 | 58,784 |
| 2       | Gross profit, RUB '000                                  | -651   | -7,924 | 1,355  |
| 3       | Net profit (retained profit / uncovered loss), RUB '000 | 2,968  | -6,771 | 316    |
| 4       | Return on equity (ROE)*, %                              | 10.13  | -21.70 | 0.92   |
| 5       | Return on total assets (ROTA) for profit before tax*, % | 7.2    | -24.1  | 1.3    |
| 6       | Net profitability ratio, %                              | 3.4    | -16.5  | 0.5    |
| 7       | Product (sales) profitability, %                        | -0.7   | -19.3  | 2.3    |

| Sl. No. | Description  | 2021  | 2020  | 2019 |
|---------|--|-------|-------|------|
| 8       | Amount of uncovered loss as at the reporting date, RUB '000                    | 4,400 | 7,368 | 581  |
| 9       | Ratio of uncovered loss as at the reporting date and balance sheet currency, % | 10.9  | 21.5  | 1.6  |

#### THE INDICATORS "RETURN ON EQUITY (ROE)", "RETURN ON TOTAL ASSETS (ROTA) FOR PROFIT BEFORE TAX" ARE CALCULATED IN ACCORDANCE WITH THE FOLLOWING METHODOLOGY:

Return on equity (ROE) = Net profit / Average equity value x 100%.

Return on total assets (ROTA) for profit before tax = Profit before tax / Average total assets value \* 100%.

## INFORMATION ON MAJOR TRANSACTIONS MADE BY JSC ENERGETIK HEALTH RESORT IN 2021

In 2021, Energetik Health Resort JSC did not conclude any transactions outside the ordinary course of business that would be recognised as major transactions under the applicable laws of the Russian Federation.

Energetik Health Resort JSC has not entered into any expenditure-related transaction recognised as related-party transaction under the applicable laws of the Russian Federation and requiring the approval of the Company's management bodies.

According to Clause 2.11 of Article 2 of the Articles of Association of JSC Energetik Health Resort, the provisions of Chapter XI of the Federal Law On Joint Stock Companies shall not apply to the transactions, which are profitable for this company and made with legal entities directly or indirectly controlled by PJSC Rosseti.

No sale and purchase agreements for shares, participatory interest, shares in economic partnerships and companies were concluded by Energetik Health Resort JSC in the reporting year.

In 2021, there were no transactions with the property of JSC Energetik Health Resort (including interrelated transactions), the value of which exceeds the amount specified in the Company's Articles of Association or which is material for the business activities of the Company.

No legal entities controlled by JSC Energetik Health Resort, which are material for the activities of JSC Energetik Health Resort, have been established in 2021.

## DATA ON ACTIVITIES OF JSC ENERGOERVICE KUBAN IN THE REPORTING YEAR

### FINANCIAL AND ECONOMIC PERFORMANCE INDICATORS OF JSC ENERGOERVICE KUBAN

| Sl. No. | Description   | 2021      | 2020    | 2019    |
|---------|---|-----------|---------|---------|
| 1       | Revenue, RUB '000   | 1,738,640 | 993,507 | 100,737 |
| 2       | Gross profit, RUB '000                                      | 145,853   | 155,021 | 17,527  |
| 3       | Net profit (retained profit / uncovered loss), RUB '000     | 877       | 79,578  | 1,335   |
| 4       | Return on equity (ROE)*, %                                  | 1.0       | 145.4   | 9.0     |
| 5       | Return on total assets (ROTA) for profit before tax*, %     | 1.5       | 44.9    | 4.5     |
| 6       | Net profitability ratio, %                                  | 0.1       | 8.0     | 1.3     |
| 7       | Product (sales) profitability, %                            | 3.0       | 10.3    | 2.6     |
| 8       | Amount of uncovered loss as at the reporting date, RUB '000 | -         | -       | -       |

| Sl. No. | Description  | 2021 | 2020 | 2019 |
|---------|--|------|------|------|
| 9       | Ratio of uncovered loss as at the reporting date and balance sheet currency, % | —    | —    | —    |

THE INDICATORS "RETURN ON EQUITY (ROE)", "RETURN ON TOTAL ASSETS (ROTA) FOR PROFIT BEFORE TAX" ARE CALCULATED IN ACCORDANCE WITH THE FOLLOWING METHODOLOGY:

Return on equity (ROE) = Net profit / Average equity value x 100%.

Return on total assets (ROTA) for profit before tax = Profit before tax / Average total assets value \* 100%.

## INFORMATION ON MAJOR TRANSACTIONS MADE BY JSC ENERGOSERVICE KUBAN IN 2021

In 2021, JSC Energoservice Kuban concluded 1 (one) major transaction (agreement for provision of bank guarantee with PJSC Sberbank) on the following material terms and conditions

Parties of the Agreement:

JSC Energoservice Kuban — the Principal

PJSC Sberbank — the Guarantor

Subject of the Agreement:

The Guarantor grants the guarantee of performance of Principal's obligations under Contract No. 407/30-196 dated 24 February 2021 for works and services under construction/reconstruction of the facility owned by Sochi Power Grids, branch of PJSC Rosseti Kuban: Reconstruction of 110 kV Kudepsta Substation with Replacement of Transformers from 2x16 MVA to 2x25 MVA (hereinafter — the Contract), and the guarantees of return of advance payments under the Contract by the Principal.

Price of the Agreement:

The amount of simultaneously valid guarantees (Limit) may not exceed RUB 268,810,688.00. The Guarantor's remuneration for the guarantee is 1.5% per annum of the actual amount of the relevant guarantee.

Other material terms and conditions of the Agreement:

The Agreement is valid since the signing by the Parties and until full implementation of the obligations by the Parties.

The validity of the Limit is from the date of the Agreement until 27 April 2023.

Since the price of this transaction exceeded 69.08% of the book value of the assets of JSC Energoservice Kuban as at 31 December 2020, the transaction was approved on 24 September 2021 by resolution of the Extraordinary General Meeting of Shareholders of the Company whose functions were performed by the Management Board of PJSC Rosseti Kuban (Minutes No. 27/2021 dated 24 September 2021).

JSC Energoservice Kuban has not entered into any expenditure-related transaction recognised as related-party transaction under the applicable laws of the Russian Federation and requiring the approval of the Company's management bodies.

According to Clause 2.11 of Article 2 of the Articles of Association of JSC Energoservice Kuban, the provisions of Chapter XI of the Federal Law On Joint Stock Companies shall not apply to the transactions, which are profitable for this company and made with legal entities directly or indirectly controlled by PJSC Rosseti.

No sale agreements for shares, participatory interest, shares of economic partnerships and companies of JSC Energoservice Kuban were concluded during the reporting year.

No transactions with the property of JSC Energoservice Kuban (including interrelated transactions) for the value exceeding the amount specified in the Company's Articles of Association or that would be material to the business activities of the Company were made in 2021.

No legal entities under JSC Energoservice Kuban control that are material to JSC Energoservice Kuban operations were established in 2021.

# PARTICIPATION OF PJSC ROSSETI KUBAN IN NON-COMMERCIAL ORGANISATIONS

| Sl. No. | Title of non-commercial organisation  | Details of the organisation   | Purpose of participation  | Financial parameters |
|---------|---|---|---|----------------------|
| 1       | Full title of the Institution: Energy Institute for Advanced Training — Further Professional Education Institution of Public Joint Stock Company of Energy and Electrification of Kuban | Established on 10 September 2004 by resolution of the Board of Directors of JSC Kubanenergo (Minutes No. 3 dated 30 July 2004).<br>Core activities: <ul style="list-style-type: none"> <li>meeting the needs of the specialists of Rosseti Kuban in obtaining knowledge about the latest achievements in the electric power industry, advanced domestic and western experience in the electric power industry</li> <li>organising and conducting advanced training and professional retraining of specialists of Rosseti Kuban</li> <li>organising and conducting scientific research, scientific and technical and experimental works, consulting activities</li> <li>scientific review of programs, projects, recommendations, and other materials, including specialised ones</li> </ul> | Providing PJSC Rosseti Kuban with qualified personnel through professional raining, retraining and development of the Company's employees, improving their business qualities, preparing them for new job functions | —                    |



| Sl. No. | Title of non-commercial organisation  | Details of the organisation  | Purpose of participation  | Financial parameters  |
|---------|---|--|---|---|
| 2       | Self-Regulatory Organisation — Interregional Construction Alliance (Union)  | The main goals of the Union are to prevent harm to the life or health of individuals, property of individuals or legal entities, state or municipal property, environment, life or health of animals and plants, cultural heritage objects (historical and cultural monuments) of the peoples of the Russian Federation due to shortcomings in work, which have an impact on the safety of capital construction objects and are carried out by the members of the Union; improving the quality of construction, renovation, overhaul of construction projects; protection of the rights and legitimate interests of the members of the Union.  | Compliance with the current legislation and elimination of the risks of bringing to administrative responsibility under Part 1 of Article 9.5.1 of the Code of the Russian Federation on Administrative Offenses  | The entry fee is RUB 10,000. The monthly membership fee is RUB 5,000. Additional annual target membership fee for the needs of the National Association of Builders is RUB 5,000 per year. The amount of the compensation contribution to the compensation fund is RUB 100,000. Fee payment is made in monetary funds |
| 3       | 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"> <li>Protection and promotion of the interests of employers in the electric power industry, including in relations with state authorities and trade unions, consolidation of the aggregate resource of the Association members to influence the social and economic policy of the state</li> <li>Regulation of social and labor relations in the electric power industry, increasing the efficiency of social partnership, promoting the maintenance of social stability in the labor collectives of the electric power industry organisations, increasing the efficiency of human resource management, enhancing the return on investment to personnel and the development of human capital</li> <li>Assistance in the creation of favorable conditions for business in general and development of the electric power industry in particular, participation in the development and implementation of projects to increase the economic efficiency of energy organisations, increase labor productivity</li> <li>Development of the national system of professional qualifications and its industry segment, promoting the development of industry-specific professional education, meeting the needs of employers in training qualified personnel, etc.</li> </ul> | <ul style="list-style-type: none"> <li>The need to promote the interests of the Company, including in relations with government bodies and trade unions</li> <li>The need to improve the efficiency of social partnership, to assist in maintaining social stability in labor collectives</li> <li>Development of cooperation with other organisations in the field of labor and on other issues of social and economic nature</li> </ul> | The annual membership fee is RUB 1,700,000.   |

| Sl. No. | Title of non-commercial organisation                                  | Details of the organisation   | Purpose of participation   | Financial parameters  |
|---------|---|---|--|---|
| 4       | Association — Nonprofit Partnership of Territorial Grid Organisations | The Association (Partnership) consolidates, represents and protects the professional interests of its participants in government bodies of all levels, in infrastructure, non-commercial and public organisations. The Partnership platform is a center for communication of its participants and dissemination of the best business practices in the Power Grid Complex. The Supervisory Board of the Association includes the Heads of the specialised offices of the Energy Committee of the State Duma of the Russian Federation and the Ministry of Energy of Russia | Ensuring the compliance of PJSC Rosseti Kuban with the requirements of the wholesale market in the event that the functions of a guaranteeing supplier are assigned to PJSC Rosseti Kuban  | Entry (one-time) fee: RUB 1 mln. Quarterly current (regular) membership fee: RUB 256,000. |
| 5       | 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"> <li>Representation of interests in cooperation with the administration of the Krasnodar Territory, the city of Krasnodar, as well as the administrations of cities and districts of the Territory</li> <li>Development of business relations with large companies in Kuban</li> </ul> | The annual membership fee of the Company is RUB 20,000                                    |

# APPENDIX 4

RAS ANNUAL ACCOUNTING STATEMENTS  
OF PJSC ROSSETI KUBAN FOR 2021  
AND AUDITOR'S OPINION  
ON ITS RELIABILITY



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OKPO (Tax Registration Reason Code): 59002827  
OGRN (Primary State Registration Number): 1027739707203  
INN (Taxpayer Identification Number): 7709383532

### Independent Auditor's Report

To the Shareholders and the Board of Directors  
of Rosseti Kuban  
Public Joint Stock Company

#### Opinion

We have audited the accounting (financial) statements of Rosseti Kuban Public Joint-Stock Company (hereinafter referred to as the Company) consisting of the accounting balance sheet as of December 31, 2021, the statement of profit and loss for 2021 and appendices thereto.

In our opinion, the attached accounting (financial) statements accurately reflect the financial position of the Company in all material respects as of December 31, 2021, as well as its financial performance and cash flows in 2021 in compliance with the rules for preparation of accounting (financial) statements applicable in the Russian Federation.

#### Basis for Opinion

We have performed the audit as per the International Standards on Auditing (ISA). Our responsibilities under such standards are described below in the Auditor's Responsibilities for the Audit of Accounting (Financial) Statements section hereof. We are independent of the Company as per the Professional Accountants' Code of Ethics developed by the International Ethics Standards Board for Accountants (and international independence standards) (IESBA Code) and ethical requirements applicable to our audit of the accounting (financial) statements in the Russian Federation, and we have complied with other ethical obligations stipulated by such requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were the most significant to our audit of the accounting (financial) statements for the current period. These matters were addressed in the context of our audit of the accounting (financial) statements as a whole and in forming our opinion thereon, and we do not express a separate opinion on these issues. For each of the matters below, our description of how the relevant matter was addressed in our audit is set forth in this context.



We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of Accounting (Financial) Statements section of our report, including with respect to these matters. Accordingly, our audit included the procedures designed in response to our assessment of the risks of material misstatement of the accounting (financial) statements. The results of our audit procedures, including the procedures performed in considering the matters below, provide the basis for our audit opinion on the attached accounting (financial) statements.

| Key Audit Matter  | How the Relevant Key Matter Was Addressed in Our Audit   |
|---|--|
| <b>Recognition and Assessment of Revenue from Electricity Transmission Services</b>   |  |
| Recognition and assessment of revenue from electricity transmission services was one of the most significant matters in our audit due to certain specifics of electricity market mechanisms, which causes disagreements between power grid companies, power supply companies, and other companies regarding the volume and value of electricity transmitted. The amount of revenue disputed by the counterparties is material to the Company's accounting (financial) statements. Management's assessment of the likelihood of a dispute being resolved in its favor is largely subjective. Revenue is recognized when, subject to assumptions, the differences are resolved in favor of the Company. | We reviewed the accounting policy applied with respect to the recognition of the revenue from electricity transmission services, examined the system of internal controls over the recording of such revenue, reviewed the determination of appropriate amounts of revenue based on the existing electricity transmission contracts, obtained confirmation of selected balances of accounts receivable from counterparties, reviewed the results of litigations regarding disputed amounts of services provided, if any, and evaluated the procedures in place for confirmation of the transmitted volumes of electricity. |
| Information on the revenue from electricity transmission services is disclosed in clause 5.12 of the Notes to the balance sheet and the statement of profit and loss.   |  |
| <b>Impairment of Accounts Receivable</b>  |  |
| The issue of impairment of accounts receivable was one of the most significant to our audit due to the significant balances of accounts receivable on the Company's balance sheet as of December 31, 2021, and the fact that management's assessment of the recoverability of such receivables is based on assumptions, particularly the projected solvency of the Company's customers.   | We reviewed the Company's accounting policy for testing the accounts receivable for impairment and also reviewed the evaluation procedures made by the Company's management, including an analysis of receivables payment, maturities and default on obligations, and a customer solvency analysis.  |
| Information on impairment of accounts receivable is disclosed in clause 5.6 of the Notes to the balance sheet and the statement of profit and loss.   | We performed the audit procedures with respect to the information used by the Company to determine impairment of accounts receivable and the aging and maturity structure of accounts receivable, and tested the calculation of the accrued provision.   |
| <b>Recognition, Measurement and Disclosure of Provisions and Contingent Liabilities</b>   |  |
| Recognition, measurement and disclosure of provisions and contingent liabilities with respect to litigations and counterparty claims (including local power grid and power supply companies) were among our most significant audit issues due to the fact that they require significant management's judgment with respect to significant amounts of counterparty balances disputed in litigations or in the pre-trial settlement process.  | The audit procedures included analysis of the decisions made by courts of different instances and consideration of management's judgments with respect to assessment of the probability of outflow of economic resources due to dispute resolution, examination of the existing documentation's conformity to the provisions of valid contracts and the legislation, analysis of disclosure of contingent and estimated liabilities in the Notes to the balance sheet and the statement of profit and loss.  |
| Information on the provisions and contingent liabilities is disclosed in clause 5.15 of the Notes to the balance sheet and statement of profit and loss.  |  |



### **Other Information Included in the Annual Report for 2021**

Other information includes the information contained in the 2021 Annual Report, but does not include the accounting (financial) statements and our auditor's report thereon. Other information is the responsibility of the management. The 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the accounting (financial) statements does not cover other information, and we will not provide a conclusion expressing any form of assurance with respect to such information.

In connection with our audit of the accounting (financial) statements, our responsibility is to review other information identified above when it becomes available to us and consider whether other information is materially inconsistent with the accounting (financial) statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

### **Responsibilities of Management and the Audit Committee of the Board of Directors for the Accounting (Financial) Statements**

The management shall be held liable for preparation and accurate presentation of the said accounting (financial) statements as per the rules for preparation of accounting (financial) statements applicable in the Russian Federation and the internal control system as the management determines is necessary to enable preparation of accounting (financial) statements that are free from material misstatements due to fraud or error.

In preparing the accounting (financial) statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, the matters related to going concern and using the going concern basis of accounting for reporting purposes unless the management either intends to liquidate the Company or to wind it up, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors is responsible for supervising the process of preparing the Company's accounting (financial) statements.

### **Auditor's Responsibilities for the Audit of Accounting (Financial) Statements**

Our objectives are to obtain reasonable assurance that the accounting (financial) statements in general are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect the material misstatements when they exist. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these accounting (financial) statements.



As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. Besides, we:

- ▶ identify and assess the risks of material misstatement of the accounting (financial) statements, whether due to fraud or error, design and perform audit procedures in response to such risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement due to error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;
- ▶ get an understanding of the internal control system that is relevant for the audit, in order to develop audit procedures appropriate to the circumstances, but not to express an opinion on the effectiveness of the internal control system of the Company;
- ▶ evaluate the appropriateness of the accounting policy used and the reasonableness of accounting estimates made by the management and related disclosures;
- ▶ conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists 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 attention in our auditor's report to the related disclosures in the accounting (financial) statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the accounting (financial) statements, including the disclosures, and whether the accounting (financial) statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit, if any.

We also provide the Audit Committee of Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence and have communicated to it all relationships and other matters that may reasonably be thought to bear on the auditor's independence and, if applicable, the steps we have taken to address any threats or related safeguards.



Of those matters that we have brought to the attention of the Audit Committee of the Board of Directors, we have identified those matters that were most significant to the audit of the accounting (financial) statements for the current period and, therefore, were key audit matters. We describe these matters in our auditor's report unless the public disclosure of these matters is prohibited by a law or regulation, or, in extremely rare cases, we conclude that a matter should not be reported in our report because it could reasonably be expected that the adverse consequences of reporting such information would exceed the public benefit of reporting it.

Lead Auditor of the audit, on the results of which this independent auditor's report is based, A.B. Kalmykova.

/SIGNED/

A.B. Kalmykova,  
acting on behalf of Ernst & Young LLC  
under power of attorney dated December 21, 2021, unnumbered,  
Lead Auditor of the audit, on the results of which this independent auditor's report is based  
(Primary Registration Number of Entry 21906101970)

February 25, 2022

**Auditor's Profile**

Business name: Ernst & Young LLC  
Entry made into the Unified State Register of Legal Entities on December 5, 2002, under State Registration Number 1027739707203.  
Registered address: Sadovnicheskaya Nab., 77, bld. 1, Moscow, 115035, Russia.  
Ernst & Young LLC is a member of the Sodruzhestvo Self-Regulatory Organization of Auditors (SRO AAS).  
Ernst & Young LLC is entered into the check copy of the register of auditors and audit firms under the Primary Registration Number of Entry 12006020327.

**Audited Entity's Profile**

Business name: Rosseti Kuban Public Joint Stock Company  
Entry made into the Unified State Register of Legal Entities on September 17, 2002, under State Registration Number 1022301427268.  
Registered address: 2a Stavropolskaya St., Krasnodar, Krasnodar Territory, 350033, Russia.

| Balance sheet                |   |             |                        |                        |                        |
|------------------------------|---|-------------|------------------------|------------------------|------------------------|
| as at December 31 20 21      |   |             |                        |                        |                        |
| Note                         | Line item   | Line code   | As at December 31 2021 | As at December 31 2020 | As at December 31 2019 |
| <b>ASSETS</b>                |   |             |                        |                        |                        |
| <b>I. NON-CURRENT ASSETS</b> |   |             |                        |                        |                        |
| 5.1.1.-5.2.2.                | Intangible assets   | 1110        | 92 247                 | 145 514                | 134 682                |
| 5.2.2.                       | including non-complete transactions on acquisition of intangible assets           | 1111        | 7 500                  | 7 500                  | 7 500                  |
| 5.2.1.-5.2.2.                | Research and development results  | 1120        | 21 578                 | 17 603                 | 33 756                 |
| 5.2.2.                       | Including expenses for non-complete research and development                      | 1121        | 21 578                 | 17 603                 | 33 756                 |
|                              | Intangible development assets   | 1130        | -                      | -                      | -                      |
|                              | Tangible development assets   | 1140        | -                      | -                      | -                      |
| 5.3.1.-5.3.6.                | Fixed assets  | 1150        | 66 287 667             | 63 827 345             | 63 343 130             |
|                              | Lands and objects of nature management  | 1151        | 136 562                | 136 562                | 136 411                |
|                              | Buildings, machinery, equipment, construction                                     | 1152        | 59 779 025             | 59 203 156             | 59 270 093             |
|                              | Other fixed assets  | 1153        | 251 200                | 196 617                | 262 534                |
| 5.3.5.                       | Construction in progress  | 1154        | 4 052 784              | 3 391 998              | 3 069 476              |
| 5.3.6.                       | advances issued for investment building and purchase of fixed assets              | 1155        | 637 506                | 96 451                 | 30 056                 |
|                              | raw materials intended to be used in case of fixed assets creation*               | 1156        | 1 430 590              | 802 561                | 574 560                |
| 5.3.1.                       | Income-bearing investments in tangible assets                                     | 1160        | -                      | -                      | -                      |
| 5.4.1.-5.4.3.                | Financial investments   | 1170        | 39 840                 | 31 579                 | 39 050                 |
|                              | investments in subsidiary companies   | 1171        | 39 839                 | 31 578                 | 39 049                 |
|                              | investments in affiliates   | 1172        | -                      | -                      | -                      |
|                              | investments in other companies  | 1173        | 1                      | 1                      | 1                      |
|                              | Loans given to companies for the period of more than 12 months                    | 1174        | -                      | -                      | -                      |
|                              | Financial investments   | 1175        | -                      | -                      | -                      |
| 5.7.2.                       | Deferred tax assets   | 1180        | 1 439 051              | 1 020 464              | 888 357                |
|                              | Other non-current assets  | 1190        | 133 158                | 253 975                | 291 676                |
|                              | Total non-current assets  | 1100        | 68 013 541             | 65 296 480             | 64 730 651             |
| <b>II. CURRENT ASSETS</b>    |   |             |                        |                        |                        |
| 5.5.1-5.5.2.                 | Inventories   | 1210        | 2 048 888              | 1 910 048              | 1 835 632              |
|                              | Raw materials and other equivalent supplies                                       | 1211        | 2 048 888              | 1 910 048              | 1 832 183              |
|                              | Work-in-progress  | 1212        | -                      | -                      | -                      |
|                              | Finished goods and goods for resale   | 1213        | -                      | -                      | 1 396                  |
|                              | Shipped goods   | 1214        | -                      | -                      | 2 053                  |
|                              | Other inventories and expenses  | 1215        | -                      | -                      | -                      |
|                              | VAT on purchased assets   | 1220        | 5 007                  | 19 601                 | 2 558                  |
| 5.6.1.-5.6.4.                | Accounts receivable   | 1230        | 6 547 358              | 8 547 200              | 7 433 109              |
|                              | Payments expected beyond 12 months of the reporting date                          | 1231        | 19 042                 | 23 124                 | 25 601                 |
|                              | Buyers and customers  | 123101      | 1 819                  | 445                    | 462                    |
|                              | Notes receivable  | 123102      | -                      | -                      | -                      |
|                              | Advances issued   | 123103      | -                      | -                      | -                      |
|                              | Other accounts receivable   | 123104      | 17 223                 | 22 679                 | 25 139                 |
|                              | Payments expected within 12 months of the reporting date                          | 1232        | 6 528 316              | 8 524 076              | 7 407 508              |
|                              | Buyers and customers  | 123201      | 5 863 976              | 7 577 874              | 6 610 771              |
|                              | Notes receivable  | 123202      | -                      | -                      | -                      |
|                              | Receivables from subsidiaries and affiliates for dividends                        | 123203      | -                      | -                      | -                      |
|                              | Receivables from participants (shareholders) for contributions to charter capital | 123204      | -                      | -                      | -                      |
|                              | Advances issued   | 123205      | 43 534                 | 47 518                 | 32 700                 |
|                              | Other accounts receivable   | 123206      | 620 806                | 898 684                | 764 037                |
| 5.4.1-5.4.3.                 | Financial investments (except cash equivalents)                                   | 1240        | -                      | -                      | -                      |
|                              | Loans given to companies for the period of less than 12 months                    | 1241        | -                      | -                      | -                      |
|                              | Other short-term financial investments  | 1242        | -                      | -                      | -                      |
| Φ.4                          | Cash and cash equivalents   | 1250        | 1 964 719              | 718 034                | 1 699 590              |
|                              | Cash in bank  | 1251        | -                      | -                      | -                      |
|                              | Current accounts  | 1252        | 1 964 718              | 718 030                | 1 699 590              |
|                              | Foreign currency accounts   | 1253        | -                      | -                      | -                      |
|                              | Other cash  | 1254        | 1                      | 4                      | -                      |
|                              | Other current assets  | 1260        | 974 558                | 888 881                | 625 747                |
|                              | Total current assets  | 1200        | 11 540 530             | 12 083 764             | 11 596 636             |
|                              | <b>BALANCE</b>  | <b>1600</b> | <b>79 554 071</b>      | <b>77 380 244</b>      | <b>76 327 287</b>      |

Statement of Financial Results  
for January-December 20 21

| Note                               | Line item  | Line code   | As at December 31 2021 | As at December 31 2020 | As at December 31 2019 |
|------------------------------------|--|-------------|------------------------|------------------------|------------------------|
| <b>LIABILITIES</b>                 |  |             |                        |                        |                        |
| <b>III. EQUITY AND RESERVES</b>    |  |             |                        |                        |                        |
| 3.1.                               | Charter capital (share capital, charter fund, contributions of partners) | 1310        | 33 465 784             | 33 465 784             | 30 379 335             |
| 3.1.                               | Capital (before the amendments are registered)                           | 1311        | 716 784                | -                      | 3 086 449              |
| 3.1.                               | Treasury shares  | 1320        | -                      | -                      | -                      |
| 5.3.1.-5.1.1.                      | Revaluation of non-current assets  | 1340        | -                      | -                      | -                      |
| 3.1.                               | Additional capital (without revaluation)                                 | 1350        | 6 481 916              | 6 481 916              | 6 481 916              |
| 3.1.                               | Capital reserve  | 1360        | 424 221                | 424 221                | 302 820                |
| 3.1.                               | Accumulated profit (accumulated losses) of past years                    | 1370        | (915 334)              | (2 542 723)            | (283 379)              |
|                                    | of reporting period  | 1371        | (2 627 168)            | (1 041 445)            | (2 787 062)            |
|                                    |  | 1372        | 1 711 834              | (1 501 278)            | 2 503 683              |
|                                    | Total equity and reserves  | 1300        | 40 173 371             | 37 829 198             | 39 967 141             |
| <b>IV. NON-CURRENT LIABILITIES</b> |  |             |                        |                        |                        |
| 5.6.7.-5.6.8.                      | Borrowings   | 1410        | 16 036 315             | 17 882 922             | 19 432 911             |
|                                    | Bank loans subject to redemption beyond 12 months of the reporting date  | 1411        | 14 636 315             | 16 482 922             | 19 432 911             |
|                                    | Loans subject to redemption beyond 12 months of the reporting date       | 1412        | 1 400 000              | 1 400 000              | -                      |
| 5.7.2.                             | Deferred tax liabilities   | 1420        | 2 478 904              | 2 132 816              | 1 871 876              |
| 5.7.1.                             | Estimated liabilities  | 1430        | -                      | -                      | -                      |
| 5.6.5.-5.6.6.                      | Other liabilities  | 1450        | 1 451 293              | 1 514 462              | 1 161 583              |
|                                    | Total non-current liabilities  | 1400        | 19 966 512             | 21 530 200             | 22 466 370             |
| <b>V. CURRENT LIABILITIES</b>      |  |             |                        |                        |                        |
| 5.6.7.-5.6.8.                      | Borrowings   | 1510        | 4 834 192              | 5 553 866              | 3 652 592              |
|                                    | Bank loans subject to redemption within 12 months of the reporting date  | 1511        | 8 231                  | -                      | 19 652                 |
|                                    | Loans subject to redemption within 12 months of the reporting date       | 1512        | 4 825 961              | 5 553 866              | 3 632 940              |
| 5.6.5.-5.6.6.                      | Accounts payable   | 1520        | 11 354 835             | 10 763 538             | 8 757 713              |
|                                    | Suppliers and contractors  | 1521        | 6 861 390              | 5 936 862              | 5 136 188              |
|                                    | Notes payable  | 1522        | -                      | -                      | -                      |
|                                    | Wages payable  | 1523        | 299 688                | 317 117                | 273 713                |
|                                    | Debts owed to state non-budgetary funds                                  | 1524        | 157 707                | 135 442                | 157 086                |
|                                    | Taxes and dues payable   | 1525        | 758 445                | 771 058                | 642 898                |
|                                    | Advances received  | 1526        | 2 290 864              | 2 640 747              | 1 876 504              |
|                                    | Delay from participants (shareholders) in paying revenues                | 1527        | 344                    | 479                    | 453                    |
|                                    | Other accounts payable   | 1528        | 986 417                | 961 833                | 670 871                |
|                                    | Unearned revenues  | 1530        | 292 170                | 159 854                | 138 274                |
| 5.7.1.                             | Estimated liabilities  | 1540        | 2 802 883              | 1 527 161              | 1 339 596              |
|                                    | Other liabilities  | 1550        | 130 108                | 16 427                 | 5 601                  |
|                                    | Total current liabilities  | 1500        | 19 414 188             | 18 020 846             | 13 893 776             |
|                                    | <b>BALANCE</b>   | <b>1700</b> | <b>79 554 071</b>      | <b>77 380 244</b>      | <b>76 327 287</b>      |

Manager K.A. Iordanidi Chief Accountant L.V. Loskutova  
(signature) (signature) (signature)

" 25 " February 20 22

Company Rosseti Kuban PJSC  
Taxpayer Identification Number \_\_\_\_\_

Economic activity electric power transmission

Legal form/form of property Public Joint Stock Company/ privately owned  
Unit of measurement: thousands of RUB

| Date (day, month, year) | Codes      |
|-------------------------|------------|
| 31/12/2021              | 0710002    |
| OKPO                    | 00104604   |
| TIN                     | 2309001660 |
| OKVED 2                 | 35.12      |
| OKOPF/OKFS              | 12247   16 |
| OKEI                    | 384        |

| Note   | Line item  | Line code | For 2021     | For 2020     |
|--------|--|-----------|--------------|--------------|
| 1      | 2  | 3         | 4            | 5            |
|        | Revenue  | 2110      | 57 669 744   | 49 369 580   |
|        | including  |           |              |              |
|        | Revenue from electric power transmission   | 2111      | 54 526 276   | 48 101 880   |
|        | Revenue from technological connection  | 2112      | 2 347 653    | 731 309      |
|        | Revenue from organization of the functioning and development of Unified Energy System (UES) of Russia relating to integrated distribution power grid | 2113      | -            | -            |
|        | Revenue from resale of electric power and capacity   | 2114      | -            | -            |
|        | Income derived from participatory interest in the charter capital of other companies   | 2115      | -            | -            |
|        | Lease revenue  | 2116      | 162 638      | 146 337      |
|        | Revenue from sales of other products, goods, works, services of a commercial character   | 2117      | 633 177      | 390 054      |
|        | Revenue from sales of other products, goods, works, services of a non-commercial character   | 2118      | -            | -            |
| 2.1.   | Cost of sales  | 2120      | (49 902 736) | (46 800 254) |
|        | including  |           |              |              |
|        | Cost of electric power transmission  | 2121      | (48 482 492) | (45 703 738) |
|        | Cost of technological connection   | 2122      | (826 344)    | (763 785)    |
|        | Cost of organization of the functioning and development of Unified Energy System (UES) of Russia relating to integrated distribution power grid      | 2123      | -            | -            |
|        | Cost resale of electric power and capacity   | 2124      | -            | -            |
|        | Cost of participatory interest in the charter capital of other companies   | 2125      | -            | -            |
|        | Cost of lease services   | 2126      | (71 296)     | (45 164)     |
|        | Cost of other products, goods, works, services of a commercial character   | 2127      | (522 604)    | (287 567)    |
|        | Cost of other products, goods, works, services of a non-commercial character   | 2128      | -            | -            |
|        | Gross profit (loss)  | 2100      | 7 767 008    | 2 569 326    |
| 2.1.   | Selling costs  | 2210      | -            | -            |
| 2.1.   | Administrative expenses  | 2220      | (151 774)    | (175 087)    |
|        | Profit (loss) from goods sold  | 2200      | 7 615 234    | 2 394 239    |
|        | Income derived from participatory interest in the charter capital of other companies   | 2310      | 19 895       | 668          |
|        | Interest receivable  | 2320      | 28 305       | 28 872       |
|        | Interest payable   | 2330      | (1 552 608)  | (1 593 371)  |
| 5.1.1. | Other revenues   | 2340      | 1 413 802    | 1 563 197    |
| 5.1.1. | Other expenses   | 2350      | (4 825 874)  | (3 777 891)  |
|        | Profit (loss) before tax   | 2300      | 2 698 754    | (1 384 286)  |
| 2.3.   | profits tax  | 2410      | (1 098 296)  | (265 794)    |
| 2.3.   | including current income tax   | 2411      | (1 149 652)  | (136 961)    |
| 2.3.   | Deferred income tax  | 2412      | 51 356       | (128 833)    |
| 2.3.   | Other  | 2460      | 111 376      | 148 802      |
|        | Net profit (loss)  | 2400      | 1 711 834    | (1 501 278)  |

| Пояснения | Line item  | Line code | For 2021  | For 2020    |
|-----------|--|-----------|-----------|-------------|
| 5.1.1.    | <b>For reference</b>   |           |           |             |
| 5.3.1.    | Surplus on revaluation of non-current assets not included in the net profit (loss) of the period       | 2510      | -         | -           |
|           | Surplus on other operations not included in the net profit (loss) of the period                        | 2520      | -         | -           |
|           | Profits tax from operations the result of which is not included in the net profit (loss) of the period | 2530      | -         | -           |
|           | Comprehensive financial result for the period  | 2500      | 1 711 834 | (1 501 278) |
| 2.2.      | Basic earnings (loss) per share  | 2900      | 5,1150    | -4,4860     |
| 2.2.      | Diluted earnings (loss) per share  | 2910      | 5,1150    | -4,4860     |

Manager K.A. Iordanidi  
(signature) (signature)

Chief Accountant L.V. Loskutova  
(signature) (signature)

" 25 " February 20 22

**2.1. Cost of good sold, works, services according to elements of costs**

| Indication  |           | For 2021   | For 2020   |
|---|-----------|------------|------------|
| Line item   | Line code |            |            |
| 1   | 2         | 3          | 4          |
| Cost of production  | 6510      | 49 902 736 | 46 800 254 |
| including   |           |            |            |
| Material costs  | 6511      | 10 991 767 | 9 887 083  |
| Labour costs  | 6512      | 5 301 572  | 5 269 850  |
| Compulsory insurance, insurance against accidents at work and work-related diseases | 6513      | 1 563 013  | 1 534 377  |
| Amortization  | 6514      | 4 627 784  | 4 546 509  |
| Miscellaneous Expenditures  | 6515      | 27 418 600 | 25 562 435 |
| For reference: Changes in inventories and reserves (increase [+], decrease [-]):    | 6520      | -          | -          |
| including   |           |            |            |
| Work-in-progress  | 6521      | -          | -          |
| Finished products   | 6522      | -          | -          |
| Purchased goods   | 6523      | -          | -          |
| Goods delivered   | 6524      | -          | -          |
| Auxiliary materials   | 6525      | -          | -          |
| <b>Total costs of sales</b>   | 6500      | 49 902 736 | 46 800 254 |
| Selling expenses  | 6550      | -          | -          |
| including   |           |            |            |
| Material cost   | 6551      | -          | -          |
| Labour costs  | 6552      | -          | -          |
| Compulsory insurance, insurance against accidents at work and work-related diseases | 6553      | -          | -          |
| Amortization  | 6554      | -          | -          |
| Miscellaneous Expenditures  | 6555      | -          | -          |
| Administrative expenses   | 6560      | 151 774    | 175 087    |
| including   |           |            |            |
| Material cost   | 6561      | -          | -          |
| Labour costs  | 6562      | 19 997     | 27 991     |
| Compulsory insurance, insurance against accidents at work and work-related diseases | 6563      | 5 686      | 7 120      |
| Amortization  | 6564      | -          | -          |
| Miscellaneous Expenditures  | 6565      | 126 091    | 139 976    |

Chief Accountant \_\_\_\_\_ L.V. Loskutova  
(signature) (signature)

" 25 " February 20 22

**2.2. Earnings Per Share, diluted earnings per share**

| Indication  |           | For 2021  | For 2020    |
|---|-----------|-----------|-------------|
| Line item   | Line code |           |             |
| 1   | 2         | 3         | 4           |
| <b>Net profit (accumulated losses) of the reporting period</b>                        | 6610      | 1 711 834 | (1 501 278) |
| Preferred dividends   | 6611      | -         | -           |
| Basic earnings (loss) of the reporting period   | 6612      | 1 711 834 | (1 501 278) |
| Weighted average number of ordinary shares outstanding during the accounting period   | 6613      | 334 658   | 334 658     |
| <b>Basic earnings (loss) per share</b>  | 6620      | 5,1150    | -4,4860     |
| Weighted average market value per ordinary share                                      | 6621      | 73        | 74          |
| <b>Possible increment in profit and weighted average number of shares outstanding</b> | 6630      | X         | X           |
| As a result of conversion of preferred shares into ordinary shares                    | 6631      | X         | X           |
| possible increment in profit  | 66311     | -         | -           |
| additional number of shares   | 66312     | -         | -           |
| As a result of conversion of the bonds into ordinary shares                           | 6632      | X         | X           |
| possible increment in profit  | 66321     | -         | -           |
| additional number of shares   | 66322     | -         | -           |
| Agreements at a below-market price  | 6633      | X         | X           |
| contract purchase price   | 66331     | -         | -           |
| possible increment in profit  | 66332     | -         | -           |
| additional number of shares   | 66333     | -         | -           |
| <b>Diluted Earnings per Share</b>   | 6640      | 5,1150    | -4,4860     |
| adjusted value of basic earnings  | 6641      | 1 711 834 | (1 501 278) |
| adjusted value of weighted average the number of shares outstanding                   | 6642      | 334 658   | 334 658     |

Chief Accountant \_\_\_\_\_ L.V. Loskutova  
(signature) (signature)

" 25 " February 20 22

2.3. Profit taxation

| Line item   | Line code | For 2021    | For 2020    |
|---|-----------|-------------|-------------|
| 1   | 2         | 3           | 4           |
| <b>Profit (loss) before tax</b>   | 6710      | 2 698 754   | (1 384 286) |
| as well as taxed at a rate:   |           |             |             |
| 20%   | 67101     | 2 698 754   | (1 384 286) |
| other rates   | 67102     | -           | -           |
| untaxed   | 67103     | -           | -           |
| Permanent difference  | 6711      | 2 792 727   | 2 713 257   |
| Changes in temporary subtractive differences  | 6712      | 1 987 222   | 660 534     |
| Changes in taxable temporary differences  | 6713      | (1 730 442) | (1 304 700) |
| Income Tax Expense (Potential Tax Benefit)  | 6721      | 539 751     | (276 857)   |
| Permanent tax expense (permanent tax revenue)   | 6722      | 558 545     | 542 651     |
| Deferred income tax, including:   | 6723      | 51 356      | (128 833)   |
| Changes in deferred tax asset   | 67231     | 397 444     | 132 107     |
| Changes in deferred tax liability   | 67232     | (346 088)   | (260 940)   |
| Current corporate income tax  | 6725      | (1 149 652) | (136 961)   |
| Income tax expense (income tax benefit)   | 67251     | (1 098 296) | (265 794)   |
| <b>Amounts of corporate income tax for prior tax periods (according to adjusted declarations, tax inspections)</b>  | 6726      | 52 041      | 132 328     |
| <b>Other tax payments and penalties from income</b>   | 6727      | 59 335      | 16 474      |
| <b>Write-off of deferred taxes on profit and loss</b>   | 6728      | -           | -           |
| For reference: recognition (write-off) of deferred tax assets due to the change of probability that the company will receive taxable income in subsequent reporting periods | 67281     | -           | -           |
| <b>Net profit (loss)</b>  | 6729      | 1 711 834   | (1 501 278) |

Chief accountant

(signature)

L.V. Loskutova

(signature)

" 25" February 2022

Statement of Changes in Equity for 20 21

Company Rosseti Kuban PJSC  
 Taxpayer Identification Number \_\_\_\_\_  
 Economic activity electric power transmission  
 Legal form/form of property Public Joint Stock Company/ privately owned  
 Unit of measurement: thousands of RUB

| Codes                   |                |
|-------------------------|----------------|
| Form of OKUD            | 0710004        |
| Date (day, month, year) | 31   12   2021 |
| OKPO                    | 00104604       |
| TIN                     | 2309001660     |
| OKVED 2                 | 35.12          |
| OKOPF/OKFS              | 12247   16     |
| OKEI                    | 384            |

3.1. Capital flows

| Line item  | Line code | Charter capital | Capital (before the amendments are registered) | Treasury shares | Additional capital | Capital reserve | Retained Earnings (uncovered loss) | Total       |
|--|-----------|-----------------|--|-----------------|--------------------|-----------------|------------------------------------|-------------|
| Capital value as at December 31 20 19            | 3100      | 30 379 335      | 3 086 449                                      | -               | 6 481 916          | 302 820         | (283 379)                          | 39 967 141  |
| For 20 20  |           |                 |  |                 |                    |                 |                                    |             |
| Increase in capital - total:                     | 3210      | 3 086 449       | (3 086 449)                                    | -               | -                  | -               | 249                                | 249         |
| including:                                       |           |                 |  |                 |                    |                 |                                    |             |
| net profit                                       | 3211      | x               | x  | x               | x                  | x               | -                                  | -           |
| revaluation of assets                            | 3212      | x               | x  | x               | -                  | x               | -                                  | -           |
| income directly related to increase in capital   | 3213      | x               | x  | x               | -                  | x               | 249                                | 249         |
| additional issue of shares                       | 3214      | 3 086 449       | (3 086 449)                                    | -               | -                  | x               | x                                  | -           |
| increase in nominal value of shares              | 3215      | -               | -  | x               | x                  | x               | -                                  | x           |
| reorganization of a legal entity                 | 3216      | -               | -  | -               | -                  | -               | -                                  | -           |
| Decrease in capital - total:                     | 3220      | -               | -  | -               | -                  | -               | (2 138 192)                        | (2 138 192) |
| including:                                       |           |                 |  |                 |                    |                 |                                    |             |
| loss   | 3221      | x               | x  | x               | x                  | x               | (1 501 278)                        | (1 501 278) |
| revaluation of assets                            | 3222      | x               | x  | x               | -                  | x               | -                                  | -           |
| expenses directly related to decrease in capital | 3223      | x               | x  | x               | -                  | x               | -                                  | -           |
| decrease in nominal value of shares              | 3224      | -               | -  | -               | x                  | x               | -                                  | -           |
| decrease in number of shares                     | 3225      | -               | -  | -               | x                  | x               | -                                  | -           |
| reorganization of a legal entity                 | 3226      | -               | -  | -               | -                  | -               | -                                  | -           |
| dividends  | 3227      | x               | x  | x               | x                  | x               | (636 914)                          | (636 914)   |
| Change in additional capital                     | 3230      | x               | x  | x               | -                  | x               | -                                  | x           |
| Change in capital reserve                        | 3240      | x               | x  | x               | -                  | 121 401         | (121 401)                          | x           |
| Capital value as at December 31 20 20            | 3200      | 33 465 784      | -  | -               | 6 481 916          | 424 221         | (2 542 723)                        | 37 829 198  |
| For 20 21  |           |                 |  |                 |                    |                 |                                    |             |
| Increase in capital - total:                     | 3310      | -               | 716 784  | -               | -                  | -               | 1 711 961                          | 2 428 745   |
| including:                                       |           |                 |  |                 |                    |                 |                                    |             |
| net profit                                       | 3311      | x               | x  | x               | x                  | x               | 1 711 834                          | 1 711 834   |
| revaluation of assets                            | 3312      | x               | x  | x               | -                  | x               | -                                  | -           |
| income directly related to increase in capital   | 3313      | x               | x  | x               | -                  | x               | 127                                | 127         |
| additional issue of shares                       | 3314      | -               | 716 784  | -               | -                  | x               | x                                  | 716 784     |
| increase in nominal value of shares              | 3315      | -               | -  | x               | x                  | x               | -                                  | x           |
| reorganization of a legal entity                 | 3316      | -               | -  | -               | -                  | -               | -                                  | -           |
| Decrease in capital - total:                     | 3320      | -               | -  | -               | -                  | -               | (84 572)                           | (84 572)    |
| including:                                       |           |                 |  |                 |                    |                 |                                    |             |
| loss   | 3321      | x               | x  | x               | x                  | x               | -                                  | -           |
| revaluation of assets                            | 3322      | x               | x  | x               | -                  | x               | -                                  | -           |
| expenses directly related to decrease in capital | 3323      | x               | x  | x               | -                  | x               | (84 572)                           | (84 572)    |
| decrease in nominal value of shares              | 3324      | -               | -  | x               | x                  | x               | -                                  | -           |
| decrease in number of shares                     | 3325      | -               | -  | -               | x                  | x               | -                                  | -           |
| reorganization of a legal entity                 | 3326      | -               | -  | -               | -                  | -               | -                                  | -           |
| dividends  | 3327      | x               | x  | x               | x                  | x               | -                                  | -           |
| Change in additional capital                     | 3330      | x               | x  | x               | -                  | x               | -                                  | x           |
| Change in capital reserve                        | 3340      | x               | x  | x               | -                  | x               | -                                  | x           |
| Capital value as at December 31 20 21            | 3300      | 33 465 784      | 716 784  | -               | 6 481 916          | 424 221         | (915 334)                          | 40 173 371  |



**3.2. Adjustments in connection with a change in accounting policy and correction of errors\***

| Line item   | Line code | As at December 31 2019 | Change in capital for 2020 |                      | As at December 31 2020 |
|---|-----------|------------------------|----------------------------|----------------------|------------------------|
|   |           |                        | out of net profit (loss)   | out of other factors |                        |
| <b>Capital - total</b>  |           |                        |                            |                      |                        |
| before adjustments  | 3400      | 39 967 141             | (1 501 278)                | (636 665)            | 37 829 198             |
| adjustment due to:  |           |                        |                            |                      |                        |
| change in Accounting Policy   | 3410      | -                      | -                          | -                    | -                      |
| correction of errors  | 3420      | -                      | -                          | -                    | -                      |
| after adjustments   | 3500      | 39 967 141             | (1 501 278)                | (636 665)            | 37 829 198             |
| including:  |           |                        |                            |                      |                        |
| Retained Earnings (uncovered loss):   |           |                        |                            |                      |                        |
| before adjustments  | 3401      | (283 379)              | (1 501 278)                | (758 066)            | (2 542 723)            |
| adjustment due to:  |           |                        |                            |                      |                        |
| change in Accounting Policy   | 3411      | -                      | -                          | -                    | -                      |
| correction of errors  | 3421      | -                      | -                          | -                    | -                      |
| after adjustments   | 3501      | (283 379)              | (1 501 278)                | (758 066)            | (2 542 723)            |
| other items of capital where adjustments are made<br>(within the line code) |           |                        |                            |                      |                        |
| before adjustments  | 3402      | 40 250 520             | -                          | 121 401              | 40 371 921             |
| Charter capital   | 34021     | 30 379 335             | -                          | 3 086 449            | 33 465 784             |
| Capital (before the amendments are registered)                              | 340211    | 3 086 449              | -                          | (3 086 449)          | -                      |
| Treasury shares   | 34022     | -                      | -                          | -                    | -                      |
| Additional capital  | 34023     | 6 481 916              | -                          | -                    | 6 481 916              |
| Capital reserve   | 34024     | 302 820                | -                          | 121 401              | 424 221                |
| adjustment due to:  |           |                        |                            |                      |                        |
| change in Accounting Policy   | 3412      | -                      | -                          | -                    | -                      |
| correction of errors  | 3422      | -                      | -                          | -                    | -                      |
| after adjustments   | 3502      | 40 250 520             | -                          | 121 401              | 40 371 921             |

(1) - year, prior to preceding year is indicated  
(2) - preceding year is indicated

Equity after adjustments

|  |   |         |   |
|--|---|---------|---|
| 3500   | - | 636 665 | - |
| Retained earnings (loss)                       | - |         | - |
| Charter capital                                | - |         | - |
| Capital (before the emendments are registered) | - |         | - |
| Treasury shares                                | - |         | - |
| Additional paid-in capital                     | - |         | - |
| Capital reserve                                | - |         | - |

\* - To be included in the financial statements if there are specified adjustments

**3.3. Net assets**

| Line item  | Line code | As at December 31 2021 | As at December 31 2020 | As at December 31 2019 |
|------------|-----------|------------------------|------------------------|------------------------|
| Net assets | 3600      | 40 465 541             | 37 989 052             | 40 105 415             |

Manager \_\_\_\_\_ K.A. Iordanidi  
(signature) (signature)

Chief Accountant \_\_\_\_\_ L.V. Loskutova  
(signature) (signature)

" 25 " February 20 22



| Line item   | Line code   | For 2021         | For 2020         |
|---|-------------|------------------|------------------|
| <b>Cash Flows from Financing Activities</b>   |             |                  |                  |
| Receipts - total  | 4310        | 24 675 106       | 49 963 993       |
| including:  |             |                  |                  |
| receiving loans and borrowings  | 4311        | 23 915 046       | 49 963 993       |
| <i>including receiving loans and borrowings from parent, subsidiary and affiliated companies</i>  | 431101      | 4 200 000        | 6 800 000        |
| monetary contributions of owners (participants)   | 4312        | -                | -                |
| <i>including monetary contributions of owners (participants) of parent, subsidiary and affiliated companies</i>   | 431201      | -                | -                |
| from issue of shares, increase in ownership interest  | 4313        | 760 060          | -                |
| <i>including issue of shares, increase in ownership interest of parent, subsidiary and affiliated companies</i>   | 431301      | 760 060          | -                |
| from bond issue, promissory notes and other debt securities, etc.   | 4314        | -                | -                |
| <i>including bond issue, promissory notes and other debt securities, etc. of parent, subsidiary and affiliated companies</i>  | 431401      | -                | -                |
| other receipts  | 4319        | -                | -                |
| <i>including other receipts from parent, subsidiary and affiliated companies</i>  | 431901      | -                | -                |
| Payments - total  | 4320        | (26 403 321)     | (50 350 805)     |
| including:  |             |                  |                  |
| to owners (participants) due to stock buyback (ownership interest) of their entities or their cessation of membership   | 4321        | -                | -                |
| <i>including to owners (participants) due to stock buyback (ownership interest) of their entities or their cessation of membership of parent, subsidiary and affiliated companies</i> | 432101      | -                | -                |
| for payment of dividends and other payments on distribution of profits to owners (participants)   | 4322        | -                | (636 822)        |
| <i>including for payment of dividends and other payments on distribution of profits to owners (participants) of parent, subsidiary and affiliated companies</i>                       | 432201      | -                | (595 146)        |
| in connection with payment (buyback) of promissory notes and other debt securities, buyback of loans and borrowings   | 4323        | (26 361 654)     | (49 713 983)     |
| <i>including due to payment (buyback) of promissory notes and other debt securities, buyback of loans to parent, subsidiary and affiliated companies</i>                              | 432301      | (5 400 000)      | -                |
| other payments  | 4329        | (41 667)         | -                |
| <i>including other payments to parent, subsidiary and affiliated companies</i>  | 432901      | -                | -                |
| Balance of cash flows from financing activities   | 4300        | (1 728 215)      | (386 812)        |
| <b>Balance of cash flows for the reporting period</b>   | <b>4400</b> | <b>1 246 688</b> | <b>(981 560)</b> |
| <b>Cash balance and cash equivalents as of the beginning of the reporting period</b>  | <b>4450</b> | <b>718 030</b>   | <b>1 699 590</b> |
| <b>Cash balance and cash equivalents at the end of the reporting period</b>   | <b>4500</b> | <b>1 964 718</b> | <b>718 030</b>   |
| Effect of exchange rate of foreign currency changes against the ruble   | 4490        | -                | -                |

Manager \_\_\_\_\_ (signature) K.A. Iordanidi \_\_\_\_\_ (signature) Chief Accountant \_\_\_\_\_ (signature) L.V. Loskutova \_\_\_\_\_ (signature)

" 25 " February 20 22

5.1. Intangible assets

5.1.1. The existence of intangible assets and intangible assets turnover

| Indication  | Line code | Period   | At the start of the year       |                          |                   |                | Changes for period |          |                          |                   | At the end of the period |                                |                          |                   |                |           |    |         |
|---|-----------|----------|--------------------------------|--------------------------|-------------------|----------------|--------------------|----------|--------------------------|-------------------|--------------------------|--------------------------------|--------------------------|-------------------|----------------|-----------|----|---------|
|   |           |          | Original/ current market value | Accumulated amortization | Impairment losses | Residual value | Increase           | Decrease | Accumulated amortization | Impairment losses | Revaluation              | Original/ current market value | Accumulated amortization | Impairment losses | Residual value |           |    |         |
| 1   | 2         | 3        | 4                              | 5                        | 6                 | 7              | 8                  | 9        | 10                       | 11                | 12                       | 13                             | 14                       | 15                | 16             | 17        | 18 | 19      |
|   | 5100      | for 2021 | 218 576                        | (80 562)                 | -                 | 138 014        | -                  | -        | -                        | (53 267)          | -                        | -                              | -                        | -                 | 218 576        | (133 829) | -  | 84 747  |
|   | 5110      | for 2020 | 164 510                        | (37 328)                 | -                 | 127 182        | 55 836             | (1 770)  | 1 770                    | (45 004)          | -                        | -                              | -                        | -                 | 218 576        | (80 562)  | -  | 138 014 |
| <b>Intangible assets - total</b>  |           |          |                                |                          |                   |                |                    |          |                          |                   |                          |                                |                          |                   |                |           |    |         |
| Intellectual property objects (exclusive rights for the results of intellectual property) | 5101      | for 2021 | 180 181                        | (60 216)                 | -                 | 119 965        | -                  | -        | -                        | (43 833)          | -                        | -                              | -                        | -                 | 180 181        | (104 049) | -  | 76 132  |
|   | 5111      | for 2020 | 124 345                        | (25 972)                 | -                 | 98 373         | 55 836             | -        | -                        | (34 244)          | -                        | -                              | -                        | -                 | 180 181        | (60 216)  | -  | 119 965 |
| including:  |           |          |                                |                          |                   |                |                    |          |                          |                   |                          |                                |                          |                   |                |           |    |         |
| at patent owner for inventions, industrial sample, utility model                          | 51011     | for 2021 | 24 479                         | (7 719)                  | -                 | 16 760         | -                  | -        | -                        | (4 139)           | -                        | -                              | -                        | -                 | 24 479         | (11 858)  | -  | 12 621  |
|   | 51111     | for 2020 | 24 479                         | (3 581)                  | -                 | 20 898         | -                  | -        | -                        | (4 138)           | -                        | -                              | -                        | -                 | 24 479         | (7 719)   | -  | 16 760  |
| at the right holder for the computer software, database                                   | 51012     | for 2021 | 155 510                        | (52 327)                 | -                 | 103 183        | -                  | -        | -                        | (39 672)          | -                        | -                              | -                        | -                 | 155 510        | (91 999)  | -  | 63 511  |
|   | 51112     | for 2020 | 99 674                         | (22 244)                 | -                 | 77 430         | 55 836             | -        | -                        | (30 083)          | -                        | -                              | -                        | -                 | 155 510        | (62 327)  | -  | 103 183 |
| at trademark owner, owner of a service mark, Protected Designation of Origin              | 51013     | for 2021 | 192                            | (170)                    | -                 | 22             | -                  | -        | -                        | (22)              | -                        | -                              | -                        | -                 | 192            | (192)     | -  | -       |
|   | 51113     | for 2020 | 192                            | (147)                    | -                 | 45             | -                  | -        | -                        | (23)              | -                        | -                              | -                        | -                 | 192            | (170)     | -  | 22      |
|   | 5102      | for 2021 | 38 395                         | (20 346)                 | -                 | 18 049         | -                  | -        | -                        | (9 434)           | -                        | -                              | -                        | -                 | 38 395         | (29 780)  | -  | 8 615   |
|   | 5112      | for 2020 | 40 165                         | (11 356)                 | -                 | 28 809         | -                  | (1 770)  | 1 770                    | -                 | -                        | -                              | -                        | -                 | 38 395         | (20 346)  | -  | 18 049  |
| Other   |           |          |                                |                          |                   |                |                    |          |                          |                   |                          |                                |                          |                   |                |           |    |         |

(1) - the reporting year is indicated  
(2) - the prior year is indicated

5.2. Results of research, development and technological works and intangible assets

5.2.1. The existence and turnover of R&D deliverables

| Line item   | Line code | Period    | At the start of the year |                                       | Increase | Changes for period |                                       |  | At the end of the year |                                       |
|---|-----------|-----------|--------------------------|---------------------------------------|----------|--------------------|---------------------------------------|--|------------------------|---------------------------------------|
|   |           |           | Historical cost          | Part of value written-off as expenses |          | Historical cost    | Decrease                              |  | Historical cost        | Part of value written-off as expenses |
|   |           |           |                          |                                       |          |                    | Part of value written-off as expenses | Part of value written-off as expenses for period |                        |                                       |
| 1   | 2         | 3         | 4                        | 5                                     | 6        | 7                  | 8                                     | 9  | 10                     | 11                                    |
|   | 5140      | for 20 21 | -                        | -                                     | -        | -                  | -                                     | -  | -                      | -                                     |
| <b>Research and development (R&amp;D) - total</b>                       | 5150      | for 20 20 | -                        | -                                     | -        | -                  | -                                     | -  | -                      | -                                     |
| where:  |           |           |                          |                                       |          |                    |                                       |  |                        |                                       |
| Patentable results of performed R&D                                     | 5141      | for 20 21 | -                        | -                                     | -        | -                  | -                                     | -  | -                      | -                                     |
| Other   | 5151      | for 20 20 | -                        | -                                     | -        | -                  | -                                     | -  | -                      | -                                     |
|   | 5142      | for 20 21 | -                        | -                                     | -        | -                  | -                                     | -  | -                      | -                                     |
|   | 5152      | for 20 20 | -                        | -                                     | -        | -                  | -                                     | -  | -                      | -                                     |
| <b>For reference: out of the total amount of R&amp;D:</b>               |           |           |                          |                                       |          |                    |                                       |  |                        |                                       |
| Research and development expenses made by own efforts                   | 5143      | for 20 21 | -                        | -                                     | -        | -                  | -                                     | -  | -                      | -                                     |
|   | 5153      | for 20 20 | -                        | -                                     | -        | -                  | -                                     | -  | -                      | -                                     |
| Research and development expenses made by efforts of external companies | 5144      | for 20 21 | -                        | -                                     | -        | -                  | -                                     | -  | -                      | -                                     |
|   | 5154      | for 20 20 | -                        | -                                     | -        | -                  | -                                     | -  | -                      | -                                     |

(1) - the reporting year is indicated  
(2) - the prior year is indicated

5.2.2. Incomplete and unexecuted R&D and incomplete operations on purchase of intangible assets

| Line item  | Line code | Period      | At the start of the year |                                       | Expenses for period | Changes for period                                    |   | At the end of the year |  |
|--|-----------|-------------|--------------------------|---------------------------------------|---------------------|---|---|------------------------|--|
|  |           |             | Historical cost          | Part of value written-off as expenses |                     | Costs written-off that had not given positive results | Accepted for recording as intangible assets |                        |  |
| 1  | 2         | 3           | 4                        | 5                                     | 6                   | 7   | 8   | 9                      |  |
|  | 5160      | for 20 21   | 17 603                   | 20 875                                | (16 900)            | -   | -   | 21 578                 |  |
| <b>Expenses for non-complete research and development - total</b>            | 5170      | for 20 20   | 33 756                   | 39 683                                | -                   | (55 836)  | -   | 17 603                 |  |
| including:   |           |             |                          |                                       |                     |   |   |                        |  |
| Patentable results of performed R&D  | 5161      | for 20 21   | 17 603                   | 20 875                                | (16 900)            | -   | -   | 21 578                 |  |
|  | 5171      | for 20 20   | 33 756                   | 39 683                                | -                   | (55 836)  | -   | 17 603                 |  |
| Other  | 5162      | for 20 21   | -                        | -                                     | -                   | -   | -   | -                      |  |
|  | 5172      | for 20 20   | -                        | -                                     | -                   | -   | -   | -                      |  |
| <b>Incomplete operations on purchase of intangible assets - total</b>        | 5180      | for 20 21   | 7 500                    | -                                     | -                   | -   | -   | 7 500                  |  |
| including:   | 5190      | for 20 20   | 7 500                    | -                                     | -                   | -   | -   | 7 500                  |  |
| at patent owner of inventions, industrial sample, utility model              | 5181      | for 20 21   | -                        | -                                     | -                   | -   | -   | -                      |  |
|  | 5191      | for 20 20   | -                        | -                                     | -                   | -   | -   | -                      |  |
| at the right holder for the computer software, database                      | 5182      | for 20 21   | -                        | -                                     | -                   | -   | -   | -                      |  |
|  | 5192      | for 20 20   | -                        | -                                     | -                   | -   | -   | -                      |  |
| at trademark owner, owner of a service mark, Protected Designation of Origin | 5183      | for 20 21   | -                        | -                                     | -                   | -   | -   | -                      |  |
|  | 5193      | for 20 20   | -                        | -                                     | -                   | -   | -   | -                      |  |
| Other  | 5184      | for 20 21   | 7 500                    | -                                     | -                   | -   | -   | 7 500                  |  |
|  | 5194      | sa 20 20 r. | 7 500                    | -                                     | -                   | -   | -   | 7 500                  |  |

(1) - the reporting year is indicated  
(2) - the prior year is indicated

5.3. Fixed assets

5.3.1. The existence and movement of fixed assets

| Line item   | Line code | Period | At the start of the year |                          |                |                 | Changes for period                           |                 |                          |                      |                 |                          | At the end of the year |                          |                |
|---|-----------|--------|--------------------------|--------------------------|----------------|-----------------|--|-----------------|--------------------------|----------------------|-----------------|--------------------------|------------------------|--------------------------|----------------|
|   |           |        | Historical cost          | Accumulated amortization | Residual value | Increase        |  | Decrease        |                          | Amortization charged | Revaluation     |                          | Historical cost        | Accumulated amortization | Residual value |
|   |           |        |                          |                          |                | Historical cost | Accumulated amortization of received objects | Historical cost | Accumulated amortization |                      | Historical cost | Accumulated amortization |                        |                          |                |
| 1   | 2         | 3      | 4                        | 5                        | 6              | 7               | 8  | 9               | 10                       | 11                   | 12              | 13                       | 14                     | 15                       | 16             |
| Fixed assets (excluding interest-bearing investments in material valuables) - total   |           |        | 126 719 386              | (67 183 051)             | 59 536 335     | 5 295 072       | (1 945)                                      | (339 279)       | 277 083                  | (4 600 479)          | -               | -                        | 131 675 179            | (71 508 392)             | 60 166 787     |
| including:  |           |        |                          |                          |                |                 |  |                 |                          |                      |                 |                          |                        |                          |                |
| Depreciable fixed assets - total:   |           |        | 122 486 882              | (62 817 844)             | 59 669 038     | 4 410 388       | (80)   | (177 884)       | 162 219                  | (4 527 346)          | -               | -                        | 126 719 386            | (67 183 051)             | 59 536 335     |
| including:  |           |        |                          |                          |                |                 |  |                 |                          |                      |                 |                          |                        |                          |                |
| Industrial buildings  |           |        | 11 971 008               | (5 711 619)              | 6 259 389      | 18 587          | (753)  | (70 845)        | 61 659                   | (229 148)            | -               | -                        | 11 918 750             | (5 879 861)              | 6 038 889      |
| constructions, except transmission lines  |           |        | 11 846 747               | (5 506 083)              | 6 340 664      | 144 729         | -  | (20 468)        | 18 765                   | (224 301)            | -               | -                        | 11 971 008             | (5 711 619)              | 6 259 389      |
| transmission lines and its devices  |           |        | 3 940 313                | (1 673 609)              | 2 266 704      | 81 603          | -  | (5 961)         | 4 171                    | (195 446)            | -               | -                        | 4 015 955              | (1 864 884)              | 2 151 071      |
| machinery and equipment for production of electrical energy, electrical substations, equipment for electrical energy transformation |           |        | 3 723 334                | (1 486 176)              | 2 237 158      | 221 057         | -  | (4 078)         | 4 033                    | (191 466)            | -               | -                        | 3 940 313              | (1 673 609)              | 2 266 704      |
| production and household inventory  |           |        | 55 182 759               | (20 831 806)             | 34 350 953     | 2 419 716       | (395)  | (167 963)       | 118 953                  | (2 125 966)          | -               | -                        | 57 434 512             | (22 839 214)             | 34 595 298     |
| other   |           |        | 52 969 962               | (18 837 516)             | 34 132 446     | 2 248 456       | -  | (35 659)        | 27 148                   | (2 021 438)          | -               | -                        | 55 182 759             | (20 831 806)             | 34 350 953     |
|   |           |        | 45 835 054               | (32 173 074)             | 13 661 980     | 1 260 827       | (797)  | (60 830)        | 59 298                   | (1 441 953)          | -               | -                        | 47 035 051             | (33 556 526)             | 13 478 525     |
|   |           |        | 44 638 454               | (30 820 430)             | 13 818 024     | 1 278 316       | -  | (81 716)        | 79 160                   | (1 431 804)          | -               | -                        | 45 835 054             | (32 173 074)             | 13 661 980     |
|   |           |        | 46 802                   | (42 903)                 | 3 899          | 2 588           | -  | (1 082)         | 1 082                    | (966)                | -               | -                        | 48 308                 | (42 787)                 | 5 521          |
|   |           |        | 47 110                   | (41 833)                 | 5 277          | -               | -  | (308)           | 308                      | (1 378)              | -               | -                        | 46 802                 | (42 903)                 | 3 899          |
|   |           |        | 9 606 888                | (6 750 040)              | 2 856 848      | 1 511 751       | -  | (32 598)        | 31 920                   | (607 000)            | -               | -                        | 11 066 041             | (7 325 120)              | 3 760 921      |
|   |           |        | 9 124 864                | (6 125 806)              | 2 999 058      | 517 679         | (80)   | (35 655)        | 32 805                   | (656 959)            | -               | -                        | 9 606 888              | (6 750 040)              | 2 856 848      |

| Line item  | Line code | Period | At the start of the year |                          |                |                 | Changes for period                           |                 |                          |                      |                 |                          | At the end of the year |                          |                |
|--|-----------|--------|--------------------------|--------------------------|----------------|-----------------|--|-----------------|--------------------------|----------------------|-----------------|--------------------------|------------------------|--------------------------|----------------|
|  |           |        | Historical cost          | Accumulated amortization | Residual value | Increase        |  | Decrease        |                          | Amortization charged | Revaluation     |                          | Historical cost        | Accumulated amortization | Residual value |
|  |           |        |                          |                          |                | Historical cost | Accumulated amortization of received objects | Historical cost | Accumulated amortization |                      | Historical cost | Accumulated amortization |                        |                          |                |
| 1  | 2         | 3      | 4                        | 5                        | 6              | 7               | 8  | 9               | 10                       | 11                   | 12              | 13                       | 14                     | 15                       | 16             |
| unlimited useful life of fixed assets that are not subject to depreciation - total |           |        | 136 562                  | -                        | 136 562        | -               | -  | -               | -                        | -                    | -               | -                        | 136 562                | -                        | 136 562        |
| including:   |           |        |                          |                          |                |                 |  |                 |                          |                      |                 |                          |                        |                          |                |
| 0 Lands  |           |        | 136 562                  | -                        | 136 562        | -               | -  | -               | -                        | -                    | -               | -                        | 136 562                | -                        | 136 562        |
| 0 objects of nature management   |           |        | 136 411                  | -                        | 136 411        | 151             | -  | -               | -                        | -                    | -               | -                        | 136 562                | -                        | 136 562        |
| Capital investments in fundamental improvement of lands                            |           |        | -                        | -                        | -              | -               | -  | -               | -                        | -                    | -               | -                        | -                      | -                        | -              |
| Accounted as a part of interest-bearing investments in material valuables - total  |           |        | -                        | -                        | -              | -               | -  | -               | -                        | -                    | -               | -                        | -                      | -                        | -              |
| including:   |           |        |                          |                          |                |                 |  |                 |                          |                      |                 |                          |                        |                          |                |
| 0 Property for lease   |           |        | -                        | -                        | -              | -               | -  | -               | -                        | -                    | -               | -                        | -                      | -                        | -              |
| 0 Property provided under lease agreement  |           |        | -                        | -                        | -              | -               | -  | -               | -                        | -                    | -               | -                        | -                      | -                        | -              |

(1) - the reporting year is indicated  
(2) - the prior year is indicated

### 5.3.3. Change in fixed assets value as a result of further construction, further equipping, reconstruction and partial liquidation

| Line item   | Line code | For 2021  | For 2020  |
|---|-----------|-----------|-----------|
| 1   | 2         | 3         | 4         |
| Increase in fixed assets value as a result of further construction, further equipping, reconstruction - total                       | 5260      | 1 163 450 | 1 439 482 |
| including:  |           |           |           |
| industrial buildings  | 5261      | 1 792     | 1 767     |
| constructions except transmission   | 5262      | 2 338     | 4 397     |
| transmission lines and its devices  | 5263      | 805 140   | 1 408 693 |
| machinery and equipment for production of electrical energy, electrical substations, equipment for electrical energy transformation | 5264      | 50 519    | 19 640    |
| production and household inventory  | 5265      | -         | -         |
| other   | 5266      | 303 661   | 4 985     |
| Decrease in fixed assets value as a result of partial liquidation- total:   | 5270      | (99 320)  | (30 916)  |
| including:  |           |           |           |
| industrial buildings  | 5271      | -         | -         |
| constructions except transmission   | 5272      | (5 559)   | -         |
| transmission lines and its devices  | 5273      | (93 358)  | (30 640)  |
| machinery and equipment for production of electrical energy, electrical substations, equipment for electrical energy transformation | 5274      | (403)     | (195)     |
| production and household inventory  | 5275      | -         | -         |
| other   | 5276      | -         | (81)      |

### 5.3.4. Other usage of fixed assets

| Line item   | Line code | As at December 31 2021 | As at December 31 2020 | As at December 31 2019 |
|---|-----------|------------------------|------------------------|------------------------|
| 1   | 2         | 3                      | 4                      | 5                      |
| Leased out fixed assets that are recorded on the balance sheet                  | 5280      | 101 182                | 105 041                | 173 122                |
| Leased out fixed assets that are not recorded on the balance sheet              | 5281      | -                      | -                      | -                      |
| Fixed asset acquired by leasing that are recorded on the balance sheet          | 5282      | -                      | -                      | -                      |
| Fixed assets acquired by leasing that are not recorded on the balance sheet     | 5283      | 20 411 149             | 20 181 738             | 3 820 737              |
| Real estate accepted for operation and in use undergoing the state registration | 5284      | 3 339 062              | 3 385 515              | 5 945 647              |
| Preparing Fixed Assets for Mothballing  | 5285      | 10 115                 | 10 115                 | 20 125                 |
| Other usage of fixed assets (pawn and others)                                   | 5286      | -                      | -                      | -                      |

(1) - reporting date of the reporting period is indicated

(2) - prior-year period is indicated

(3) - year, prior to preceding year is indicated

5.3.5. Capital investments in progress

| Line item   | Line code | Period    | Changes for period       |                     |             |  | At the end of the period |
|---|-----------|-----------|--------------------------|---------------------|-------------|--|--------------------------|
|   |           |           | At the start of the year | Expenses for period | Written off | Accepted for recording as fixed assets or increase in the value of capital investments |                          |
|   |           |           | 4                        | 5                   | 6           | 7  | 8                        |
| 1   | 2         | 3         |                          |                     |             |  |                          |
| Construction in progress and incomplete operations on purchase, modernization, etc. of fixed assets - total | 5240      | for 20 21 | 3 391 998                | 6 880 426           | (930 430)   | (5 289 210)  | 4 052 784                |
| including:  | 5250      | for 20 20 | 3 069 476                | 5 669 150           | (939 130)   | (4 407 498)  | 3 391 998                |
| Construction in progress  | 5241      | for 20 21 | 2 536 652                | 5 447 314           | (159 732)   | (4 713 382)  | 3 110 852                |
| purchase of fixed assets  | 5251      | for 20 20 | 2 349 789                | 4 643 360           | (168 305)   | (4 288 192)  | 2 536 652                |
| equipment to be installed   | 5243      | for 20 21 | 855 292                  | 857 338             | (770 698)   | (119 306)  | 941 932                  |
| Other   | 5244      | for 20 21 | 719 687                  | 906 430             | (770 825)   | -  | 855 292                  |

5.3.6. Advances issued for investment building and purchase of fixed assets

| Line item                               | Line code | Period    | Changes for period         |   |               |                 | At the end of the period      |                        |                                   |    |       |         |         |
|---|-----------|-----------|----------------------------|---|---------------|-----------------|-------------------------------|------------------------|-----------------------------------|----|-------|---------|---------|
|   |           |           | At the start of the period | As a result of business transactions (amount of financial result) | Other changes | Reserve accrual | Write-off to financial result | Provision for recovery | Reserve amount for doubtful debts |    |       |         |         |
|   |           |           | 4                          | 5   | 6             | 7               | 8                             | 9                      | 10                                | 11 | 12    | 13      | 14      |
| Advances issued for investment building | 5291      | for 20 21 | 116 533                    | (1 127)   | 709 060       | -               | (1 055)                       | (59 991)               | (149)                             | -  | -     | 765 453 | (2 033) |
| including:                              | 5292      | for 20 20 | 44 717                     | (8 677)   | 114 351       | -               | (21)                          | (38 673)               | (3 862)                           | -  | 3 709 | 116 533 | (1 127) |
| investment building                     | 5291      | for 20 21 | 97 477                     | (957)   | 691 778       | -               | (1 055)                       | (42 762)               | -                                 | -  | -     | 746 493 | (2 012) |
| purchase of fixed assets                | 5292      | for 20 21 | 41 937                     | (6 528)   | 95 485        | -               | -                             | (36 063)               | (3 862)                           | -  | 3 709 | 97 477  | (957)   |
| other                                   | 5293      | for 20 21 | 21                         | (21)  | 2 969         | -               | (21)                          | -                      | -                                 | -  | -     | 2 990   | (21)    |
|   | 5291      | for 20 21 | 19 035                     | (149)   | 14 313        | -               | -                             | (17 229)               | (149)                             | -  | -     | 15 970  | -       |
|   | 5293      | for 20 20 | 2 759                      | (149)   | 18 886        | -               | -                             | (2 610)                | -                                 | -  | -     | 19 035  | (149)   |

5.4. Financial investments

5.4.1. The existence and turnover of financial investments

| Line item   | Line code | Period    | At the start of the year |                        | Increase | Changes for period |                        | Accrual of interests (including bringing historical value to nominal value) | Current market value (losses from impairment) | At the end of the period |                        |
|---|-----------|-----------|--------------------------|------------------------|----------|--------------------|------------------------|---|---|--------------------------|------------------------|
|   |           |           | Historical cost          | Accumulated adjustment |          | Historical cost    | Accumulated adjustment |   |   | Historical cost          | Accumulated adjustment |
| 1   | 2         | 3         | 4                        | 5                      | 6        | 7                  | 8                      | 9   | 10  | 11                       | 12                     |
| Long-term financial investments - total   | 5301      | for 20 21 | 45 690                   | (14 111)               | -        | -                  | -                      | -   | 8 261   | 45 690                   | (5 850)                |
| Contributions to the charter (share) capitals of other companies - total                  | 5302      | for 20 21 | 45 690                   | (14 111)               | -        | -                  | -                      | -   | 8 261   | 45 690                   | (5 850)                |
| including:  | 5312      | for 20 20 | 45 690                   | (6 640)                | -        | -                  | -                      | -   | (7 471)                                       | 45 690                   | (14 111)               |
| Subsidiary Business Entities  | 530211    | for 20 21 | 45 687                   | (14 109)               | -        | -                  | -                      | -   | 8 261   | 45 687                   | (5 848)                |
| Dependent Business Companies  | 531211    | for 20 20 | 45 687                   | (6 638)                | -        | -                  | -                      | -   | (7 471)                                       | 45 687                   | (14 109)               |
| other   | 530212    | for 20 21 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Federal and municipal securities  | 531212    | for 20 20 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Securities of other organizations - total   | 530213    | for 20 21 | 3                        | (2)                    | -        | -                  | -                      | -   | -   | 3                        | (2)                    |
| including:  | 531213    | for 20 20 | 3                        | (2)                    | -        | -                  | -                      | -   | -   | 3                        | (2)                    |
| debt securities (bonds, promissory notes)   | 53022     | for 20 21 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Loans given   | 53122     | for 20 20 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Certificates of deposit   | 53023     | for 20 21 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Other   | 53123     | for 20 20 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Long-term financial investments, having current market value - total                      | 530231    | for 20 21 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Contributions to the charter (share) capitals of other companies - total                  | 531231    | for 20 20 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| including:  | 530231    | for 20 21 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Subsidiary Business Entities  | 531231    | for 20 20 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Dependent Business Companies  | 530232    | for 20 21 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Other   | 531232    | for 20 20 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Federal and municipal securities  | 53031     | for 20 21 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Securities of other organizations - total   | 53131     | for 20 20 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| including:  | 530311    | for 20 21 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Subsidiary Business Entities  | 531311    | for 20 20 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Dependent Business Companies  | 530312    | for 20 21 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Other   | 531312    | for 20 20 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Federal and municipal securities  | 53032     | for 20 21 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Securities of other organizations - total   | 53132     | for 20 20 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| including:  | 530321    | for 20 21 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| debt securities (bonds, promissory notes)   | 531321    | for 20 20 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Other   | 530322    | for 20 21 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
| Long-term financial investments, where the current market value is not determined - total | 531322    | for 20 20 | -                        | -                      | -        | -                  | -                      | -   | -   | -                        | -                      |
|   | 5303      | for 20 21 | 45 690                   | (14 111)               | -        | -                  | -                      | -   | 8 261   | 45 690                   | (5 850)                |
|   | 5313      | for 20 20 | 45 690                   | (6 640)                | -        | -                  | -                      | -   | (7 471)                                       | 45 690                   | (14 111)               |

5.4. Financial investments  
5.4.1. The existence and turnover of financial investments (continuation)

| Line item  | Line code                      | Period   | At the start of the year |                        | Changes for period |                     |                        |   |   |                 | At the end of the year |  |
|--|--------------------------------|--|--------------------------|------------------------|--------------------|---------------------|------------------------|---|---|-----------------|------------------------|--|
|  |                                |  | Historical cost          | Accumulated adjustment | Increase           | Decrease (redeemed) |                        | Accrual of interests (including bringing historical value to nominal value) | Current market value (losses from impairment) | Historical cost | Accumulated adjustment |  |
|  |                                |  |                          |                        |                    | Historical cost     | Accumulated adjustment |   |   |                 |                        |  |
| 1  | 2                              | 3  | 4                        | 5                      | 6                  | 7                   | 8                      | 9   | 10  | 11              | 12                     |  |
| <b>Short-term financial investments - total</b>                          |                                |  | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |
| Contributions to the charter (share) capitals of other companies - total | 5305<br>5315<br>53061<br>53161 | for 20 21<br>for 20 20<br>for 20 21<br>for 20 20 | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |
| Federal and municipal securities   | 53062<br>53162                 | for 20 21<br>for 20 20                           | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |
| Securities of other organizations - total including:                     | 53063<br>53163                 | for 20 21<br>for 20 20                           | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |
| debt securities (bonds, promissory notes)                                | 530631<br>531631               | for 20 21<br>for 20 20                           | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |
| Loans given  | 53064<br>53164                 | for 20 21<br>for 20 20                           | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |
| Certificates of deposit  | 53065<br>53165                 | for 20 21<br>for 20 20                           | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |
| Other  | 53066<br>53166                 | for 20 21<br>for 20 20                           | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |

| Line item   | Line code        | Period                 | At the start of the year |                        | Changes for period |                     |                        |   |   |                 | At the end of the year |  |
|---|------------------|------------------------|--------------------------|------------------------|--------------------|---------------------|------------------------|---|---|-----------------|------------------------|--|
|   |                  |                        | Historical cost          | Accumulated adjustment | Increase           | Decrease (redeemed) |                        | Accrual of interests (including bringing historical value to nominal value) | Current market value (losses from impairment) | Historical cost | Accumulated adjustment |  |
|   |                  |                        |                          |                        |                    | Historical cost     | Accumulated adjustment |   |   |                 |                        |  |
| 1   | 2                | 3                      | 4                        | 5                      | 6                  | 7                   | 8                      | 9   | 10  | 11              | 12                     |  |
| <b>Short-term financial investments, having current market value - total</b>                      |                  |                        | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |
| Contributions to the charter (share) capitals of other companies - total                          | 53071<br>53171   | for 20 21<br>for 20 20 | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |
| Federal and municipal securities  | 53072<br>53172   | for 20 21<br>for 20 20 | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |
| Securities of other organizations - total including:  | 53073<br>53173   | for 20 21<br>for 20 20 | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |
| debt securities (bonds, promissory notes)   | 530731<br>531731 | for 20 21<br>for 20 20 | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |
| Other   | 53074<br>53174   | for 20 21<br>for 20 20 | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |
| <b>Short-term financial investments, where the current market value is not determined - total</b> |                  |                        | -                        | -                      | -                  | -                   | -                      | -   | -   | -               | -                      |  |
| <b>Financial investments - total</b>  |                  |                        | 45 690                   | (14 111)               | -                  | -                   | -                      | -   | 8 261   | 45 690          | (5 850)                |  |
|   |                  |                        | 45 690                   | (6 640)                | -                  | -                   | -                      | -   | (7 471)                                       | 45 690          | (14 111)               |  |

(1) - reporting date of the reporting period is indicated  
(2) - prior-year period is indicated



5.4.2. Adjustments of estimates of financial investments

5.4.3. Use of financial investments for other purposes\*

| Line item  | line code | As at December 31 | As at December 31 | As at December 31 |
|--|-----------|-------------------|-------------------|-------------------|
|  |           | 2021              | 2020              | 2019              |
| 1  | 2         | 3                 | 4                 | 5                 |
| Pledged financial investments - total  | 5320      | -                 | -                 | -                 |
| including:   |           |                   |                   |                   |
| bonds  | 5321      | -                 | -                 | -                 |
| bills of exchange  | 5322      | -                 | -                 | -                 |
| shares   | 5323      | -                 | -                 | -                 |
| Financial investments pass on to a third party (except for the sell) - bcero | 5325      |                   |                   |                   |
| including:   |           |                   |                   |                   |
| bonds  | 5326      | -                 | -                 | -                 |
| bills of exchange  | 5327      | -                 | -                 | -                 |
| shares   | 5328      | -                 | -                 | -                 |
| use of financial investments for other purposes                              | 5329      | -                 | -                 | -                 |

- (1) - reporting date of the reporting period is indicated
- (2) - prior-year period is indicated
- (3) - year, prior to preceding year is indicated

\* - include in the financial statements if data is available

| Indication  | line code | At the start of the year | Changes for period |          |                                     | At the end of the period |
|---|-----------|--------------------------|--------------------|----------|-------------------------------------|--------------------------|
|   |           |                          | Increase           | Decrease | Retirement of financial investments |                          |
| 1   | 2         | 3                        | 4                  | 5        | 6                                   | 7                        |
| <b>Long-term financial investments</b>  | 7100      | (14 111)                 | 8 261              | -        | -                                   | (5 850)                  |
| Difference between the current market value of financial investments and their initial estimate | 7110      | -                        | -                  | -        | -                                   | -                        |
| including:  |           |                          |                    |          |                                     |                          |
| Contributions to the charter (share) capitals of other companies - total                        | 7111      | -                        | -                  | -        | -                                   | -                        |
| including:  |           |                          |                    |          |                                     |                          |
| Subsidiary Business Entities  | 71111     | -                        | -                  | -        | -                                   | -                        |
| Dependent Business Companies  | 71112     | -                        | -                  | -        | -                                   | -                        |
| other   | 71113     | -                        | -                  | -        | -                                   | -                        |
| Federal and municipal securities  | 7112      | -                        | -                  | -        | -                                   | -                        |
| Securities of other organizations - total   | 7113      | -                        | -                  | -        | -                                   | -                        |
| including:  |           |                          |                    |          |                                     |                          |
| debt securities (bonds, promissory notes)   | 71131     | -                        | -                  | -        | -                                   | -                        |
| Other   | 7114      | -                        | -                  | -        | -                                   | -                        |
| Difference between the current value of debt securities and their original cost                 | 7120      | -                        | -                  | -        | -                                   | -                        |
| including:  |           |                          |                    |          |                                     |                          |
| Securities of other organizations - total   | 7121      | -                        | -                  | -        | -                                   | -                        |
| including:  |           |                          |                    |          |                                     |                          |
| debt securities (bonds, promissory notes)   | 71211     | -                        | -                  | -        | -                                   | -                        |
| Other   | 7122      | -                        | -                  | -        | -                                   | -                        |
| Provision for impairment of financial investments, where the market value is not determined     | 7130      | (14 111)                 | 8 261              | -        | -                                   | (5 850)                  |
| including:  |           |                          |                    |          |                                     |                          |
| Contributions to the charter (share) capitals of other companies - total                        | 7131      | (14 111)                 | 8 261              | -        | -                                   | (5 850)                  |
| including:  |           |                          |                    |          |                                     |                          |
| Subsidiary Business Entities  | 71311     | (14 109)                 | 8 261              | -        | -                                   | (5 848)                  |
| Dependent Business Companies  | 71312     | -                        | -                  | -        | -                                   | -                        |
| other   | 71313     | (2)                      | -                  | -        | -                                   | (2)                      |
| Federal and municipal securities  | 7132      | -                        | -                  | -        | -                                   | -                        |
| Securities of other organizations - total   | 7133      | -                        | -                  | -        | -                                   | -                        |
| including:  |           |                          |                    |          |                                     |                          |
| debt securities (bonds, promissory notes)   | 71331     | -                        | -                  | -        | -                                   | -                        |
| Loans given   | 7134      | -                        | -                  | -        | -                                   | -                        |
| Certificate of deposit  | 7135      | -                        | -                  | -        | -                                   | -                        |
| Other   | 7136      | -                        | -                  | -        | -                                   | -                        |



5.5.2. Pledged inventory

| Line item                                     | line cod | as at December 31 2021 | as at December 31 2020 | as at December 31 2019 |
|---|----------|------------------------|------------------------|------------------------|
| 1   | 2        | 3                      | 4                      | 5                      |
| Unpaid inventory as of reporting date - total | 5440     | -                      | -                      | -                      |
| including:                                    |          |                        |                        |                        |
| raw materials                                 | 5441     | -                      | -                      | -                      |
| work in progress                              | 5442     | -                      | -                      | -                      |
| shipped goods                                 | 5443     | -                      | -                      | -                      |
| finished goods and goods for resale           | 54441    | -                      | -                      | -                      |
| Other inventory and expenses                  | 54442    | -                      | -                      | -                      |
| pledged inventory under the contract - total  | 5445     | -                      | -                      | -                      |
| including:                                    |          |                        |                        |                        |
| raw materials                                 | 5446     | -                      | -                      | -                      |
| shipped goods                                 | 5447     | -                      | -                      | -                      |
| finished goods and goods for resale           | 5448     | -                      | -                      | -                      |
| Other inventory and expenses                  | 5449     | -                      | -                      | -                      |

- (1) - reporting date of the reporting period is indicated
- (2) - prior-year period is indicated
- (3) - year, prior to preceding year is indicated

5.6 Accounts Receivable and Accounts Payable

5.6.1. The existence and turnover of accounts receivable

| Line item  | Line code | Period    | At the start of the year                                 |                                   | Changes for period  |        |                 |           |   |            | At the end of the period      |                    |   |  |
|--|-----------|-----------|--|-----------------------------------|---|--------|-----------------|-----------|---|------------|-------------------------------|--------------------|---|--|
|  |           |           | Accounted under the terms and conditions of the contract | Reserve amount for doubtful debts | As a result of business transactions (amount of debt under the deal of operation) | Inflow | Reserve accrual | Repayment | Written-off out of the previous accrued reserve | Retirement | Write-off to financial result | Provision recovery | Transferring from long-term debt to short-term debt | Accounted under the terms and conditions of the contract |
|  |           |           | 4  | 5                                 | 6   | 7      | 8               | 9         | 10  | 11         | 12                            | 13                 | 14  | 15   |
| <b>Non-current accounts receivable - total</b>   |           |           | 23 124   | -                                 | 8 314   | -      | -               | (1 923)   | -   | -          | -                             | (10 473)           | 19 042  | -  |
| including:   |           |           | 25 601   | -                                 | 13 465  | -      | -               | (910)     | -   | -          | -                             | (15 032)           | 23 124  | -  |
| Settlements with buyers and customers  | 5602      | for 20 21 | 445  | -                                 | 2 852   | -      | -               | -         | -   | -          | -                             | (1 478)            | 1 819   | -  |
| including:   |           |           | 462  | -                                 | 1 111   | -      | -               | -         | -   | -          | -                             | (1 128)            | 445   | -  |
| on electric power transmission   | 56021     | for 20 21 | -  | -                                 | -   | -      | -               | -         | -   | -          | -                             | -                  | -   | -  |
| on technological connection  | 56022     | for 20 21 | -  | -                                 | 2 852   | -      | -               | -         | -   | -          | -                             | (1 033)            | 1 819   | -  |
| on organization of the functioning and development of unified energy system (UES) of Russia relating to integrated distribution power grid | 56023     | for 20 21 | -  | -                                 | -   | -      | -               | -         | -   | -          | -                             | (462)              | -   | -  |
| on resale of electric power and capacity   | 56024     | for 20 21 | -  | -                                 | -   | -      | -               | -         | -   | -          | -                             | -                  | -   | -  |
| on rental income   | 56025     | for 20 21 | -  | -                                 | -   | -      | -               | -         | -   | -          | -                             | -                  | -   | -  |
| on others  | 56026     | for 20 21 | 445  | -                                 | 1 111   | -      | -               | -         | -   | -          | -                             | (445)              | -   | -  |
|  | 56226     | for 20 20 | -  | -                                 | -   | -      | -               | -         | -   | -          | -                             | (606)              | 445   | -  |



| Line item   | Line code | Period    | At the start of the year                                 |                                   | Changes for period  |        |                 |             |   |                               | At the end of the period |   |  |                                   |
|---|-----------|-----------|--|-----------------------------------|---|--------|-----------------|-------------|---|-------------------------------|--------------------------|---|--|-----------------------------------|
|   |           |           | Accounted under the terms and conditions of the contract | Reserve amount for doubtful debts | As a result of business transactions (amount of debt under the deal of operation) | Inflow | Reserve accrual | Repayment   | Written-off out of the previous accrued reserve | Write-off to financial result | Provision recovery       | Transferring from long-term debt to short-term debt | Accounted under the terms and conditions of the contract | Reserve amount for doubtful debts |
| 1   | 2         | 3         | 4  | 5                                 | 6   | 7      | 8               | 9           | 10  | 11                            | 12                       | 13  | 14   | 15                                |
| Receivables from participants (shareholders) for contributions to charter capital | 5514      | for 20 21 | -  | -                                 | -   | -      | -               | -           | -   | -                             | -                        | -   | -  | -                                 |
| Receivables from subsidiaries and affiliates for dividends                        | 5534      | for 20 20 | -  | -                                 | -   | -      | -               | -           | -   | -                             | -                        | -   | -  | -                                 |
| Other accounts receivable   | 5515      | for 20 21 | -  | -                                 | -   | -      | -               | -           | -   | -                             | -                        | -   | -  | -                                 |
| including:  | 5516      | for 20 21 | 1 603 892  | (705 208)                         | 306 961   | -      | (124 208)       | (500 800)   | (19 982)  | (271)                         | 31 445                   | 8 995   | 1 398 795  | (777 989)                         |
| non-interest promissory notes   | 5536      | for 20 20 | 1 404 022  | (639 985)                         | 625 880   | -      | (137 076)       | (423 637)   | (15 882)  | (395)                         | 55 971                   | 13 904  | 1 603 892  | (705 208)                         |
| overpayment on taxes and dues   | 55161     | for 20 21 | -  | -                                 | -   | -      | -               | -           | -   | -                             | -                        | -   | -  | -                                 |
|   | 55361     | for 20 20 | -  | -                                 | 13 205  | -      | -               | (99 233)    | -   | (200)                         | -                        | -   | 269 726  | -                                 |
| disposal of property  | 55162     | for 20 21 | 355 954  | -                                 | 127 744   | -      | -               | (6 280)     | -   | (141)                         | -                        | -   | 355 954  | -                                 |
| other   | 55163     | for 20 21 | 40 857   | (35 494)                          | (57)  | -      | (2 106)         | (7 113)     | -   | -                             | 2 158                    | 2 603   | 36 290   | (35 442)                          |
| Out of the total amount of short-term accounts receivable                         | 55163     | for 20 21 | 44 028   | -                                 | 3 352   | -      | (35 494)        | (10 203)    | -   | -                             | -                        | 3 660   | 40 857   | (35 494)                          |
| receivables from subsidiaries   | 55164     | for 20 21 | 1 207 081  | (669 714)                         | 293 813   | -      | (122 102)       | (394 454)   | (19 982)  | (71)                          | 29 287                   | 6 392   | 1 092 779  | (742 547)                         |
| receivables from affiliates   | 55364     | for 20 21 | 1 125 363  | (639 985)                         | 494 784   | -      | (101 582)       | (407 154)   | (15 882)  | (254)                         | 55 971                   | 10 224  | 1 207 081  | (669 714)                         |
|   | 5517      | for 20 21 | 12 215   | -                                 | 5 758   | -      | -               | (10 405)    | -   | -                             | -                        | -   | 7 568  | -                                 |
|   | 5537      | for 20 20 | 38   | -                                 | 12 215  | -      | -               | (38)        | -   | -                             | -                        | -   | 12 215   | -                                 |
|   | 55171     | for 20 21 | 12 215   | -                                 | 5 758   | -      | -               | (10 405)    | -   | -                             | -                        | -   | 7 568  | -                                 |
|   | 55371     | for 20 20 | 38   | -                                 | 12 215  | -      | -               | (38)        | -   | -                             | -                        | -   | 12 215   | -                                 |
|   | 55172     | for 20 21 | -  | -                                 | -   | -      | -               | -           | -   | -                             | -                        | -   | -  | -                                 |
|   | 55372     | for 20 20 | -  | -                                 | -   | -      | -               | -           | -   | -                             | -                        | -   | -  | -                                 |
| Total   | 5500      | for 20 21 | 10 537 879   | (1 990 679)                       | 1 104 208   | -      | (607 842)       | (2 578 202) | (25 955)  | (271)                         | 82 265                   | -   | 9 037 659  | (2 490 301)                       |
|   | 5520      | for 20 20 | 9 150 427  | (1 717 318)                       | 2 658 184   | -      | (533 789)       | (1 238 756) | (31 582)  | (395)                         | 228 846                  | -   | 10 537 879   | (1 990 679)                       |

5.6.3. Overdue accounts receivable

| Line item  | Line code | As at December 31 2021                                   |  | As at December 31 2020                                   |  | As at December 31 2019                                   |  |
|--|-----------|--|--|--|--|--|--|
|  |           | Accounted under the terms and conditions of the contract | Carrying value (less the reserve for doubtful debts) | Accounted under the terms and conditions of the contract | Carrying value (less the reserve for doubtful debts) | Accounted under the terms and conditions of the contract | Carrying value (less the reserve for doubtful debts) |
| 1  | 2         | 3  | 4  | 5  | 6  | 7  | 8  |
| Payments expected within 12 months of the reporting date   | 564       | 2 776 407  | 1 061 557  | 4 310 833  | 2 645 352  | 3 167 474  | 1 673 160  |
| including:   |           |  |  |  |  |  |  |
| buyers and customers, including  | 5641      | 1 807 509  | 872 191  | 3 205 125  | 2 248 711  | 2 347 946  | 1 497 998  |
| on electric power transmission   | 56411     | 1 609 132  | 799 827  | 3 044 095  | 2 209 092  | 2 257 021  | 1 446 811  |
| on technological connection  | 56412     | 29 444   | 7 985  | 36 480   | 9 014  | 47 937   | 10 390   |
| on organization of the functioning and development of unified energy system (UES) of Russia relating to integrated distribution power grid | 56413     | -  | -  | -  | -  | -  | -  |
| on resale of electric power and capacity   | 56414     | -  | -  | -  | -  | -  | -  |
| on rental income   | 56415     | 54 583   | 19 851   | 44 425   | 19 215   | 763  | 546  |
| on other issues  | 56416     | 114 350  | 44 528   | 80 125   | 11 390   | 42 225   | 40 251   |
| notes receivable   | 5642      | -  | -  | -  | -  | -  | -  |
| Receivables from subsidiaries and affiliates for dividends   | 5643      | -  | -  | -  | -  | -  | -  |
| Receivables from participants (shareholders) for contributions to charter capital  | 5644      | -  | -  | -  | -  | -  | -  |
| Advances issued  | 5645      | 5 832  | 2 179  | 12 392   | 8 386  | 4 552  | 170  |
| Other accounts receivable  | 5646      | 963 066  | 187 187  | 1 093 316  | 388 255  | 814 976  | 174 992  |

(3) - year, prior to preceding year is indicated

5.6.5. The existence and turnover of accounts payable

| Line item  | Line code | Period    | Opening balance | Changes for period  |   |  |            |                               |   | Ending balance |
|--|-----------|-----------|-----------------|---|---|--|------------|-------------------------------|---|----------------|
|  |           |           |                 | Inflow  |   | Interest accrued, penalties and other accruals | Retirement |                               | Transferring from long-term debt to short-term debt |                |
|  |           |           |                 | As a result of business transactions (amount of debt under the deal of operation) |   |  | Repayment  | Write-off to financial result |   |                |
| 1  | 2         | 3         | 4               | 5   | 6 | 7  | 8          | 9                             | 10  |                |
| <b>Long-term accounts payable - total</b>        | 5551      | for 20 21 | 1 514 462       | 1 216 056   | - | (2 170)  | -          | (1 277 055)                   | 1 451 293   |                |
| including:                                       | 5571      | for 20 20 | 1 161 583       | 1 401 569   | - | (553)  | -          | (1 048 137)                   | 1 514 462   |                |
| accounts payable of suppliers and contractors    | 5552      | for 20 21 | 95 472          | -   | - | -  | -          | (3 338)                       | 92 134  |                |
| including:                                       | 5572      | for 20 20 | 104 632         | -   | - | -  | -          | (9 160)                       | 95 472  |                |
| construction                                     | 55521     | for 20 21 | -               | -   | - | -  | -          | -                             | -   |                |
|  | 55721     | for 20 20 | -               | -   | - | -  | -          | -                             | -   |                |
| other  | 55522     | for 20 21 | 95 472          | -   | - | -  | -          | (3 338)                       | 92 134  |                |
|  | 55722     | for 20 20 | 104 632         | -   | - | -  | -          | (9 160)                       | 95 472  |                |
| Other accounts payable                           | 5553      | for 20 21 | 1 418 990       | 1 216 056   | - | (2 170)  | -          | (1 273 717)                   | 1 359 159   |                |
|  | 5573      | for 20 20 | 1 056 951       | 1 401 569   | - | (553)  | -          | (1 038 977)                   | 1 418 990   |                |
| <b>Out of the total amount of long-term debt</b> | 5554      | for 20 21 | -               | -   | - | -  | -          | -                             | -   |                |
|  | 5574      | for 20 20 | -               | -   | - | -  | -          | -                             | -   |                |
| Debt owed to subsidiaries                        | 55541     | for 20 21 | -               | -   | - | -  | -          | -                             | -   |                |
|  | 55741     | for 20 20 | -               | -   | - | -  | -          | -                             | -   |                |
| Debt owed to affiliates                          | 55542     | for 20 21 | -               | -   | - | -  | -          | -                             | -   |                |
|  | 55742     | for 20 20 | -               | -   | - | -  | -          | -                             | -   |                |

| Line item  | Line code | Period    | Opening balance | Changes for period  |   |  |            |                               |   | Ending balance |
|--|-----------|-----------|-----------------|---|---|--|------------|-------------------------------|---|----------------|
|  |           |           |                 | Inflow  |   | Interest accrued, penalties and other accruals | Retirement |                               | Transferring from long-term debt to short-term debt |                |
|  |           |           |                 | As a result of business transactions (amount of debt under the deal of operation) |   |  | Repayment  | Write-off to financial result |   |                |
| 1  | 2         | 3         | 4               | 5   | 6 | 7  | 8          | 9                             | 10  |                |
| <b>Short-term accounts payable - total</b>   | 5560      | for 20 21 | 10 763 538      | 6 699 991   | - | (7 353 445)                                    | (32 304)   | 1 277 055                     | 11 354 835  |                |
| including:   | 5580      | for 20 20 | 8 757 713       | 5 554 535   | - | (4 571 551)                                    | (25 296)   | 1 048 137                     | 10 763 538  |                |
| Settlements with suppliers and contractors   | 5561      | for 20 21 | 5 936 862       | 3 980 772   | - | (3 059 125)                                    | (457)      | 3 338                         | 6 861 390   |                |
| including:   | 5581      | for 20 20 | 5 136 188       | 3 313 819   | - | (2 515 939)                                    | (6 366)    | 9 160                         | 5 936 862   |                |
| construction   | 55611     | for 20 21 | 1 259 540       | 1 192 548   | - | (1 159 021)                                    | (200)      | -                             | 1 292 867   |                |
|  | 55811     | for 20 20 | 1 265 881       | 1 190 693   | - | (1 194 299)                                    | (2 735)    | -                             | 1 259 540   |                |
| other  | 55612     | for 20 21 | 4 677 322       | 2 788 224   | - | (1 900 104)                                    | (257)      | 3 338                         | 5 568 523   |                |
|  | 55812     | for 20 20 | 3 870 307       | 2 123 126   | - | (1 321 840)                                    | (3 631)    | 9 160                         | 4 677 322   |                |
| Advances issued  | 5562      | for 20 21 | 2 640 747       | 983 324   | - | (2 575 832)                                    | (27 064)   | 1 269 689                     | 2 290 864   |                |
| including:   | 5582      | for 20 20 | 1 876 504       | 442 990   | - | (699 969)                                      | (17 367)   | 1 038 609                     | 2 640 747   |                |
| on electric power transmission   | 55621     | for 20 21 | 47 610          | 78 592  | - | (44 830)                                       | (7)        | -                             | 81 365  |                |
|  | 55821     | for 20 20 | 24 428          | 31 188  | - | (8 005)  | (1)        | -                             | 47 610  |                |
| on technological connection  | 55622     | for 20 21 | 2 483 066       | 755 699   | - | (2 414 372)                                    | (25 711)   | 1 268 056                     | 2 066 738   |                |
|  | 55822     | for 20 20 | 1 826 938       | 303 654   | - | (689 366)                                      | (16 769)   | 1 038 609                     | 2 483 066   |                |
| on organization of the functioning and development of unified energy system (UES) of Russia relating to integrated distribution power grid | 55623     | for 20 21 | -               | -   | - | -  | -          | -                             | -   |                |
|  | 55823     | for 20 20 | -               | -   | - | -  | -          | -                             | -   |                |
| on resale of electric power and capacity   | 55624     | for 20 21 | -               | -   | - | -  | -          | -                             | -   |                |
|  | 55824     | for 20 20 | -               | -   | - | -  | -          | -                             | -   |                |

5.6.6. Overdue accounts payable

| Line item   | Line code | Period    | Opening balance | Changes for period  |  |                               |   | Ending balance                                      |
|---|-----------|-----------|-----------------|---|--|-------------------------------|---|---|
|   |           |           |                 | Inflow  | Retirement                                     | Write-off to financial result | Transferring from long-term debt to short-term debt |   |
|   |           |           |                 | As a result of business transactions (amount of debt under the deal of operation) | Interest accrued, penalties and other accruals | Repayment                     | Write-off to financial result                       | Transferring from long-term debt to short-term debt |
| 1   | 2         | 3         | 4               | 5   | 6  | 7                             | 8   | 9   |
| on participation in other organizations                   | 55625     | for 20 21 | -               | -   | -  | -                             | -   | -   |
|   | 55625     | for 20 20 | -               | -   | -  | -                             | -   | -   |
| on lease services   | 55626     | for 20 21 | 1 214           | 11 691  | -  | (7 151)                       | -   | 1 633   |
|   | 55626     | for 20 20 | -               | 11 767  | -  | (1 901)                       | -   | -   |
| on other issues   | 55627     | for 20 21 | 23 924          | 137 342   | -  | (109 479)                     | (1 346)   | -   |
|   | 55627     | for 20 20 | 479             | 96 381  | -  | (20 697)                      | (617)   | -   |
| Delay from participants (shareholders) in paying revenues | 5563      | for 20 21 | 453             | 26  | -  | (135)                         | -   | -   |
|   | 5563      | for 20 20 | -               | -   | -  | -                             | -   | -   |
| Notes payable   | 5564      | for 20 21 | -               | -   | -  | -                             | -   | -   |
|   | 5564      | for 20 20 | -               | -   | -  | -                             | -   | -   |
| Debts owed to state non-budgetary funds                   | 5565      | for 20 21 | 135 442         | 157 707   | -  | (135 442)                     | -   | -   |
|   | 5565      | for 20 20 | 157 086         | 135 442   | -  | (157 086)                     | -   | -   |
| Settlements in respect of taxes and levies                | 5566      | for 20 21 | 771 058         | 758 445   | -  | (771 058)                     | -   | -   |
|   | 5566      | for 20 20 | 642 898         | 771 058   | -  | (642 898)                     | -   | -   |
| Payables owed to corporate staff                          | 5567      | for 20 21 | 317 117         | 299 688   | -  | (317 117)                     | -   | -   |
|   | 5567      | for 20 20 | 273 713         | 317 117   | -  | (273 713)                     | -   | -   |
| Other accounts payable                                    | 5568      | for 20 21 | 961 833         | 520 075   | -  | (494 736)                     | (4 783)   | 4 028   |
|   | 5568      | for 20 20 | 670 871         | 574 083   | -  | (281 946)                     | (1 543)   | 368   |
| Out of the total amount of short-term debt                | 5569      | for 20 21 | 270 704         | 488 841   | -  | (265 723)                     | -   | -   |
|   | 5569      | for 20 20 | 26 205          | 264 918   | -  | (20 419)                      | -   | -   |
| Debt owed to subsidiaries                                 | 55691     | for 20 21 | 270 704         | 488 841   | -  | (265 723)                     | -   | -   |
|   | 55691     | for 20 20 | 26 205          | 264 918   | -  | (20 419)                      | -   | -   |
| Debt owed to affiliates                                   | 55692     | for 20 21 | -               | -   | -  | -                             | -   | -   |
|   | 55692     | for 20 20 | -               | -   | -  | -                             | -   | -   |
| <b>Total</b>  | 5570      | for 20 21 | 12 278 000      | 7 916 047   | -  | (7 355 615)                   | (32 304)  | -   |
|   | 5570      | for 20 20 | 9 919 296       | 6 956 104   | -  | (4 572 104)                   | (25 296)  | -   |

(1) - the reporting period is indicated  
(2) - the prior year is indicated

| Line item   | line code | As at December 31 2021 | As at December 31 2020 | As at December 31 2019 |
|---|-----------|------------------------|------------------------|------------------------|
| 1   | 2         | 3                      | 4                      | 5                      |
| <b>V. CURRENT LIABILITIES</b>                             |           |                        |                        |                        |
| Accounts payable  |           | 3 778 831              | 3 734 448              | 2 623 405              |
| including:  |           |                        |                        |                        |
| Settlements with suppliers and contractors                | 5691      | 3 188 311              | 2 774 790              | 2 007 423              |
| including:  |           |                        |                        |                        |
| construction  | 56911     | 712 884                | 644 377                | 373 642                |
| other   | 56912     | 2 475 427              | 2 130 413              | 1 633 781              |
| Notes payable   | 5692      | -                      | -                      | -                      |
| Wages payable   | 5693      | -                      | -                      | -                      |
| Debts owed to state non-budgetary funds                   | 5694      | -                      | -                      | -                      |
| Taxes and dues payable                                    | 5695      | -                      | -                      | -                      |
| Advances received   | 5696      | 394 607                | 447 724                | 493 336                |
| Delay from participants (shareholders) in paying revenues | 5697      | -                      | -                      | -                      |
| Other accounts payable                                    | 5698      | 195 913                | 511 934                | 122 646                |

(1) - reporting date of the reporting period is indicated  
(2) - prior-year period is indicated  
(3) - year, prior to preceding year is indicated

5.6.7. Loans and borrowings

| Line item                           | Line code | Period    | At the start of the year | Changes for period |                      |                     |                       |   | At the end of the period |
|-------------------------------------|-----------|-----------|--------------------------|--------------------|----------------------|---------------------|-----------------------|---|--------------------------|
|                                     |           |           |                          | Inflow             | Accrual of interests | Principal repayment | Repayment of interest | Transferring from long-term debt to short-term debt |                          |
| 1                                   | 2         | 3         | 4                        | 5                  | 6                    | 7                   | 8                     | 9   | 10                       |
| <b>Long-term borrowings - total</b> | 7410      | for 20 21 | 17 882 922               | 17 894 477         | -                    | (19 741 084)        | -                     | -   | 16 036 315               |
|                                     | 7430      | for 20 20 | 19 432 911               | 36 128 620         | -                    | (37 678 609)        | -                     | -   | 17 882 922               |
| including:                          |           |           |                          |                    |                      |                     |                       |   |                          |
| Loans                               | 7411      | for 20 21 | 16 482 922               | 17 894 477         | -                    | (19 741 084)        | -                     | -   | 14 636 315               |
|                                     | 7431      | for 20 20 | 19 432 911               | 34 728 620         | -                    | (37 678 609)        | -                     | -   | 16 482 922               |
| Borrowings                          | 7412      | for 20 21 | 1 400 000                | -                  | -                    | -                   | -                     | -   | 1 400 000                |
|                                     | 7432      | for 20 20 | -                        | 1 400 000          | -                    | -                   | -                     | -   | 1 400 000                |
| <b>Current borrowings - total</b>   | 7420      | for 20 21 | 5 553 866                | 6 020 569          | 1 580 336            | (6 620 569)         | (1 700 010)           | -   | 4 834 192                |
|                                     | 7440      | for 20 20 | 3 652 592                | 13 835 373         | 1 611 812            | (12 035 373)        | (1 510 538)           | -   | 5 553 866                |
| including:                          |           |           |                          |                    |                      |                     |                       |   |                          |
| Loans                               | 7421      | for 20 21 | -                        | 1 220 569          | -                    | (1 220 569)         | -                     | -   | -                        |
|                                     | 7441      | for 20 20 | -                        | 8 435 373          | -                    | (8 435 373)         | -                     | -   | -                        |
| Interest on loans                   | 74211     | for 20 21 | -                        | -                  | 1 279 084            | -                   | (1 270 853)           | -   | 8 231                    |
|                                     | 74411     | for 20 20 | 19 652                   | -                  | 1 383 168            | -                   | (1 402 820)           | -   | -                        |
| Borrowings                          | 7422      | for 20 21 | 5 553 866                | 4 800 000          | 301 252              | (5 400 000)         | (429 157)             | -   | 4 825 961                |
|                                     | 7442      | for 20 20 | 3 632 940                | 5 400 000          | 228 644              | (3 600 000)         | (107 718)             | -   | 5 553 866                |

(1) - the reporting period is indicated  
 (2) - the prior year is indicated

5.6.8. Expenses for loans and borrowings

| Indication                                     |           | For long-term loans and borrowings | For short-term loans and borrowings |
|--|-----------|------------------------------------|-------------------------------------|
| Line item                                      | Line code |                                    |                                     |
| 1  | 2         | 3                                  | 4                                   |
| Expenses for loans total:                      | 7510      | 1 274 772                          | 4 312                               |
| write-off as other expenses                    | 7511      | 1 248 004                          | 4 312                               |
| included in the cost of assets                 | 7512      | 26 768                             | -                                   |
| Expenses for borrowings total:                 | 7520      | 98 980                             | 202 272                             |
| write-off as other expenses                    | 7521      | 98 980                             | 201 312                             |
| included in the cost of assets                 | 7522      | -                                  | 960                                 |
| Out of the total cost on borrowings and loans: | 7530      | 1 373 752                          | 206 584                             |
| interest accrued                               | 7531      | 1 373 752                          | 206 584                             |
| other expenses                                 | 7532      |                                    |                                     |



**5.7.1. Estimated liabilities**

| Indication  |           | Opening balance | Recognized | Redeemed  | Written off as excessive amount | Ending balance |
|---|-----------|-----------------|------------|-----------|---------------------------------|----------------|
| Line item   | Line code |                 |            |           |                                 |                |
| 1   | 2         | 3               | 4          | 5         | 6                               | 7              |
| <b>Estimated liabilities - total</b>  | 5700      | 1 527 161       | 2 259 085  | (923 647) | (59 716)                        | 2 802 883      |
| including:  |           |                 |            |           |                                 |                |
| Forthcoming vacation pay  | 5701      | 316 830         | 520 346    | (506 218) |                                 | 330 958        |
| Year-end benefit payment  | 5702      | 316 770         | 322 479    | (223 859) | -                               | 415 390        |
| Outstanding litigation as of reporting date   | 5703      | 52 860          | 254 925    | (23 262)  | (8 245)                         | 276 278        |
| Claims of tax authorities on the results of tax inspections that remained unsolved as of reporting date | 5704      | 156 967         | 402 611    | -         | -                               | 559 578        |
| Other estimated liabilities   | 5705      | 683 734         | 758 724    | (170 308) | (51 471)                        | 1 220 679      |
| <b>Out of the total amount of contingent liabilities:</b>   |           |                 |            |           |                                 |                |
| Created for the account of expenses for core activities   | 5706      | 1 230 217       |            |           |                                 |                |
| Created for the account of other expenses   | 5707      | 997 073         |            |           |                                 |                |
| Included in the cost of assets  | 5708      | 31 795          |            |           |                                 |                |

**5.7.2. Deferred taxes**

| Line item  | Line code | Deferred tax assets | Deferred tax liabilities |
|--|-----------|---------------------|--------------------------|
| 1  | 2         | 3                   | 4                        |
| Balance at the beginning of the reporting period   | 7700      | 1 020 464           | 2 132 816                |
| Change of temporary differences in the reporting period causing tax consequences   | 7710      | 397 444             | 346 088                  |
| The result of change in tax rates  | 7720      | -                   | -                        |
| The result of change in taxation rules (accounting procedure of income tax)  | 7730      | -                   | -                        |
| Change of temporary differences in the reporting period for transactions whose results are not included in the accounting profit (loss)  | 7740      | 21 143              | -                        |
| write-off of temporary differences beyond tax consequences   | 7750      | -                   | -                        |
| <i>For reference:</i> Recognition (write-off) of deferred tax assets due to the change of probability that the company will receive taxable income in subsequent reporting periods | 7760      | -                   | x                        |
| Balance at the end of the reporting period   | 7800      | 1 439 051           | 2 478 904                |

5.8. Securities

| Indication                                 |           | As at December 31, 2021 | As at December 31, 2020 | As at December 31, 2019 |
|--|-----------|-------------------------|-------------------------|-------------------------|
| Line item                                  | Line code | 3                       | 4                       | 5                       |
| 1  | 2         | 3                       | 4                       | 5                       |
| Received — total                           | 5800      | 1 777 286               | 549 501                 | 303 376                 |
| including:                                 | 5801      | -                       | -                       | -                       |
| promissory notes                           | 5802      | -                       | 107                     | 107                     |
| pledged property                           | 58021     | -                       | 107                     | 107                     |
| where:                                     | 58022     | -                       | -                       | -                       |
| items of fixed assets                      | 58023     | -                       | -                       | -                       |
| securities and other financial investments | 5803      | 1 777 286               | 549 394                 | 303 269                 |
| other                                      | 5810      | -                       | -                       | -                       |
| Issued under own obligations— total        | 5811      | -                       | -                       | -                       |
| including:                                 | 5812      | -                       | -                       | -                       |
| promissory notes                           | 58121     | -                       | -                       | -                       |
| pledged property                           | 58122     | -                       | -                       | -                       |
| where:                                     | 58123     | -                       | -                       | -                       |
| items of fixed assets                      | 5813      | -                       | -                       | -                       |
| securities and other financial investments |           |                         |                         |                         |
| other                                      |           |                         |                         |                         |
| other issued                               |           |                         |                         |                         |

- (1) - reporting date of the reporting period is indicated
- (2) - prior-year period is indicated
- (3) - year, prior to preceding year is indicated

5.9. Government assistance

| Line item   | Line code | 2020                     |                          |                          |                        | 2019                     |                          |                          |                        |
|---|-----------|--------------------------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|--------------------------|------------------------|
|   |           | At the start of the year | Received during the year | Returned during the year | At the end of the year | At the start of the year | Received during the year | Returned during the year | At the end of the year |
| Public funds received - total   | 5900      | -                        | 6 494                    | (6 494)                  | -                      | 4 084                    | (4 084)                  | -                        |                        |
| including:  |           |                          |                          |                          |                        |                          |                          |                          |                        |
| on current expenses   | 5901      | -                        | 1 291                    | (1 291)                  | -                      | 1 201                    | (1 201)                  | -                        |                        |
| compensations for Chernobyl victims   | 5902      | -                        | -                        | -                        | -                      | -                        | -                        | -                        |                        |
| for task performance on mobilization training   | 5903      | -                        | -                        | -                        | -                      | -                        | -                        | -                        |                        |
| for liquidation of interterritorial cross-subsidization   | 5904      | -                        | -                        | -                        | -                      | -                        | -                        | -                        |                        |
| for investments in non-current assets   | 5905      | -                        | 5 203                    | (5 203)                  | -                      | 2 883                    | (2 883)                  | -                        |                        |
| other purposes  | 5906      | -                        | -                        | -                        | -                      | -                        | -                        | -                        |                        |
| where:  |           |                          |                          |                          |                        |                          |                          |                          |                        |
| funding for preventive measures to reduce occupational injuries and occupational diseases                               | 5911      | -                        | -                        | -                        | -                      | -                        | -                        | -                        |                        |
| funding for thorough medical check-ups for employees engaged in work with harmful and (or) occupational hazards factors | 5912      | -                        | -                        | -                        | -                      | -                        | -                        | -                        |                        |

- (1) - reporting period is indicated
- (2) - prior-year period is indicated

5.10. Government assistance, which did not meet the conditions under which it was granted.\*

| Indicator | Line item   | Line code | For 2021(1) |                            | 3a 2020 (2) |                            |
|-----------|---|-----------|-------------|----------------------------|-------------|----------------------------|
|           |   |           | refundable  | has actually been returned | refundable  | has actually been returned |
|           | 1   | 2         | 3           | 4                          | 5           | 6                          |
|           | budgetary funds received, which did not meet the conditions under which it was granted                                  | 7910      |             |                            |             |                            |
|           | <i>Including:</i>   |           |             |                            |             |                            |
|           | on current expenses   | 7911      |             |                            |             |                            |
|           | compensations for Chernobyl victims   | 7912      |             |                            |             |                            |
|           | for task performance on mobilization training   | 7913      |             |                            |             |                            |
|           | for liquidation of interterritorial cross-subsidization   | 7914      |             |                            |             |                            |
|           | other purposes  | 7915      |             |                            |             |                            |
|           | <i>Including:</i>   |           |             |                            |             |                            |
|           | funding for preventive measures to reduce occupational injuries and occupational diseases                               | 7921      |             |                            |             |                            |
|           | funding for thorough medical check-ups for employees engaged in work with harmful and (or) occupational hazards factors | 7922      |             |                            |             |                            |

(1) - reporting date is indicated  
(2) - prior-year period is indicated

\* - To be included in the accounting records where data is available

5.11. Other revenues and expenses

| Indication   | Line code | For 2021  | For 2020  |
|--|-----------|-----------|-----------|
|  |           |           |           |
|  | 1         | 2         |           |
| <b>Other revenues total</b>  | 8000      | 1 413 802 | 1 563 197 |
| including:   |           |           |           |
| From sale of fixed assets, except apartments   | 8001      | 1 959     | 115       |
| From sale of apartments  | 8002      | -         | -         |
| From sale of inventories   | 8003      | 13 781    | 11 039    |
| From sale of currency  | 8004      | -         | -         |
| From sale of intangible assets   | 8005      | -         | -         |
| From sale of securities  | 8006      | -         | -         |
| From sale of other assets  | 8007      | -         | -         |
| From joint arrangements  | 8008      | -         | -         |
| Profit for 2020 recognized in the reporting period   | 8009      | 107 757   | -         |
| Profit for 2019 recognized in the reporting period   | 8010      | 14 260    | 36 856    |
| Profit for 2018 recognized in the reporting period   | 8011      | 5 043     | 10 380    |
| Profit up to January 1, 2018 recognized in the reporting period  | 8012      | 215 988   | 64 996    |
| Penalties, fines and forfeits recognized or for which the judgments (arbitration awards) for their recovery have been obtained | 8013      | 323 976   | 518 967   |
| Accounts payable for which the statute of limitations has expired (more than three years)                                      | 8014      | 32 304    | 25 296    |
| Exchange differences   | 8015      | -         | -         |
| Assets in surplus on the results of the inventory count  | 8016      | 4 540     | 55        |
| Donated assets except fixed assets and intangible assets   | 8017      | 7 711     | 3 881     |
| Revenue from donated fixed assets identified in accordance with established order  | 8018      | 25 822    | 22 503    |
| Value of tangible assets remaining after the assets that are not subject to recovery and further use have been written off     | 8019      | 3 934     | 3 791     |
| Revaluation of financial investments according to the current market value   | 8020      | -         | -         |
| Revenue from decrease (write-off) of provision for doubtful debts  | 8021      | 82 265    | 232 555   |
| Revenue from decrease (write-off) of reserve for estimated liabilities   | 8022      | 59 716    | 64 391    |
| Revenue from decrease (write-off) of provision for depreciation of inventories   | 8023      | 3 863     | 6 008     |
| Revenues under assignment of claim agreements  | 8024      | -         | -         |
| Revenues from determination of freelance electric power consumption  | 8025      | 68 476    | 70 376    |
| Insurance settlements receivable   | 8026      | 160 699   | 230 611   |
| Revenues related to the Interest in the Charter Capital of other organizations   | 8027      | -         | -         |
| Restoring accounts receivable previously written off   | 8028      | 88        | 24        |
| Discount on promissory notes   | 8029      | -         | -         |
| Compensations for difference in tariffs (budgetary funding)  | 8030      | -         | -         |
| Revenue from decrease (write-off) of provision for impairment of financial investments   | 8031      | 8 261     | 100       |
| Increase in value of items of fixed assets   | 8032      | -         | -         |
| Revenue from increase in value of previously cut-price items of fixed assets   | 8033      | -         | -         |
| Revenue from payment of promissory notes   | 8034      | -         | -         |
| Other  | 8035      | 273 359   | 261 253   |

| Indication   |           | For 2021    | For 2020    |
|--|-----------|-------------|-------------|
| Line item  | Line code |             |             |
| 1  | 2         |             |             |
| <b>Other revenues total</b>  | 8100      | (4 825 874) | (3 777 891) |
| including:   |           |             |             |
| From sale of fixed assets, except apartments   | 8101      | (1 849)     | -           |
| From sale of apartments  | 8102      | -           | -           |
| From sale of inventories   | 8103      | (11 305)    | (8 825)     |
| From sale of currency  | 8104      | -           | -           |
| From sale of intangible assets   | 8105      | -           | -           |
| From sale of securities  | 8106      | -           | -           |
| From sale of other assets  | 8107      | -           | -           |
| Other taxes  | 8108      | -           | -           |
| Expenses for bank services   | 8109      | (580)       | (406)       |
| Expenses for maintenance of financial investments  | 8110      | -           | -           |
| Provision for doubtful debts   | 8111      | (608 897)   | (533 810)   |
| Provision for impairment of financial investments  | 8112      | -           | (7 571)     |
| Provision for impairment of tangible assets  | 8113      | (876)       | (2 309)     |
| Provision for discontinued operations  | 8114      | -           | -           |
| Reserve for estimated liabilities  | 8115      | (273 716)   | (55 696)    |
| Retirement of assets without revenue   | 8116      | (16 900)    | -           |
| VAT on donated property  | 8117      | -           | -           |
| Loss for 2020 recognized in the reporting period   | 8118      | (504 701)   | -           |
| Loss for 2019 recognized in the reporting period   | 8119      | (565 434)   | (428 141)   |
| Loss for 2018 recognized in the reporting period   | 8120      | (209 550)   | (110 767)   |
| Loss up to January 1, 2018 recognized in the reporting period  | 8121      | (198 966)   | (260 279)   |
| Penalties, fines and forfeits recognized or for which the judgments (arbitration awards) for their recovery have been obtained | 8122      | (30 456)    | (61 394)    |
| State fees under the economic contracts  | 8123      | (12 606)    | (13 247)    |
| Revaluation of financial investments according to the current market value   | 8124      | -           | -           |
| Discount on promissory notes   | 8125      | -           | -           |
| Expenses under assignment of claim agreements  | 8126      | -           | -           |
| Non-refundable VAT   | 8127      | (22 305)    | (7 689)     |
| Expenses for discovered non-contractual electricity consumption  | 8128      | -           | -           |
| Contributions to associations and funds  | 8129      | (3 207)     | (3 649)     |
| Accounts receivable for which the statute of limitations has expired (more than three years)                                   | 8130      | (271)       | (395)       |
| Exchange differences   | 8131      | -           | -           |
| Court costs  | 8132      | (3 450)     | (1 289)     |
| Theft, shortages   | 8133      | (167)       | (268)       |
| Expenses for execution proceedings   | 8134      | -           | -           |
| Payment of the cost of employees' apartments   | 8135      | -           | -           |
| Other financial aid and other cash payments to employees   | 8136      | (337 595)   | (291 347)   |
| Financial aid to retired employees (including lump-sum payments, compensations for community charges)                          | 8137      | (9 174)     | (9 826)     |
| Expenses for sporting events   | 8138      | (3 296)     | (880)       |
| Expenses for social activities   | 8139      | (11 958)    | (8 633)     |
| Charitable expenditures  | 8140      | -           | -           |
| Value of redeemable promissory notes   | 8141      | -           | -           |
| Residual value of written-off fixed assets   | 8143      | -           | -           |
| Reduction in prices of items of fixed assets   | 8144      | -           | -           |
| Other  | 8145      | (1 998 615) | (1 971 470) |

5.13. Information on reportable segments

| Line item  | Line code   | Period      | Electric power transmission | Technological connection | Reportable segment name | Reportable segment name | Reportable segment name | Other segments   | Total              |
|--|-------------|-------------|-----------------------------|--------------------------|-------------------------|-------------------------|-------------------------|------------------|--------------------|
|  |             |             |                             |                          |                         |                         |                         |                  |                    |
| Revenue from external buyers                       | 8310        | 2021        | 54 526 276                  | 2 347 653                | -                       | -                       | -                       | 795 815          | 57 669 744         |
|  | 8311        | 2020        | 48 101 880                  | 731 309                  | -                       | -                       | -                       | 536 391          | 49 369 580         |
| Sales revenue between segments                     | 8320        | 2021        | -                           | -                        | -                       | -                       | -                       | -                | -                  |
|  | 8321        | 2020        | -                           | -                        | -                       | -                       | -                       | -                | -                  |
| <b>Total Revenue of segment</b>                    | <b>8300</b> | <b>2021</b> | <b>54 526 276</b>           | <b>2 347 653</b>         | -                       | -                       | -                       | <b>795 815</b>   | <b>57 669 744</b>  |
| including  | <b>8400</b> | <b>2020</b> | <b>48 101 880</b>           | <b>731 309</b>           | -                       | -                       | -                       | <b>536 391</b>   | <b>49 369 580</b>  |
| Revenue from transmission                          | 8301        | 2021        | 54 526 276                  | -                        | -                       | -                       | -                       | -                | 54 526 276         |
|  | 8401        | 2020        | 48 101 880                  | -                        | -                       | -                       | -                       | -                | 48 101 880         |
| Revenue from technological connection              | 8302        | 2021        | -                           | 2 347 653                | -                       | -                       | -                       | -                | 2 347 653          |
|  | 8402        | 2020        | -                           | 731 309                  | -                       | -                       | -                       | -                | 731 309            |
| Other revenue                                      | 8303        | 2021        | -                           | -                        | -                       | -                       | -                       | 795 815          | 795 815            |
|  | 8403        | 2020        | -                           | -                        | -                       | -                       | -                       | 536 391          | 536 391            |
| Interest receivable                                | 8303        | 2021        | -                           | -                        | -                       | -                       | -                       | 28 305           | 28 305             |
|  | 8403        | 2020        | -                           | -                        | -                       | -                       | -                       | 28 872           | 28 872             |
| Interest payable                                   | 8304        | 2021        | 1 552 608                   | -                        | -                       | -                       | -                       | -                | 1 552 608          |
|  | 8404        | 2020        | 1 593 371                   | -                        | -                       | -                       | -                       | -                | 1 593 371          |
| Income Tax Expenses                                | 8305        | 2021        | 523 092                     | 457 767                  | -                       | -                       | -                       | 6 061            | 986 920            |
|  | 8405        | 2020        | 204                         | 116 154                  | -                       | -                       | -                       | 634              | 116 992            |
| <b>Gains/(losses) of segment</b>                   | <b>8306</b> | <b>2021</b> | <b>1 076 192</b>            | <b>972 195</b>           | -                       | -                       | -                       | <b>(336 553)</b> | <b>1 711 834</b>   |
|  | <b>8406</b> | <b>2020</b> | <b>(1 372 012)</b>          | <b>(128 676)</b>         | -                       | -                       | -                       | <b>(590)</b>     | <b>(1 501 278)</b> |
| <b>Assets of segments</b>                          | <b>8307</b> | <b>2021</b> | <b>76 995 336</b>           | <b>1 371 236</b>         | -                       | -                       | -                       | <b>1 187 499</b> | <b>79 554 071</b>  |
|  | <b>8407</b> | <b>2020</b> | <b>74 885 901</b>           | <b>1 098 993</b>         | -                       | -                       | -                       | <b>1 395 350</b> | <b>77 380 244</b>  |
| including non-current assets                       | 8308        | 2021        | 66 060 311                  | 1 213 283                | -                       | -                       | -                       | 739 947          | 68 013 541         |
|  | 8408        | 2020        | 63 590 343                  | 990 606                  | -                       | -                       | -                       | 715 531          | 65 296 480         |
| <b>Liabilities of segments</b>                     | <b>8309</b> | <b>2021</b> | <b>73 485 271</b>           | <b>4 682 270</b>         | -                       | -                       | -                       | <b>1 386 530</b> | <b>79 554 071</b>  |
|  | <b>8409</b> | <b>2020</b> | <b>71 151 660</b>           | <b>5 092 056</b>         | -                       | -                       | -                       | <b>1 136 528</b> | <b>77 380 244</b>  |
| Amortization of fixed assets and intangible assets | 8390        | 2021        | 4 537 749                   | 69 806                   | -                       | -                       | -                       | 51 191           | 4 653 746          |
|  | 8490        | 2020        | 4 453 469                   | 68 585                   | -                       | -                       | -                       | 50 296           | 4 572 350          |



PUBLIC JOINT STOCK  
COMPANY ROSSETI KUBAN  
(PJSC ROSSETI KUBAN)

**NOTES TO THE ACCOUNTING (FINANCIAL) STATEMENTS  
FOR 2021**

Krasnodar  
2022

PJSC Rosseti Kuban

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## 1. BACKGROUND INFORMATION

PJSC Rosseti Kuban (hereinafter referred to as the “Company”) is the largest electric grid company in the territory of Krasnodar Region and the Republic of Adygeya that transmits and distributes electricity to the distribution grid with a voltage of 110 kV and lower located in populated areas, village settlements, separate cities and neighborhood centre of Krasnodar Region and the Republic of Adygeya, including Sochi.

**Full name:** Public Joint Stock Company Rosseti Kuban .

**Short name:** PJSC Rosseti Kuban.

Registered on February 10, 1993.

Entered in the Single State Register of Legal Entities by Inspection of the Federal Tax Service of Russia No. 3 in Krasnodar under No. 1022301427268 of September 17, 2002. Certificate 23 No. 001806938.

**TIN (KPP):** 2309001660 (997650001).

**Legal form / form of property PJSC Rosseti Kuban** – Public Joint Stock Company (Code OKOPF 47) / private ownership (Code OKFS 16).

**Registered office (legal address) PJSC Rosseti Kuban** – 350033, the Russian Federation, Krasnodar, 2A Stavropolskaya Street.

**The core activities of the Company are:**

- providing services for distribution and transmission of energy that is transferred out of the electrical system;
- services for technological connection of consumers to electric networks.

Table 1 – Permits (licences) for certain types of work

| Branch of activities<br>1   | Issuing authority<br>2  | Details<br>3                         | Validity period<br>4                     |
|---|---|--------------------------------------|--|
| For extraction licence (fresh groundwater mining for household drinking process water supply in Krasnodar)  | Ministry of Natural Resources of Krasnodar Region   | КРД No. 80383 БЭ                     | From November 30, 2015 to July 20, 2034  |
| For extraction licence (fresh groundwater mining for household drinking process water supply Tverskaya village of Apsheeronsk district of Krasnodar Region) | Ministry of Natural Resources of Krasnodar Region   | КРД No. 80380БЭ                      | From October 26, 2015 to January 1, 2035 |
| Execution of works related to the usage of information classified as state secret   | Federal Security Service of the Russian Federation (FSB) in Krasnodar Region                                      | ГТ 0084635, registration number 2050 | From August 31, 2020 – July 13, 2023     |
| Transportation by buses of other persons of licensee for own requirements   | Federal Transportation Inspection Service (Rostransnadzor) of The Ministry of Transport of the Russian Federation | AH-23-000047                         | From April 8, 2019 – unlimited           |

Accounting Statements of PJSC Rosseti Kuban contain operational performance of all branch offices, representative offices and other business units, as follows:

Table 2 – Branches of PJSC Rosseti Kuban

| №   | Name                            | Registered office                                  |
|-----|---------------------------------|--|
| 1.  | Krasnodar Electrical Networks   | 350000, Krasnodar, 131 Pashkovskaya Str.           |
| 2.  | Sochi Electrical Networks       | 354000, Sochi, 42 Konstitutsii USSR Str.           |
| 3.  | Armavir Electrical Networks     | 352900, Armavir, 54 Vorovskogo Str.                |
| 4.  | Adygeya Electrical Networks     | 385000, Maykop, 358 Shovgenova Str.                |
| 5.  | Timashevsk Electrical Networks  | 352700, Timashevsk, 176 Lenina Str.                |
| 6.  | Tikhoretsk Electrical Networks  | 352122, Tikhoretsk, 62 Dzerzhinskogo Str.          |
| 7.  | Leningrad Electrical Networks   | 353745, Leningradskaya village, 6 Divizii 302 Str. |
| 8.  | Slavyansk Electrical Networks   | 353560, Slavyansk-na-Kubani, 49 Stroitelei Str.    |
| 9.  | South-West Electrical Networks  | 353902, Novorossiysk, 1 Vostochnyy Mol             |
| 10. | Labinsk Electrical Networks     | 352503, Labinsk, 334 Mira Str.                     |
| 11. | Ust-Labinsk Electrical Networks | 352232, Ust-Labinsk, 4 Krasnodarskaya Str.         |

The average annual number of employees in PJSC Rosseti Kuban for the reporting period amounted to 8, 876, in 2020 amounted to 8,959, prior to preceding 2019 amounted to 8,644.

#### Company's auditor:

Full name: Limited Liability Company Ernst & Young  
 Legal address: 115035, Moscow, 77 Sadovnicheskaya naberezhnaya, building 1  
 Current address: 115035, Moscow, 77 Sadovnicheskaya naberezhnaya, building 1  
 TIN: 7709383532  
 PSRN: 1027739707203  
 Phone/fax: 8 (495) 755-97-00/8; (495) 755-97-01

**Management Board of the Company** is the General Meeting of Shareholders, the Board of Directors of the Company, Management Board (Collegial Executive Body of the Company), General Director (Chief Executive Officer of the Company).

**Chief Executive Officer of the Company:** Ebzeev Boris Borisovich.

**Chief Accountant of the Company:** Loskutova Lyudmila Vladimirovna.

Table 3 – Members of the Board of Directors of the Company (as of December 31, 2021):

| No. | Full name                            | Principal place of employment and official capacity  | Position on the Board of Directors of Rosseti Kuban |
|-----|--------------------------------------|--|---|
| 1.  | Krainskiy Daniil Vladimirovich       | Deputy General Director for Legal Support of PJSC Rosseti  | Chairman of the Board of Directors                  |
| 2.  | Gladkovskiy Grigoriy Konstantinovich | Deputy Chief Engineer of PJSC Rosseti  | Member of the Board of Directors                    |
| 3.  | Goncharov Yuriy Vladimirovich        | Head Adviser of the General Director of PJSC Rosseti   | Member of the Board of Directors                    |
| 4.  | Kazakov Aleksandr Ivanovich          | –  | Member of the Board of Directors                    |
| 5.  | Kaloeva Madina Valerevna             | Director for Corporate Management – Head of Corporate Governance Department of PJSC FGC UES  | Member of the Board of Directors                    |
| 6.  | Kravchenko Konstantin Yurevich       | Temporarily Acting Deputy General Director for Digital Transformation of PJSC Rosseti  | Member of the Board of Directors                    |
| 7.  | Medvedev Mikhail Vladimirovich       | Adviser to the Director-General of JSC "Avangard"  | Member of the Board of Directors                    |
| 8.  | Molskiy Aleksey Valerevich           | Deputy Director General for Investments, Capital Construction and Implementation of Services of PJSC Rosseti   | Member of the Board of Directors                    |
| 9.  | Polinov Aleksey Aleksandrovich       | Principal Counsellor of the General Director of PJSC Rosseti   | Member of the Board of Directors                    |
| 10. | Ebzeev Boris Borisovich              | Chairman of the Management Board, General Director of PJSC Rosseti South, Chairman of the Management Board, Chief Executive Officer of PJSC Rosseti Kuban (holding more than one office) | Member of the Board of Directors                    |
| 11. | Yavorskiy Viktor Korneevich          | Member of the Presidium of the Board of "OPORA RUSSIA"   | Member of the Board of Directors                    |

Table 4 – Composition of Management Board of the Company (as of December 31, 2021):

| No | Full name                        | Principal place of employment and official capacity   | Status in the Management of PJSC Rosseti Kuban |
|----|----------------------------------|---|--|
| 1. | Ebzeev Boris Borisovich          | Chairman of the Management Board, General Director of PJSC Rosseti South, Chairman of the Management Board, Chief Executive Officer of PJSC Rosseti Kuban (holding more than one office)      | Chairman of the Management Board               |
| 2. | Armaganyan Edgar Garrievich      | First Deputy Chief Executive Officer— Director of Sochi Electrical Networks Branch of PJSC Rosseti Kuban  | Deputy Chairman of the Management Board        |
| 3. | Dzhabrailova Yulianna Khasanovna | Deputy Chief Executive Officer— Chief of the Apparatus of PJSC Rosseti South, Chief of the Apparatus of PJSC Rosseti Kuban (holding more than one office)                                     | Member of the Management Board                 |
| 4. | Iordanidi Kirill Aleksandrovich  | Deputy Chief Executive Officer for Economics and Finance of PJSC Rosseti South, Deputy Chief Executive Officer for Economics and Finance of PJSC Rosseti Kuban (holding more than one office) | Member of the Management Board                 |
| 5. | Korzhanevskiy Viktor Anatolevich | Deputy Chief Executive Officer for Investment Operations of PJSC Rosseti Kuban  | Member of the Management Board                 |
| 6. | Loskutova Lyudmila Vladimirovna  | Chief Accountant - Head of the Accounting and Tax Accounting Department of PJSC Rosseti Kuban   | Member of the Management Board                 |
| 7. | Mishanin Aleksey Aleksandrovich  | Deputy Chief Executive Officer for Technical Issues – Chief Engineer of PJSC Rosseti Kuban  | Member of the Management Board                 |
| 8. | Nishchuk Oleg Fedorovich         | Deputy Chief Executive Officer of Implementation Services of PJSC Rosseti Kuban   | Member of the Management Board                 |

The Auditing Committee of the Company is the supervisory authority for financial and operational activities of the Company.

Table 5 – Composition of the Company's Audit Committee (as of December 31, 2021):

| No | Full name                     | Principal place of employment and official capacity   | Status in the Audit Committee   |
|----|-------------------------------|---|---------------------------------|
| 1. | Kovaleva Svetlana Nikolaevna  | Chairman of the Committee - Internal Audit Director - Head of Internal Audit Department pf PJSC Rosseti   | Chairman of the Audit Committee |
| 2. | Rogachev Kirill Evgenevich    | Chief Expert of Operational Audit Department of Internal Audit Department of PJSC Rosseti   | Member of the Audit Committee   |
| 3. | Trishina Svetlana Mikhailovna | Secretary of the Committee - Deputy Head of Internal Audit Department - Head of Corporate Audit and Control of Subsidiary Companies Office of Internal Audit Department of PJSC Rosseti | Member of the Audit Committee   |
| 4. | Pyatakova Olga Gennadevna     | Chief Expert of Operational Audit Department of Internal Audit Department of PJSC Rosseti   | Member of the Audit Committee   |
| 5. | Tsarkov Viktor Vladimirovich  | First Deputy Head of Internal Audit Department of PJSC Rosseti  | Member of the Audit Committee   |

Table 6 – The Main Subsidiaries and Affiliates

| Name of the subsidiary                         | Participatory interest (%) | Registered office   | Line of business   |
|--|----------------------------|---|--|
| 1  | 2                          | 3   | 4  |
| Joint-Stock Company Energetik Holiday Facility | 100                        | 353490, Krasnodar Region, Gelendzhik, Divnomorskoye village, 4 Pionerskaya Str. | Organization of recreation and recovery of children and adults, primarily employees of PJSC Kubanenergo and their families; organization and conduct of seminars and conferences |
| Joint-Stock Company Kuban Energoservis         | 100                        | 350080, Krasnodar Region, Krasnodar, 47 Novorossiyskaya Str.                    | Design, installation and adjustment of power, gas and process equipment metering units, hot and cold water supply  |



## 2. FUNDAMENTAL PRINCIPLES OF ACCOUNTING POLICIES

PJSC Rosseti Kuban keeps accounting records in accordance with the requirements for Russian Accounting Standards and Federal Law of December 6, 2011 No. 402-FZ “On Accounting” and also in accordance with Corporate Standard of PJSC Rosseti “*Uniform Corporate Accounting Principles for accounting purposes*”.

Data from Accounting Statements are presented in thousands Russian Rubles (if not otherwise mentioned).

### 2.1. Assets and liabilities in foreign currencies

The Company does not have assets and liabilities denominated in foreign currency at the beginning and the end of the reporting period.

### 2.2. Expenses for research, development and technological works (R&D)

Accounting of expenses for research, development and technological works is incurred in accordance with Accounting Regulation 17/02, approved by Order of the Ministry of Finance of the Russian Federation No. 115n of November 19, 2002 and subsequent changes. Writing off the expenses for each facility of R&D is made using the straight-line method.

### 2.3. Intangible assets

Accounting for intangible assets is kept by the Company in accordance with the Accounting Regulation 14/2007 “Intangible asset accounting”, approved by Order of the Ministry of Finance of the Russian Federation No. 153n of December 27, 2007.

Straight-line method is used for the amortization of the cost of the intangible assets with definite useful lives.

### 2.4. Fixed assets and construction in progress

Accounting for fixed assets is kept by the Company in accordance with the Accounting Regulation 6/01 “*Accounting for fixed assets*”, approved by Order of the Ministry of Finance of the Russian Federation No. 26n of March 30, 2001 and Accounting Guidelines on fixed assets, approved by Order of the Ministry of Finance of the Russian Federation No. 91n of October 13, 2003.

Accounting for construction in progress is kept by the Company in accordance with the Regulation of Accounting and Reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation No. 34n of July 29, 1998 and in accordance with the Accounting Regulation of long-term investments (letter of the Russian Ministry of Finance No. 160 of December 30, 1993), if not at variance with subsequent regulatory legal acts on accounting.

Items of fixed assets are accepted for recording at original cost, determined according to the method of receipt-purchase for a fee, implementation by own efforts, construction, receiving without compensation and so on.

Costs on borrowings and loans related to investment asset formation (items of fixed assets, asset groups and other similar assets demanding much time and purchasing costs and (or) construction) are included in the cost of the depreciable asset.

Amortization of the items of fixed assets is calculated using the straight-line method on the basis of their useful lives.

Useful life is regulated by the Committee of the Company on receipt of fixed assets in accordance with the final report of the technical employees taking into consideration the information specified in technical documentation of the construction site.

| Item of fixed assets  | Useful life, years |
|---|--------------------|
| <i>Material-working machinery and equipment</i>                   |                    |
| Power transformer   | 30                 |
| Shunt reactor   | 30                 |
| Current limiting reactor  | 30                 |
| Cell of gas-insulated switchgear                                  | 30                 |
| Cell of the complete distribution device                          | 25                 |
| Current transformer (CT)  | 30                 |
| Voltage transformer (VT)  | 30                 |
| Switch  | 30                 |
| Disconnecter, isolating switch and short-circuiting device        | 30                 |
| <i>Constructions and transfer mechanisms (transmission lines)</i> |                    |
| Overhead transmission lines (OTL)                                 | 35                 |
| Cable transmission lines  | 30                 |
| Overhead and cable transmission lines                             | 30                 |

Fully amortizing (depreciated) fixed assets are not measured at amortized cost.

The result due to retirement, write-off and donation of fixed asset is reflected in the Statement of financial results and as a part of other revenues and expenses.

Fixed asset value has not changed, except for further construction, modernization and reconstruction of fixed assets. Expenses for reconstruction of fixed assets are reflected on the balance sheet of the reporting period to which the expenses relate.

Accounting for the property acquired under leasing is carried out in accordance with the Federal Law No. 164-FZ of October 29, 1998 “*On financial lease (leasing)*”.

## 2.5. Inventories

Inventory accounting is kept by the Company in accordance with the Federal Accounting Standards 5/2019 “*Inventories*”, approved by Order of the Ministry of Finance of the Russian Federation No. 180n of November 15, 2019.

Inventories are those assets which are consumed or sold during the operating cycle of the company or used for a period of not more than 12 months.

Inventories are recognized in the accounting while simultaneously complying with the following conditions:

- costs incurred due to the acquisition or creation of inventories will ensure that future economic benefits of the organization will be produced;
- the amount of costs incurred due to the acquisition or creation of inventories, or the equivalent, has been determined.

Inventories include:

- raw materials, fuel, spare parts, complementary parts intended for use during work performance, rendering services;
- tools, inventories, special clothes, dedicated tooling, package and other similar objects used in the performance of work, provision of services, except for these objects are considered as fixed assets for accounting purposes.

The average estimate of the actual cost of inventories issued or written off for other purposes is made by determining the actual cost of inventories at the time of issue (rolling valuation).

The Company creates the reserves for impairment of inventories in relation to all Company’s inventories for which there are signs of obsolescence of reserves, loss of their initial qualities, and their market value reduction.

## 2.6. Deferred expenses

The principled approach established in the Company is to recognize incurred expense in the balance sheet and accounting as a part of deferred expense and its equating to the asset. This approach is based on the fact that the future economic benefits (temporary benefits) related to the asset and appraisal of the asset value is probable.

The Company has established that the balance of deferred expenses is recorded in the lines “Other non-current assets” and “Other current assets”.

For this purpose the distribution between section I and section II of the balance sheet occurs on the basis of repayment period of the relevant expenses, i.e. the expenses where the repayment period is more than 12 months are to be recorded in the section I of the balance sheet and the other expenses are to be recorded in the section II.

## 2.7. Financial investments

Accounting for financial investments is kept by the Company in accordance with the Accounting Regulation 19/02 “*Accounting for financial investments*”, approved by Order of the Ministry of Finance of the Russian Federation No. 126n of December 10, 2002.

Contributions to charter capitals of other organizations are recognized by the financial investments of the organization and recorded in accounting in the amount of actual expenses of the investor, i.e. according to the cost of assets entered against contribution in which the assets were recorded on the balance sheet.

Financial investments in which the current market value is not determined are subject to reflection in accounting and accounting statements at original cost as of reporting date (Clause 21, Accounting Regulation 19/02).

Financial investments in which the current market value is determined are subject to reflection in the accounting statements at the current market value at the end of the reporting period by means of adjustment of evaluation of investments for the previous reporting date (Clause 20, Accounting Regulation 19/02).

Debt securities are reflected at historical cost. Difference between nominal value of acquisition and nominal value of the securities is to be included in other revenues and expenses.

## 2.8. Borrowings and loans

Accounting for borrowings and loans is kept by the Company in accordance with the Accounting Regulation 15/2008 “*Accounting for borrowings and loans*”, approved by Order of the Ministry of Finance of the Russian Federation No. 107n of October 6, 2008.

## 2.9. Estimated liabilities

Accounting for estimated liabilities is kept by the Company in accordance with the Accounting Regulation 8/2010 “*Estimated liabilities, contingent liabilities and contingent assets*”, approved by Order of the Ministry of Finance of the Russian Federation No. 167n of December 13, 2010.

## 2.10. Deferred taxes

Accounting for deferred taxes is kept by the Company in accordance with the Accounting Regulation 18/02 “*Accounting for corporate income tax*”, approved by Order of the Ministry of Finance of the Russian Federation No. 114n of November 19, 2002.

The amounts of deferred tax asset and liability are to be reflected in expanded form on the balance sheet during the preparation of the accounting statements.

## 2.11. Revenue and other income

Accounting for revenue and other income is kept by the Company in accordance with the Accounting Regulation 9/99 “*Organization's income*”, approved by Order of the Ministry of Finance of the Russian Federation No. 32n of May 6, 1999.

Revenue is recognized in accounting of the Company, provided that the following conditions are met:

- 1) The organization has the right to receive revenue under the specific contract or it should be confirmed by other appropriate means;
- 2) The amount of revenue is to be defined;
- 3) There is confidence that there will be increase in economic benefits of the organization as a result of the concrete operation. There is confidence that there will be increase in economic benefits of the organization as a result of the concrete operation when the organization receives an asset in payment or there is no uncertainty about receipt of an asset;
- 4) If the ownership (possession, use and control) of production (goods) was transferred from the organization to the buyer or the work was accepted by the client (the service was provided);
- 5) Expenses that were incurred or will be incurred due to this operation may be identified.

Receipts related to the equity interest in other organizations; receipts from sale of fixed assets and other assets; fines, penalties and forfeitures for the breach of contract terms and conditions; receiving of assets without compensation; profit for past years; amounts of accounts payable for which the statute of limitations has expired; exchange differences and other income are the other income of the Company in accordance with the Clause 7, Accounting Regulation 9/99.

Other revenues are recorded in the statement of financial results less the expenses related to these revenues, in case that:

- corresponding rules of accounting require and do not prohibit such recognition of revenues;
- revenues and expenses related to them, as a result of one and the same or similar business activity (such as assignment for temporary use (temporary possession and use) of own assets) are not essential for financial characteristics of the Company.

## 2.12. Cost of goods sold, production, works, services, selling costs, administrative expenses and other expenses

Accounting for expenses is kept by the Company in accordance with the Accounting Regulation 10/99 “*Organization's expenses*”, approved by Order of the Ministry of Finance of the Russian Federation No. 33n of May 6, 1999. General business expenses are fully recognized in the cost of goods sold and services in the reporting period and distribution by types of activities is carried out in proportion to the revenue.

Administrative expenses are recorded in the account 26 “*General business expenses*” showing individual cost centers and nomenclature. Administrative expenses are recorded in the statement of financial results in the line “*Administrative expenses*”.

## 2.13. Government assistance

Accounting for funds received under government assistance is kept by the Company in accordance with the Accounting Regulation 13/2000 “*Accounting for government assistance*”, approved by Order of the Ministry of Finance of the Russian Federation No. 92n of December 16, 2000.

## 2.14. Associates and affiliates

Information on associates and affiliates is disclosed by the Company in accordance with the Accounting Regulation 11/2008 “*Information on Associates and Affiliates*” approved by Order of the Ministry of Finance of the Russian Federation No. 48n of April 29, 2008.

## 2.15. Information on segments

Information on segments is disclosed by the Company in accordance with the Accounting Regulation 12/2010 “*Information on segments*”, approved by Order of the Ministry of Finance of the Russian Federation No. 143n of November 8, 2010.

## 2.16. Cash flow information

Cash flow information is disclosed by the Company in accordance with the Accounting Regulation 23/2011 “*Statement of cash flows*”, approved by Order of the Ministry of Finance of the Russian Federation No. 11n of February 2, 2011.

## 3. CHANGES IN ACCOUNTING POLICIES IN 2021

In 2021, some amendments were introduced to the Accounting Policies by the Company due to the entry into force of the new RAS 5/2019 “*Inventories*” on January 1, 2021, while the Company, in accordance with item 47 of this standard, chose a promising way to apply the change the Accounting Policies. Since the Company has chosen a perspective way of applying the change in accounting policy, the above-described changes did not affect the comparable data given in the accounting (financial) statements for 2021.

## 4. CHANGES IN ACCOUNTING POLICIES IN 2022

The accounting policy for 2022 is amended related to the regulatory changes of accounting, that are required for application in 2022:

- FAS 6/2020 “*Fixed assets*”, approved by Order of the Ministry of Finance of the Russian Federation No. 204n of September 17, 2020;
- FAS 26/2020 “*Capital investments*”, approved by Order of the Ministry of Finance of the Russian Federation No. 204n of September 17, 2020;
- FAS 25/2018 “*Lease accounting*”, approved by Order of the Ministry of Finance of the Russian Federation No. 208n of October 16, 2018;
- FAS 27/2021 “*Documents and document management system in accounting*”, approved by Order of the Ministry of Finance of the Russian Federation No. 62n of April 16, 2021.

The Company expects that changes in accounting policy due to changes in these standards will have a significant impact on the financial position of the Company, financial results of its operations and cash flow; the Company has not completed the calculation and assessment of the impact of these standards as of the date of signing of these statements.

## 5. INFORMATION DISCLOSURE ON SPECIFIC INDICATIONS OF ACCOUNTING STATEMENTS FOR 2021

### 5.1. Fixed assets

Real estate assets accepted for operation and in use undergoing the state registration are recorded in the account 01.06 “*Real estate assets the ownership of which is not registered*”. As of December 31, 2021 the original value of the real estate assets accepted for operation and in use undergoing the state registration amounted to 3,339,062 thousand rubles.

Fixed assets under the agreements providing for fulfilment of obligations by non-monetary assets were missing for the period from January 1 to December 31, 2021.

Information on fixed asset groups, change in value and usage are specified in Appendices 5.3.1; 5.3.3; 5.3.4

#### 5.1.1. Capital investments in progress

Amount of advances and advance payment of services related to the construction and purchase of fixed assets without VAT; raw materials intended to be used for the purpose of creation of fixed assets are recorded on the balance sheet of the Company as capital investments in-progress. As of December 31, 2021 the amount of advances and advance payment of services related to the construction and purchase of fixed assets amounted to 637,506 thousand rubles, VAT from advances and advance payment of services related to the construction and purchase of fixed assets is recorded in the line 1260 “*Other current assets*” in the amount of 125,914 thousand rubles. As of December 31, 2021 the amount of raw materials intended to be used for the purpose of creation of fixed assets amounted to 1,430,590 thousand rubles.

Total cost on borrowings and loans included in the cost of investment assets (paragraph 3,4 item 17 of RAS 15/2008) is disclosed in Appendix 5.6.8.

Information on the presence and flow of construction in progress assets is disclosed in Appendix 5.3.5.

### 5.1.2. Fixed assets received for lease

There are no fixed assets received for lease in the current reporting period. In the coming period lease payments are not planned.

### 5.2. Other non-current and current assets

As of December 31, 2021, deferred expenses amounted to 239,377 thousand rubles depending of the date of write-off, fixed as of the date of acceptance for recording. These expenses are recorded on the balance sheet:

#### 1) Non-exclusive rights for computer software:

- Useful life more than 12 months (line 1190) amounted to 120,545 thousand rubles;
- Useful life during 12 months (line 1260) amounted to 102,041 thousand rubles

#### 2) Other:

- Useful life more than 12 months (line 1190) amounted to 12,613 thousand rubles;
- Useful life during 12 months (line 1260) amounted to 4,178 thousand rubles.

The amount of VAT from advances received amounted to 700,138 thousand rubles is recorded in the line 1260 as a part other current assets.

### 5.3. Financial investments

The analysis of financial investments of PJSC Rosseti Kuban for the presence of impairment indicators was conducted as of December 31, 2021. As a result of reserve for decrease in financial investments was restored in the amount of 100 thousand rubles and accrued in the amount of 8,261 thousand rubles. Information on the presence and flow of financial investments is disclosed in Appendices 5.4.1 and 5.4.2

### 5.4. Government assistance

In 2021, the decision was made by the Territorial authorities of Social Insurance Fund of the Russian Federation (SIF RF) concerning the funding for preventive measures to reduce occupational injuries.

Information is disclosed in Appendix 5.9.

### 5.5. Equity and reserves

At the beginning of 2021 the charter capital of the Company amounted to 33,465,783 700 rubles and consist of 334,657,837 ordinary shares at par value of 100 (one hundred) rubles per share.

On April 1, 2021, the Bank of Russia made an official registration of this additional issue and securities prospectus of PJSC Rosseti Kuban. State registration number 1-02-00063-A was given to the additional issue of securities.

Additional shares of the Company are placed within one year from the date of state registration of additional issue up to April 1, 2022.

The maximum amount of placement of additional shares of this issue is 69,583,132 at nominal value of 100 (one hundred) rubles per share for a total amount of 6,958,313 thousand rubles.

As of December 31, 2021, 7,167,844 of additional shares is placed and paid.

The placement of additional shares at the end of the reporting year has not been completed, state registration of changes to the Company's Articles of Association has not been made. The amount of authorized capital as of December 31, 2021 has not changed and amounted to 33,465,783,700 rubles.

Preferred shares did not issued by the Company.

Additional capital of the Company is formed as a result of paid-in capital in excess of par.

The company creates the capital reserve intended for loss coverage. These losses are not specifically defined but may occur in economic turnover. The capital reserve is created out of net profits of the Company.

### 5.6. Accounts receivable

Information on the presence and flow of accounts receivable for the reporting period is disclosed in the Table 5.1. Notes to the balance sheet and statement of financial results are represented in a tabular format. Accounts receivable that is arisen and paid off in the one reporting period is not included in the turnover.

Advances, advance payments paid by the Company in connection with the acquisition, creation of inventories as of December 31, 2021, taking into account the reserve on doubtful debts amounted to 19,303 thousand rubles.

Table 7 – Settlements with the budget

(thousands of RUB)

| Indication           | Debt as of December 31, 2020 |                | Accrued for 2021 | Paid for 2021    | Debt as of December 31, 2021 |                |
|----------------------|------------------------------|----------------|------------------|------------------|------------------------------|----------------|
|                      | Debit                        | Credit         |                  |                  | Debit                        | Credit         |
| VAT                  | –                            | 541 998        | 2 972 497        | 2 978 406        | –                            | 536 089        |
| Property tax         | 20                           | 162 374        | 606 301          | 609 812          | 533                          | 159 376        |
| Income tax           | 302 279                      | –              | 1 097 611        | 1 047 266        | 251 934                      | –              |
| Land charge          | 28 601                       | 1 164          | 4 307            | -22 725          | 1 277                        | 872            |
| Personal income tax  | 2                            | 63 439         | 775 758          | 779 031          | 29                           | 60 193         |
| Transport tax        | –                            | 2 081          | 8 580            | 8 751            | –                            | 1 910          |
| Other taxes and dues | –                            | 2              | 1                | -2               | –                            | 5              |
| <b>Total taxes</b>   | <b>330 902</b>               | <b>771 058</b> | <b>5 465 055</b> | <b>5 400 539</b> | <b>253 773</b>               | <b>758 445</b> |
| Tax Penalties        | 5 600                        | –              | -14 177          | -19 776          | 1                            | –              |
| Fines                | 19 452                       | –              | -45 247          | -48 747          | 15 952                       | –              |
| <b>Total</b>         | <b>355 954</b>               | <b>771 058</b> | <b>5 405 631</b> | <b>5 332 016</b> | <b>269 726</b>               | <b>758 445</b> |

The amount of accounts receivable for taxes and dues is decreased for 86,228 thousand rubles in 2021.

There was a considerable decrease in accounts receivable related to the corporate tax in the amount of 50,345 thousand rubles. Accounts receivable for income tax in the amount of 251,934 thousand rubles arose due to the fact that advance payments (paid in 2021) had exceeded the amount of income tax, calculated for year results.

The accounts receivable on land value tax is decreased for 27,324 thousand rubles are mainly relate to the recovery of the excessively recovered sum of land tax from the budget implemented by tax authority in 2021 when the judicial decision in favour of the Company has come into force on December 24, 2020, partially canceled the results of on-site tax inspection regarding the on land value tax for 2011-2012.

The decrease of accounts receivable on fines in the amount of 3,500 thousand roubles, penalties in the amount of 5,599 thousand rubles are mainly relate to the recovery from budget of the excessively recovered tax sanctions on land tax in 2021 in accordance with the judicial decision in favour of the Company that has come into force.

Table 8 – Settlements for insurance contributions

(thousands of RUB)

| Indication                             | Debt as of December 31, 2020 |                | Accrued for 2021 | Paid for 2021    | Debt as of December 31, 2021 |                |
|--|------------------------------|----------------|------------------|------------------|------------------------------|----------------|
|  | Debit                        | Credit         |                  |                  | Debit                        | Credit         |
| <b>Insurance contributions – total</b> | <b>22 436</b>                | <b>135 442</b> | <b>1 772 938</b> | <b>1 734 420</b> | <b>6 183</b>                 | <b>157 707</b> |
| <b>including:</b>                      |                              |                |                  |                  |                              |                |
| Pension contribution                   | 6                            | 105 235        | 1 284 996        | 1 274 990        | 15                           | 115 250        |
| Compulsory health insurance            | –                            | 28 153         | 307 027          | 305 812          | –                            | 29 368         |
| Social insurance                       | 22 430                       | 2 054          | 180 915          | 153 618          | 6 168                        | 13 089         |
| <b>Penalties – total</b>               | <b>–</b>                     | <b>–</b>       | <b>1</b>         | <b>1</b>         | <b>–</b>                     | <b>–</b>       |
| <b>Fines – total</b>                   | <b>94</b>                    | <b>–</b>       | <b>87</b>        | <b>121</b>       | <b>128</b>                   | <b>–</b>       |
| <b>Total</b>                           | <b>22 530</b>                | <b>135 442</b> | <b>1 773 026</b> | <b>1 734 542</b> | <b>6 311</b>                 | <b>157 707</b> |

Accounts receivable related to the insurance contributions decreased by 16 219 thousand rubles in 2021. The decrease was mainly driven by decreasing in accounts receivable in respect of contributions to the Social Insurance Fund owing to the recovery of social insurance expenses made by the insurer for the period of 2021 from the Social Insurance Fund.

Table 9 – Allocation of taxes, penalties and fines according to the levels of budget

(thousands of RUB)

| Indication                 | Debt as of December 31, 2020 |                | Accrued for 2021 | Paid for 2021    | Debt as of December 31, 2021 |                |
|----------------------------|------------------------------|----------------|------------------|------------------|------------------------------|----------------|
|                            | Debit                        | Credit         |                  |                  | Debit                        | Credit         |
| <b>Taxes – total</b>       | <b>330 902</b>               | <b>771 058</b> | <b>5 465 055</b> | <b>5 400 539</b> | <b>253 773</b>               | <b>758 445</b> |
| Federal budget             | 79 163                       | 605 439        | 3 918 988        | 3 886 764        | 37 785                       | 596 285        |
| Regional tax, national tax | 223 138                      | 164 455        | 1 541 760        | 1 536 500        | 214 711                      | 161 288        |
| Local tax                  | 28 601                       | 1 164          | 4 307            | -22 725          | 1 277                        | 872            |
| <b>Penalties – total</b>   | <b>5 600</b>                 | <b>–</b>       | <b>-14 177</b>   | <b>-19 776</b>   | <b>1</b>                     | <b>–</b>       |
| Federal budget             | 1                            | –              | -1 821           | -1 821           | 1                            | –              |
| Regional tax, national tax | –                            | –              | -12 356          | -12 356          | –                            | –              |
| Local tax                  | 5 599                        | –              | –                | -5 599           | –                            | –              |
| <b>Fines – total</b>       | <b>19 452</b>                | <b>–</b>       | <b>-45 247</b>   | <b>-48 747</b>   | <b>15 952</b>                | <b>–</b>       |
| Federal budget             | 9 688                        | –              | -22 396          | -21 095          | 10 989                       | –              |
| Regional tax, national tax | 3 202                        | –              | -22 862          | -21 119          | 4 945                        | –              |
| Local tax                  | 6 562                        | –              | 11               | -6 533           | 18                           | –              |
| <b>Total</b>               | <b>355 954</b>               | <b>771 058</b> | <b>5 405 631</b> | <b>5 332 016</b> | <b>269 726</b>               | <b>758 445</b> |

Accounts receivable of buyers and clients, other accounts receivable are disclosed in Appendices 5.6.1-5.6.3.

## 5.7. Accounts payable, loans and borrowings

Information on the presence and flow of accounts payable for the reporting period is disclosed in the Table 5.3. Notes to the balance sheet and statement of financial results are represented in a tabular format. Accounts payable that is arisen and paid off in the one reporting period is not included in the turnover.

The amount of accounts payable for tax payments decreased by 12,613 thousand rubles that was mainly driven by reducing the assessment of VAT and personal income tax.

Accounts payable on value added tax decreased by 5,909 thousand rubles, including due to a decrease in VAT accrual for the 4th quarter of 2021.

In 2021, accounts payable on insurance contributions increased by 22,265 thousand rubles, including pension fund contributions – by 10,015 thousand rubles, contributions to the statutory social insurance fund - by 11,035 thousand rubles. This change is associated with an increase in the taxable base in 2021.

**Table 10 – Amounts and repayment periods of borrowings and loans of PJSC Rosseti Kuban as of December 31, 2021**

(thousands of RUB)

| Name of the bank             | No. of loan agreement | The amount of the actual debt | Interest debt | Repayment period   |
|------------------------------|-----------------------|-------------------------------|---------------|--|
| PJSC Rosseti                 | 5736                  | 0                             | 17 898        | Less than 1 month  |
| PJSC Rosseti                 | 5781                  | 4 200 000                     | 8 063         | Amount of principal debt – less than 12 months, for percent – less than 3 months |
| LLC FGC – asset management * | 6-3                   | 600 000                       | 0             | Less than 6 months   |
| JSC SMP Bank                 | No. 08-03-2021/OB     | 0                             | 5             | Less than 1 month  |
| PAO Sberbank                 | 5400/449              | 0                             | 1 284         | Less than 1 month  |
| PAO Sberbank                 | 5400/634              | 0                             | 3 304         | Less than 1 month  |
| PAO Sberbank                 | 5400/635              | 0                             | 3 239         | Less than 1 month  |
| JSC Raiffeisen bank          | No. 44895-KRD         | 0                             | 399           | Less than 1 month  |
| <b>Total line 1510</b>       | <b>–</b>              | <b>4 800 000</b>              | <b>34 192</b> | <b>–</b>   |
| PJSC Sberbank                | 5400/449              | 777 178                       | 0             | Above 1.5 years  |
| PJSC Sberbank                | 5400/634              | 2 000 000                     | 0             | Above 1.5 years  |
| PJSC Sberbank                | 5400/635              | 1 960 593                     | 0             | Above 1.5 years  |
| Bank GPB (JSC)               | No. 0719-030-0000-K   | 1 000 000                     | 0,00          | Above 2 years  |
| Bank GPB (JSC)               | No. 0719-031-0000-K   | 730 968                       | 0,00          | Above 2 years  |
| Bank GPB (JSC)               | No. 0719-120-0000-K   | 648 886                       | 0,00          | Above 2 years  |
| Bank GPB (JSC)               | No. 0719-048-0000-TC  | 1 356 190                     | 0,00          | Above 1.5 years  |
| Bank GPB (JSC)               | No. 0719-049-0000-TC  | 1 575 000                     | 0,00          | Above 1.5 years  |
| Bank GPB (JSC)               | No. 0719-050-0000-TC  | 1 187 500                     | 0,00          | Above 1.5 years  |
| PJSC PS Bank (Promsvyazbank) | No. 0089-20-3-15      | 1 900 000                     | 0,00          | Above 2 years  |
| JSC Raiffeisen bank          | No. 44895-KRD         | 1 500 000                     | 0,00          | Above 1 year   |
| PJSC Rosseti***              | 5736                  | 1 400 000                     |               | Above 3 years  |
| <b>Total line 1410</b>       | <b>–</b>              | <b>16 036 315</b>             | <b>0,00</b>   | <b>–</b>   |

\* The legal entity (person) is a member of the same group of persons to which the Company belongs

\*\*\* The Company is entitled to manage more than 50% of total votes, attached to the shares that constitute the charter capital, the interest of this legal entity

Interest rates for debt portfolio of the Company have been formed in the range of 7,07% to 10,05% per annum as of December 31, 2021.

According to the results of the analysis of the statements of PJSC Rosseti Kuban for 2021, the Company recorded a violation of financial indicators under a loan agreement No. 5781 as of June 30, 2020 concluded with PJSC Rosseti. Due to the objective reasons for exceeding the indicators established by the loan agreement, as well as in accordance with the letter of PJSC Rosseti, the lender does not have intentions to request the acceleration of loan repayment prior to the scheduled date.

According to the results of the analysis of the statements of PJSC Rosseti Kuban for 2021, the creditor of the Company -PJSC Sberbank - recorded a violation of the condition for maintaining net credit turnover for the 3rd quarter of 2021 under the General Agreements No. 5400/449 as of July 9, 2018, No. 5400/634 and 5400/635 as of November 18, 2019. In accordance with the letter of PJSC Sberbank, the bank confirmed the lack of intention to use the right to request early repayment of debt amounts until the end of the issued tranches (up to July 21, 2023).

Information is disclosed in Appendices 5.6.5-5.6.8.

### 5.7.1. Securing obligations

As of December 31, 2021, the amount of bank guarantees received to insure the fulfilment of obligations under the contractor agreements/supply and repayment (return of advances) amounted to 1,777,286 thousand rubles on the off-balance sheet item 008 “Fulfilment of obligations and payments received” (Appendix 5.8.)

### 5.7.2. Information on opportunities of the Company to raise additional cash as of reporting date

**Table 11 – Unused credit facilities by the Company**

(thousands of RUB)

| Creditor bank     | Name and date of the contract             | Amount of unutilized limit | Termination date of drawdown |
|-------------------|---|----------------------------|------------------------------|
| PAO Sberbank      | No. 5400/380 of September 29, 2017        | 3 000 000                  | September 23, 2022           |
| PAO Sberbank      | No. 5400/449 of July 9, 2018              | 1 222 822                  | July 8, 2023                 |
| PAO Sberbank      | No.5400/635 of November 18, 2019          | 39 407                     | November 16, 2024            |
| PAO Sberbank      | No. 5400/695 of September 17, 2020        | 1 500 000                  | September 16, 2025           |
| PAO Sberbank      | No. 5400/696 of September 17, 2020        | 2 000 000                  | September 16, 2025           |
| VTB Bank (PJSC)   | No. KC-30750/0007/B-20 of August 20, 2020 | 1 425 000                  | July 20, 2025                |
| VTB Bank (PJSC)   | No. KC-30750/0008/B-20 of August 20, 2020 | 1 575 000                  | July 20, 2025                |
| VTB Bank (PJSC)   | No. KC-30750/0009/B-20 of August 20, 2020 | 1 575 000                  | July 20, 2025                |
| VTB Bank (PJSC)   | No. KC-30750/0013/B-20 of August 31, 2020 | 1 500 000                  | July 31, 2025                |
| VTB Bank (PJSC)   | No. KC-30750/0010/B-20 of August 31, 2020 | 1 575 000                  | July 31, 2025                |
| VTB Bank (PJSC)   | No. KC-30750/0014/B-20 of August 31, 2020 | 1 575 000                  | July 31, 2025                |
| VTB Bank (PJSC)   | No. KC-30750/0012/B-20 of August 31, 2020 | 1 850 000                  | July 31, 2025                |
| VTB Bank (PJSC)   | No. KC-30750/0011/B-20 of August 31, 2020 | 2 000 000                  | July 31, 2025                |
| Bank "RRDB"( JSC) | No. 355ю of November 6, 2018              | 1 261 000                  | May 5, 2023                  |
| Bank "RRDB"( JSC) | No. 356ю of November 6, 2018              | 1 261 000                  | May 5, 2023                  |
| Bank "RRDB"( JSC) | No. 357ю of November 6, 2018              | 1 261 000                  | May 5, 2023                  |
| Bank "RRDB"( JSC) | No. 369ю of December 11, 2019             | 1 000 000                  | June 6, 2024                 |
| Bank "RRDB"( JSC) | No. 374ю of April 29, 2020                | 1 000 000                  | April 29, 2025               |
| Bank "RRDB"( JSC) | No. 375ю of April 29, 2020                | 1 500 000                  | April 29, 2025               |
| Bank "RRDB"( JSC) | No. 376ю of April 29, 2020                | 2 000 000                  | April 29, 2025               |

| Creditor bank              | Name and date of the contract              | Amount of unutilized limit | Termination date of drawdown |
|----------------------------|--|----------------------------|------------------------------|
| Bank "RRDB"( JSC)          | No. 379ю of August 25, 2020                | 1 575 000                  | February 25, 2025            |
| Bank "RRDB"( JSC)          | No. 397ю of December 29, 2021              | 1 200 000                  | December 29, 2028            |
| Bank "RRDB"( JSC)          | No. 398ю of December 29, 2021              | 2 000 000                  | December 29, 2026            |
| Bank GPB (JSC)             | No. 0719-031-0000-K of September 18, 2019  | 269 033                    | September 18, 2024           |
| Bank GPB (JSC)             | No. 0719-120-0000-K of November 20, 2019   | 2 351 115                  | November 15, 2024            |
| Bank GPB (JSC)             | No. 0720-048-0000-TC of September 30,2020  | 143 810                    | September 16, 2025           |
| JSC SMP Bank               | No.08-22-2020/KJI of August 14, 2020       | 1 000 000                  | August 14, 2025              |
| JSC SMP Bank               | No. 08-03-2021/OB of February 1, 2021      | 500 000                    | February 1, 2024             |
| AK Bars Bank (PJSC)        | No. 6931/4/2021/0102 of February 26, 2021  | 500 000                    | February 26, 2024            |
| AK Bars Bank (PJSC)        | No. 6931/4/2021/0307 of February 26, 2021  | 500 000                    | February 26, 2024            |
| PJSC Credit bank of Moscow | № 0331/21 of July 14, 2021                 | 1 500 000                  | July 14, 2026                |
| JSC Bank of Russia         | No. 00.19-5/01/138/21 of September 1, 2021 | 250 000                    | September 1, 2023            |

Available credit limits are opened up by the Company which makes it possible to refund borrowings subject to prompt repayment in 2021. As of December 31, 2021 the total amount of credit limit with termination of drawdown period in 2022-2025 amounted to 41,909,187 thousand rubles, including in the amount of 7,762,229 thousand rubles - in PAO Sberbank, in the amount of 14,058,000 thousand rubles - in Bank "RRDB" (JSC), in the amount of 2,763,958 thousand rubles – in Bank GPB (JSC), in the amount of 13,075,000 thousand rubles – in VTB Bank (PJSC), in the amount of 1,500,000 thousand rubles – in JSC SMP Bank, in the amount of 1,000,000thousand rubles in AK Bars Bank (PJSC), in the amount of 1,500,000 thousand rubles in PJSC Credit bank of Moscow and in the amount of 250,000 thousand rubles – in JSC Bank of Russia.

As at December 31, 2021, free limits in the total amount of 1,300,000 thousand rubles under the loan agreements (concluded with PJSC Rosseti) are opened up.

### 5.8. Information on risks of business activity

Internal Control Policy and Risk Management Policy are approved by the Board of Directors of the Company (Minutes No. 233/2016 of March 18, 2016) and Risk Management Policy (Minutes of February 24, 2021 No. 420/2021), the main objective of which are to recognize and ensure the fulfilment of prevention measures intended to minimize the risks (control procedures) according to the deadlines, with the purpose of reducing the probability of financial and other losses that have an impact on achieving goals of the Company.

The risk management policy defines the general principles for the creation of the Risk Management (hereinafter referred to as the RM), its goals and objectives, general approaches to the organization, the distribution of responsibilities among the participants of the risk management and the nature of their interaction.

The development and functioning of the Risk Management is carried out on the basis of common principles, which are adopted and observed by the the governing bodies and employees of the Company at all levels of management:

- 1) operation of the Risk Management is a continuous, constantly operational process that affects all activities of the Company;
- 2) operation of the Risk Management contributes to the goals set out in the strategic and tactical planning documents;
- 3) Risk Management is an integral part of the decision-making process in the Company at all levels of administration. Risk Management contributes to informed decision-making, taking into consideration the analysis of all available information on probability and consequences of decisions and possible alternatives to decisions;
- 4) Risk Management contributes to achievement of the Company's goals, increase of productivity, health and safety support of the Company's employees, safety of the Company's activities, compliance with legal and regulatory requirements, environmental protection, improvement of service quality (client-oriented approach), efficiency of operations, management and reputation;;
- 5) Risk Management contributes to the optimal balance between risks and profitability for the Company as a whole taking into consideration the requirements of the legislation, provisions of internal documents and the Articles of Association of the Company, stipulates that when executing operations and deal-making associated with an increased risk of capital loss and investment, a reasonable risk score and compliance of the level of accepted risk with the established level of preferred risk should be taken into account;
- 6) uncertainty is an integral part of decisions made in the Company. Risk Management enables information on sources of uncertainty (risk factors) to be systematized and facilitated;
- 7) Risk Management functioning is based on a systematic approach that allows to ensure timely and qualitative identification, risk assessment and execution of control procedures formalized in internal documents of the Company. Systematic, regular, consistent management of all types of risks is carried out in all key areas of activity, at all levels of management of the Company;



- 8) Risk Management functioning is based solely on qualitative, timely, verified and confirmed information. Risk Management is based on information from sources such as historical data, experience, interested party feedback, observations, analyses, predictive data and expert assessments. However, decisions should take into consideration the limitations and assumptions of data sources or the modelling and risk assessment methods used and the possible subjectivity of the expert opinion on which the risk assessment is based;
- 9) governing bodies and managers of the Company ensure the dissemination of knowledge and skills in the field of risk management in the Company, contribute to the development of a corporate culture of compliance with the principles of risk management and decision-making taking into account the risks. Adequate and timely involvement of interested parties and, in particular, decision makers in the processes of risk management at all levels of management of the Company ensures the appropriate level of development of risk management and its compliance with the requirements of internal and external environment;
- 10) the risk owner is responsible for risk management within the prerogatives assigned his/her. Employees of the Company are responsible for compliance with the procedures, standards and measures for risk management established in the Company;
- 11) Risk Management is based on the principle of efficiency (productivity and cost-effectiveness) of risk management processes, namely, the need to achieve the established goals of the Company using the least amount of resources (economy) and (or) achieve the best result of the Company's activities using the established amount of resources (efficiency);
- 12) risk management processes affecting several areas of activity (business processes) or the activities of several structural divisions are based on collective decisions taken jointly on the basis of information available to various structural divisions, taking into consideration the opinions of all interested parties;
- 13) Risk management participants make all possible efforts and use possible resources to achieve the Company's goals, but risk management cannot guarantee full achievement of the Company's goals, as well as risk identification and absolute risk reduction;
- 14) Risk management operates in accordance with the conditions and factors of the external and internal environment;
- 15) risk management is a dynamic and responsive process;

- 16) The Company constantly monitors the operation of the risk management, as a result of which it develops measures aimed at improving and developing the risk management, the culture of compliance with the principles of risk management and decision-making taking into account the risks;
- 17) Risk Management of the Company complies with the principles set forth in the International Standard for Risk Management ISO 31000:2018 "Risk Management - Management," COSO concepts "Risk Management of the Organization: Integration with Strategy and Performance" and in methodological recommendations for state-owned companies/companies with public participation in the field of risk management.

The Company carries out collection and analysis of information characterizing the external and internal factors that have a negative impact on achieving goals of the Company every three months. The Company has developed and fulfills the measures in order to minimize the consequence of risk realization. These measures are focused on preventing the negative effects. At the same time political and economic factors have an impact on the activity of PJSC Rosseti Kuban. Because of these factors the Company can't guarantee that the measures intended to prevent the probability of negative effects will be able to remedy the situation, because these risk factors are out of the Company's control.

### **Industry risks**

*The risk of increased costs for electric power transmission services of other network organizations*

Under the conditions of limited tariff growth, the regional regulator accepts significant revenue growth for individual network organizations by reducing (or unchanged) revenue from some network organizations in favor of an increase in other network organizations.

The subjective approach of the regional regulator to the distribution of the network component among network organizations in the regions where it operates, the absence of revision of tariff decisions for individual network organizations during several regulatory periods, the inclusion of the investment component for individual network organizations, or as a result of enforcement of instructions of the Federal Antimonopoly Service of the Russian Federation (FAS Russia) and court decisions may lead to the realization of risk. The issuer assesses the risk as significant with a moderate level of consequences from implementation. To prevent and mitigate the consequences of realization those risks, the Issuer provides supporting materials to the Regulatory Authorities (Regional Energy Commission - Prices and Rates Department of the Krasnodar Region). These materials confirm the level of economically justified expenditures. Therefore, the Issuer maintains its position about necessity of breakthrough growth of expenditures of the Issuer, being the power provider for Krasnodar Region and the Republic of Adygeya.

*The risk of an increase in the price of electricity purchased with the purpose of compensation for losses.*

Free pricing in the wholesale energy market (capacity), where the purchase of electric energy (capacity) is carried out in order to compensate for the technological expenses (losses) for electric power during the electric power transmission through the networks is a factor for the realization of this risk. If the risk is realized, there may be a change in the value of net profit, the total volume of uncontrolled expenses, the debt load, cost value of servicing raised funds. The risk is assessed by the company as "moderate" with an average level of consequences from realization. In order to minimize this risk and mitigate the consequences of its implementation, the shortfall in revenue in excess of the weighted average uncontrolled price of the wholesale electricity and capacity market on actual basis in relation to the accepted in the tariff balance decisions is claimed by the regulator for compensation in the future period of regulation

#### **Risks associated with the political and economic situation in the country and region**

*Risks associated with adverse weather conditions which may lead to technological disturbances..*

The actual value for achieving the reliability indicator of electric power transmission services in indicative terms did not exceed the planned values. The risk is assessed as "moderate" with an average level of consequences from implementation. To identify the causes of major technological disturbances (accidents), accident investigations are organized in accordance with the requirements of the Decree of the Government of the Russian Federation of October 28, 2009 No. 846 "On Approval of the Rules for Investigating the Causes of Accidents in the Electric Power Industry " (as amended). Based on the results of investigations, emergency prevention measures are being developed in order to minimize the consequences of the realization of the risk and henceforth prevent the occurrence of similar cases and cover the above-mentioned factors.

Sudden changes of regional scale (ecological, political, demographic, social) are unlikely, but their emergence will certainly affect the Company's activities. Taking into consideration the sufficient level of development of the transport infrastructure of the region, the risks of termination of transport communication due to inaccessibility and farness are minimal.

According to the Company, the situation in the region will have a favorable effect on the Company's activities and there is no reason to expect that the current changes in the situation in the region will lead to non-fulfillment of the Company's liabilities.

#### **Financial risks**

##### *Inflation risk*

The current inflation level cannot have a significant effect on the financial status of the Company. According to the data of the Federal State Statistics Service, the rate of the inflation for 2021 in the Russian Federation amounted to 8.4 percent. According to the forecasts of the social and economic development of the Ministry of Economic Development of the Russian Federation for 2022-2024, the inflation forecast for 2022-2023 could rise to 5-6 percent under favourable conditions.

For minimization of financial risks, risks associated with inflation processes and affecting the financial results of activity, the Company is implementing the plan of measures aimed at the effective management of material resources, improving labour efficiency, implementing the company's procurement policy in repair and other operational activities, optimizing costs through the rational utilization of material and human resources. Measures are being taken to analyze financial risks, plan and evaluate the actual profitability of the work, determine profitability indicators indicating the level of profitability of the Company, normative values of financial coefficients characterizing solvency and liquidity, which makes it possible to promptly detect drawbacks in the Company's work and take measures for their elimination. In accordance with Decree of the Government of the Russian Federation of December 29, 2011 No. 1178 "On price formation in sphere of regulated prices (tariffs) in power industry" when regulating electricity tariffs inflation level should be taken into consideration (consumer price index), that was defined in the prognosis of social and economic development of the Russian Federation. Thus, the Company considers these risks as moderate.

##### *The risk of an increase in interest rates on credits and loans.*

The Company attracts short-term and long-term borrowings from the Russian financial market. Since Company operates in the Russian Federation, inflation growth in the Russian Federation is one of the factors of overall growth of interest rates. Significant increase in interest rates on loans and borrowings can lead to debt service increase. Nowadays the risk of rising interest rates on loans is estimated as "significant" (On December 17<sup>th</sup>, the Board of Directors of the Bank of Russia made a decision on increase in the interest rate up to 8.50 percent per annum). To manage this risk, the Company optimizes the debt portfolio structure and reduces its servicing costs. According to the results of 2021, the average debt portfolio rate of the Company amounted to 9.48 percent. Besides, the Company strains after use of loans and borrowings with the fixed interest rate.

The Company's supposed actions in the event of negative effect of interest rates change on one's activity: attraction of longer-term loans to avoid negative effect of interest rates short-term fluctuations and diversify funding sources, negotiation with creditor banks, sending letters on the possibility of reducing interest rates on loans.

## Legal risks

*The risk of performance of a judicial act (settlement of disputes) on debt collection for power transmission services not in favor of the Company*

The absence of documents conforming actual fulfillment of obligations on behalf of the Company, services and expenses incurred, including insufficient or poor quality of supporting materials, incoherence of activities of business units may lead to negative financial consequences for the Company when pronouncing judicial acts (settlement of disputes) on collection of debts for power transmission services not in favor of the Company, collection of court costs. Risk is assessed as "significant" with an average level of impact from realization

The Company participates in legal proceedings, the results of which may significantly affect the Company's financial and economic activities. The Company continuously monitors litigation practice, which allows this information to be used to achieve positive judicial decisions in its favor.

*Impossibility of timely land registration (on high interest objects).*

The Company's exposure to the risk of untimely land registration should be considered as "moderate". The risks of untimely land registration are minimal and do not significantly affect electric power transmission activities, however, land registration on a timely basis has a direct impact on the implementation of the investment program, the implementation of which have a direct impact on the reliability of electricity supply. The Company implements cooperation with government authorities of regional/republican/local significance, with rightholders of plots of land, as well as controlling the activities of contract organizations performing works on land registration.

In the event of change and/or presentation of claims, deliberate obstructiveness of registration of proprietary rights by the relevant agencies, incoherence of activities of the Company's employees, the Issuer will take the necessary measures to execute the relevant documentation.

## *Engaging of employees in corrupt practices*

Violation and failure to comply with the requirements of the legislation of the Russian Federation, local regulatory legal acts and regulatory and administrative documents may lead to negative reputational consequences, as well as financial damage to the company. The Company uses best practices in assessing the risk of corruption - the zero tolerance policy of management to corruption and fraud, that is, if such a risk is identified, it is assessed as "critical" with a high level of consequences from implementation. This reflects a high level of corporate culture and the zero tolerance policy of management to corruption and fraud. The implementation of the Corruption Control Plan allows to form a negative attitude towards corruption behavior among the Company's management/employees.

*Deliberate illegal acts on behalf of both legal entities and individuals, as well as on behalf of employees of the Company, causing economic damage and threat to the good name*

The Company monitors changes in the legislation of the Russian Federation, and cooperation has been established with law enforcement agencies. Preventive maintenance is performed with employees of the Company. The risk is assessed as "moderate".

## *Occupational risks of the Company*

The risk of occupational injuries is measured as critical with high level of consequences from implementation and smoothed by ensuring occupational safety by way of:

- issuing certified, high-quality protective equipment, detergents and disinfectants, serviceable tools, devices;
- control of their correct use;
- implementing and using technologies ensuring safe performance of works and safe working conditions;
- compliance with the requirements of regulatory legal acts on maintenance, in the field of labor protection, fire, industrial and environmental safety, including in the design, construction, upgrading and retooling;-
- control of execution/implementation of programs containing requirements for labor protection and aimed at prevention of injuries (programs for elimination of places most likely to cause injury, etc.);
- timely providing workplace training on labor protection with quality control of their understanding.

### Reputational risk

The risk that the Company incurs losses due to such factors as a reduction in the number of customers (counterparties) because of the formation of negative image of financial stability, the financial position of the issuer, the quality of the work, is considered as minimal. The Company continuously works on maintaining the reliable and uninterrupted power supply to consumers, improving higher quality of service and customer-focused improvement - achieving the goals defined by the Strategy for development of integrated power grid of the Russian Federation. The realization of these goals and objectives largely determines the Company's reputation.

The Company is a natural monopoly, there is an annual increase in the number of electricity consumers. In addition, the Company developed good practice for long-term cooperation with its partners.

### Strategy risk

The Company, being a part of the unified integrated distribution power grid of Russia, seeks to achieve the objectives defined at the national level. The Strategy for development of integrated power grid of the Russian Federation was approved by the Decree of the Government of the Russian Federation of April 3, 2013 No.511-p. Since the Company is a subsidiary of PJSC Rosseti, the largest Russian systemically important electric grid company, the Company is a participant in implementation of policies and programmes on activities (business processes) of PJSC Rosseti. The goal of this Strategy is to ensure reliable, high-quality and affordable energy supply to consumers by organizing the most efficient network infrastructure corresponding to the world standards.

To ensure the implementation of the tasks and achievement of the goals defined in the Development Strategy of PJSC Rosseti and its subsidiaries and affiliates until 2030, as well as the objectives of the integrated power grid at the Federal level, the Long-term Development Program of PJSC Rosseti and its subsidiaries and affiliates (Rosseti Group of Companies) is approved until 2030.

These documents define the main risks that the Company may face in implementing the strategy. The list of these risks includes:

- reduction in yield for electric power transmission;
- failure to adopt regulatory initiatives to improve pricing in the industry;
- implementation of large-scale network infrastructure projects that do not provide the necessary return level on invested capital;
- cyber-attacks against network infrastructure facilities.

Decisions on the launch of the specific strategy (programme) in the Company's activity is made by the Board of Directors.

The probability of the risk of losses arising from errors (defects) made in management decisions, defining the strategy and activities of the Company, is assessed as low.

Measures to prevent the occurrence of this risk are:

- elaboration of proposals and scenarios to improve the implementation of specific policies and programmes;

- analysis of effectiveness of particular strategy, adoption of managerial solutions by the results of analysis;

- development and implementation of key performance indicators to achieve policies, linking them with bonuses of managers of the Company;

- continuous monitoring by the structural units of the Issuer's the ratio of the cost of implementing a specific strategy to the received profit and submission to the Board of Directors of the Company of the information for decision-making (including, by definition, the quantity and quality of resources).

### Operational risks

*Risk of reduction of electric power transmission services to consumers connected to regional distribution networks*

Volume reduction of electrical energy consumption may be driven by the impact of such external factor as economic crises and the decline in output of goods, the construction by consumers of their own generation, weather anomalies, industrial accidents, man-made disasters, a pandemic and the observance of quarantine regime by both individuals and legal entities.

Internal risk factors include undersupply of energy due to supply interruptions. Potential influence of these factors may influence on reducing the volume of services for transmission of energy, and therefore, changing of revenue of the Company. At present, the risk is assessed as "moderate" with an average level of consequences from realization.

However, as forecasted, the energy system of the Republic of Adygea and the Krasnodar region, developed by the Grid Operator of Unified Energy System (GO UES) as part of the “Scheme and Program for the Development of Unified Energy System of Russia for 2021-2027” the demand on electric power and capacity will increase. The Company participates in the formation of the Scheme and Program for the Development of the Electric Power Industry of the Krasnodar region, on the basis of which the Company's investment program is formed, the purpose of which is to expand the potential market for services and increase the number of connected consumers. The Company monitors and forecasts electric consumption by voltage levels, by which the price (tariff) for electric energy transmission services is differentiated, and by categories of consumers, as well as monitoring physical parameters of electric energy and capacity balance, carrying out work to increase the accuracy and reliability of demand planning for electric energy and capacity. The current and forecast economic situation in the region and in the whole country is also monitored, preparatory work is underway for the proper functioning of energy equipment in the corresponding seasons of the year, maintenance and repair of energy facilities are carried out.

*Risk of non-fulfillment by counterparties of obligations to pay for power transmission services within the terms established by the agreement/contract and/or or partial implementation*

As a result of the risk of non-fulfillment by counterparties of obligations to pay for services, the Company's accounts receivable index is subject to the greatest influence in the Company's reporting due to the inability of counterparties to pay for services of the Company. The risk is due to the insufficient performance of mechanisms for increasing payment discipline in the market for the provision of electricity transmission services, the consumer's lack of incentive to timely payments for electric power transmission services. The economic slowdown in Russia may affect the expense growth for electric power transmission to the distribution grids of the Company that while maintaining the established tariffs, will lead to a reduction in profits. As a result of this, disputed and overdue receivables for power transmission services arise, which leads to a decrease in liquidity and financial stability of the Company. To reduce this risk, the Company carries out work on receivables management aimed at optimizing its level and repayment of debts. The Company estimates the risk as "moderate" with an average level of consequences from realization.

*Risk of changing network configuration and working system*

The change in the network working system, the presence of transit cross-flow with intersystem regions, the presence of emergency modes, the consolidation of electrical network property, as a result, the increase in load losses are the main factors in the realization of this risk. The consequences of realization of this risk may be exceeding the established level of power losses set out in the Company's business plan for the current year. The society estimates the risk as "moderate" with a low level of consequences from realization.

In order to prevent the realization of this risk, the Company monitors and predicts electric consumption by voltage levels, by which the price (tariff) for electric energy transmission services is differentiated, and by categories of consumers, as well as monitoring the physical parameters of the balance of power energy and capacity, and conducting work to increase the accuracy and reliability of planning demand for power energy and capacity. In addition, data on loss volumes and prices for electric energy used by guaranteeing suppliers in calculating the cost of loss of electric energy are monitored.

*Risk of natural technical failures in the protection systems of information and telecommunication systems of integrated power grid facilities*

The reasons for this risk may be the use of outmoded equipment, lack of technical support, the use of equipment after the expiry of the service life of the equipment. The realization of this risk may lead to a decrease in the security of the electric grid complex facilities, temporary simple work in information and telecommunication systems. The society estimates the risk as "moderate" with a low level of consequences from realization.

In order to prevent the realization of this risk, the Company provides technical support for information protection tools, periodically analyzes the working capacity of information security products, provides repair and/or replacement of equipment, and also monitors the provision of protection systems with guaranteed and reserve power supply.

*The risk of breakdown and (or) terminating the functioning of facilities of IT infrastructure and telecommunication systems of power grid facilities*

The leading sources of risk realization may be unlawful acts of third parties as a result of a computer attack, which may lead to infliction of material damage to the Company, damage to business reputation, as well as disconnection of electricity consumers. The company evaluates risk as "significant" with a high level of consequences if adopted.

Inclusion of security requirements in the technical assignment for the creation of information infrastructure facilities and telecommunication systems of power grid facilities.

Implementation of information security products at information infrastructure facilities in accordance with the technical specifications for their creation.

The Company monitors the actions of the Company's employees through information security systems, monitors and analyzes external events of IT security, applies certified information security products.

*Risk of undue influence on the facilities of the power grid facilities and their information and telecommunication systems (terrorist, sabotage, criminal and other), including using information technologies*

The attractiveness of the targets for terrorist groups (the facility, during the failure of which the restriction of power supply to large electricity consumers is introduced) and, as a result, the failure of the equipment, power outage at consumers for a long time is the main factor for the realization of the risk. The company evaluates risk as "significant" with a high level of consequences if adopted.

Work is underway in the Company:

- installation of engineering safeguard system, video surveillance system, diagnostics monitoring and control system, security alarm at electric power industry facilities;
- reconstruction of technical security equipment at the facilities of Fuel & Energy Complex in accordance with the Company's investment programme.
- organization of the physical security of the most important Fuel & Energy Complex facilities;
- inclusion of security requirements in the technical scope of work for the creation of information infrastructure facilities and telecommunication systems of power grid facilities;
- introduction of information security products at information infrastructure facilities in accordance with technical scope of work;
- monitoring the actions of the Company's employees through information security systems. External information security events are monitored and analyzed, certified information security products are used.

### **Investments risks**

Implementation of investment programme of the Company demands fund raising both owned and loaned, on conditions satisfying the requirements of tariff system.

The main of the investment risks is the risk of increasing the volume of financing of the investment program in general and/or in accordance with the Project Brief (in relation to the established limits), the untimely inclusion of projects in the investment program, the absence of a contractor, accessible equipment compliant with the necessary requirements for the implementation of innovation projects. At present, the current risks are assessed as moderate.

The sources of risk may be an increase in the cost of materials, equipment and work for objective reasons (financial crisis, inflation, foreign economic changes, natural disasters, etc.), the refusal of contractors to participate in procurement procedures for the implementation of an innovative project.

To minimize risk of untimely and incorrect implementation of investment programme, a set of measures are applied:

- inclusion in the investment program of only those projects for which there are applicant organizations that meet the necessary requirements for the implementation of innovative projects;
- timely submission of proposals during the formation and adjustment of the investment program;
- control of implementation of investment projects according to cost and terms.

### **5.9. Deferred taxes**

In order to recognize revenues and expenses when calculating the income tax, the Company applies accrual method of accounting. The company accounts and includes in the report deferred tax assets and obligations on income tax. Deferred tax assets and obligations are accounted for temporary differences that are incomes and expenditures, which form the profit (loss) in one reporting period and taxable base on income tax in other reporting periods.

Current income tax is tax for taxation purposes determined in accordance with the legislation of the Russian Federation on taxes and dues. The future (deferred) component of income tax expense is reflected in the Statement of Financial Results.

Current income tax is recognized as obligation to budget equal to the amount of tax payable to the budget for the reporting period.

Income tax expense (qualified income tax) is calculated by multiplying accounting income (loss) by income tax rate, established in accordance with the legislation of the Russian Federation on taxes and dues.

The Company determined the following components of income tax in 2021, thousands of RUB:

Table 12 – Income tax

(thousands of RUB)

| Line item                                  | Amount      | Tax rate | Amount    | Income tax component                |
|--|-------------|----------|-----------|-------------------------------------|
| Profit/(loss) before tax                   | 2 698 754   | 20%      | 539 751   | qualified income tax                |
| Deferred income tax, including:            | 256 780     | 20%      | 51 356    |                                     |
| Change of taxable temporary difference     | (1 730 442) | 20%      | (346 088) | Changes in deferred tax liabilities |
| including:                                 |             |          |           | including:                          |
| - differences appeared                     | (2 275 726) | 20%      | (455 145) | accrued deferred tax liabilities    |
| - differences are repaid                   | 545 284     | 20%      | 109 057   | deferred tax liabilities are repaid |
| Changes in deductible                      | 1 987 222   | 20%      | 397 444   | Changes in deferred tax liabilities |
| including:                                 |             |          |           | including:                          |
| - differences appeared                     | 2 300 707   | 20%      | 460 141   | accrued deferred tax liabilities    |
| - differences are repaid                   | (313 485)   | 20%      | (62 697)  | deferred tax liabilities are repaid |
| Taxable (deductible) permanent differences | 2 792 727   | 20%      | 558 545   | Temporary tax asset (liability)     |

There are no reasons for changes in used tax rates versus the prior reporting period.

Information on profit taxation, deferred taxes flow is disclosed in Appendices 2.3 and 5.7.2.

#### 5.10. Cost of goods sold, production, works, services, selling costs, administrative expenses and other expenses

Expenses (costs) are recognized in that reporting period where they occurred, regardless the time of the actual cash payment or another implementation (accrual principle assumption).

Table 13 – Explanation of the balance item “Miscellaneous expenditures” as a part of prime cost

(thousands of RUB)

| Indication                              |           | Indication | 2021       |
|---|-----------|------------|------------|
| Line item                               | Line item |            |            |
| Cost of goods sold                      | 6510      | 46 800 254 | 49 902 736 |
| including                               |           |            |            |
| Miscellaneous expenditures              | 6515      | 25 562 435 | 27 418 600 |
| Including                               |           |            |            |
| Services of distribution grid companies |           | 12 876 119 | 13 867 571 |
| Services of “FGC UES” PJSC              |           | 7 627 903  | 8 051 470  |
| Other expenses                          |           | 5 058 413  | 5 499 559  |

#### 5.10.1. Table 14 – Information on costs of energy resources use

Table 14 – Information on costs of energy resources use

| Ser. No. | Accepted target indicators/indicators   | Measurement unit                   | 2020 (fact)      | 2021 (fact)       |
|----------|---|------------------------------------|------------------|-------------------|
| 1.       | 2   | 3                                  | 5                | 5                 |
| 1.1.     | <b>Electric power losses, including</b>   | <b>Million rubles with VAT</b>     | <b>9 940,924</b> | <b>10 883,478</b> |
|          |   | <b>million kWh</b>                 | <b>2 340,764</b> | <b>2 502,071</b>  |
| 1.1.1.   | Expenditure for electrical substation own needs   | Million rubles with VAT            | 68,744           | 86,796            |
|          |   | million kWh                        | 17,278           | 19,954            |
| 1.2.     | <b>Consumption of resources for business needs including according to the type of resources</b> | <b>Million rubles with VAT</b>     | <b>147,902</b>   | <b>151,640</b>    |
| 1.2.1.   | fuel and energy, including  | Million rubles with VAT            | 144,892          | 148501            |
|          |   | tonne of oil equivalent            | 4 142            | 4 164             |
| 1.2.1.1. | electric power  | Million rubles with VAT            | 136,858          | 139,899           |
|          |   | thousand kWh                       | 30 288,726       | 29 764,935        |
|          |   | thousand kWh for sqm of floor area | 0,193            | 0,190             |
| 1.2.1.2. | heat energy   | Million rubles with VAT            | 6,776            | 7,734             |
|          |   | Gcal                               | 2 737,995        | 3 183,902         |
|          |   | Gcal for sqm of floor area         | 0,125            | 0,145             |
| 1.2.1.3. | natural gas   | thousand m3                        | 100,379          | 118,851           |
|          |   | Million rubles with VAT            | 1,259            | 0,869             |
| 1.2.2.   | hot-water supply  | thousand m3                        | –                | –                 |
|          |   | Million rubles with VAT            | –                | –                 |
| 1.2.3.   | cold-water supply   | thousand m3                        | 68,698           | 69,446            |
|          |   | Million rubles with VAT            | 3,009            | 3,139             |

| Ser. No. | Accepted target indicators/indicators   | Measurement unit | 2020 (fact) | 2021 (fact) |
|----------|---|------------------|-------------|-------------|
| 1.       | 2   | 3                | 5           | 5           |
| 1.3.     | Equipped with devices for energy resources accounting, consumed for housekeeping needs of the Company   | %                | 100         | 100         |
| 1.4.     | Equipped with smart devices for energy accounting of consumers at the retail market in accordance with the Intellectual Energy Accounting Development Program * | %                | 23,7        | 23,72       |

\* Equipped with smart devices for energy accounting is determined in accordance with the requirements of Decree of the Government of the Russian Federation of June 19, 2020 No. 890 "On procedure for granting access to the minimum set of functions of smart energy meters (capacity)".

### 5.11. Information on cash flows

In accordance with the Accounting Regulation 23/2011, the cash flows of organizations in the form of receipts and payments of value added tax (receipts from the buyers and clients, payments to suppliers and contractors and payments to the budget system of the Russian Federation and reimbursement from it) are recorded as compressed in the line 4119 "Other payments" of the form of balance sheet "Statement of Cash Flows" in the amount of 335,953 thousand rubles including:

- VAT as part of amounts received 9,563,477 thousand rubles;
- VAT as a part of money transferred (6,443,390) thousand rubles;
- VAT paid to the budget (2,935,878) thousand rubles;
- VAT recoverable 151,744 thousand rubles.

The result: 335,953 thousand rubles.

Highly liquid investments (cash equivalents) that can most quickly and easily be converted into previously known cash and subject to low risk of changes in value for the period from January 1 to December 31, 2021 amounted 16,478,000 thousand rubles (certificate of deposit). Cash transfer into certificate of deposit that is recognized as cash equivalents, is not cash flow and is not reflected in the Statement of Cash Flows.

Table 15 – The amount of a minimum cash balance on the current accounts of the Company as of December 31, 2021

(thousand rubles)

| Foundation (additional agreement, trade confirmation)  | Transaction starting date | Transaction expiration date | Amount of a minimum cash balance |
|--|---------------------------|-----------------------------|----------------------------------|
| 1  | 2                         | 3                           | 4                                |
| Application No.201 of December 30, 2021 to the General Terms Agreement No. M3-0191/2012/007 of September 2, 2014 | December 30, 2021         | January 11, 2022            | 800 000                          |
| Application No.121 of December 30, 2021 to the General Terms Agreement No. M3-0191/2012/007 of September 2, 2014 | December 30, 2021         | January 10, 2022            | 75 000                           |
| <b>Total branch of the Bank GPB (JSC) "South"</b>  |                           |                             | <b>875 000</b>                   |
| <b>Total</b>   |                           |                             | <b>875 000</b>                   |

There is no overdraft debt of PJSC Rosseti Kuban as of December 31, 2021.

As of December 31, 2021 there are no guarantees of third-parties received and not used by the Company in order to receive a loan where the amount of cash (raised by the Company) is indicated.

Cash (or cash equivalents) that cannot be used by the Company (for example, letters of credit opened in favour of other organizations related to the transactions in progress as of reporting date) is absent as of December 31, 2021.



## 5.12. Information on segments

According to Accounting Regulations 12/2010, the management and decision-making structure of the organization and the internal reporting system were taken as bases of segmentation in the Company. Calculations of reportable segments is made based on the information of management accounting.

The Company determined the structure of the reportable segments:

- 1) Electric power transmission;
- 2) Technological connection to electric networks.

The Company discloses information in the Accounting (Financial) Statements only by the reportable segments. The remaining segments are recorded as the other segments in the Accounting Statements. Information on the reportable segments does not contain data on the cash flow from operating, investment and financial operations because of the labour intensity of its presentation in the accounting (financial) statements.

Table 16 – Customers, revenue from sales which is less than 10% of the total revenue of the Company

(thousands of RUB)

| Ser. No. | Line item (client)   | Total amount of revenue | Including: electric power transmission | Including: other services |
|----------|--|-------------------------|--|---------------------------|
| 1.       | Independent Energy Selling Company of Krasnodar Region JSC | 18 067 285              | 18 067 232                             | 53                        |
| 2.       | TNS Energo Kuban PJSC                                      | 25 832 039              | 25 688 475                             | 143 564                   |

Besides, information on reportable segments is disclosed in Appendix 5.13.

## 5.13. Related party disclosure

### 5.13.1. List of related parties

The operations of PJSC Rosseti Kuban are strongly affected by following individuals/legal entities, which are affiliated to the Company. In accordance with the legislation of the Russian Federation, PJSC Rosseti Kuban publishes the lists of affiliates of PJSC Rosseti Kuban on its website at: <https://rosseti-kuban.ru/aktsioneram-i-investoram/raskrytie-informatsii/spisok-affilirovannykh-lits-obschestva/>

Affiliated persons affecting the Company's activity:

- the largest shareholder of the Company – PJSC Rosseti (owns 93.58% of PJSC Rosseti Kuban shares);
- persons that are members of the management bodies of the Company (members of the Board of Directors, Management Board members, Chief Executive Officer of PJSC Rosseti Kuban).

PJSC Rosseti Kuban supervises the operations of its subsidiaries: Energetik Holiday Facility JSC and Kuban Energoservis JSC by methods of corporate management.

### 5.13.2. Operations carried out with related parties and transactions in progress with related parties where the settlements are executed through the bank under the terms of the contracts

Table 17 – Revenues and debts related to them for 2020

(thousands of RUB)

| Contractor                                      | As of December 31, 2019 | Accrued | Paid    | As of December 31, 2020 |
|---|-------------------------|---------|---------|-------------------------|
| Energetik Holiday Facility JSC ***              | 38                      | 2 075   | (2 044) | 69                      |
| Kuban Energoservis JSC ***                      | –                       | 2 321   | (2 269) | 52                      |
| Rosseti PJSC***                                 | –                       | 1 422   | (1 422) | –                       |
| JSC Fiber Optic Transmission Systems Management | –                       | 5 227   | (5 227) | –                       |
| PJSC Rosseti South*                             | –                       | 4 639   | (4 639) | –                       |

Table 18 – Revenues and debts related to them for 2021

(thousands of RUB)

| Contractor                                      | As of December 31, 2020 | Accrued | Paid    | As of December 31, 2021 |
|---|-------------------------|---------|---------|-------------------------|
| Energetik Holiday Facility JSC ***              | 69                      | 1 764   | (1 799) | 34                      |
| Kuban Energoservis JSC ***                      | 52                      | 5 013   | (4 894) | 171                     |
| PJSC Rosseti ***                                | –                       | 1 421   | (1 421) | –                       |
| JSC Fiber Optic Transmission Systems Management | –                       | 5 436   | (4 077) | 1 359                   |

Table 19 – Expenses, other transactions and debts related to them for 2020

(thousands of RUB)

| Contractor  | As of<br>December 31,<br>2019 | Accrued     | Paid      | As of<br>December 31,<br>2020 |
|---|-------------------------------|-------------|-----------|-------------------------------|
| 1   | 2                             | 3           | 4         | 5                             |
| PJSC Rosseti***   |                               |             |           |                               |
| - other debts   | (24 617)                      | (168 451)   | 153 049   | (40 019)                      |
| - dividends   | –                             | (595 146)   | 595 146   | –                             |
| - calculations for interests  | –                             | (196 712)   | 42 846    | (153 866)                     |
| PJSC “FGC UES”*   |                               |             |           |                               |
| - trading transactions  | (867 559)                     | (9 232 575) | 9 307 647 | (792 487)                     |
| - other debts   | (12 001)                      | (4)         | 11 985    | (20)                          |
| - other debts   | 10 495                        | 357 500     | (361 112) | 6 883                         |
| provision   | –                             | –           | –         | –                             |
| PJSC Rosseti North Caucasus*  |                               |             |           |                               |
| - other debts   | (54)                          | (14)        | 14        | (54)                          |
| - other debts   | 84 908                        | 57 307      | (67 946)  | 74 269                        |
| - provision   | –                             | (66 459)    | –         | (66 459)                      |
| Energetik Holiday Facility JSC***   |                               |             |           |                               |
| - other debts   | (130)                         | (15 457)    | 15 282    | (305)                         |
| Technical Customer Centre JSC*  |                               |             |           |                               |
| - other debts   | (2 207)                       | (1 347)     | 2 115     | (1 439)                       |
| JSC Kuban Energoservis***   |                               |             |           |                               |
| - other debts   | (26 075)                      | (1 034 298) | 789 977   | (270 396)                     |
| - other debts   | –                             | 225 881     | (198 339) | 27 542                        |
| - dividends   | –                             | (668)       | 668       | –                             |
| PJSC Research and Development<br>Center of Federal Grid Company<br>of Unified Energy System (FGC<br>UES) ** |                               |             |           |                               |
| - other debts   | –                             | (35)        | 35        | –                             |
| JSC Fiber Optic Transmission<br>Systems Management*   |                               |             |           |                               |
| - trading transactions  | (101 019)                     | (294 892)   | 119 527   | (276 384)                     |
| - other debts   | (76 696)                      | (106 691)   | 160 222   | (23 165)                      |

Table 20 – Expenses, other transactions and debts related to them for 2021

(thousands of RUB)

| Contractor                      | As of<br>December 31,<br>2020 | Accrued     | Paid      | As of<br>December 31,<br>2021 |
|---------------------------------|-------------------------------|-------------|-----------|-------------------------------|
| 1                               | 2                             | 3           | 4         | 5                             |
| PJSC Rosseti***                 |                               |             |           |                               |
| - other debts                   | (40 019)                      | (151 733)   | 172 318   | (19 434)                      |
| - settlements with shareholders | –                             | (760 060)   | 716 784   | (43 276)                      |
| - calculations for interests    | (153 866)                     | (286 355)   | 414 260   | (25 961)                      |
| PJSC FGC UES*                   |                               |             |           |                               |
| - trading transactions          | (792 487)                     | (9 755 169) | 9 732 840 | (814 816)                     |
| - other debts                   | (20)                          | (28)        | 28        | (20)                          |

| Contractor    | As of<br>December 31,<br>2020 | Accrued | Paid    | As of<br>December 31,<br>2021 |
|---------------|-------------------------------|---------|---------|-------------------------------|
| 1             | 2                             | 3       | 4       | 5                             |
| - other debts | 6 883                         | 9 397   | (2 842) | 13 438                        |
| provision     | –                             | –       | –       | –                             |

| Contractor   | As of December 31, 2020 | Accrued     | Paid      | As of December 31, 2021 |
|--|-------------------------|-------------|-----------|-------------------------|
| 1  | 2                       | 3           | 4         | 5                       |
| PJSC Rosseti North Caucasus*   |                         |             |           |                         |
| - other debts  | (54)                    | –           | –         | (54)                    |
| - other debts  | 74 269                  | 10 661      | (12 371)  | 72 559                  |
| - provision  | (66 459)                | (8 032)     | 2 550     | (71 941)                |
| Energetik Holiday Facility JSC ***   |                         |             |           |                         |
| - other debts  | (305)                   | (41 403)    | 41 653    | (55)                    |
| Technical Customer Centre JSC *  |                         |             |           |                         |
| - other debts  | (1 439)                 | (8 728)     | 4 863     | (5 304)                 |
| JSC Kuban Energoservis ***   |                         |             |           |                         |
| - other debts  | (270 396)               | (1 759 152) | 1 535 783 | (493 765)               |
| - other debts  | 27 542                  | 410 502     | (225 504) | 212 540                 |
| - dividends  | –                       | (19 894)    | 19 894    | –                       |
| PJSC Research and Development Center of Federal Grid Company of Unified Energy System (FGC UES)* |                         |             |           |                         |
| - other debts  | –                       | (35)        | 35        | –                       |
| JSC Fiber Optic Transmission Systems Management*   |                         |             |           |                         |
| - trading transactions   | (276 384)               | (500 053)   | 384 567   | (391 870)               |
| - other debts  | (23 165)                | (211 947)   | 212 062   | (23 050)                |
| LLC FGC-Asset Management*  |                         |             |           |                         |
| - calculations for interests   |                         | (14 898)    | 14 898    |                         |

\*\* The legal entity is a member of the same group of persons to which the Company belongs.

\*\* The legal entity is entitled to manage more than 20% of shares of the Company.

\*\*\* The Company is entitled to manage more than 50% of total votes, attached to the shares that constitute the charter capital, the interest of this legal entity.

Settlements are carried out monthly, the terms of the contracts are market. Non-Cash Payments.

Write-off of accounts receivable for which the statute of limitations has expired and other bad debts, including write-off out of provision for doubtful debts, has not been made.

### 5.13.3. Benefits payable to key management personnel

Table 21 – Information on the amounts of key management personnel benefits

| Types of benefits   | Members of the Board of Directors |               | Members of the Auditing Committee |            | Members of the Management Board |              |
|---|-----------------------------------|---------------|-----------------------------------|------------|---------------------------------|--------------|
|   | 2020                              | 2021          | 2020                              | 2021       | 2020                            | 2021         |
| <b>1. Short-term benefits, including</b>  | <b>29 493</b>                     | <b>16 530</b> | <b>844</b>                        | <b>986</b> | <b>2 271</b>                    | <b>1 793</b> |
| <b>1.1. Employee Remuneration for the reporting period (without vacation pay)</b>   | <b>23 326</b>                     | <b>12 746</b> | <b>648</b>                        | <b>756</b> | <b>1 918</b>                    | <b>1 539</b> |
| a) bonus  | –                                 | –             | –                                 | –          | –                               | –            |
| b) fringe benefits  | –                                 | –             | –                                 | –          | –                               | –            |
| c) other types of compensation given to employees as a result of specific labor indications and bottom line                                   | –                                 | –             | –                                 | –          | –                               | –            |
| <b>1.2. Annual paid leave for the work in the reporting period</b>  | –                                 | –             | –                                 | –          | –                               | –            |
| <b>1.3. Other benefits in favour of key management personnel (regardless terms and conditions of an Employment Contract) total, including</b> | –                                 | –             | –                                 | –          | –                               | –            |
| a) compensations for community charges;   | –                                 | –             | –                                 | –          | –                               | –            |
| b) health benefits (insurance);   | –                                 | –             | –                                 | –          | –                               | –            |
| c) lump-sum payments related to financial aid for vacation  | –                                 | –             | –                                 | –          | –                               | –            |
| d) full or partial payment for recreation;  | –                                 | –             | –                                 | –          | –                               | –            |
| e) full or partial payment for education for Company's personal benefit;  | –                                 | –             | –                                 | –          | –                               | –            |
| f) other (please specify) including:  | –                                 | –             | –                                 | –          | –                               | –            |
| Compensation for residential lease  | –                                 | –             | –                                 | –          | –                               | –            |
| Severance pay   | –                                 | –             | –                                 | –          | –                               | –            |
| <b>1.4. Accrued taxes and other compulsory payments to the corresponding budgets and extra-budgetary funds</b>                                | <b>6 167</b>                      | <b>3 784</b>  | <b>196</b>                        | <b>230</b> | <b>353</b>                      | <b>254</b>   |
| <b>2. Long-term benefits, including:</b>  | –                                 | –             | –                                 | –          | –                               | –            |
| 2.1. Post-employment benefits, including  | –                                 | –             | –                                 | –          | –                               | –            |
| a) payments under the voluntary insurance agreements concluded with the insurance companies   | –                                 | –             | –                                 | –          | –                               | –            |
| b) payments under non-state pension agreements, concluded with non-state pension funds;   | –                                 | –             | –                                 | –          | –                               | –            |
| c) other payments, guaranteeing payment of pension benefits and other social guarantees after termination of labor activity;                  | –                                 | –             | –                                 | –          | –                               | –            |
| 2.2. Other long-term benefits   | –                                 | –             | –                                 | –          | –                               | –            |
| 2.3. Long-term benefits accrual   | –                                 | –             | –                                 | –          | –                               | –            |
| <b>3. Total benefits (short-term and long-term benefits) excluding accruals on them</b>   | <b>23 326</b>                     | <b>12 746</b> | <b>648</b>                        | <b>756</b> | <b>1 918</b>                    | <b>1 539</b> |
| <b>4. Total benefits accruals (short-term and long-term benefits)</b>   | <b>6 167</b>                      | <b>3 784</b>  | <b>196</b>                        | <b>230</b> | <b>353</b>                      | <b>254</b>   |

#### 5.14. The going concern principle

Accounting (financial) statements of PJSC Rosseti Kuban for 2021 were drawn up in accordance with the going concern principle, which assumes that the Company is able to sell its assets and fulfil its liabilities in the normal course of business in the foreseeable future. As reflected in the present accounting (financial) statements, the Company's financial result (profit) in 2021 amounted to 1,711,834 thousand rubles (the Company's financial result (loss) in 2020 amounted to 1,501,278 thousand rubles which was mainly driven by the impact of negative consequences associated with the spread of COVID-19), short-term liabilities of the Company as of December 31, 2021 amounted to 19,414,188 thousand rubles; including debt obligations in the amount of 4,834,192 thousand rubles. Available credit limits are opened up by the Company which makes it possible to refund borrowings subject to prompt repayment in 2022.

As of December 31, 2021, the total amount of credit limit with termination of drawdown period in 2022-2025 amounted to 41,909,187 thousand rubles, including in the amount of 7,762,229 thousand rubles – in PAO Sberbank, in the amount of 14,058,000 thousand rubles - in Bank "RRDB" (JSC), in the amount of 2,763,958 thousand rubles in Bank GPB (JSC), in the amount of 13,075,000 thousand rubles – in VTB Bank (PJSC), in the amount of 1,500,000 thousand rubles – in JSC SMP Bank, in the amount of 1,000,000 thousand rubles in AK Bars Bank (PJSC), in the amount of 1,500,000 thousand rubles in PJSC Credit bank of Moscow and in the amount of 250,000 thousand rubles – in JSC Bank of Russia. As at December 31, 2021, free limits in the total amount of 1,300,000 thousand rubles under the loan agreements (concluded with PJSC Rosseti) are opened up.

According to the forecasts of the Company Management, the net operating cash flow in 2022 will be sufficient to cover Company's liabilities payable in 2022.

Thus, despite the shortage of working capital, the Company's management believes that the Company will be able to meet all its current obligations in 2022.

#### 5.15. Estimated liabilities, contingent liabilities and assets

In 2021, the Company recognized in the accounting the estimated liabilities related to the possible compensation payments for unused vacations in the amount of 520,346 thousand rubles, previously formed estimated liability in the amount of 506,218 thousand rubles, ending balance of the reporting period amounted to 330,958 thousands rubles. As of December 31, 2021, the estimated liability was formed, related to the possible benefits pay according to the results of the year in the amount of 415,390 rubles.

The amount of the estimated liability according to the unsettled claims of the suppliers at the beginning of the reporting period is recorded in the Accounting (Financial) Statements in the amount of 683,734 thousand rubles. Charges amounted to 758,724 thousand rubles. The amount of the estimated liability according to the unsettled claims of the suppliers at the beginning of the reporting period is recorded in the Accounting Statements in the amount of 1,220,679 thousand rubles.

As of December 31, 2021, the on-site tax inspection for 2016-2018 has been completed, but the inspection certificate until the date of signature of the statements has not been submitted by the tax authority. According to the continuous development of practical application of taxation rules, the property tax may be disputed by the tax authorities and courts related to the movables and immovable, used by the Company. Risk of tax claims, as well as probability of adverse settlement of tax disputes (if they arise) is estimated by the Company as "possible". For this purpose, the Company's Management, acting on the prudence principle, made a decision on reserve for estimated liabilities for tax risks in the amount of 559,578 thousand rubles.

As of December 31, 2021, the amount of provision for lawsuits amounted to 276,278 thousand rubles (Appendix 5.7.1.).

Discounting of the amounts of estimated liabilities, recognized by the Company is not applicable, because the expected deadline for the fulfilment of obligations is less than 12 months after the reporting date.

The expected amounts of counter-claims or amounts of the third party claims in reimbursement of expenses that the Company is going to incur during the fulfilment of obligations, and also the assets recognized on such claims in accordance with the Clause 19 of the Accounting Regulation 8/2010 as of the reporting date are absent.

#### 5.16. Events after the reporting period

Accounting for events after the reporting date and disclosure of information concerning these events in the statements is kept by the Company in accordance with the Accounting Regulation 7/98 "Events after the reporting date", approved by Order of the Ministry of Finance of the Russian Federation No. 56n of November 25, 1998.

In February 2022, some countries announced new sanctions packages against Russian sovereign debt, a number of Russian banks and personal sanctions against Russian individuals.

As a result of geopolitical tensions grow since February 2022, there has been significant increase in volatility in the stock markets and foreign exchange markets, as well as the fall of the ruble against the dollar and the euro.

It is expected that these events may affect the activities of Russian organizations in various sectors of the economy.

Other economic events that have or may have an impact on financial position or operating results of the Company, that occur between the reporting date (December 31, 2021) and the date of signing of the Accounting (Financial) Statements of PJSC Rosseti Kuban for 2021 are absent.

Deputy Chief Executive Officer  
for Economics and Finance  
of PJSC Rosseti Kuban

K.A. Iordanidi

Chief Accountant – Head of  
Department of Financial Records  
Accounts and Tax Returns  
of PJSC Rosseti Kuban

L.V. Loskutova

February 25, 2022

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# APPENDIX 5

IFRS CONSOLIDATED FINANCIAL STATEMENTS  
FOR 2021 WITH AUDITOR'S REPORT

Independent Auditor's Report  
on the Consolidated Financial Statements  
*of Public Joint Stock Company*  
*"Rosseti Kuban" and its subsidiaries*  
for 2021  
March 2022

**Independent Auditor's Report  
on the Consolidated Financial Statements  
of Public Joint Stock Company  
"Rosseti Kuban" and its subsidiaries**

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### Independent Auditor's Report

To the Shareholders and the Board of Directors of Public Joint Stock Company "Rosseti Kuban"

#### Opinion

We have audited the consolidated financial statements of Public Joint Stock Company "Rosseti Kuban" and its subsidiaries (the "Group"), which comprise the consolidated statement of profit and loss and other comprehensive income for 2021, the consolidated statement of financial position as at December 31, 2021, the consolidated statement of changes in equity and the consolidated the statement of cash flows for 2021 as well as notes to the consolidated financial statements including a brief overview of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Group as at December 31, 2021 as well as its consolidated financial performance and consolidated cash flows for 2021 in accordance with the International Financial Reporting Standards (IFRS).

#### Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including the International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of consolidated financial statements in the Russian Federation, and 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 sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Issues

The key audit issues are the issues that, according to our professional judgment, were the most significant for our audit of the consolidated financial statements for the report period. We review these issues in the context of our audit of the consolidated financial statements as a whole and when forming our opinion on such statements, and we do not express a separate opinion on these issues. With respect to each of the issues listed below, we provide our description of how we reviewed it within our audit in that context.



We have fulfilled our obligations described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report including with respect to these issues. Thus, our audit included the implementation of procedures designed in response to our assessment of the risk of material misstatements of the consolidated financial statements. The result of our audit procedures including those implemented during the review of the issues specified below serves as the basis for our auditor's opinion on the accompanying consolidated financial statements.

| Key Audit Issue | Review of the Key Audit Issue Within Our Audit |
|-----------------|--|
|-----------------|--|

|  |  |
|--|--|
| <p><b>Recognition and Assessment of Revenue from Power Transmission Services</b></p> <p>The recognition and assessment of revenue from power transmission services was one of the key issues of our audit due to the certain peculiarities of the electric power market operations which create grounds for disputes between the power grid, utility, and other entities with respect to the scope and price of the transmitted power. The revenue disputed by the contractors is significant for the Group's financial statements. The assessment by the Group's management of the probability of the disputes being resolved in favor of the Group is mostly subjective. The revenue is only recognized when, in view of the assumptions, the disputes are resolved in favor of the Group.</p> <p>Information on the revenue from the power transmission services is disclosed in paragraph 7 of the Notes to the Consolidated Financial Statements.</p> | <p>We have reviewed the accounting policy used with respect to the recognition of the revenue from the power transmission services, studied the internal control system for the reflection of this revenue, audited the procedure for calculating the relevant revenue amounts based on concluded the power transmission contracts, selectively verified the receivables balances from counterparties, analyzed the legal arguments in respect of disputed amounts for the services rendered, if any, and assessed the existing procedures for confirming the scope of the power transmitted.</p>  |
| <p><b>Provision for Expected Credit Loss with Respect to Trade Receivable</b></p> <p>The issue of creating a provision for expected credit loss with respect to trade receivables was one of the key issues for our audit due to the significant balances of trade receivables as at December 31, 2021 as well as due to the fact that management's assessment of the probability of recovering this debt is based on assumptions, in particular, on the solvency forecast for the Group's buyers.</p> <p>Information on the provision for expected credit loss with respect to trade receivables is disclosed in paragraph 20 of the Notes to the Consolidated Financial Statements.</p>  | <p>We analyzed the Group's accounting policy in relation to trade receivable for the creation of a provision for expected credit loss with respect to trade receivable, and also reviewed the assessment procedures made by the Group's management including analysis of payment of trade receivable, analysis of maturities and overdue obligations, analysis of the buyers' solvency.</p> <p>We conducted the audit procedures with respect to the information used by the Group to determine the provision for expected credit loss with respect to trade receivables as well as with respect to the structure of receivable by the dates of occurrence and repayment, and tested the calculation of the accrued provision amounts.</p> |





**Key Audit Issue**

**Review of the Key Audit Issue Within Our Audit**

***Recognition, Assessment and Reporting of Reserves, Provisions, Allowances, and Contingent Liabilities***

Recognition, assessment and reporting of reserves, provisions, allowances, and contingent liabilities with respect to the legal arguments and contractors' claims (including the territorial power grid and utility companies) were one of the key issues of our audit due to the fact that those require substantial management judgments with respect to the significant amounts of balances with counterparties that are being disputed in court or subject to pre-trial mediation.

Information on the reserves, provisions, allowances, and contingent liabilities is disclosed in paragraph 34 of the Notes to the Consolidated Financial Statements.

The audit procedures, among others, included the analysis of rulings made by courts of various levels and a review of the management's judgments with respect to the assessment of the probability of the economic resources' outflow due to settlement of disputes, a study of compliance of the documentation prepared with the provisions of existing valid agreements and laws, an analysis of the provisions' reporting and contingent liabilities in the Notes to the Consolidated Financial Statements.

***Impairment of Fixed Assets***

Due to the presence of signs of impairment of fixed assets as at December 31, 2021, the Group conducted an impairment test. The value of the property, plant and equipment use, representing a significant share of the Group's fixed assets, as at December 31, 2021 was determined using the cash flow projection method.

The issue of testing the fixed assets for impairment was one of the key issues for our audit, since the balance of fixed assets constitutes a significant part of all assets of the Group at the reporting date as well as because the process of assessing the value of use by management is complex, mostly subjective and based on the assumptions, in particular, on the forecast of the power transmission volumes, power transmission tariffs as well as operating and capital expenses which depend on the expected future market and economic conditions in the Russian Federation.

Information on the results of the analysis of fixed assets for the impairment is disclosed by the Group in paragraph 14 of the Notes to the Consolidated Financial Statements.

As part of our audit procedures, we have analyzed, among others, the assumptions and methods used by the Group, in particular those related to the revenue projection from the power transmission, tariff solutions, operating and capital expenses, long-term tariff growth rates and discount rates. We have conducted a sample basis testing of the incoming data embedded in the model and testing the arithmetic accuracy of the model used to determine the recoverable amount in the impairment test of fixed assets. We have engaged the internal assessment specialists to analyze the model used to determine the recoverable amount in the impairment test of the fixed assets. We have also analyzed the sensitivity of the model to changes in the key assessment indicators and the information disclosed by the Group about the assumptions on which the results of impairment testing depend the most.



***Other information included in the Annual Report for 2021***

Other information comprises the information included in the Annual Report for 2021 but does not include the consolidated financial statements and our auditor's report thereon. The management is responsible for the other information. The annual report for 2021 is expected to be provided to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information, and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it is provided to us, and to consider whether there are material inconsistencies between the other information and the consolidated financial statements or our knowledge obtained in the audit, and whether the other information contains other material misstatements.

***Responsibilities of the Management and the 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 the IFRS, and for such internal control as the management determines is necessary to prepare consolidated financial statements that are free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group's ability to continue as a going concern, for disclosing the matters related to going concern, as applicable, and for preparing the statements based on the going concern assumption, unless the management intends to liquidate the Group, terminate its operations or has no realistic alternative such actions.

The Audit Committee of the Board of Directors is responsible for overseeing the process of preparing the Group's 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 as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report containing our opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always reveal a material misstatement, if any. Misstatements can arise as the result of fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.



As part of an audit conducted in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; 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 of non-detection of material misstatement as a result of fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of the internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system;
- ▶ evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and the related disclosures made by the management;
- ▶ conclude on the appropriateness of the management's use of the going concern assumption and, based on the audit evidence obtained, conclude whether there is a material uncertainty related to events or conditions that may cause significant doubt on the Group's ability to continue operating continuously. If we conclude that there is a material uncertainty, we should draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on audit evidence obtained prior to the date of our audit opinion. However, future events or conditions may cause the Group to cease its ability to continue a going concern;
- ▶ evaluate the presentation of the consolidated financial statements as a whole, its structure and content, including disclosures as well as whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view;
- ▶ obtain sufficient proper audit evidence with respect to the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the overall management, control and audit of the Group. We are solely responsible for our audit opinion.



We communicate with the Audit Committee of the Board of Directors, bringing to its attention, among other matters, the information about the planned scope and timing of the audit as well as significant comments on the audit findings including significant deficiencies in the internal control system if we identify them during our audit.

We also stated to the Audit Committee of the Board of Directors that we have complied with all existing ethical independence requirements and informed these persons about all relationships and other issues that may reasonably be deemed affecting the auditor's independence, and, if necessary, about the actions taken to eliminate threats or precautions taken.

From those issues that we have stated to the Audit Committee of the Board of Directors, we determine the issues that are key for the audit of the consolidated financial statements for the report period and that are, consequently, the key audit issues. We describe those issues in our audit report, except for the cases when the public disclosure of information on such issues is prohibited by law or regulation, or when in extremely rare cases we come to the conclusion that information on any issue should not be disclosed in our report since the adverse effects of such information disclosure are reasonably expected to exceed the socially significant advantages resulting from its disclosure.

Officer responsible for the audit resulting in the making of this independent auditor's report is A.B. Kalmykova.

A.B. Kalmykova  
acting on behalf of Ernst & Young LLC  
by proxy [unnumbered] dated March 1, 2022,  
Officer responsible for the audit resulting in the making of this Independent Auditor's Report  
(Principal Number of Registration Entry 21906101970)

March 15, 2022

#### *Information on the Auditor*

Name: Ernst & Young LLC  
The entry was entered into the Unified State Register of Legal Entities on December 5, 2002 and assigned the State Registration Number 1027739707203.  
Location: 77 Sadovnicheskaya Naberezhnaya, bldg. 1, Moscow, 115035, Russia.  
Ernst & Young LLC is a member of the Self-regulatory organization of Auditors Association Sodruzhestvo (SRO AAS). Ernst & Young LLC is listed in the reference copy of the Register of Auditors and Auditing Entities under entry with Principal Registration Number 12006020327.

#### *Information on the Audited Entity*

Name: Public Joint Stock Company "Rosseti Kuban"  
The entry was entered into the Unified State Register of Legal Entities on September 17, 2002 and assigned the State Registration Number 1022301427268.  
Location: 2a Stavropolskaya str., Krasnodar, Krasnodar Region, 350033, Russia.

**PJSC “Rosseti Kuban”**  
Consolidated Statement of Profit or Loss and Other Comprehensive Income  
(in thousands Russian Rubles, if not mentioned otherwise)

**PJSC “Rosseti Kuban”**  
Consolidated Statement of Financial Position  
(in thousands Russian Rubles, if not mentioned otherwise)

|  | Note | For the year<br>ended on<br>December 31,<br>2021 | For the year<br>ended on<br>December 31,<br>2020 |
|--|------|--|--|
| Revenue  | 7    | 58 014 622                                       | 49 561 633                                       |
| Operating expenses   | 10   | (53 407 510)                                     | (49 266 371)                                     |
| Charge of provision for expected credit losses   |      | (535 911)  | (387 155)  |
| Net charge of impairment loss on property, plant and equipment and right-of-use assets | 14   | (252)  | (4 984)  |
| Other income   | 8    | 1 007 256  | 1 166 432  |
| Other expenses   | 9    | (206 243)  | (83 332)   |
| <b>Operating profit</b>  |      | <b>4 871 962</b>                                 | <b>986 223</b>                                   |
| Finance income   | 12   | 46 492   | 58 988   |
| Finance expenses   | 12   | (1 957 733)                                      | (2 090 467)                                      |
| <b>Total finance expenses</b>  |      | <b>(1 911 241)</b>                               | <b>(2 031 479)</b>                               |
| <b>Profit/(loss) before tax</b>  |      | <b>2 960 721</b>                                 | <b>(1 045 256)</b>                               |
| Expense on income tax  | 13   | (1 096 276)                                      | (194 954)  |
| <b>Profit/(loss) for the period</b>  |      | <b>1 864 445</b>                                 | <b>(1 240 210)</b>                               |
| <b>Other comprehensive income/(loss)</b>   |      |  |  |
| <i>Items that cannot be subsequently reclassified to profit or loss</i>                |      |  |  |
| Revaluation of obligations for the programmes with fixed payments                      | 27   | 16 072   | 28 815   |
| Income tax   | 13   | (3 214)  | (5 763)  |
| <b>Total items that cannot be subsequently reclassified to profit or loss</b>          |      | <b>12 858</b>                                    | <b>23 052</b>                                    |
| <b>Other comprehensive income/(loss) for the period, except income tax</b>             |      | <b>12 858</b>                                    | <b>23 052</b>                                    |
| <b>Total comprehensive income/(loss) for the period</b>                                |      | <b>1 877 303</b>                                 | <b>(1 217 158)</b>                               |
| <b>Profit/(loss) is attributable to:</b>   |      |  |  |
| Company owners   |      | 1 864 445  | (1 240 210)                                      |
| <b>Total comprehensive income/(loss) is attributable to:</b>                           |      |  |  |
| Company owners   |      | 1 877 303  | (1 217 158)                                      |
| <b>Earnings per share</b>  |      |  |  |
| Basic and diluted earnings per share (RUB)   | 24   | 5,45   | (3,71)   |

These Consolidated Financial Statements were approved by the management on March 15, 2022 and signed on behalf of the management by the following persons

First Deputy General Director  
(by proxy dated December 27, 2021  
in the register under No. 23/256-n/23-2021-21-404)

E.G. Armaganyan

Chief Accountant –  
Head of the Bookkeeping  
and Tax Accounting and Statements Department

L.V. Loskutova

| Note   | December 31,<br>2021 | December 31,<br>2020 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| <b>Non-current assets</b>  |                      |                      |
| Property, Plant and Equipment                                    | 60 777 771           | 58 164 002           |
| Intangible assets  | 260 170              | 304 618              |
| Right-of-use assets  | 4 512 530            | 5 642 257            |
| Trade and other accounts receivable                              | 9 027                | 13 139               |
| Assets associated with employee benefits obligations             | 308 658              | 319 337              |
| Other non-current financial assets                               | 1                    | 1                    |
| Deferred tax assets  | 123 335              | 116 371              |
| Advances issued and other non-current assets                     | 6 341                | 3 942                |
| <b>Total non-current assets</b>                                  | <b>65 997 833</b>    | <b>64 563 667</b>    |
| <b>Current assets</b>  |                      |                      |
| Inventory  | 2 181 199            | 2 014 723            |
| Prepayment of income tax   | 264 915              | 302 622              |
| Trade and other accounts receivable                              | 6 209 655            | 8 115 500            |
| Cash and cash equivalents  | 1 984 357            | 752 545              |
| Advances issued and other current assets                         | 265 156              | 139 484              |
| <b>Total current assets</b>                                      | <b>10 905 282</b>    | <b>11 324 874</b>    |
| Assets classified as held for sale                               | 20 510               | 22 314               |
| <b>Total current assets</b>                                      | <b>10 925 792</b>    | <b>11 347 188</b>    |
| <b>Total assets</b>  | <b>76 923 625</b>    | <b>75 910 855</b>    |
| <b>EQUITY AND LIABILITIES</b>                                    |                      |                      |
| <b>Equity</b>  |                      |                      |
| Charter capital  | 33 465 784           | 33 465 784           |
| Share premium  | 6 481 916            | 6 481 916            |
| Reserve for capital stock issues                                 | 760 060              | –                    |
| Other reserves   | (386 519)            | (399 377)            |
| Retained earnings  | (4 874 655)          | (6 739 229)          |
| <b>Total equity which is payable to Company owners</b>           | <b>35 446 586</b>    | <b>32 809 094</b>    |
| <b>Non-current liabilities</b>                                   |                      |                      |
| Non-current borrowings   | 19 742 520           | 22 778 403           |
| Non-current trade and other accounts payable                     | 122 135              | 104 439              |
| Non-current advances received                                    | 1 133 942            | 1 179 235            |
| Liabilities for employee benefits                                | 545 309              | 561 821              |
| Government subsidies   | –                    | 404                  |
| Deferred tax liabilities   | 2 190                | 845                  |
| <b>Total non-current liabilities</b>                             | <b>21 546 096</b>    | <b>24 625 147</b>    |
| <b>Current liabilities</b>                                       |                      |                      |
| Current borrowings and current portion of non-current borrowings | 6 171 194            | 6 755 657            |
| Trade and other accounts payable                                 | 8 717 865            | 7 592 834            |
| Government subsidies   | 370                  | 11 878               |
| Advances received  | 1 991 891            | 2 252 510            |
| Taxes payable except income tax                                  | 965 173              | 938 301              |
| Estimated liabilities  | 2 084 450            | 921 992              |
| Current income tax payable                                       | –                    | 3 442                |
| <b>Total current liabilities</b>                                 | <b>19 930 943</b>    | <b>18 476 614</b>    |
| <b>Total liabilities</b>   | <b>41 477 039</b>    | <b>43 101 761</b>    |
| <b>Total equity and liabilities</b>                              | <b>76 923 625</b>    | <b>75 910 855</b>    |

**PJSC “Rosseti Kuban”**  
Consolidated Statement of Cash Flows  
(in thousands Russian Rubles, if not mentioned otherwise)

| Note   | For the year ended<br>on December 31,<br>2021 | For the year ended<br>on December 31,<br>2020 |
|--|---|---|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>   |   |   |
| Profit/(loss) for the period   | 1 864 445                                     | (1 240 210)                                   |
| <i>Adjustments:</i>  |   |   |
| Depreciation of property, plant and equipment, right-of-use assets and intangible assets               | 5 736 451                                     | 5 720 577                                     |
| Net charge of impairment loss of property, plant and equipment and right-of-use assets                 | 252   | 4 984   |
| Finance expenses   | 1 957 733                                     | 2 090 467                                     |
| Finance income   | (46 492)                                      | (58 988)                                      |
| Loss from property, plant and equipment sale   | 184 847                                       | 83 332  |
| Recovery of provision for impairment of inventory  | (3 017)                                       | (3 930)                                       |
| Charge of provision for expected credit losses   | 535 911                                       | 387 155                                       |
| Write-off of bad debts   | (3 073)                                       | 124 889                                       |
| Write-off of accounts payable  | (34 298)                                      | (25 296)                                      |
| Change of government subsidies   | (11 912)                                      | (12 275)                                      |
| Charge of estimated liabilities  | 1 348 209                                     | 531 893                                       |
| Other non-cash transactions  | (182 337)                                     | 52 286  |
| Expense on income tax  | 1 096 276                                     | 194 954                                       |
| <b>Total adjustments impact</b>  | <b>10 578 550</b>                             | <b>9 090 048</b>                              |
| Change of assets associated with employee benefits obligations   | 10 679  | (975)   |
| Change of employee benefits obligations  | (31 165)                                      | (175 452)                                     |
| Change in long-term trade and other accounts receivable  | 6 652   | 1 785   |
| Change in long-term advances issued and other non-current assets                                       | (2 399)                                       | 1 179   |
| Change in long-term trade and other accounts payable   | (7 305)                                       | 1 253   |
| Change in long-term advances received  | (44 666)                                      | 299 321                                       |
| <b>Cash flow from operating activities before changes in working capital and estimated liabilities</b> | <b>12 374 791</b>                             | <b>7 976 949</b>                              |
| <i>Changes in operating assets and liabilities:</i>  |   |   |
| Changes in trade and other accounts receivable   | 1 400 093                                     | (1 539 290)                                   |
| Change in advances issued and other assets   | (125 172)                                     | (85 790)                                      |
| Change in inventories  | (99 738)                                      | (32 769)                                      |
| Changes in trade and other accounts payable  | 364 503                                       | 994 574                                       |
| Change in advances received  | (233 500)                                     | 694 856                                       |
| Use of estimated liabilities   | (217 546)                                     | (361 753)                                     |
| <b>Cash flow from operating activities before payment of income tax and interests</b>                  | <b>13 463 431</b>                             | <b>7 646 777</b>                              |
| Income tax paid  | (1 242 367)                                   | (425 086)                                     |
| Interest paid under the lease agreements   | (401 486)                                     | (498 722)                                     |
| Interest paid  | (1 700 415)                                   | (1 510 614)                                   |
| <b>Net cash from operating activities</b>  | <b>10 119 163</b>                             | <b>5 212 355</b>                              |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>   |   |   |
| Property, plant and equipment and intangible assets acquisition  | (6 014 339)                                   | (4 922 336)                                   |
| Interests received   | 26 438  | 29 721  |
| <b>Net cash used in investing activities</b>   | <b>(5 987 901)</b>                            | <b>(4 892 615)</b>                            |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>   |   |   |
| Raising borrowed funds   | 24 015 046                                    | 49 965 693                                    |
| Repayment of borrowings  | (26 361 654)                                  | (49 715 682)                                  |
| Proceeds from shares issuing   | 760 060                                       | -   |
| Dividends which are payable to Company owners  | (8)   | (636 639)                                     |
| Change in lease obligations  | 10 543  | 20 317  |
| Payments for lease obligations   | (1 323 437)                                   | (916 969)                                     |
| <b>Net cash from (used in) financing activities</b>  | <b>(2 899 450)</b>                            | <b>(1 283 280)</b>                            |
| <b>Net decrease in cash and cash equivalents</b>   | <b>1 231 812</b>                              | <b>(963 540)</b>                              |
| Cash and cash equivalents at the beginning of the reporting period                                     | 752 545                                       | 1 716 085                                     |
| <b>Cash and cash equivalents at the end of the reporting period</b>                                    | <b>1 984 357</b>                              | <b>752 545</b>                                |

The appended notes constitute an integral part of the present Consolidated Financial Statements.

**PJSC “Rosseti Kuban”**  
Consolidated Statement of Changes in Equity  
(in thousands Russian Rubles, if not mentioned otherwise)

|   | Reserve for<br>capital stock<br>issues | Share premium    | Reserve          | Retained<br>earnings | Total<br>equity   |
|---|--|------------------|------------------|----------------------|-------------------|
| <b>Balance as of January 1, 2021</b>                                | 33 465 784                             | 6 481 916        | (399 377)        | (6 739 229)          | 32 809 094        |
| Other changes in retained earnings                                  | -                                      | -                | -                | 129                  | 129               |
| <b>Profit for the period</b>  | -                                      | -                | -                | 1 864 445            | 1 864 445         |
| <i>Other comprehensive income/(expense)</i>                         |  |                  |                  |                      |                   |
| Revaluation of net obligations (assets) of pension liabilities      | -                                      | -                | 16 072           | -                    | 16 072            |
| Income tax in respect of other comprehensive income (Note 13)       | -                                      | -                | (3 214)          | -                    | (3 214)           |
| <b>Total comprehensive income for the period</b>                    | -                                      | -                | 12 858           | -                    | 12 858            |
| <i>Transactions with Company owners recorded directly in equity</i> |  |                  |                  |                      |                   |
| Issue of shares (Note 23)   | 760 060                                | -                | -                | -                    | 760 060           |
| Dividends to shareholders   | -                                      | -                | -                | -                    | -                 |
| <b>Balance as of December 31, 2021</b>                              | <b>33 465 784</b>                      | <b>6 481 916</b> | <b>(386 519)</b> | <b>(4 874 655)</b>   | <b>35 446 586</b> |
| <b>Balance as of January 1, 2020</b>                                | <b>30 379 335</b>                      | <b>6 481 916</b> | <b>(422 429)</b> | <b>(4 862 354)</b>   | <b>34 662 917</b> |
| <b>Loss for the period</b>  | -                                      | -                | -                | (1 240 210)          | (1 240 210)       |
| <i>Other comprehensive income/(expense)</i>                         |  |                  |                  |                      |                   |
| Revaluation of net obligations (assets) of pension liabilities      | -                                      | -                | 28 815           | -                    | 28 815            |
| Income tax in respect of other comprehensive income                 | -                                      | -                | (5 763)          | -                    | (5 763)           |
| <b>Total comprehensive expense for the period</b>                   | -                                      | -                | 23 052           | (1 240 210)          | (1 217 158)       |
| <i>Transactions with Company owners recorded directly in equity</i> |  |                  |                  |                      |                   |
| Registration of an additional issue of shares                       | 3 086 449                              | -                | -                | -                    | -                 |
| Dividends to shareholders   | -                                      | -                | -                | (636 665)            | (636 665)         |
| <b>Balance as of December 31, 2020</b>                              | <b>33 465 784</b>                      | <b>6 481 916</b> | <b>(399 377)</b> | <b>(6 739 229)</b>   | <b>32 809 094</b> |

The accompanying notes are an integral part of these consolidated financial statements

**PJSC “Rosseti Kuban”**

*Notes to the Consolidated Financial Statements  
for the year ended December 31, 2021  
(in thousands Russian rubles, if not mentioned otherwise)*

**1 General Information****(a) The Group and its activities**

The core activity of PJSC “Rosseti Kuban” (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group” or “Rosseti Kuban Group of Companies”) are providing services for the transmission and distribution of energy that is transferred out of the electrical system and services for technological connection of consumers to electric networks.

Location of PJSC “Rosseti Kuban”: 2A Stavropolskaya str., Krasnodar, Krasnodar Region, 350033, Russia.

The company was founded in 1993 and is registered on the territory of the Russian Federation. The Company is a Public Joint Stock Company in accordance with the legislation of the Russian Federation.

Rosseti Kuban Group of Companies consists of PJSC “Rosseti Kuban” and its non-core subsidiaries with 100% participation in their charter capital: JSC Energetik Holiday Facility and JSC Kuban Energoservis.

The Group is controlled by Public Joint Stock Company “Rosseti” (hereinafter – PJSC “Rosseti”) which as of December 31, 2021 directly owned 93.58% of the total number of outstanding ordinary shares (as of December 31, 2020 – 93.44% of the total number of outstanding ordinary shares).

**(b) Relations with the Government**

The Government of the Russian Federation represented by the Federal Agency for State Property Management is the ultimate controlling party of the ultimate parent company PJSC “Rosseti”. The policy of the Government of the Russian Federation in economic, social and other spheres may have a significant impact on the Group's activities.

As of December 31, 2021 and 2020, the Russian Federation owned 88.04% of the shares in the statutory fund of the ultimate parent company PJSC “Rosseti” including 88.89% of the ordinary voting shares and 7.01% of the preference shares.

As of December 31, 2021 and 2020, PJSC “Rosseti” owned 93.58% and 93.44% of the total number of outstanding ordinary shares in the share capital of PJSC “Rosseti Kuban”, respectively.

The State has an impact on the Group's activities by the agency of representatives of the Board of Directors of PJSC “Rosseti”, rate regulation in the electric power industry, approval and supervision of the investment program implementation. The Group's counterparties (consumers of services, suppliers and contractors, etc.) include a substantial number of government-controlled enterprises.

**(c) The economic environment where the Group carries out its activities**

The Group carries out its activities in the Russian Federation and thus is exposed to risks arising from the economic situation and state of financial markets of the Russian Federation.

The economy of the Russian Federation shows some characteristics of emerging markets. The country's economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory system continues to evolve and is subject to frequent changes, as well as the possibility for various interpretations. The ongoing political tensions in the region as well as international sanctions against some Russian companies and citizens continue to affect the Russian economy negatively.

**PJSC “Rosseti Kuban”**

*Notes to the Consolidated Financial Statements  
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(in thousands Russian rubles, if not mentioned otherwise)*

In March 2020, the World Health Organization declared the COVID-19 epidemic as a global pandemic. The Russian authorities have taken a number of measures with regard to the pandemic aimed at curbing the spread and mitigating the COVID-19 consequences such as banning and restricting movement, self-isolation and restricting commercial activities including the closure of enterprises. Some of the above measures were subsequently mitigated but as of December 31, 2021, the level of the infection spread remained high, the proportion of the persons vaccinated was relatively low and there was a risk that Russian state authorities would impose additional restrictions in subsequent periods including due to the emergence of new variants of the virus.

These measures, in particular, have significantly restricted economic activity in Russia and have already had and may still have a negative impact on the Group's business, market participants, customers as well as on the Russian and global economy for an indefinite period. The level of economic activity remains subdued, and the economic recovery is closely linked to the continuing restrictive measures.

The geopolitical situation is highly unstable. In February 2022, the effect of additional restrictions and sanctions against Russian companies and the economy of the Russian Federation as a whole intensified. At the moment, the possible consequences of these events cannot be determined with a sufficient degree of reliability. It is impossible to determine how long the increased volatility will persist and at what level the stability of the financial and currency markets indicators will eventually occur. Sanctions have been imposed on a number of Russian banks by the United States, the United Kingdom and the EU.

The Group continues to monitor and assess the development of the situation and respond accordingly:

- carry out measures to ensure reliable energy supply, implement investment projects;
- work closely with the authorities at the federal and regional levels, take all necessary measures to ensure the safety, protection of the life and health of their employees and contractors;
- track forecast and actual information on the impact of the current economic situation on the Group's activities and the Group's core counterparties;
- adapt the Group's activities to the current economic situation, take measures to ensure the Group's financial stability.

The future consequences 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 Basis for Preparation of Consolidated Financial Statement****(a) Declaration of conformity with the IFRS**

These Consolidated Financial Statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS).

Every enterprise of the Group maintains individual accounting records and prepares official financial statements in accordance with the Russian Accounting Standards (hereinafter referred to as the “RAS”). These Consolidated Financial Statements have been prepared on the basis of the accounting records under the RAS adjusted and reclassified for the purposes of fair presentation of the financial statements in accordance with the IFRS.

**PJSC “Rosseti Kuban”**  
*Notes to the Consolidated Financial Statements  
for the year ended December 31, 2021  
(in thousands Russian rubles, if not mentioned otherwise)*

**(b) The basis for determining the cost**

These Consolidated Financial Statements have been prepared on the basis of historical cost, with the exception of:

- financial assets measurable at fair value through profit or loss;
- financial assets measurable at fair value through other comprehensive income.

**(c) Functional currency and reporting currency**

The national currency of the Russian Federation is the Russian ruble (hereinafter referred to as the “Ruble” or “RUB”) which is used by the Group as the functional currency and reporting currency of these Consolidated Financial Statements. All numerical indicators in Russian rubles were rounded to the nearest thousand.

**(d) Use of accounting estimates and professional judgments**

The preparation of Consolidated Financial Statements in accordance with the IFRS requires the management to make professional judgments, assumptions and estimates that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management constantly reviews the estimates and assumptions made based on the experience gained and other factors that have been used as the basis for determining the book value of assets and liabilities. Changes in accounting 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 this and future periods.

The professional judgments that have the most significant impact on the indicators reflected in the consolidated financial statements, accounting estimates and assumptions that may lead to the need for significant adjustments to the book values of assets and liabilities over the next year include the following:

***Impairment of property, plant and equipment and right-of-use assets***

As of each reporting date, the Group's management determines whether there are signs of impairment of property, plant and equipment and right-of-use assets. The signs of impairment include changes in business plans, tariffs, and other factors leading to adverse consequences for the Group's operations. In making value-in-use calculations, the management evaluates the expected cash flows from a cash generating unit or units and calculates an acceptable discount rate to calculate the present value of these cash flows. The detailed information is provided in Note 14 “Property, Plant and Equipment” and Note 16 “Right-of-use Assets”.

***Determination of the lease period under the contracts with an option to extend or an option to terminate the lease – The Group as a lessee***

The Group defines the lease period as a lease period that is not subject to early termination, together with the periods for which an option to extend the lease is available if there is sufficient confidence that it will be exercised, or the periods for which an option to terminate the lease is available if there is sufficient confidence that it will not be exercised.

**PJSC “Rosseti Kuban”**  
*Notes to the Consolidated Financial Statements  
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In making a judgment to assess whether the Group has sufficient confidence in the exercise of an option to extend or an option to terminate the lease in determining the lease period, the Group considers the following factors:

- is the leased property specialized;
- location of the object;
- whether the Group and the lessor have the practical possibility of choosing an alternative counterparty (choosing an alternative asset);
- costs associated with the termination of the lease and the conclusion of a new (replacement) contract;
- availability of significant improvements to leased property.

***Impairment of accounts receivable***

A provision for expected credit losses on accounts receivable is created based on the management's probability estimation of specific debt redemption of the specific borrowers. For the purposes of estimation of credit losses, the Group consistently considers all reasonable and verified information about past, current and predictable events that is available without excessive effort and is relevant for the assessment of accounts receivable. The past experience is adjusted based on the data available at the moment, in order to reflect the current factors that did not affect the previous periods, and in order to exclude the influence of factors that occurred in the past and no longer exist.

***Pension payment obligations***

The expenses for the pension program with fixed payments and the corresponding expenses of the pension program are determined using actuarial expectations. Actuarial valuations require using assumptions about demographic and financial data. There are material uncertainties in regards to such valuations because of the long-term program.

***Recognition of deferred tax assets***

The management evaluates 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. When determining future taxable income and the amount of tax deductions, the management uses the accounting estimates and judgments based on the value of taxable income for previous years and expectations regarding the deferred income that is believed to be reasonable in the circumstances.

***Estimated reserves for lawsuits and claims***

The provision for lawsuits and claims is created based on the management's assessment of the probability of the adverse outcome for the received lawsuits and repayment claims. For the purposes of estimating reserves, the Group consistently considers all reasonable and verifiable information about past, current and predictable events that is available without excessive effort and is relevant for the assessment of the liability. The experience gained in the past is adjusted based on the data currently available in order to reflect current factors that did not affect previous periods, and in order to exclude the influence of factors that occurred in the past and no longer exist.

**(e) Changes in submission. Reclassification of comparison data**

Some amounts in the comparative information for the previous period have been reclassified in order to ensure their comparability with submission of data in the current reporting period. All the reclassifications carried out are insignificant.

**PJSC “Rosseti Kuban”**  
Notes to the Consolidated Financial Statements  
for the year ended December 31, 2021  
(in thousands Russian rubles, if not mentioned otherwise)

**(f) New standards, clarifications on amendments to existing standards**

The new amendments effective for annual reporting periods beginning on January 1, 2022 are listed below. These amendments are not expected to have a material impact on the Group's Consolidated Financial Statements:

- Amendments to IFRS 3 “References to Conceptual Framework”.
- Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”.
- Amendments to IAS 37 “Onerous Contracts – Contract Performance Expenses”.
- Amendment to IFRS 1 “First Application of the International Financial Reporting Standards” – a subsidiary applying the International Financial Reporting Standards for the first time.
- Amendment to IFRS 9 “Financial Instruments” – commission fee for the “10% test” in the event of derecognition of financial liabilities.
- Amendment to IAS 41 “Agriculture” – taxation at fair value measurement.

The new standards, amendments and clarifications that have been issued but have not yet entered into force at the date of issue of the Group's Consolidated Financial Statements are listed below. The Group intends to adopt the applicable standards and clarifications for use after entry into force, no significant impact on the Group's Consolidated Financial Statements is expected:

- IFRS 17 “Insurance Contracts” (issued in May 2017 and effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (issued on February 12, 2021 and effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 12 “Income Taxes” – deferred tax on assets and liabilities arising from a single transaction (issued on May 7, 2021 and effective for annual periods beginning on or after January 1, 2023);
- Amendments to IFRS 1 “Submission of Financial Statements” (Accounting Policy) and Practical Guidance 2 “Making Judgments about Materiality”;
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”.

**3 Significant Accounting Policies**

The accounting policies described below have been applied consistently in all reporting periods presented in these consolidated financial statements.

Amendments to the current standards which entered into force for annual reporting periods beginning on January 1, 2021 did not have a significant impact on these consolidated financial statements of the Group.

**PJSC “Rosseti Kuban”**  
Notes to the Consolidated Financial Statements  
for the year ended December 31, 2021  
(in thousands Russian rubles, if not mentioned otherwise)

**(a) Consolidation principles**

**i. Subsidiaries**

Subsidiaries are companies controlled by the Group. The Group controls a subsidiary when the Group is exposed to risks associated with variable returns from its involvement with the entity or has rights to receive such returns, and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are reflected in the consolidated financial statements from the date of receipt of control until the date of its termination.

The accounting policies of subsidiaries were subject to changes in cases where it was necessary to align them with the accounting policies adopted by the Group. Losses applicable to a non-controlling interests in a subsidiary are fully allocated to the account of non-controlling interests, even if this leads to a debit (“deficit”) balance on this account.

**ii. Transactions eliminated on consolidation**

Intra-group balances and transactions as well as unrealized gains and losses from intra-group transactions are eliminated when preparing the consolidated financial statements. Unrealized gains on transactions with investment objects accounted for by using the equity method are eliminated by reducing the value of the investment within the limits of the Group's interests in the relevant investment object. Unrealized losses are eliminated in the same manner as unrealized gains but only to the extent that they are not evidence of impairment.

**(b) Financial instruments**

**i. Financial assets**

The Group classifies financial assets into the following categories of evaluation: those subsequently measured at amortized cost, those measured at fair value through other comprehensive income and those measured at fair value through profit or loss. The classification depends on the financial asset management business model and the cash flow characteristics stipulated by the contracts.

Financial assets are classified as measured at amortized cost if the following conditions are fulfilled: the asset is held within the framework of a business model, the purpose of which is to hold assets in order to receive the cash flows stipulated in the contract, and the conditions of the contract stipulate the receipt of cash flows on the specified dates which are exclusively payments to the principal amount of the debt and interest on the outstanding part of the principal amount of the debt.

In the category of financial assets measured at amortized cost, the Group includes the following financial assets:

- trade and other accounts receivable that satisfy the definition of financial assets if the Group does not intend to sell them immediately or in the near future;
- cash and cash equivalents.

For financial assets classified as measured at amortized cost, a provision is made for expected credit losses (hereinafter referred to as the “ECL”).

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Upon termination of recognition of financial assets measured at amortized cost and fair value through profit or loss, the Group reflects in the statement of profit or loss and other comprehensive income (through profit or loss) the financial results from their disposal equal to the difference between the fair value reimbursement and the carrying value of the asset.

In the category of financial assets measured at fair value through other comprehensive income, the Group includes equity instruments of other companies that:

- are not classified as measurable at fair value through profit or loss; and
- do not provide the controlling Group with joint control or significant influence over Investee Company.

Upon termination of recognition of equity instruments of other companies classified at the Group's discretion as measurable at fair value through other comprehensive income, previously recognized components of other comprehensive income are transferred from the fair value reserve to retained earnings.

**ii. Impairment of financial assets**

Impairment reserves are assessed either on the basis of 12-month ECL which are the result of probable non-fulfilment of obligation within 12 months after the reporting date, or lifetime ECL which are the result of all possible events of default during the expectancy period of a financial instrument.

For trade accounts receivable or contractual assets that arise as a result of transactions related to the scope of IFRS 15 “Revenue from Contracts with Customers” (including those containing a significant financing component) and accounts receivable on lease, the Group applies a simplified approach to the reserve measurement for expected credit losses – where it is measured in the amount equal to expected credit losses for the entire period.

Reserves for impairment of other financial assets classified as measurable at amortized cost are assessed on the basis of 12-month ECL if there has not been a significant increase in credit risk since recognition. The estimated reserve for expected credit losses on a financial instrument is estimated at each reporting date in an amount equal to the expected credit losses for the entire period if the credit risk on this financial instrument has increased significantly since initial recognition considering all reasonable and verifiable information including the predictable information.

As indicators of a significant increase in credit risk, the Group considers the actual or expected difficulties of the issuer or the borrower's asset, the actual or expected breach of the conditions of the contract, the expected revision of the conditions of the contract due to the financial difficulties of the borrower on disadvantageous terms for the Group to which it would not have given its consent under other circumstances.

Based on the common practice of credit risk management, the Group defines default as the inability of the counterparty (issuer) to fulfill its obligations (including refund under the contract) due to a significant deterioration in the financial position.

An impairment credit loss on a financial asset is reported by means of recognition of an estimated reserve for its impairment. For a financial asset carried at amortized cost, the amount of the impairment loss is calculated as the difference between the book value of the asset and the present value of expected future cash flows discounted at the original effective interest rate.

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If, in the subsequent periods, the credit risk on a financial asset decreases as a result of an event that occurred after the recognition of this loss, the previously recognized impairment loss is subject to reversal by means of decrease of relevant valuation allowance. 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 statement of financial position if an impairment loss had not been recognized.

**iii. Financial liabilities**

The Group classifies financial liabilities into the following categories of evaluation: financial liabilities measured at fair value through profit or loss; financial liabilities measured at amortized cost.

In the category of financial liabilities measured at amortized cost, the Group includes the following financial liabilities:

- credit and loans (borrowings);
- trade and other accounts payable.

Credit and loans (borrowings) are initially recognized at fair value considering the transaction costs directly related to raising these funds. The fair value is defined relating to the prevailing market interest rates on similar instruments in case of its significant difference from the transaction price. In the subsequent periods, borrowings are carried at amortized cost using the effective interest method; all difference between the fair value of funds received (net of the transaction costs) and the amount to be paid is reflected in profit and loss as interest expense over the entire period of the liabilities for the redemption of borrowings.

Borrowing costs are recognized as 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 related to the acquisition or construction of assets that take a significant period to prepare for use (qualifying assets) are capitalized as part of the asset value. Capitalization is carried out when the Group:

- bears the costs of qualifying assets;
- bears borrowing costs; and
- carries on business related to the preparation of assets for use or sale.

Capitalization of borrowing costs continues until the date when assets are ready for use or sale. The Group capitalizes those borrowing costs that could have been saved if the Group had not incurred the costs for qualifying assets. Borrowing costs are capitalized based on the average cost of financing the Group (weighted average interest expenses related to the prior expenses for qualifying assets), with the exception of borrowings that were received directly for the purpose of acquiring a qualifying asset. Actual borrowing costs reduced by the amount of investment income from temporary investing of loans are capitalized.

Accounts payable is calculated upon the contractor fulfills its liability under the contract. Accounts payable is recognized at fair value and further carried at amortized cost using the effective interest method.



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**(c) Property, plant and equipment**

**i. Recognition and evaluation**

Items of property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment as of January 1, 2011, i.e. at the date of transition to the IFRS, was determined on the basis of their fair value (deemed cost) at that date.

The cost price includes all expenses directly related to the acquisition of the relevant asset. The cost of self-constructed (self-built) assets includes the costs of materials, direct labor costs, all other costs directly related to bringing assets into working condition for their intended use, the costs of dismantling and moving assets and restoring the site on which they are located, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If an item of property, plant and equipment is made up of the integral separate components with different useful lives, each of them is recognized as a separate item (major component) of property, plant and equipment.

Any amounts of profit or loss from the disposal of an item of property, plant and equipment are determined by comparing the proceeds from its disposal with its book value and are recognized net in profit or loss for the period under the items “Other income” or “Other expenses” of the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

**ii. Subsequent costs**

The costs associated with the replacement of a part (major component) of an item of property, plant and equipment increase the book value of this item if the probability that the Group will receive future economic benefits related to this part is high and its cost can be reliably determined. The book value of the replaced part is written off. The costs of current repairs and maintenance of property, plant and equipment are recognized in the Statement of Profit or Loss and Other Comprehensive Income at the time of their occurrence.

**iii. Depreciation**

Depreciation is recognized on a straight-line basis over the estimated useful lives of each part of the item of property, plant and equipment starting when this item is ready for use, since this method most accurately reflects the nature of the expected consumption of future economic benefits contained in the asset. Leased assets are depreciated over the shorter of the lease period and the useful life of the assets. Land plots are not depreciated.

Useful lives expressed in years by type of property, plant and equipment are presented below:

- buildings 1-83 years;
- transmission networks 4-79 years;
- power transmission equipment 1-42 years;
- other assets 1-50 years.

Depreciation methods, useful lives and the residual value of property, plant and equipment are analyzed as of each reporting date and, if necessary, revised.

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**(d) Intangible assets**

Intangible assets include mainly capitalized computer software and licenses with a limited useful life. Purchased software and licenses are capitalized on the basis of the costs incurred to acquire them and bring them into a state of suitability for use.

Research costs are expensed as they arise. Development costs are recognized as 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 the costs incurred during development. Other development costs are expensed as incurred. Development costs previously expensed are not recognized in assets in the subsequent period. The book value of development costs is subject to annual impairment testing.

After initial recognition, intangible assets are carried at cost less accumulated depreciation and accumulated impairment losses. Amortization of intangible assets is accrued on a straight-line basis over the asset useful life. At the end of each reporting year, depreciation methods, useful lives and residual values are analyzed for the need to revise them and, if necessary, revised.

The expected useful lives of intangible assets in the reporting and comparative periods were as follows:

- Licenses and certificates 1-10 years;
- Software 1-15 years.

At each reporting date, the management assesses whether there are signs of impairment of intangible assets. In case of impairment, the book value of intangible assets is written off to the largest of two values: the value in use and the fair value of the asset less costs to sell.

**(e) Lease**

At the time of conclusion of the contract, the Group assesses whether the contract as a whole or its individual components is a lease agreement. A contract as a whole or its individual components is a lease agreement if the right to control the use of an identified asset for a certain period is transferred under this agreement in exchange for compensation.

Right-of-use assets are initially measured at cost and amortized to the earlier of the following dates: the end date of the useful life of the right-of-use asset or the end date of the lease period. The initial cost of the right-of-use asset includes the initial measurement of the lease liability, lease payments made before or at the start date of the lease, and initial direct costs. After recognition, right-of-use assets are carried at cost less accumulated depreciation and accumulated impairment losses. Right-of-use assets are presented in the statement of financial position as a separate item.

The lease liability is initially measured at the present value of lease payments that have not yet been made at the lease commencement date and are subsequently measured at amortized cost with interest expense recognized as finance expenses in the consolidated profit and loss statement. Lease liabilities are presented in the Statement of Financial Position as part of long-term and short-term borrowings.

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The Group recognizes lease payments on short-term leases as an expense on a straight-line basis over the lease period.

For an individual lease agreement, the Group may decide to qualify the agreement as a lease in which the underlying asset has a low value and recognize lease payments under such an agreement as an expense on a straight-line basis over the lease period.

For lease agreements of land plots under power grid facilities with an indefinite period, or with a contract validity period of no more than 1 year with the possibility of annual prolongation, the Group determines the contract validity period using as a basic criterion the useful life of property, plant and equipment located on leased land plots.

For lease agreements of power grid facilities with an indefinite period, or with a contract validity period of no more than 1 year with the possibility of annual prolongation, the Group determines the contract validity period using as a basic criterion the useful life of its own property, plant and equipment with similar technical characteristics.

**(f) Advances issued**

Advances issued are classified as non-current assets if the advance is related to the acquisition of an asset that will be classified as non-current at its initial recognition. Advances for the acquisition of an asset are included in its book value when the Group gains control of the asset and there is a high probability that the Group will receive economic benefits from its use.

**(g) Inventories**

Inventories are recorded at the lower of the two amounts: cost or net realizable value. The cost price is determined using the weighted average cost method, and it includes the costs of acquiring the inventories, production or processing costs, and other costs incurred in shipping cost to its existing location and condition.

Net realizable value is the estimated selling price of inventory object in the ordinary course of the Group's activity, less the estimated costs for the completion of work with respect to this object and its sale.

Reserves intended to provide work on the prevention and elimination of accidents (emergencies) at power grid facilities (industry emergency reserve) are reflected in the section “Inventories”.

**(h) Impairment of non-financial assets**

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets, is analyzed at each reporting date to identify signs of their possible impairment. If there is any such indication, the recoverable amount of the relevant asset is estimated.

An impairment loss is recognized if the carrying amount of an asset or its corresponding cash-generating unit exceeds its estimated (recoverable) amount. The recoverable amount of an asset or a cash-generating unit is presented as the greater of its two values: value in use of this asset (this unit) and its fair value less cost to sell.

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For the purpose of an impairment testing, assets that cannot be individually verified are grouped into the smallest group within which cash inflows are generated as a result of the continuing use of the relevant assets, and this inflow is largely independent of cash inflows generated by other assets or groups of assets (the “cash-generating unit cash flows”).

The Group's common (corporate) assets do not generate independent cash flows and are used by more than one cash-generating unit. Costs of corporate assets are distributed among units on a reasonable and consistent basis, and its impairment test is carried out as part of the testing of the unit to which this corporate asset was allocated.

Impairment losses are recognized in profit or loss. Impairment losses from cash-generating units are allocated proportionally to a decrease in the carrying amount of assets within the corresponding unit (group of units).

For other assets, an analysis of an impairment loss recognized in one of the previous periods is carried out at each reporting date in order to identify signs that the amount of this loss should be reduced or that it should no longer be recognized.

An impairment loss is reversed when there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that it is possible to restore the value of assets to their carrying amount in which they would have been recorded (less accumulated depreciation amounts) if no impairment loss had been recognized.

**(i) Value added tax**

The value added tax arising from the sale of goods is subject to transfer to the state budget upon the occurrence of the earliest date: (a) the moment of receipt of payment from buyers or (b) the moment of delivery of goods or services to the buyer.

Input VAT is reimbursed by offsetting against the amount of output VAT upon receipt of the invoice.

The amounts of VAT payable to the budget are disclosed separately as part of short-term liabilities.

When creating a provision for expected credit losses on accounts receivable, the entire amount of doubtful debts, including VAT, is reserved.

**(j) Employee benefits**

**i. Defined contribution programs**

A defined contribution program is considered to be an employee compensation program at the end of an employment relationship with them, under the conditions of which the Group makes fixed contributions into a separate (independent) fund and at the same time it does not incur any additional obligations (neither legal nor constructive) to pay additional amounts. Obligations to make contributions to funds through which defined contribution pension programs are implemented including to the State Pension Fund of the Russian Federation, are recognized as employee benefit expenses as part of profit or loss for those periods in which employees provided relevant services under employment contracts. The amounts of contributions paid in advance are recognized as an asset in cases where the enterprise is entitled to reimbursement of the contributions paid by it or to a reduction in the amount of future payments for contributions.

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**ii. Defined benefit programs**

A defined benefit program is a compensation program for employees at the end of an employment relationship with them, different from a defined contribution program. The liability recognized in the consolidated statement of financial position for defined benefit pension plans represents the discounted amount of the liability at the reporting date.

The discount rate is the yield at the end of the year on government bonds, the maturity of which is approximately equal to the period of the relevant obligations of the Group and which are denominated in the same currency as the remuneration expected to be paid. These calculations are made annually by a qualified actuary using the method of the predicted conditional unit of accumulation of future payments.

Revaluation of the net defined benefit liability including actuarial gains and losses and the effect of applying the asset limit (excluding interest, if any) are recognized immediately in other comprehensive income. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the net defined benefit liability at that date considering any changes in the net defined benefit liability for the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit programs are recognized in profit or loss. Actuarial gains or losses resulting from changes in actuarial assumptions are recognized in other comprehensive income/expense.

In the event of a change in payments under the program or its sequestration, the resulting change in payments related to services of previous periods, or the gain or loss from sequestration is recognized immediately in profit or loss. The Group recognizes gains and losses from the settlement of program obligations when this settlement occurs.

**iii. Other long-term employee benefits**

The net amount of the Group's liability in respect of long-term employee benefits other than defined benefit payments is the amount of future benefits to which employees have earned the right in the current and previous periods. These future benefits are discounted in order to determine their present value. The discount rate is the yield at the reporting date on government bonds the maturity of which is approximately equal to the period of the relevant obligations of the Group and which are denominated in the same currency in which these benefits are expected to be paid. Liabilities are assessed using the forecasted conditional unit method. Revaluations are recognized in profit or loss for the period in which they arise.

**iv. Short-term benefits**

The discounting is not applicable in determining the value of liabilities related to short-term employee benefits and the relevant expenses will be recognized, if the employees carry out their employment duties.

In respect of amounts expected to be paid under a short-term bonus or profit sharing plan, a liability is recognized if the Group has an existing legal or practice-based obligation to pay this amount that arose as a result of the employee's employment in the past, and the amount of this obligation can be reliably estimated and there is a high probability of outflow economic benefits.

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**(k) Estimated liabilities**

The estimated liabilities are recognized if, as a result of some event in the past, the Group has a legal or constructive obligation, the amount of which can be reliably estimated, and there is a high probability that an outflow of economic benefits will be required to settle this obligation. The amount of the estimated liability is determined by discounting the expected cash flows at a pre-tax rate that reflects current market valuations of the impact of changes in the value of money over time and the risks inherent in this obligation. The amounts reflecting “amortization of discount” are recognized as finance expenses.

**(l) Share capital**

Ordinary shares and preferred shares that are not subject to mandatory redemption by the decision of the owners are classified as equity.

**(m) Dividends**

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.

**(n) Revenue from contracts with customers**

The Group recognizes the revenue when (or as far as) the entity fulfills the obligation by means of transfer a promised good or service (i.e. an asset) to a buyer. The asset is transferred when (or as far as) the buyer gains control of such an asset.

When (or as far as) the entity fulfills the obligation, the Group recognizes revenues in the amount that the Group expects to receive in exchange for the transfer of promised assets to the buyer, excluding VAT.

*Services for electric power transmission*

Revenue from electricity transmission services is recognized during the period (billing month) and is estimated by the results method (cost of transferred volumes of electricity and capacity).

Tariffs for electric power transmission services are approved by the executive authorities of the constituent entities of the Russian Federation in the field of state regulation of tariffs.

*Services for technological connection to electric networks*

Revenue from services for technological connection to electric networks is a non-refundable fee for connecting consumers to the electric networks. The Group cedes control over the service at a certain point in time (upon the consumer's connection to the power grid), and, therefore, fulfills the obligation to perform at a certain point in time.

The payment for technological connection according to an individual project, standard tariff rates, the rates per unit of maximum capacity and the formulas for payment for technological connection are approved by the Regional Energy Commission (Tariffs and Prices Department of the relevant region) and do not depend on the revenue from electricity transmission services. The payment for technological connection to the unified national (all-Russian) power network is approved by the Federal Antimonopoly Service.

The Group has applied the judgment that the technological connection is a separate obligation to perform which is recognized when the relevant services are provided.

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The technological connection agreement does not contain any further obligations after rendering the connection service. According to the established practice and laws regulating the electricity market, technological connection and transmission of electricity 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*

The revenue from other technical and maintenance services (technical, repair and maintenance services, consulting and organizational and technical services, communication and information technology services, other services) as well as revenue from other sales is recognized at the time the buyer gains control of the asset.

*Trade accounts receivable*

Trade accounts receivable represent the Group's right to compensation which is unconditional (i.e. the occurrence of the moment when such compensation becomes payable is due only to the passage of time). The accounting policy for the reflection of trade and other receivables is given in the section “Financial Assets”.

*Obligations under the contract*

An obligation under the contract is an obligation to transfer to the buyer goods or services for which the Group has received consideration (or an amount of consideration is due) from the buyer. If the buyer pays the consideration before the Group transfers the goods or services to the buyer, the liability under the contract is recognized at the time of payment or the payment is due (whichever occurs earlier). Contractual liabilities are recognized as revenue when the Group fulfills its contractual obligations. The Group reflects obligations under contracts with the buyers within the line code “Advances received”, including value added tax (VAT).

The advances received mainly represent deferred income under technological connection agreements.

Advances received from buyers and customers are analyzed by the Group for the presence of a financial component. If there is a time interval of more than one year between the receipt of advances and the transfer of promised goods and services for reasons other than the provision of financing to the counterparty (under contracts for technological connection to the electric networks), interest expense is not recognized for the advances received. Such advances are recorded at the fair value of assets received by the Group from the buyers and customers in advance payment.

**(o) Government subsidies**

Government subsidies are recognized if there is reasonable assurance that they will be received and all the conditions associated with them will be fulfilled. When the subsidy is issued for the purpose of financing certain expenses, it is recognized as income on a systematic basis in the same periods in which the corresponding costs that it should compensate are written off as expenses. When the subsidy is issued for the purpose of financing an asset, it is recognized as income, net of the related expenses, in equal shares over the expected useful life of the asset in question.

Government subsidies that compensate the Group for electricity tariffs (loss of income) are recognized in the consolidated statement of profit and loss and other comprehensive income (as part of other income) in the same periods in which the associated revenue was recognized.

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**(p) Social payments**

When the Group's contributions to social programs are intended for the benefit of society as a whole, and are not limited to payments in favor of the Group's employees, they are recognized in profit or loss as they are implemented. The Group's expenses related to the financing of social programs, without incurring obligations regarding such financing in the future, are reflected in the consolidated statement of profit or loss and other comprehensive income as they arise.

**(q) Financial income and expenses**

Financial income includes interest income on invested funds, dividend income, gains on the disposal of financial assets measured at fair value and measured at amortized cost, the effect of discounting financial instruments. Interest income is recognized in profit or loss at the time of occurrence, and its amount is calculated using the effective interest rate method. Dividend income is recognized in profit or loss at the moment when the Group has the right to receive the corresponding payment.

Finance costs include interest expenses on borrowings, financial leasing, losses from the disposal of financial assets measured at fair value and measured at amortized cost, 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.

**(r) Income tax expense**

Income tax expense includes current income tax and deferred tax. Current and deferred income tax is recognized in profit or loss for the period, except for the part that relates to business combinations, transactions recognized in other comprehensive income or directly in equity.

Current income tax is the amount of tax payable in respect of taxable income for the year, calculated on the basis of current or substantially enacted tax rates as of the reporting date as well as all adjustments to the amount of the obligation to pay income tax for previous years.

Deferred tax is recorded in respect of temporary differences arising between the carrying amount of assets and liabilities determined for the purposes of their reflection in the financial statements and their tax base. Deferred tax is not recognized 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 related to investments in subsidiaries and associates, to the extent that the Group is able to control the timing of the recovery of these temporary differences and it is probable that these temporary differences will not be restored in the foreseeable future.

The deferred tax estimate 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.

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The amount of deferred tax is determined based on the tax rates that will be applied in the future, at the time of the recovery of temporary differences, based on current or substantially enacted legislation as of the reporting date.

When determining the amount of current and deferred taxes, the Group considers the impact of uncertainty regarding the tax position as well as when assessing whether additional taxes, fines and penalties may be accrued. The Group calculates tax based on an assessment of many factors including interpretations of tax legislation and previous experience. Such an assessment is based on estimates and assumptions and may include a number of judgments about future events. If new information becomes available, the Group may reconsider its judgment regarding the amounts of tax liabilities for previous periods; such changes in tax liabilities will affect the income tax expense of the period in which the relevant judgment 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 for current income tax, and they relate to income tax levied by the same tax authority from the same taxable entity, or from different taxable entities but they intend to settle current tax liabilities and assets on a net basis, or the sale of their tax assets will be carried out simultaneously with the repayment of their tax liabilities.

A deferred tax asset is recognized 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 corresponding deductible temporary differences can be realized. The amount of deferred tax assets is analyzed as of each reporting date and is reduced to the extent that that it is no longer probable that the related tax benefit will be realized.

**(s) Earnings per share**

The Group presents indicators of basic and diluted earnings per share in relation to 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.

**4 Fair Value Measurement**

Specific accounting policies of the Group and a number of disclosures require an assessment of the fair value of both financial and non-financial assets and liabilities.

In assessing the fair value of an asset or liability, the Group applies, to the extent possible, observable market data. Fair value estimates relate to different levels of the fair value hierarchy, depending on the source data 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 estimates that are observable either directly (i.e. such as prices) or indirectly (i.e. determined based on prices).

Level 3: inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

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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, then the fair value measurement as a whole refers to the level of the hierarchy that corresponds to the lowest level inputs that are significant for the entire measurement.

The Group discloses transfers between levels of the fair value hierarchy in the reporting period during which this change took place.

The moment of time at which transfers to certain levels are recognized and for transfers from certain levels, the Group considers the date of occurrence of the event or change in circumstances that caused the transfer.

**5 Principal Subsidiaries**

The Group's Consolidated Financial Statements as of December 31, 2021 and December 31, 2020 include the Company and its subsidiaries, owned (founded) by PJSC “Rosseti Kuban”:

|                                | Country of registration | Ownership share / voting shares, % |                   |
|--------------------------------|-------------------------|------------------------------------|-------------------|
|                                |                         | December 31, 2021                  | December 31, 2020 |
| JSC Energetik Holiday Facility | Russian Federation      | 100                                | 100               |
| JSC Kuban Energoservis         | Russian Federation      | 100                                | 100               |

**6 Segment Information**

The Executive Board of PJSC “Rosseti Kuban” is the supreme decision-making body for operating activities.

The core activities of the Group are providing services for the transmission and distribution of electricity, technological connection to electric networks in the regions of the Russian Federation: Krasnodar Region and the Republic of Adygea.

To reflect the performance of each reporting segment, EBITDA is used: profit or loss before interest expense, taxation, depreciation, and net accrual/(recovery) of an impairment loss on property, plant and equipment and right-of-use assets (considering current accounting and reporting standards in the Russian Federation). The management believes that the EBITDA calculated in this way is the most indicative for evaluating the performance of the Group's operating segments.

For the purposes of presenting a reconciliation of EBITDA with consolidated profit for the previous period, in comparative information, the net accrual of impairment losses on property, plant and equipment and right-of-use assets has been transferred from the adjustments section to the second section.

In accordance with the requirements of IFRS 8 “Operating Segments” based on data on segment revenue, EBITDA and total assets submitted to the Executive Board, the Group has allocated one reporting segment which is a 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 Region and the Republic of Adygea) and they are managed as a whole. The “Other” segment combines several operating segments, the core activities of which are providing repair services, lease services and recreation.

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Segment indicators are based on business information prepared on the basis of the RAS reporting data and may differ from those presented in the financial statements prepared in accordance with the IFRS. Reconciliation of the indicators in the assessment presented to the Executive Board and similar indicators in these Consolidated Financial Statements includes those reclassifications and adjustments that are necessary for reporting in accordance with the IFRS.

The key segment indicators are presented and analyzed by the Executive Board of the Group and are disclosed in the tables below.

**(a) Information on reportable segments**

As of and for the year ended December 31, 2021:

|   | Rosseti Kuban     | Other            | Total             |
|---|-------------------|------------------|-------------------|
| Revenue from external buyers            | 57 650 795        | 363 827          | 58 014 622        |
| Revenue from sales between segments     | 18 949            | 1 463 224        | 1 482 173         |
| <b>Segment revenue</b>                  | <b>57 669 744</b> | <b>1 827 051</b> | <b>59 496 795</b> |
| Including                               |                   |                  |                   |
| Electric power transmission             | 54 526 276        | –                | 54 526 276        |
| Technological connection to networks    | 2 347 653         | –                | 2 347 653         |
| Other revenue                           | 795 815           | 1 827 051        | 2 622 866         |
| Financial income                        | 28 305            | 1 913            | 30 218            |
| Financial expenses                      | (1 552 608)       | (448)            | (1 553 056)       |
| Depreciation                            | (4 642 021)       | (26 180)         | (4 668 201)       |
| <b>Segment profit/(loss) before tax</b> | <b>2 698 754</b>  | <b>13 287</b>    | <b>2 712 041</b>  |
| <b>EBITDA</b>                           | <b>8 893 383</b>  | <b>39 915</b>    | <b>8 933 298</b>  |

As of and for the year ended December 31, 2020:

|                                      | Rosseti Kuban      | Other            | Total              |
|--------------------------------------|--------------------|------------------|--------------------|
| Revenue from external buyers         | 49 365 948         | 196 736          | 49 562 684         |
| Revenue from sales between segments  | 3 632              | 837 784          | 841 416            |
| <b>Segment revenue</b>               | <b>49 369 580</b>  | <b>1 034 520</b> | <b>50 404 100</b>  |
| Including                            |                    |                  |                    |
| Electric power transmission          | 48 101 880         | –                | 48 101 880         |
| Technological connection to networks | 731 309            | –                | 731 309            |
| Other revenue                        | 536 391            | 1 034 520        | 1 570 911          |
| Financial income                     | 29 540             | 1 092            | 30 632             |
| Financial expenses                   | (1 593 371)        | (105)            | (1 593 476)        |
| Depreciation                         | (4 559 838)        | (3 913)          | (4 563 751)        |
| <b>Segment profit before tax</b>     | <b>(1 384 286)</b> | <b>91 703</b>    | <b>(1 292 583)</b> |
| <b>EBITDA</b>                        | <b>4 768 923</b>   | <b>95 721</b>    | <b>4 864 644</b>   |

As of and for the year ended December 31, 2021:

|  | Rosseti Kuban     | Other            | Total             |
|--|-------------------|------------------|-------------------|
| <b>Segment assets</b>  | <b>79 554 071</b> | <b>1 041 440</b> | <b>80 595 511</b> |
| Including property, plant and equipment and construction in progress | 66 287 667        | 94 550           | 66 382 217        |
| Capital investments  | 7 195 173         | 83 390           | 7 278 563         |
| <b>Liabilities of segments</b>                                       | <b>39 380 700</b> | <b>935 502</b>   | <b>40 316 202</b> |

As of and for the year ended December 31, 2020:

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|  | Rosseti Kuban     | Other          | Total             |
|--|-------------------|----------------|-------------------|
| <b>Assets of segments</b>  | <b>77 380 244</b> | <b>434 941</b> | <b>77 815 185</b> |
| Including property, plant and equipment and construction in progress | 63 827 345        | 58 828         | 63 886 173        |
| Capital investments  | 5 052 934         | 30 923         | 5 083 857         |
| <b>Liabilities of segments</b>                                       | <b>39 551 046</b> | <b>312 955</b> | <b>39 864 001</b> |

**(b) Reconciliation of the main segment indicators by EBITDA is presented below:**

Reconciliation of segments revenues:

|   | For the year ended<br>December 31 |                   |
|---|-----------------------------------|-------------------|
|   | 2021                              | 2020              |
| <b>Segments revenues</b>  | <b>59 496 795</b>                 | <b>50 404 100</b> |
| Exclusion of revenue from sales between segments  | (1 482 173)                       | (841 416)         |
| Adjustment for sales revenue (external)   | –                                 | (1 051)           |
| <b>Revenue in the Consolidated Statement of Profit or Loss and Other Comprehensive Income</b> | <b>58 014 622</b>                 | <b>49 561 633</b> |

Reconciliation of EBITDA of reporting segments:

|   | For the year ended<br>December 31 |                    |
|---|-----------------------------------|--------------------|
|   | 2021                              | 2020               |
| <b>EBITDA of reportable segments according to the RAS</b>   | <b>8 933 298</b>                  | <b>4 864 644</b>   |
| Adjustment of intangible asset value  | 129 449                           | 58 351             |
| Discounting of accounts payable   | 375                               | 1 170              |
| Adjustment for accounts payable   | 144 226                           | 33 856             |
| Discounting of accounts receivable  | 3 296                             | 5 034              |
| Adjustment for disputed accounts receivable   | 2 135                             | 127 924            |
| Adjustment to the allowance for expected credit losses  | (10 005)                          | (85 309)           |
| Lease adjustment (reversal of lease expenses under IFRS 16)   | 1 542 144                         | 1 733 407          |
| Adjustment of estimated liabilities   | 8 338                             | (8 338)            |
| Recognition of pension and other non-current liabilities to employees   | 20 486                            | 176 427            |
| Adjustment of accrued provisions for unused vacation days and bonuses   | 10 015                            | (42 665)           |
| Adjustment of property, plant and equipment value   | 38 176                            | 9 838              |
| Tax adjustment  | 59 335                            | 16 431             |
| Adjustment for revenue from electric power transmission   | –                                 | (1 051)            |
| Adjustment for intra-group transactions   | (80 533)                          | (132 960)          |
| Adjustment for subsidy  | (3 942)                           | 3 942              |
| Other adjustments   | (141 888)                         | 5 087              |
| <b>EBITDA of reportable segments according to the IFRS</b>  | <b>10 654 905</b>                 | <b>6 765 788</b>   |
| Depreciation of property, plant and equipment, right-of-use assets and intangible assets  | (5 736 451)                       | (5 720 577)        |
| Interest expense on financial liabilities   | (1 532 351)                       | (1 585 331)        |
| Interest expense for lease liabilities  | (425 382)                         | (505 136)          |
| Income tax expense  | (1 096 276)                       | (194 954)          |
| <b>Consolidated profit/(loss) for the period in the Consolidated Statement of Profit or Loss and Other Comprehensive Income</b> | <b>1 864 445</b>                  | <b>(1 240 210)</b> |

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Reconciliation of the total amount of assets of the reportable segments:

|  | For the year ended<br>December 31 |                   |
|--|-----------------------------------|-------------------|
|  | 2021                              | 2020              |
| <b>Total amount of assets of segments</b>                                | <b>80 595 511</b>                 | <b>77 815 185</b> |
| Recognition of lease agreements under IFRS 16 standard                   | 4 512 530                         | 5 642 257         |
| Recognition of assets related to employee benefit obligations            | 308 658                           | 319 337           |
| Adjustment for deferred tax assets                                       | (1 359 448)                       | (932 816)         |
| Adjustment for financial investments                                     | 5 848                             | 14 109            |
| Adjustment for the allowance for expected credit losses                  | (26 535)                          | (17 773)          |
| Decrease in accounts receivable on VAT advances from advances issued     | (700 138)                         | (721 071)         |
| Calculations between segments  | (703 351)                         | (295 841)         |
| Discounting of accounts receivable                                       | (4 260)                           | (6 800)           |
| Reclassification of accounts receivable on lease to lease obligations    | (11 672)                          | (12 784)          |
| Write-off of accounts receivable   | (25 619)                          | (25 619)          |
| Intra-group financial assets   | (45 687)                          | (45 687)          |
| Adjustment for intangible assets value                                   | (74 375)                          | (108 058)         |
| Decrease in VAT recoverable amount for VAT amount from advances received | (159 099)                         | (17 687)          |
| Adjustment of property, plant and equipment value                        | (5 197 902)                       | (5 570 362)       |
| Excluding current RE from capital expenditures                           | (164 683)                         | (106 368)         |
| Write-off of current assets  | (29 685)                          | (21 740)          |
| Other adjustments  | 3 532                             | 2 573             |
| <b>Total assets in the Consolidated Statement of Financial Position</b>  | <b>76 923 625</b>                 | <b>75 910 855</b> |

Reconciliation of the total amount of liabilities of reportable segments:

|  | For the year ended<br>December 31 |                   |
|--|-----------------------------------|-------------------|
|  | 2021                              | 2020              |
| <b>Total amount of liabilities of segments</b>   | <b>40 316 202</b>                 | <b>39 864 001</b> |
| Recognition of lease liabilities under IFRS 16   | 4 943 208                         | 6 097 272         |
| Reclassification of accounts payable to lease IFRS 16                                    | (127 921)                         | (298 281)         |
| Recognition of pension and other non-current liabilities to employees                    | 545 309                           | 561 821           |
| Adjustment of accrued provisions for unused vacation days and bonuses                    | 178 166                           | 188 181           |
| Discounting of accounts payable  | (25)                              | (308)             |
| Subsidy adjustment   | –                                 | (3 971)           |
| Decrease in other accounts payable for VAT amount from advances received                 | (700 138)                         | (721 071)         |
| Calculations between segments  | (703 351)                         | (295 841)         |
| Write-off of deferred income   | (291 798)                         | (147 572)         |
| Adjustment of deferred tax liabilities   | (2 480 238)                       | (2 133 121)       |
| Decrease in accounts payable for advances received for VAT amount from advances received | (159 099)                         | (17 687)          |
| Other adjustments  | (43 276)                          | 8 338             |
| <b>Total amount of liabilities in the Consolidated Statement of Financial Position</b>   | <b>41 477 039</b>                 | <b>43 101 761</b> |

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**(c) The significant buyer**

The Group operates its activities in the territory of the Russian Federation. The Group does not receive proceeds from foreign consumers and has no non-current assets abroad.

For the year ended December 31, 2021 and December 31, 2020, the Group had 2 counterparties, each of which accounted for more than 10% of the Group's consolidated revenue. The revenue received from these counterparties are reflected in the Group's financial statements.

The total amount of revenue received from Counterparty 1 for 2021 amounted to 25 832 038 thousand rubles, or 44.53% of the Group's consolidated revenue (in 2020 – 23 392 295 thousand rubles, or 47.23%).

The total amount of revenue received from Counterparty 2 for 2021 amounted to 18 067 286 thousand rubles, or 31.14% of the Group's consolidated revenue (in 2020 – 15 920 732 thousand rubles, or 32.15%).

**7 Revenue**

|  | For the year ended<br>December 31 |                   |
|--|-----------------------------------|-------------------|
|  | 2021                              | 2020              |
| Electric power transmission                        | 54 525 149                        | 48 099 486        |
| Technological connection to electric networks      | 2 347 653                         | 731 309           |
| Other revenue                                      | 982 121                           | 579 154           |
| <b>Total revenue from contracts with customers</b> | <b>57 854 923</b>                 | <b>49 409 949</b> |
| Revenue from lease agreements                      | 159 699                           | 151 684           |
|  | <b>58 014 622</b>                 | <b>49 561 633</b> |

Other revenue mainly includes revenue from the sale of additional (non-tariff) services provided by the company and not related to the main activities: services for the placement of equipment at power grid facilities, services for technical and repair maintenance, diagnostics and testing, construction and installation works, consulting and organizational and technical services and other non-tariff services.

**8 Other Income**

|   | For the year ended<br>December 31 |                  |
|---|-----------------------------------|------------------|
|   | 2021                              | 2020             |
| Income from discovered electric power consumption without agreements                      | 68 476                            | 70 376           |
| Income from the termination of the lease agreement  | –                                 | 17 117           |
| Income in the form of penalties, fines and forfeits in economic contracts                 | 328 707                           | 527 826          |
| Income from compensation for losses due to disposal/liquidation of electric grid property | 222 778                           | 225 558          |
| Income from donated property, plant and equipment and inventories                         | 191 443                           | 65 648           |
| Income from subsidies received  | –                                 | 3 942            |
| Insurance payout  | 160 753                           | 230 669          |
| Write-off of accounts payable   | 34 298                            | 25 296           |
| Profit from the sale of property, plant and equipment                                     | 801                               | –                |
|   | <b>1 007 256</b>                  | <b>1 166 432</b> |

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**9 Other Expenses**

|  | For the year ended<br>December 31 |               |
|--|-----------------------------------|---------------|
|  | 2021                              | 2020          |
| Loss on disposal (sale) of property, plant and equipment | 184 847                           | 83 332        |
| Other expenses   | 21 396                            | –             |
|  | <b>206 243</b>                    | <b>83 332</b> |

**10 Operating Expenses**

|  | For the year ended<br>December 31 |                   |
|--|-----------------------------------|-------------------|
|  | 2021                              | 2020              |
| Expenses for employee benefits   | 8 096 322                         | 7 482 352         |
| Depreciation of property, plant and equipment, right-of-use assets and intangible assets | 5 736 451                         | 5 720 577         |
| <i>Material expenses, including</i>  |                                   |                   |
| Electric energy for compensation of process losses                                       | 9 069 565                         | 8 284 103         |
| Purchased electrical energy and heat for own needs                                       | 124 177                           | 120 836           |
| Other material expenses  | 2 330 856                         | 1 732 846         |
| <i>Works and services of an production nature, including</i>                             |                                   |                   |
| Services for electric power transmission   | 21 919 041                        | 20 504 022        |
| Repair and maintenance services  | 674 899                           | 693 764           |
| Other works and services of production nature  | 217 799                           | 402 090           |
| Taxes and fees except income tax   | 631 545                           | 682 534           |
| Short-term lease   | 22 960                            | 13 324            |
| Insurance  | 140 918                           | 90 878            |
| <i>Other services of third-party organizations, including:</i>                           |                                   |                   |
| Communication services   | 79 944                            | 72 569            |
| Security   | 231 363                           | 236 053           |
| Consulting, legal and audit services   | 42 361                            | 56 721            |
| Software and maintenance expenses  | 116 354                           | 96 330            |
| Transport services   | 7 505                             | 4 062             |
| <i>Other services, including</i>   |                                   |                   |
| Implementation of energy service contracts   | 1 123 825                         | 1 435 925         |
| Other third-party services   | 174 290                           | 104 481           |
| <i>Other expenses, including</i>   |                                   |                   |
| Business expenses  | 85 901                            | 76 334            |
| Estimated liabilities  | 1 348 209                         | 531 893           |
| Expenses related to the maintenance of property  | 163 267                           | 169 585           |
| Expenses for services related to the organization, operation and development of the UPS  | 104 437                           | 118 322           |
| Expenses recognized in the form of penalties, fines and forfeits for breach of contract  | 10 507                            | 61 483            |
| Profit and loss for prior periods  | 394 168                           | 382 224           |
| Other operating expenses   | 560 846                           | 193 063           |
|  | <b>53 407 510</b>                 | <b>49 266 371</b> |

**11 Employee Benefit Expenses**

|   | For the year ended<br>December 31 |                  |
|---|-----------------------------------|------------------|
|   | 2021                              | 2020             |
| Salary  | 5 869 380                         | 5 559 871        |
| Social security contributions                         | 1 796 649                         | 1 697 707        |
| Expenses/(income) related to defined benefit programs | 26 968                            | (122 858)        |
| Other   | 403 325                           | 347 632          |
|   | <b>8 096 322</b>                  | <b>7 482 352</b> |

During the year ended December 31, 2021, the amount of deductions for defined benefit programs amounted to 58 133 thousand rubles (for the year ended December 31, 2020: 52 594 thousand rubles).

The amounts of remuneration to key management personnel are disclosed in Note 35 “Related Party Transactions”.

**12 Financial Income and Expenses**

|   | For the year ended<br>December 31 |                  |
|---|-----------------------------------|------------------|
|   | 2021                              | 2020             |
| <b>Financial income</b>   |                                   |                  |
| Interest income on loans issued, bank deposits, bills and bank account balances | 26 467                            | 29 642           |
| Interest income on assets associated with liabilities for employee benefits     | 12 603                            | 22 820           |
| Effect from initial discounting of financial liabilities                        | 375                               | 1 170            |
| Amortization of discount of financial assets                                    | 3 296                             | 5 034            |
| Other financial income  | 3 751                             | 322              |
|   | <b>46 492</b>                     | <b>58 988</b>    |
| <b>Financial expenses</b>   |                                   |                  |
| Interest expenses for financial liabilities measured at amortized cost          | 1 500 212                         | 1 547 750        |
| Interest expenses for lease liabilities   | 425 382                           | 505 136          |
| Interest expenses for long-term employee benefit liabilities                    | 30 725                            | 33 186           |
| Effect of initial discounting of financial assets                               | 756                               | 1 453            |
| Amortization of discount of financial liabilities                               | 658                               | 2 942            |
| Other financial expenses  | –                                 | –                |
|   | <b>1 957 733</b>                  | <b>2 090 467</b> |



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**13 Income Tax**

|   | For the year ended<br>December 31 |                  |
|---|-----------------------------------|------------------|
|   | 2021                              | 2020             |
| <b>Current income tax</b>                     |                                   |                  |
| Accrual of current tax                        | (1 157 150)                       | (107 284)        |
| Tax adjustment for the prior periods          | 52 041                            | 82 860           |
| <b>Total current income tax</b>               | <b>(1 105 109)</b>                | <b>(24 424)</b>  |
| <b>Deferred income tax</b>                    |                                   |                  |
| Accrual and recovery of temporary differences | 8 833                             | (170 530)        |
| <b>Total income tax expense</b>               | <b>(1 096 276)</b>                | <b>(194 954)</b> |

Income tax recognized in other comprehensive income:

|  | For the year ended<br>December 31, 2021                                 |                |               | For the year ended<br>December 31, 2020 |                |               |
|--|---|----------------|---------------|---|----------------|---------------|
|  | Before tax  | Income tax     | After tax     | Before tax                              | Income tax     | After tax     |
|  | Revaluation of pension liabilities for the programs with fixed payments | 16 072         | (3 214)       | 12 858                                  | 28 815         | (5 763)       |
|  | <b>16 072</b>   | <b>(3 214)</b> | <b>12 858</b> | <b>28 815</b>                           | <b>(5 763)</b> | <b>23 052</b> |

As at December 31, 2021 and December 31, 2020, deferred income 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.

Profit (loss) before tax is related to income tax expenses as follows:

|  | For the year ended<br>December 31,<br>2021 |             | For the year ended<br>December 31,<br>2020 |              |
|--|--|-------------|--|--------------|
|  | %  | %           | %  | %            |
| <b>Profit/(loss) before tax</b>  | <b>2 960 721</b>                           | <b>100</b>  | <b>(1 045 256)</b>                         | <b>(100)</b> |
| <b>Theoretical amount of income tax expense at the rate of 20%</b>     | <b>(592 144)</b>                           | <b>(20)</b> | <b>209 051</b>                             | <b>(20)</b>  |
| Tax effects from sections, untaxed and non-deductible for tax purposes | (556 173)                                  | (19)        | (486 865)                                  | 47           |
| Adjustments for previous years   | 52 041                                     | 2           | 82 860                                     | (8)          |
|  | <b>(1 096 276)</b>                         | <b>(37)</b> | <b>(194 954)</b>                           | <b>19</b>    |

**14 Property, Plant and Equipment**

|  | Real estate and buildings    | Transmission networks | Electric power transmission equipment | Other              | Construction in progress | Total               |
|--|------------------------------|-----------------------|---------------------------------------|--------------------|--------------------------|---------------------|
|  | <b>Initial / deemed cost</b> |                       |                                       |                    |                          |                     |
| <b>As of January 1, 2020</b>   | <b>9 857 128</b>             | <b>45 731 587</b>     | <b>21 500 947</b>                     | <b>8 942 530</b>   | <b>3 702 815</b>         | <b>89 735 007</b>   |
| Reclassification between groups  | (4 588)                      | 5 424                 | 2                                     | (838)              | –                        | –                   |
| Receipts   | 220                          | 37 621                | 50 358                                | 31 272             | 5 012 693                | 5 132 164           |
| Transfer to right-of-use assets  | –                            | –                     | –                                     | –                  | 589                      | 589                 |
| Commissioning  | 460 524                      | 2 153 273             | 1 240 311                             | 542 803            | (4 396 911)              | –                   |
| Disposal   | (2 517)                      | (11 609)              | (17 458)                              | (27 700)           | (115 320)                | (174 604)           |
| Transfer to non-current assets held for sale   | –                            | –                     | –                                     | –                  | –                        | –                   |
| <b>As of December 31, 2020</b>   | <b>10 310 767</b>            | <b>47 916 296</b>     | <b>22 774 160</b>                     | <b>9 488 067</b>   | <b>4 203 866</b>         | <b>94 693 156</b>   |
| <b>Accumulated depreciation and impairment</b>   |                              |                       |                                       |                    |                          |                     |
| <b>As of January 1, 2020</b>   | <b>(3 207 102)</b>           | <b>(14 098 992)</b>   | <b>(8 986 012)</b>                    | <b>(5 964 288)</b> | <b>(71 282)</b>          | <b>(32 327 676)</b> |
| Reclassification between groups  | 2 854                        | (3 003)               | (1)                                   | 150                | –                        | –                   |
| Accrual/recovery of impairment loss  | –                            | –                     | –                                     | –                  | (4 984)                  | (4 984)             |
| Accrued depreciation   | (350 727)                    | (2 088 952)           | (1 164 795)                           | (646 616)          | –                        | (4 251 090)         |
| Reclassification of impairment losses when property, plant and equipment commissioning | (898)                        | (509)                 | (1 106)                               | (534)              | 3 047                    | –                   |
| Impairment/reversal of impairment  | –                            | –                     | –                                     | –                  | –                        | –                   |
| Disposal   | 1 311                        | 4 492                 | 18 942                                | 24 877             | 4 974                    | 54 596              |
| <b>As of December 31, 2020</b>   | <b>(3 554 562)</b>           | <b>(16 186 964)</b>   | <b>(10 132 972)</b>                   | <b>(6 586 411)</b> | <b>(68 245)</b>          | <b>(36 529 154)</b> |
| <b>Carrying amount</b>   |                              |                       |                                       |                    |                          |                     |
| <b>As of January 1, 2020</b>   | <b>6 650 026</b>             | <b>31 632 595</b>     | <b>12 514 935</b>                     | <b>2 978 242</b>   | <b>3 631 533</b>         | <b>57 407 331</b>   |
| <b>As of December 31, 2020</b>   | <b>6 756 205</b>             | <b>31 729 332</b>     | <b>12 641 188</b>                     | <b>2 901 656</b>   | <b>4 135 621</b>         | <b>58 164 002</b>   |
| <b>Initial / deemed cost</b>   |                              |                       |                                       |                    |                          |                     |
| <b>As of January 1, 2021</b>   | <b>10 310 767</b>            | <b>47 916 296</b>     | <b>22 774 160</b>                     | <b>9 488 067</b>   | <b>4 203 866</b>         | <b>94 693 156</b>   |
| Reclassification between groups  | (14 232)                     | 10 393                | 2 907                                 | 932                | –                        | –                   |
| Transfer to right-of-use assets  | –                            | –                     | –                                     | –                  | –                        | –                   |
| Receipts   | 3 179                        | 123 620               | 281 413                               | 252 648            | 6 531 435                | 7 192 295           |
| Commissioning  | 129 505                      | 2 231 460             | 960 838                               | 1 327 151          | (4 648 954)              | –                   |
| Disposal   | (6 449)                      | (83 022)              | (6 213)                               | (7 790)            | (223 545)                | (327 019)           |
| Transfer to non-current assets held for sale   | (413)                        | –                     | –                                     | (1)                | –                        | (414)               |
| <b>As of December 31, 2021</b>   | <b>10 422 357</b>            | <b>50 198 747</b>     | <b>24 013 105</b>                     | <b>11 061 007</b>  | <b>5 862 802</b>         | <b>101 558 018</b>  |
| <b>Accumulated depreciation and impairment</b>   |                              |                       |                                       |                    |                          |                     |
| <b>As of January 1, 2021</b>   | <b>(3 554 562)</b>           | <b>(16 186 964)</b>   | <b>(10 132 972)</b>                   | <b>(6 586 411)</b> | <b>(68 245)</b>          | <b>(36 529 154)</b> |
| Reclassification of depreciation and impairment losses                                 | 11 456                       | (9 738)               | (280)                                 | (1 438)            | –                        | –                   |
| Accrual/recovery of impairment loss  | –                            | –                     | –                                     | –                  | (252)                    | (252)               |
| Reclassification of impairment losses when commissioning property, plant and equipment | (339)                        | (57)                  | (16 067)                              | (1 235)            | 17 698                   | –                   |
| Accrued depreciation   | (379 854)                    | (2 107 819)           | (1 202 919)                           | (635 221)          | –                        | (4 325 813)         |
| Disposal   | 4 558                        | 46 264                | 4 590                                 | 7 649              | 11 605                   | 74 666              |
| Transfer to non-current assets held for sale   | 306                          | –                     | –                                     | –                  | –                        | 306                 |
| <b>As of December 31, 2021</b>   | <b>(3 918 435)</b>           | <b>(18 258 314)</b>   | <b>(11 347 648)</b>                   | <b>(7 216 656)</b> | <b>(39 194)</b>          | <b>(40 780 247)</b> |
| <b>Carrying amount</b>   |                              |                       |                                       |                    |                          |                     |
| <b>As of January 1, 2021</b>   | <b>6 756 205</b>             | <b>31 729 332</b>     | <b>12 641 188</b>                     | <b>2 901 656</b>   | <b>4 135 621</b>         | <b>58 164 002</b>   |
| <b>As of December 31, 2021</b>   | <b>6 503 922</b>             | <b>31 940 433</b>     | <b>12 665 457</b>                     | <b>3 844 351</b>   | <b>5 823 608</b>         | <b>60 777 771</b>   |

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As of December 31, 2021, construction in progress includes advances for the acquisition of property, plant and equipment in the amount of 493 715 thousand rubles (as of December 31, 2020: 140 958 thousand rubles) as well as materials for the construction of property, plant and equipment in the amount of 1 430 590 thousand rubles, (as of December 31, 2020: 802 561 thousand rubles).

For the year ended December 31, 2021, capitalized interests amounted to 80 858 thousand rubles (for the year ended December 31, 2020: 64 138 thousand rubles), the capitalization rate was 7.24% (for the year ended December 31, 2020 – 6.94%).

For the year ended December 31, 2021, amortization was capitalized into the value of the facilities of investment building amounting to 1 547 thousand rubles (for the year ended December 31, 2020, in the amount of 13 717 thousand rubles).

As of December 31, 2021 and December 31, 2020, there were no property, plant and equipment that are pledged as security for a loan.

**Impairment of property, plant and equipment**

Due to the presence of signs of impairment of non-current assets, the Group conducted an impairment test as of December 31, 2021.

Most of the Group's property, plant and equipment are specialized objects that rarely become objects of purchase and sale on the open market except when they are sold as part of existing businesses. The market for such property, plant and equipment is not active in the Russian Federation and does not provide enough examples of purchase and sale for a market approach to determine the fair value of these property, plant and equipment to be used.

As a result, the value of the use of property, plant and equipment as of December 31, 2021 was determined using the discounted cash flow method. This method considers the future net cash flows that these property, plant and equipment will generate in the course of operating activities as well as on disposal, in order to determine the recoverable value of these assets.

The core activities of the Group for the provision of services for the transmission and distribution of electricity, technological connection to electric networks is carried out in the regions of the Russian Federation: Krasnodar Region and the Republic of Adygea. When determining the CGU, the structure of assets, their territorial location, the mechanisms of electricity transmission, the method of tariff formation, the isolation of the energy system as well as the possibility of separate accounting and planning of financial indicators for a group of assets are considered. The main criterion for determining the CGU is the indivisibility of the tariff and the impossibility of further detailing accounting and planning. The group of assets of PJSC “Rosseti Kuban” as a whole is defined as the CGU (without the allocation of groups of assets of branches).

The following basic assumptions were used to estimate the recoverable value of assets of generating units:

The forecast cash flows were determined for the period 2022-2026 based on the management's best estimate of electricity transmission volumes, operating and capital costs as well as tariffs approved by regulatory authorities for 2022 (Unified (boiler) tariffs for electricity transmission services via the networks of the Krasnodar Region, the Republic of Adygea and the Federal Territory “Sirius” for 2022 approved by order of the Department of State Regulation of Tariffs of the Krasnodar Region dated December 27, 2021 No. 44/2021-e).

The source for the forecast of electricity transmission tariffs for the forecast period are the indicators of business plans which are based on tariff models formed considering the average annual growth of the tariff for electricity transmission services in accordance with the Forecast of Social and Economic Development of the Russian Federation for 2022 and the planning period 2023-2024 published on the website of the Ministry of Economic Development of the Russian Federation on October 6, 2021.

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The forecast volumes of electricity transmission for the generating unit were determined on the basis of the annual Business Plan for 2022 and forecast indicators for 2023-2026 approved by the Board of Directors of PJSC “Rosseti Kuban” (Minutes of the meeting No. 461/2021 of December 30, 2021).

The forecast cash flows were discounted to their present value using a weighted average cost of capital (WACC) of 10.55%.

The long-term growth rate of net cash flows in the post-forecast period was 3.97%.

According to the results of testing, as of December 31, 2021, no impairment of the Group's non-current assets was detected. The sensitivity of the recoverable value of the assets of the CGU to changes in the basic assumptions in the calculation is presented below:

|  | <u>Increase, %</u> | <u>Decline, %</u> |
|--|--------------------|-------------------|
| Change of discount rate by 1%  | 14.14              | (10.61)           |
| The change in the RGR to the base value in each period by reducing the useful production by 0.5% | 3.98               | (3.98)            |
| Change in the growth rate of net cash flow in the post-forecast period by 1%                     | 10.03              | (7.38)            |
| Change in the level of operating expenses by 1%  | 6.39               | (6.39)            |
| Change in the level of investments (capital investments) by 10%                                  | 2.10               | (2.10)            |

The sensitivity analysis of the material assumptions on the basis of which the impairment model for PJSC “Rosseti Kuban” was built as of December 31, 2021 is presented below:

- increase in the discount rate to 11.55% (by 1%): leads to an impairment loss of PJSC “Rosseti Kuban” in the amount of 4 038 556 thousand rubles, the value of use will be 61 543 317 thousand rubles;
- reduction of the required gross revenue to the base value in each period by 0.5%: does not lead to an impairment loss of PJSC “Rosseti Kuban”, the value of use will amount to 66 104 465 thousand rubles;
- increase in the level of operating expenses to the base value in each period by 1%: leads to an impairment loss of PJSC “Rosseti Kuban” in the amount of 1 137 035 thousand rubles, the value of use will be 64 444 838 thousand rubles ;
- increase in the level of capital investments in the forecast and post-forecast period by 10%: does not lead to an impairment loss of PJSC “Rosseti Kuban”, the value of use will amount to 67 401 256 thousand rubles ;
- decrease in the growth rate of net cash flow in the post-forecast period by 1%: leads to an impairment loss of PJSC “Rosseti Kuban” in the amount of 1 820 066 thousand rubles, the value of use will be 63 761 867 thousand rubles.

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**15 Intangible Assets**

|  | Software         | Certificates,<br>licenses and<br>patents | R&D           | Other           | Total            |
|--|------------------|--|---------------|-----------------|------------------|
| <i>Initial cost</i>                            |                  |  |               |                 |                  |
| As of January 1, 2020                          | 652 801          | 7 171                                    | 14 500        | 78 195          | 752 667          |
| Reclassification between groups                | –                | –  | –             | –               | –                |
| Receipts                                       | 101 505          | 1 908                                    | –             | –               | 103 413          |
| Disposal                                       | (1 770)          | –  | –             | –               | (1 770)          |
| <b>As of December 31, 2020</b>                 | <b>752 536</b>   | <b>9 079</b>                             | <b>14 500</b> | <b>78 195</b>   | <b>854 310</b>   |
| <i>Accumulated amortization and impairment</i> |                  |  |               |                 |                  |
| As of January 1, 2020                          | (403 576)        | (5 895)                                  | –             | (17 319)        | (426 790)        |
| Accumulated amortization                       | (100 125)        | (2 558)                                  | –             | (21 989)        | (124 672)        |
| Disposal                                       | 1 770            | –  | –             | –               | 1 770            |
| <b>As of December 31, 2020</b>                 | <b>(501 931)</b> | <b>(8 453)</b>                           | <b>–</b>      | <b>(39 308)</b> | <b>(549 692)</b> |
| <i>Carrying amount</i>                         |                  |  |               |                 |                  |
| As of January 1, 2020                          | 249 225          | 1 276                                    | 14 500        | 60 876          | 325 877          |
| <b>As of December 31, 2020</b>                 | <b>250 605</b>   | <b>626</b>                               | <b>14 500</b> | <b>38 887</b>   | <b>304 618</b>   |
|  |                  | Certificates,<br>licenses and<br>patents |               |                 |                  |
| <i>Initial cost</i>                            | Software         |  | R&D           | Other           | Total            |
| As of January 1, 2021                          | 752 536          | 9 079                                    | 14 500        | 78 195          | 854 310          |
| Receipts                                       | 97 658           | 1 667                                    | 13 775        | –               | 113 100          |
| Disposal                                       | –                | –  | (7 000)       | –               | (7 000)          |
| <b>As of December 31, 2021</b>                 | <b>850 194</b>   | <b>10 746</b>                            | <b>21 275</b> | <b>78 195</b>   | <b>960 410</b>   |
| <i>Accumulated amortization and impairment</i> |                  |  |               |                 |                  |
| As of January 1, 2021                          | (501 931)        | (8 453)                                  | –             | (39 308)        | (549 692)        |
| Accumulated amortization                       | (128 094)        | (1 742)                                  | –             | (20 712)        | (150 548)        |
| Disposal                                       | –                | –  | –             | –               | –                |
| <b>As of December 31, 2021</b>                 | <b>(630 025)</b> | <b>(10 195)</b>                          | <b>–</b>      | <b>(60 020)</b> | <b>(700 240)</b> |
| <i>Residual value</i>                          |                  |  |               |                 |                  |
| As of January 1, 2021                          | 250 605          | 626                                      | 14 500        | 38 887          | 304 618          |
| <b>As of December 31, 2021</b>                 | <b>220 169</b>   | <b>551</b>                               | <b>21 275</b> | <b>18 175</b>   | <b>260 170</b>   |

The amount of amortization of intangible assets included in operating expenses in the consolidated statement of profit or loss and other comprehensive income amounted to 150 548 thousand rubles (for the year ended December 31, 2020: 122 350 thousand rubles).

The amount of capitalized amortization of intangible assets amounted to 1 516 thousand rubles (for the year ended December 31, 2020: 1 206 thousand rubles).

Intangible assets are amortized on a straight-line basis.

The amount of research and development costs recognized as part of operating expenses for 2021 amounted to 5 010 thousand rubles (for 2020: 8 525 thousand rubles).

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**16 Right-of-use Assets**

|   | Land and<br>buildings | Transmission<br>networks | Electric power<br>transmission<br>equipment | Other            | Total              |
|---|-----------------------|--------------------------|---|------------------|--------------------|
| <i>Initial cost</i>                               |                       |                          |   |                  |                    |
| As of January 1, 2020                             | 581 969               | 14 704                   | 558 753                                     | 7 789            | 1 163 215          |
| Reclassification between groups                   | –                     | –                        | –   | –                | –                  |
| Receipts  | 1 843 120             | 2 769 041                | 1 054 874                                   | 379 283          | 6 046 318          |
| Modification of conditions under lease agreements | 75 106                | 838                      | (161 272)                                   | (249)            | (85 577)           |
| Disposal or termination of lease agreements       | (36 526)              | (2 039)                  | (6 002)                                     | (396)            | (44 963)           |
| <b>As of December 31, 2020</b>                    | <b>2 463 669</b>      | <b>2 782 544</b>         | <b>1 446 353</b>                            | <b>386 427</b>   | <b>7 078 993</b>   |
| <i>Accumulated depreciation and impairment</i>    |                       |                          |   |                  |                    |
| As of January 1, 2020                             | (32 455)              | (3 804)                  | (133 505)                                   | (1 587)          | (171 351)          |
| Accumulated depreciation                          | (396 756)             | (555 755)                | (334 363)                                   | (74 856)         | (1 361 730)        |
| Modification of conditions under lease agreements | 1 329                 | –                        | 71 020                                      | 109              | 72 458             |
| Disposal or termination of lease agreements       | 21 239                | 585                      | 2 022                                       | 41               | 23 887             |
| <b>As of December 31, 2020</b>                    | <b>(406 643)</b>      | <b>(558 974)</b>         | <b>(394 826)</b>                            | <b>(76 293)</b>  | <b>(1 436 736)</b> |
| <i>Carrying amount</i>                            |                       |                          |   |                  |                    |
| As of January 1, 2020                             | 549 514               | 10 900                   | 425 248                                     | 6 202            | 991 864            |
| <b>As of December 31, 2020</b>                    | <b>2 057 026</b>      | <b>2 223 570</b>         | <b>1 051 527</b>                            | <b>310 134</b>   | <b>5 642 257</b>   |
| <i>Initial cost</i>                               |                       |                          |   |                  |                    |
| As of January 1, 2021                             | 2 463 669             | 2 782 544                | 1 446 353                                   | 386 427          | 7 078 993          |
| Receipts  | 199 335               | 144 719                  | 5 507                                       | 2 224            | 351 785            |
| Modification of conditions under lease agreements | (42 472)              | 5 133                    | 2 812                                       | 6                | (34 521)           |
| Disposal or termination of lease agreements       | (13 830)              | (575)                    | (373 479)                                   | (2 800)          | (390 684)          |
| <b>As of December 31, 2021</b>                    | <b>2 606 702</b>      | <b>2 931 821</b>         | <b>1 081 193</b>                            | <b>385 857</b>   | <b>7 005 573</b>   |
| <i>Accumulated depreciation and impairment</i>    |                       |                          |   |                  |                    |
| As of January 1, 2021                             | (406 643)             | (558 974)                | (394 826)                                   | (76 293)         | (1 436 736)        |
| Accumulated depreciation                          | (400 376)             | (563 889)                | (221 685)                                   | (75 687)         | (1 261 637)        |
| Modification of conditions under lease agreements | 14 421                | –                        | –   | –                | 14 421             |
| Disposal or termination of lease agreements       | 2 139                 | 248                      | 187 077                                     | 1 445            | 190 909            |
| <b>As of December 31, 2021</b>                    | <b>(790 459)</b>      | <b>(1 122 615)</b>       | <b>(429 434)</b>                            | <b>(150 535)</b> | <b>(2 493 043)</b> |
| <i>Carrying amount</i>                            |                       |                          |   |                  |                    |
| As of January 1, 2021                             | 2 057 026             | 2 223 570                | 1 051 527                                   | 310 134          | 5 642 257          |
| <b>As of December 31, 2021</b>                    | <b>1 816 243</b>      | <b>1 809 206</b>         | <b>651 759</b>                              | <b>235 322</b>   | <b>4 512 530</b>   |

For the purposes of the impairment test, specialized right-of-use assets (including leased land plots for own and leased specialized facilities) are classified as the CGU assets in the same way as own non-current assets.

The value of the use of the right-of-use assets is determined using the discounted cash flow method. Information on the impairment test conducted as of December 31, 2021 is disclosed in Note 14 “Property, Plant and Equipment”.

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## 17 Deferred Tax Assets and Liabilities

The differences between the IFRS and Russian tax legislation lead to temporary differences between the book value of certain assets and liabilities for financial reporting purposes, on the one hand, and for income tax purposes, on the other.

### (a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following sections:

|  | Assets            |                   | Liabilities        |                    | Net               |                   |
|--|-------------------|-------------------|--------------------|--------------------|-------------------|-------------------|
|  | December 31, 2021 | December 31, 2020 | December 31, 2021  | December 31, 2020  | December 31, 2021 | December 31, 2020 |
| Property, plant and equipment  | 42 048            | 27 470            | (1 122 150)        | (723 839)          | (1 080 102)       | (696 369)         |
| Intangible assets  | 2 775             | 2 346             | –                  | –                  | 2 775             | 2 346             |
| Right-of-use assets  | –                 | –                 | (902 506)          | (1 128 451)        | (902 506)         | (1 128 451)       |
| Financial assets measured at fair value through other comprehensive income | –                 | –                 | (9 138)            | (9 138)            | (9 138)           | (9 138)           |
| Trade and other accounts receivable  | 509 601           | 408 361           | –                  | –                  | 509 601           | 408 361           |
| Advances issued and other assets   | 2 077             | 2 548             | –                  | –                  | 2 077             | 2 548             |
| Lease liabilities  | 988 642           | 1 219 454         | –                  | –                  | 988 642           | 1 219 454         |
| Estimated liabilities  | 417 458           | 184 398           | –                  | (2)                | 417 458           | 184 396           |
| Employee benefit liabilities   | 9 330             | 11 529            | –                  | –                  | 9 330             | 11 529            |
| Trade and other accounts payable   | 158 890           | 122 702           | –                  | (19 858)           | 158 890           | 102 844           |
| Advances received  | –                 | 1 038             | –                  | (806)              | –                 | 232               |
| Tax losses to be carried forward   | 1 630             | 15 172            | –                  | –                  | 1 630             | 15 172            |
| Assets held for sale   | –                 | –                 | (4 102)            | (4 463)            | (4 102)           | (4 463)           |
| Other  | 36 603            | 7 855             | (10 013)           | (790)              | 26 590            | 7 065             |
| <b>Tax assets/(liabilities)</b>  | <b>2 169 054</b>  | <b>2 002 873</b>  | <b>(2 047 909)</b> | <b>(1 887 347)</b> | <b>121 145</b>    | <b>115 526</b>    |
| Tax offset   | (2 045 719)       | (1 886 502)       | 2 045 719          | 1 886 502          | –                 | –                 |
| <b>Net tax assets/(obligations)</b>  | <b>123 335</b>    | <b>116 371</b>    | <b>(2 190)</b>     | <b>(845)</b>       | <b>121 145</b>    | <b>115 526</b>    |

### (b) Change in deferred tax assets and liabilities during the year

|  | January 1, 2021 | Recognized as part of profit or loss | Recognized as part of other comprehensive income | December 31, 2021 |
|--|-----------------|--------------------------------------|--|-------------------|
| Property, plant and equipment  | (696 369)       | (383 733)                            | –  | (1 080 102)       |
| Intangible assets  | 2 346           | 429                                  | –  | 2 775             |
| Right-of-use assets  | (1 128 451)     | 225 945                              | –  | (902 506)         |
| Financial assets measured at fair value through other comprehensive income | (9 138)         | –                                    | –  | (9 138)           |
| Trade and other accounts receivable  | 408 361         | 101 240                              | –  | 509 601           |
| Advances issued and other assets   | 2 548           | (471)                                | –  | 2 077             |
| Lease liabilities  | 1 219 454       | (230 812)                            | –  | 988 642           |
| Estimated liabilities  | 184 396         | 233 062                              | –  | 417 458           |
| Employee benefit liabilities   | 11 529          | 1 015                                | (3 214)  | 9 330             |
| Trade and other accounts payable   | 102 844         | 56 046                               | –  | 158 890           |
| Advances received  | 232             | (232)                                | –  | –                 |
| Tax losses to be carried forward   | 15 172          | (13 542)                             | –  | 1 630             |
| Assets held for sale   | (4 463)         | 361                                  | –  | (4 102)           |
| Other  | 7 065           | 19 525                               | –  | 26 590            |
|  | <b>115 526</b>  | <b>8 833</b>                         | <b>(3 214)</b>                                   | <b>121 145</b>    |

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|  | January 1, 2020 | Recognized as part of profit or loss | Recognized as part of other comprehensive income | December 31, 2020 |
|--|-----------------|--------------------------------------|--|-------------------|
| Property, plant and equipment  | (392 773)       | (303 596)                            | –  | (696 369)         |
| Intangible assets  | (9 507)         | 11 853                               | –  | 2 346             |
| Right-of-use assets  | (198 373)       | (930 078)                            | –  | (1 128 451)       |
| Financial assets measured at fair value through other comprehensive income | (9 138)         | –                                    | –  | (9 138)           |
| Trade and other accounts receivable  | 362 465         | 45 896                               | –  | 408 361           |
| Advances issued and other assets   | 895             | 1 653                                | –  | 2 548             |
| Lease liabilities  | 212 684         | 1 006 770                            | –  | 1 219 454         |
| Estimated liabilities  | 145 294         | 39 102                               | –  | 184 396           |
| Employee benefit liabilities   | 41 367          | (24 075)                             | (5 763)  | 11 529            |
| Trade and other accounts payable   | 147 032         | (44 188)                             | –  | 102 844           |
| Advances received  | –               | 232                                  | –  | 232               |
| Tax losses to be carried forward   | 188             | 14 984                               | –  | 15 172            |
| Assets held for sale   | (12 272)        | 7 809                                | –  | (4 463)           |
| Other  | 3 957           | 3 108                                | –  | 7 065             |
|  | <b>291 819</b>  | <b>(170 530)</b>                     | <b>(5 763)</b>                                   | <b>115 526</b>    |

## 18 Assets Qualified as Held for Sale

As of December 31, 2021 and 2020, the company's balance sheet had non-core assets listed in the table below:

|   | For the year ended December 31 |               |
|---|--------------------------------|---------------|
|   | 2021                           | 2020          |
| <b>As part of current assets</b>                |                                |               |
| Assets classified as held for sale – short-term | 20 510                         | 22 314        |
|   | <b>20 510</b>                  | <b>22 314</b> |

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, 2021, there was no write-off, as the carrying amount of assets held for sale has not decreased below its fair value less costs to sell.

## 19 Inventory

|   | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Raw materials and supplies                  | 1 004 731         | 827 016           |
| Reserve for impairment of raw materials     | (1 181)           | (1 704)           |
| Other inventories                           | 1 178 002         | 1 192 258         |
| Reserve for impairment of other inventories | (353)             | (2 847)           |
|   | <b>2 181 199</b>  | <b>2 014 723</b>  |

As at 31 December 2021 and 31 December 2020, the Group had no reserves that would be pledged under loan or other agreements.

For the year ended December 31, 2021, 2 330 856 thousand rubles were recognized as expenses (during the year ended December 31, 2020, 1 732,846 thousand rubles) as part of operating expenses under the section “Other Material Expenses”.

As of December 31, 2021, the reserves intended to ensure the prevention and liquidation of emergency situations at power grid facilities (industry emergency reserve) is 545 273 thousand rubles (December 31, 2020 – 507 511 thousand rubles) and is reflected in the section “Inventories”.

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## 20 Trade and Other Accounts Receivable

|   | December 31,<br>2021 | December 31,<br>2020 |
|---|----------------------|----------------------|
| <b>Trade and other receivables, long-term</b>                     |                      |                      |
| Trade accounts receivable   | 1 345                | 445                  |
| Other accounts receivable   | 7 682                | 12 694               |
|   | <b>9 027</b>         | <b>13 139</b>        |
| <b>Trade and other receivables, short-term</b>                    |                      |                      |
| Trade accounts receivable   | 7 560 859            | 8 858 237            |
| Provision for expected credit losses on trade accounts receivable | (1 686 223)          | (1 253 116)          |
| Other accounts receivable   | 1 163 952            | 1 263 664            |
| Provision for expected credit losses on other accounts receivable | (828 933)            | (753 285)            |
|   | <b>6 209 655</b>     | <b>8 115 500</b>     |
|   | <b>6 218 682</b>     | <b>8 128 639</b>     |

Information on the Group's exposure to credit and currency risk, impairment of trade and other accounts receivable as well as fair value, is disclosed in Note 32.

## 21 Advances Issued and Other Assets

|   | December 31,<br>2021 | December 31,<br>2020 |
|---|----------------------|----------------------|
| <b>Non-current</b>  |                      |                      |
| Advances issued   | 5 934                | 3 257                |
| VAT for advances received   | 407                  | 685                  |
|   | <b>6 341</b>         | <b>3 942</b>         |
| <b>Current</b>  |                      |                      |
| Advances issued   | 186 574              | 36 700               |
| Provision for impairment of advances issued   | (5 377)              | (5 877)              |
| VAT recoverable   | 9 541                | 22 597               |
| VAT for advances received and VAT for advances issued for the purchase of property, plant and equipment | 50 341               | 15 366               |
| Prepaid taxes except income tax   | 24 077               | 70 698               |
|   | <b>265 156</b>       | <b>139 484</b>       |
|   | <b>271 497</b>       | <b>143 426</b>       |

## 22 Cash and Cash Equivalents

|                          | December 31,<br>2021 | December 31,<br>2020 |
|--------------------------|----------------------|----------------------|
| Cash at bank and in hand | 1 984 357            | 752 545              |
|                          | <b>1 984 357</b>     | <b>752 545</b>       |

As of December 31, 2021 and December 31, 2020, all cash balances are denominated in rubles.

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## 23 Charter Capital

### (a) Charter capital

|  | Ordinary shares      |                      |
|--|----------------------|----------------------|
|  | December 31,<br>2021 | December 31,<br>2020 |
| <i>In units</i>                                      |                      |                      |
| Nominal value of one share                           | 100 rubles           | 100 rubles           |
| In circulation as at January 1                       | 334 657 837          | 334 657 837          |
| In circulation at the end of the year and fully paid | 342 258 436          | 334 657 837          |

### (b) Ordinary shares

In accordance with the Articles of Association as of January 1, 2021 and as of December 31, 2021, the Charter capital of the Company is 33 465 783 700 rubles, it is divided into 334 657 837 units of ordinary registered non-documentary shares at nominal value of 100 rubles 00 kopecks each.

### (c) Dividends

The source of payment of dividends is the net profit of PJSC “Rosseti Kuban” determined in accordance with the requirements established by the current legislation of the Russian Federation.

For the year ended December 31, 2021, dividends for 2020 were not accrued and were not paid to the owners of the company (for the year ended December 31, 2020, dividends for 2019 paid to the owners of the company amounted to 636 639 thousand rubles including the parent company PJSC “Rosseti” – 595 146 thousand rubles.).

As of December 31, 2021, the amount of dividends for 2017 returned to the Group after the expiration of the claim period and included in retained earnings amounted to 127 thousand rubles (as of December 31, 2020, the amount of unclaimed dividends for 2016 included in retained earnings is 249 thousand rubles).

### (d) Additional issue of the securities

In February 2021, the Extraordinary General Meeting of Shareholders of PJSC “Rosseti Kuban” decided to increase the charter capital of the Company by placing additional ordinary shares in the amount of 69 583 132 units with a nominal value of 100 rubles each, for a total amount at a nominal value of 6 958 313 200 rubles (Minutes of the Meeting of February 26, 2021 No. 44).

On March 17, 2021, the Board of Directors of PJSC “Rosseti Kuban” approved a securities prospectus containing the conditions of placement of additional shares.

On April 1, 2021, the Bank of Russia carried out the state registration of this additional issue and the registration of the securities prospectus of PJSC “Rosseti Kuban”. The additional issue of securities was assigned the state registration number I-02-00063-A.

Additional shares will be placed within a year from the date of state registration of the additional issue, that is, until April 1, 2022.

In the second quarter of this year, the shareholders began exercising the pre-emptive right to purchase additional shares of the Group which will continue until February 3, 2022. As of December 31, 2021, funds were received to pay for the outstanding shares in the amount of 760 060 thousand rubles.

On September 29, 2021, PJSC “Rosseti Kuban” handed over to the registrar an order on the placement of 5 966 911 additional issue shares in favor of persons exercising the pre-emptive right to purchase securities. On September 30, 2021, the registrar performed an operation in the register of securities holders of PJSC “Rosseti Kuban” for the initial placement of these shares.

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On December 28, 2021, PJSC “Rosseti Kuban” handed over to the registrar an order on the placement of 1 200 933 additional issue shares in favor of persons exercising the pre-emptive right to purchase securities. On December 29, 2021, the registrar performed an operation in the register of securities holders of PJSC “Rosseti Kuban” for the initial placement of these shares.

The Group's management assessed the probability of a refund of the funds received due to the payment of additional shares in the amount of 43 276 thousand rubles as “low”. Having applied the provisions of IAS 32 “Financial Instruments: Presentation of Information” and IFRIC 2 “Shares of participants in cooperative organizations and similar instruments”, the Group classified the cash received as part of Capital elements under the line “Provision for the issue of shares” of the consolidated statement of financial position.

## 24 Earnings per Share

The calculation of earnings per share for the year ended December 31, 2021 and December 31, 2020 is based on earnings attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding. The Company does not have dilutive financial instruments.

| <i>In thousands of shares</i>  | <b>2021</b>                                 | <b>2020</b>                                 |
|--|---|---|
| <b>Ordinary shares as of January 1</b>   | <b>334 658</b>                              | <b>334 658</b>                              |
| The effect of the stock floatation   | 7 600                                       | –   |
| <b>Weighted average number of shares for the period ended December 31</b>                              | <b>342 258</b>                              | <b>334 658</b>                              |
|  | <b>For the year ended December 31, 2021</b> | <b>For the year ended December 31, 2020</b> |
| Weighted average number of shares outstanding for the period ended December 31 (in thousands of units) | 342 258                                     | 334 658                                     |
| Profit/(loss) for the period which is payable to Company owners  | 1 864 445                                   | (1 240 210)                                 |
| <b>Profit/(loss) per share – basic and diluted (in Russian rubles)</b>                                 | <b>5.45</b>                                 | <b>(3.71)</b>                               |

## 25 Borrowings

|  | <b>December 31, 2021</b> | <b>December 31, 2020</b> |
|--|--------------------------|--------------------------|
| <b>Long-term liabilities</b>                                 |                          |                          |
| Unsecured loans and borrowings                               | 16 136 314               | 17 882 922               |
| Lease liabilities  | 4 943 208                | 6 097 272                |
| By deducting: current portion of long-term lease liabilities | (1 337 002)              | (1 201 791)              |
|  | <b>19 742 520</b>        | <b>22 778 403</b>        |
| <b>Short-term liabilities</b>                                |                          |                          |
| Unsecured loans and borrowings                               | 4 834 192                | 5 553 866                |
| Current portion of long-term lease liabilities               | 1 337 002                | 1 201 791                |
|  | <b>6 171 194</b>         | <b>6 755 657</b>         |
| <b>Including:</b>  |                          |                          |
| Interest payable on loans and borrowings                     | 34 192                   | 153 866                  |
|  | <b>34 192</b>            | <b>153 866</b>           |

As of December 31, 2021 and December 31, 2020, all loan balances are denominated in rubles.

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For the year ended December 31, 2021, the Group used the following bank loans and borrowings:

|                        | <b>Effective interest rates</b> | <b>Repayment periods</b> | <b>Nominal value</b> |
|------------------------|---------------------------------|--------------------------|----------------------|
| Unsecured bank credits | 5.10%-10.40%                    | 2021-2024                | 17 124 927           |
| Unsecured bank credits | 7.00%-KC+1.50%                  | 2021-2023                | 1 990 120            |
| Unsecured bank credits | KC+2.75%                        | 2023-2023                | 99 999               |
| Unsecured loans        | 7.95%-10.01%                    | 2022-2022                | 4 800 000            |
|                        |                                 |                          | <b>24 015 046</b>    |

For the year ended 31 December 2021, the Group repaid the following loans and bank credits:

|                        | <b>Nominal value</b> |
|------------------------|----------------------|
| Unsecured bank credits | 20 961 654           |
| Unsecured loans        | 5 400 000            |
|                        | <b>26 361 654</b>    |

As of December 31, 2021, the amount of available line of open but unused credit lines and loans of the Group amounted to 43 209 186 thousand rubles, including overdraft lending limits of 1 750 000 thousand rubles (37 112 578 thousand rubles as of December 31, 2020).

The Group has the opportunity to obtain additional financing within the appropriate limits including for ensuring the fulfillment of its short-term liabilities.

The Group does not use hedging instruments to manage interest rate risk.

In 2021, the Group recorded a breach of financial indicators under loan agreement No. 5781 dated June 30, 2020 concluded with PJSC “Rosseti”. Due to the presence of objective reasons for exceeding the indicators established by the loan agreement as well as in accordance with the letter of PJSC “Rosseti”, the lender has no intention of early reclaiming the loan.

In 2021, the lender of the Group – Sberbank – recorded a breach of the condition on maintaining net credit turnover for the 3rd quarter of 2021 under General Agreements No. 5400/449 dated July 9, 2018, No. 5400/634 and No. 5400/635 dated November 18, 2019. In accordance with the letter of Sberbank, the bank confirmed that it had no intention to use the right to claim repayment of the outstanding amounts before the end of the issued tranches (until July 21, 2023).

Information on the Group's exposure to interest rate risk is disclosed in Note 32.

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|                                       | Maturity date | Effective interest rate  |                   | Book value        |                   |
|---------------------------------------|---------------|--------------------------|-------------------|-------------------|-------------------|
|                                       |               | December 31, 2021        | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| <b>Unsecured loans and borrowings</b> |               |                          |                   |                   |                   |
| Unsecured loans                       | 2023-2025     | KC +1.55% - KC<br>+2.75% | 5.68%-7.40%       | 13 244 141        | 15 482 922        |
| Unsecured loans                       | 2023-2026     | KC +1.10% - KC<br>+1.43% | 5.95%-5.95%       | 1 500 404         | 1 000 000         |
| Unsecured loans                       | 2022-2023     | 7.07%-10.01%             | 5.68%-7.40%       | 6 225 961         | 6 953 866         |
|                                       |               |                          |                   | <b>20 970 506</b> | <b>23 436 788</b> |
| Lease liabilities                     | 2022-2070     | 6.16%-9.31%              | 5.95%-8.13%       | 4 943 208         | 6 097 272         |
| <b>Total liabilities</b>              |               |                          |                   | <b>25 913 714</b> | <b>29 534 060</b> |

## 26 Changes in Liabilities Arising from Financial Activities

|  | Borrowings         |                  | Interest payable on borrowings (except % under lease agreements) | Lease liabilities  | Dividends payable |
|--|--------------------|------------------|--|--------------------|-------------------|
|  | Long-term          | Short-term       |  |                    |                   |
| <b>As of January 1, 2021</b>                           | <b>17 882 922</b>  | <b>5 400 000</b> | <b>153 866</b>   | <b>6 097 272</b>   | <b>479</b>        |
| <b>Changes in cash flows from financing activities</b> |                    |                  |  |                    |                   |
| Raising borrowings                                     | 17 994 477         | 6 020 569        | —  | —                  | —                 |
| Repayment of loans and borrowings                      | (19 741 085)       | (6 620 569)      | (1 700 415)  | —                  | —                 |
| Lease payments   | —                  | —                | —  | (1 323 437)        | —                 |
| Interest paid (operating activities, for reference)    | —                  | —                | —  | (401 486)          | —                 |
| Dividends paid   | —                  | —                | —  | —                  | (8)               |
| <b>Total</b>   | <b>(1 746 608)</b> | <b>(600 000)</b> | <b>(1 700 415)</b>   | <b>(1 724 923)</b> | <b>(8)</b>        |
| <b>Non-cash changes</b>                                |                    |                  |  |                    |                   |
| Capitalized interest                                   | —                  | —                | 80 529   | 329                | —                 |
| Interest expense                                       | —                  | —                | 1 500 212  | 425 382            | —                 |
| Receipts from lease agreements                         | —                  | —                | —  | 351 785            | —                 |
| Dividends accrued                                      | —                  | —                | —  | —                  | —                 |
| Other changes, net                                     | —                  | —                | —  | (206 637)          | (127)             |
| <b>Total</b>   | <b>—</b>           | <b>—</b>         | <b>1 580 741</b>   | <b>570 859</b>     | <b>(127)</b>      |
| <b>As of December 31, 2021</b>                         | <b>16 136 314</b>  | <b>4 800 000</b> | <b>34 192</b>  | <b>4 943 208</b>   | <b>344</b>        |

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|  | Borrowings         |                  | Interest payable on borrowings (except % under lease agreements) | Lease liabilities  | Dividends payable |
|--|--------------------|------------------|--|--------------------|-------------------|
|  | Long-term          | Short-term       |  |                    |                   |
| <b>As of January 1, 2020</b>                           | <b>19 432 911</b>  | <b>3 600 000</b> | <b>52 592</b>  | <b>1 063 418</b>   | <b>453</b>        |
| <b>Changes in cash flows from financing activities</b> |                    |                  |  |                    |                   |
| Raising borrowings                                     | 36 128 620         | 13 837 073       | —  | —                  | —                 |
| Repayment of loans and borrowings                      | (37 678 609)       | (12 037 073)     | (1 510 614)  | —                  | —                 |
| Lease payments   | —                  | —                | —  | (916 969)          | —                 |
| Interest paid (operating activities, for reference)    | —                  | —                | —  | (498 722)          | —                 |
| Dividends paid   | —                  | —                | —  | —                  | (636 639)         |
| <b>Total</b>   | <b>(1 549 989)</b> | <b>1 800 000</b> | <b>(1 510 614)</b>   | <b>(1 415 691)</b> | <b>(636 639)</b>  |
| <b>Non-cash changes</b>                                |                    |                  |  |                    |                   |
| Capitalized interest                                   | —                  | —                | 64 138   | 1 383              | —                 |
| Interest expenses                                      | —                  | —                | 1 547 750  | 505 136            | —                 |
| Receipts under lease agreements                        | —                  | —                | —  | 6 046 317          | —                 |
| Dividends accrued                                      | —                  | —                | —  | —                  | 636 665           |
| Other changes, net                                     | —                  | —                | —  | (103 291)          | —                 |
| <b>Total</b>   | <b>—</b>           | <b>—</b>         | <b>1 611 888</b>   | <b>6 449 545</b>   | <b>636 665</b>    |
| <b>As of December 31, 2020</b>                         | <b>17 882 922</b>  | <b>5 400 000</b> | <b>153 866</b>   | <b>6 097 272</b>   | <b>479</b>        |

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## 27 Employee benefits

The Group has a defined benefit pension and other long-term defined benefit plans that apply to most employees and retired employees. Liabilities under defined benefit programs consist of several unsecured programs that provide lump-sum payments upon retirement, payments in case of death of employees.

The amounts of defined benefit liabilities recognized in the consolidated statement of financial position are presented below:

|  | December 31,<br>2021 | December 31,<br>2020 |
|--|----------------------|----------------------|
| Net value of obligations under employee benefit programs after termination of labor activity | 545 309              | 561 821              |
| <b>Total net value of liabilities</b>  | <b>545 309</b>       | <b>561 821</b>       |

Change in the value of net assets related to employee compensation liabilities:

|  | For the year ended<br>December 31 |                |
|--|-----------------------------------|----------------|
|  | 2021                              | 2020           |
| <b>Asset value as of January 1</b>       | <b>319 337</b>                    | <b>318 362</b> |
| Employer’s contributions                 | 20 734                            | 20 014         |
| Other movement on accounts               | 15 087                            | 24 011         |
| Benefits payment                         | (46 500)                          | (43 050)       |
| <b>Value of assets as of December 31</b> | <b>308 658</b>                    | <b>319 337</b> |

Assets related to defined benefit pension programs are administered by Non-State Pension Fund of JSC “NPF “Otkritie”. These assets are not assets of defined benefit pension plans since under the conditions 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 the present value of defined benefit liabilities:

|  | For the year ended<br>December 31, 2021            |                             | For the year ended<br>December 31, 2020            |                             |
|--|--|-----------------------------|--|-----------------------------|
|  | Benefits after<br>termination of<br>labor activity | Other long-term<br>benefits | Benefits after<br>termination of<br>labor activity | Other long-term<br>benefits |
| <b>Defined benefit liabilities as of January 1</b>       | <b>561 821</b>                                     | –                           | <b>732 902</b>                                     | –                           |
| Cost of current services                                 | 26 968   | –                           | 30 692   | –                           |
| Past service cost and budget sequestration               | –  | –                           | (153 550)  | –                           |
| Interest expense on liabilities                          | 30 725   | –                           | 33 186   | –                           |
| Effect of revaluation:                                   |  |                             |  |                             |
| - loss from changes in demographic actuarial assumptions | 14 372   | –                           | –  | –                           |
| - loss from changes in financial actuarial assumptions   | (83 058)   | –                           | 9 133  | –                           |
| - (profit)/loss from adjustment based on experience      | 52 614   | –                           | (37 948)   | –                           |
| Contributions to the program                             | (58 133)   | –                           | (52 594)   | –                           |
| <b>Defined benefit liabilities as at 31 December</b>     | <b>545 309</b>                                     | –                           | <b>561 821</b>                                     | –                           |

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Expenses recognized in profit or loss for the period:

|   | For the year ended   |                      |
|---|----------------------|----------------------|
|   | December 31,<br>2021 | December 31,<br>2020 |
| Employee service cost                                       | 26 968               | (122 858)            |
| Interest expenses   | 30 725               | 33 186               |
| <b>Total (income)/expenses recognized in profit or loss</b> | <b>57 693</b>        | <b>(89 672)</b>      |

Profit/loss recognized in other comprehensive income for the period:

|   | For the year ended   |                      |
|---|----------------------|----------------------|
|   | December 31,<br>2021 | December 31,<br>2020 |
| Loss from changes in demographic actuarial assumptions              | 14 372               | –                    |
| Loss on changes in financial actuarial assumptions                  | (83 058)             | 9 133                |
| (Profit)/loss from adjustment based on experience                   | 52 614               | (37 948)             |
| <b>Total (income)/loss recognized in other comprehensive income</b> | <b>(16 072)</b>      | <b>(28 815)</b>      |

Change in reserve for revaluation of liabilities in other comprehensive income during the reporting period:

|                                    | For the year ended<br>December 31 |                |
|------------------------------------|-----------------------------------|----------------|
|                                    | 2021                              | 2020           |
| <b>Revaluation as of January 1</b> | <b>499 218</b>                    | <b>528 033</b> |
| Revaluation change                 | (16 072)                          | (28 815)       |
| <b>Revaluation at December 31</b>  | <b>483 146</b>                    | <b>499 218</b> |

Basic actuarial assumptions:

|                               | December 31,<br>2021 | December 31,<br>2020 |
|-------------------------------|----------------------|----------------------|
| <b>Financial assumptions</b>  |                      |                      |
| Discount rate                 | 8.4%                 | 6.1%                 |
| Salary increase in the future | 5.0%                 | 4.5%                 |
| Inflation rate                | 4.5%                 | 4.0%                 |

**Demographic assumptions**

|                                     | 2021 | 2020 |
|-------------------------------------|------|------|
| Predictable retirement age          |      |      |
| - Men                               | 65   | 65   |
| - Women                             | 60   | 60   |
| Moderate level of employee turnover | 9.5% | 9.5% |

The sensitivity of the aggregate value of pension liabilities to changes in the main actuarial assumptions is given below:

|   | Changes in<br>assumptions   | Impact on liabilities |
|---|-----------------------------|-----------------------|
| Discount rate                               | Growth/decrease<br>by 0.5%  | Change by<br>(3.5%)   |
| Salary increase in the future               | Growth/decrease<br>by 0.5%  | Change by 2.7%        |
| Benefits (inflation) increase in the future | Growth/decrease<br>by 0.5%  | Change by 1.2%        |
| Level of employee turnover                  | Increase/decrease<br>by 10% | Change by<br>(2.4%)   |
| Mortality rate                              | Increase/decrease<br>by 10% | Change by<br>(1.1%)   |



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The amount of expectable payments under long-term employee benefits programs for the period from January 1, 2022 - December 31, 2022 is 161 753 thousand rubles including:

- under defined benefit programs including non-state pension provision of employees, 161 753 thousand rubles;
- according to the programs of other long-term employee benefits 0 thousand rubles.

### 28 Trade and Other Accounts Payable

|   | December 31,<br>2021 | December 31,<br>2020 |
|---|----------------------|----------------------|
| <b>Long-term debt</b>                       |                      |                      |
| Trade accounts payable                      | 92 134               | 95 472               |
| Other accounts payable                      | 30 001               | 8 967                |
|   | <b>122 135</b>       | <b>104 439</b>       |
| <b>Short-term debt</b>                      |                      |                      |
| Trade accounts payable                      | 6 783 569            | 5 864 793            |
| Other accounts payable and accrued expenses | 707 163              | 597 154              |
| Payables to employees                       | 1 226 789            | 1 130 408            |
| Dividends payable                           | 344                  | 479                  |
|   | <b>8 717 865</b>     | <b>7 592 834</b>     |
|   | <b>8 840 000</b>     | <b>7 697 273</b>     |

Information on the Group's exposure to liquidity risk in terms of accounts payable is disclosed in Note 32.

### 29 Tax Payable Except Income Tax

|                               | December 31,<br>2021 | December 31,<br>2020 |
|-------------------------------|----------------------|----------------------|
| VAT                           | 571 743              | 570 035              |
| Property tax                  | 159 482              | 162 485              |
| Social security contributions | 170 816              | 138 979              |
| Other taxes payable           | 63 132               | 66 802               |
|                               | <b>965 173</b>       | <b>938 301</b>       |

### 30 Advances Received

|  | December 31,<br>2021 | December 31,<br>2020 |
|--|----------------------|----------------------|
| <b>Long-term</b>   |                      |                      |
| Advances for services of technological connection to electric networks | 1 127 028            | 1 179 235            |
| Other advances received  | 6 914                | -                    |
|  | <b>1 133 942</b>     | <b>1 179 235</b>     |
| <b>Short-term</b>  |                      |                      |
| Advances for services of technological connection to electric networks | 1 723 537            | 2 083 710            |
| Other advances received  | 268 354              | 168 800              |
|  | <b>1 991 891</b>     | <b>2 252 510</b>     |
|  | <b>3 125 833</b>     | <b>3 431 745</b>     |

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### 31 Estimated Liabilities

|                                    | For the year ended<br>December 31 |                |
|------------------------------------|-----------------------------------|----------------|
|                                    | 2021                              | 2020           |
| <b>Balance as of January 1</b>     | <b>921 992</b>                    | <b>726 472</b> |
| Accrual (increase) for the period  | 1 416 263                         | 596 284        |
| Recovery (decrease) for the period | (68 054)                          | (64 391)       |
| Use of estimated liabilities       | (217 546)                         | (361 753)      |
| Capitalized                        | 31 795                            | 25 380         |
|                                    | <b>2 084 450</b>                  | <b>921 992</b> |

#### Balance as of December 31

The estimated liabilities mainly relate to lawsuits and claims brought against the Group for ordinary activities.

### 32 Financial Risk and Capital Management

In the course of its normal financial and business activities, the Group is exposed to a variety of financial risks, including, but not limited to, the following: market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

This Note contains information about the Group's exposure to each of these risks, discusses the objectives, policies and procedures for risk assessment and management as well as information about the Group's capital management. More detailed quantitative data are disclosed in the relevant sections of these consolidated financial statements.

In order to maintain or change the capital structure, the Group may change the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

#### (a) Credit risk

Credit risk is the risk that the Group will incur a financial loss caused from buyers or contractors' failure to meet contractual obligations regarding the financial instruments in full and on time. Credit risk is mainly associated with the Group's accounts receivable, bank deposits, cash and cash equivalents.

Deposits with original repayment period more than three months, cash and cash equivalents are placed in financial institutions that have a minimal risk of default are considered reliable counterparties with a stable financial position in the financial market of the Russian Federation.

Considering the structure of the Group's borrowers, 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 value of which is determined based on the model of expected credit losses weighted by the probability of default, and can be adjusted both upward and downward. For these purposes, the Group analyzes the creditworthiness of counterparties, the dynamics of debt repayment, considers changes in payment conditions, the availability of third-party guarantees, bank guarantees, current economic conditions.

The carrying amount of accounts receivable, less the allowance for expected credit losses, represents the maximum amount exposed to credit risk. Although the repayment of accounts receivable may be affected by economic and other factors, the Group believes that there is no significant risk of losses exceeding the created reserve.

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The Group, whenever possible, uses a prepayment system in its relations with counterparties. As a rule, prepayment for technological connection of consumers to the networks is provided for by the contract. The Group does not require collateral for accounts receivable.

In order to effectively organize work with accounts receivable, the Group monitors changes in the volume of accounts receivable and its structure, highlighting current and overdue debts. In order to minimize credit risk, the Group implements measures aimed at timely fulfillment of contractual obligations by counterparties, reducing and preventing the formation of overdue debts. Such measures, in particular, include: conducting negotiations with consumers of services, improving the efficiency of the process of forming the volume of services for the transmission of electricity, ensuring compliance with the schedules agreed with the reliable suppliers of control readings and technical verification of electricity metering devices, limiting the mode of electricity consumption (implemented in accordance with the statutory regulations of the legislation of the Russian Federation), claim work, presentation of requirements for the provision of financial security in the form of independent (bank) guarantees, banker's guarantees and other forms of ensuring the fulfillment of obligations.

**i. The level of credit risk**

The book value of financial assets reflects the maximum amount of the Group's credit risk. As of the reporting date, the maximum level of credit risk was:

|   | Book value        |                   |
|---|-------------------|-------------------|
|   | December 31, 2021 | December 31, 2020 |
| Trade and other accounts receivable (less the provision for expected credit losses) | 6 218 682         | 8 128 639         |
| Cash and cash equivalents   | 1 984 357         | 752 545           |
|   | <b>8 203 039</b>  | <b>8 881 184</b>  |

As of the reporting date, the maximum level of credit risk in terms of trade accounts receivable by buyer groups was:

|   | December 31, 2021   |                                      | December 31, 2020   |                                      |
|---|---------------------|--------------------------------------|---------------------|--------------------------------------|
|   | Total nominal value | Provision for expected credit losses | Total nominal value | Provision for expected credit losses |
| Buyers of electricity transmission services                 | 7 077 351           | (1 351 430)                          | 8 515 965           | (1 129 735)                          |
| Buyers of services for technological connection to networks | 47 631              | (24 810)                             | 37 783              | (27 652)                             |
| Other buyers  | 437 222             | (309 983)                            | 304 934             | (95 729)                             |
|   | <b>7 562 204</b>    | <b>(1 686 223)</b>                   | <b>8 858 682</b>    | <b>(1 253 116)</b>                   |

The book value of trade accounts receivable attributable to the ten largest borrowers of the Group amounted to 5 339 100 thousand rubles as of December 31, 2021 (as of December 31, 2020: 7 962 695 thousand rubles).

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Classification of trade and other accounts receivable by statute of limitations is presented below:

|  | December 31, 2021   |                                      | December 31, 2020   |                                      |
|--|---------------------|--------------------------------------|---------------------|--------------------------------------|
|  | Total nominal value | Provision for expected credit losses | Total nominal value | Provision for expected credit losses |
| Outstanding debt                                     | 5 991 942           | (479 900)                            | 5 865 076           | (36)                                 |
| Overdue by less than 3 months                        | 362 238             | (72 480)                             | 1 369 296           | (10 236)                             |
| Overdue by more than 3 months and less than 6 months | 124 041             | (17 327)                             | 111 160             | (51 208)                             |
| Overdue for more than 6 months and less than a year  | 162 618             | (78 622)                             | 534 371             | (205 454)                            |
| Overdue for more than a year                         | 2 092 999           | (1 866 827)                          | 2 255 137           | (1 739 467)                          |
|  | <b>8 733 838</b>    | <b>(2 515 156)</b>                   | <b>10 135 040</b>   | <b>(2 006 401)</b>                   |

The Group believes that overdue non-impaired accounts receivable are highly likely to be recoverable as of the reporting date due to the existence of positive judicial practice in similar cases.

The carrying amount of accounts receivable from buyers and customers and other accounts receivable, less the provision for impairment of accounts receivable, represents the maximum amount exposed to credit risk. Although the repayment of accounts receivable is confirmed by the influence of economic factors, management believes that the Group does not have a significant risk of losses in excess of the already formed provision for expected credit losses.

The movement of the provision for expected credit losses on trade and other receivables is presented below:

|  | 2021             | 2020             |
|--|------------------|------------------|
| <b>Balance as of January 1</b>   | 2 006 401        | 1 774 590        |
| Increase in the reserve for the period   | 604 955          | 505 341          |
| Recovery of reserve amounts for the period   | (69 044)         | (114 073)        |
| Amounts of trade and other accounts receivable written off from the previously accrued reserve | (27 156)         | (159 457)        |
| Reclassification for the period  | —                | —                |
| <b>Balance as of December 31</b>   | <b>2 515 156</b> | <b>2 006 401</b> |

As at 31 December 2021 and 31 December 2020, the Group has no contractual basis for offsetting financial assets and financial liabilities, and the Group's management does not anticipate offsetting in the future on the basis of additional agreements.

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**(b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial liabilities at maturity date of liabilities redemption.

Liquidity risk management implies maintaining a sufficient amount of cash and availability of financial resources by obtaining credit lines. The Group adheres to 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 always has liquid funds sufficient to repay its obligations on time preventing unacceptable losses and not putting the Group's reputation at risk. This approach is used to analyze payment conditions related to financial assets and forecast cash flows from operating activities.

The Group's consolidated financial statements prepared in accordance with the International Financial Reporting Standards for the year 2021 ended 31 December 2021 have been prepared on the basis of the going concern principle which implies that the Group is able to realize its assets and settle its liabilities in the normal course of business in the foreseeable future.

The Group's profit for 2021 amounted to 1 877 303 thousand rubles (2020 – the loss of 1 217 158 thousand rubles mainly due to the impact of negative consequences related to COVID-19), the Company's short-term liabilities as of December 31, 2021 amounted to 19 930 943 thousand rubles including liabilities for borrowings in the amount of 6 171 194 thousand rubles. The Group has opened free lending limits to ensure the refinancing of borrowings due in 2022. The total amount of the credit limit (including overdraft loans) with the end of the sample period in 2022-2025 as of December 31, 2021 is 43 209 186 thousand rubles including free limits under loan agreements with PJSC “Rosseti” – 1 300 000 thousand rubles.

According to the forecasts of the Group's management, the net cash flow from operating activities in 2022 will be sufficient to cover the Group's liabilities payable in 2022.

Thus, despite the working capital deficit, the Group's management believes that the Group will be able to fulfill all its current liabilities during 2022.

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Information concerning the contract periods of repayments of financial liabilities considering the expectable interest payments and without taking into account the effect of set-offs is outlined below. By reference to the cash flows included in the time analysis of payment, it is not assumed that they may arise significantly earlier in time or in significantly different amounts:

|   | December 31, 2021 | December 31, 2020 | Cash flows under the agreement | Up to 1 year      | From 1 to 2 years | From 2 to 3 years | From 3 to 4 years | From 4 to 5 years | Over 5 years     |
|---|-------------------|-------------------|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| <b>Non-derivative financial liabilities</b> |                   |                   |                                |                   |                   |                   |                   |                   |                  |
| Credits and loans                           | 20 970 506        | 23 436 788        | 24 532 308                     | 6 792 666         | 1 263 945         | 10 740 524        | 5 735 173         | –                 | –                |
| Finance lease liabilities                   | 4 943 208         | 6 097 272         | 7 056 042                      | 1 775 684         | 1 631 567         | 1 622 884         | 108 880           | 70 325            | 1 846 701        |
| Trade and other account payable             | 8 840 370         | 7 709 555         | 9 132 193                      | 9 010 058         | 28 531            | 8 551             | 3 755             | 3 905             | 77 393           |
|   | <b>34 754 084</b> | <b>37 243 615</b> | <b>40 720 542</b>              | <b>17 578 408</b> | <b>2 924 043</b>  | <b>12 371 959</b> | <b>5 847 808</b>  | <b>74 230</b>     | <b>1 924 094</b> |
| <b>Non-derivative financial liabilities</b> |                   |                   |                                |                   |                   |                   |                   |                   |                  |
| Credits and loans                           | 23 436 788        | 26 854 818        | 26 854 818                     | 6 861 988         | 2 184 128         | 16 279 350        | 98 980            | 1 430 372         | –                |
| Lease liabilities                           | 6 097 272         | 8 372 398         | 8 372 398                      | 1 891 139         | 1 587 416         | 1 514 815         | 1 493 315         | 98 106            | 1 787 607        |
| Trade and other account payable             | 7 709 555         | 7 857 435         | 7 857 435                      | 7 752 306         | 10 554            | 5 912             | 3 610             | 3 755             | 81 298           |
|   | <b>37 243 615</b> | <b>43 084 651</b> | <b>43 084 651</b>              | <b>16 505 433</b> | <b>3 782 098</b>  | <b>17 800 077</b> | <b>1 595 905</b>  | <b>1 532 233</b>  | <b>1 868 905</b> |

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**(c) Market risk**

Market risk is the risk of changes in market prices such as foreign exchange rates, interest rates, commodity prices and the cost of capital which will affect the financial results of the Group's operations or the value of financial instruments held. The purpose of market risk management is to control exposure to market risk and keep it within acceptable limits while achieving optimization of investment returns.

**i. Currency risk**

Most of the Group's income and expenses as well as monetary assets and liabilities are denominated in Russian rubles. Changes in exchange rates do not have a direct significant impact on the Group's income and expenses.

**ii. Interest risk**

Changes in interest rates mainly have an impact on loans and borrowings as they change either their fair value (for loans and borrowings with a fixed rate) or future cash flows (for loans and borrowings with a floating rate). The Group's management does not adhere to any established rules when determining the ratio between loans and borrowings at fixed and floating rates. However, when making borrowing decisions, the Group's management prefers loans and borrowings with fixed rates, and, as a result, the Group is exposed to the risk of changes in these rates to a limited extent. At the same time, in the loan agreements concluded by the Group, as a rule, there are no prohibitive commissions of creditor banks for early repayment of debt on the initiative of the borrower which provides the Group with additional flexibility in optimizing interest rates in the current economic conditions.

**Sensitivity analysis of the fair value for fixed rate financial instruments**

The Group does not account for any fixed rate financial assets and liabilities as instruments measured at fair value, changes in which are reflected in profit or loss for the period. Accordingly, the change in interest rates as of the reporting date would not affect the profit or loss indicators.

**(d) Fair and book value**

The book value of the Group's financial instruments corresponds to their fair value, respectively, no additional disclosure is provided for them.

The interest rate used to discount the expected future cash flows on long-term accounts receivable for the purposes of determining the disclosed fair value as of December 31, 2021 was 6.78%-8.69% (December 31, 2020: 6.97%-9.01%).

The interest rate used to discount the expected future cash flows on long-term accounts payable for the purposes of determining the disclosed fair value as of December 31, 2021 was 6.78%-8.69% (as of December 31, 2020: 6.97%-9.01%).

The interest rate used to discount expected future cash flows on long-term and short-term borrowings for the purposes of determining the disclosed fair value as of December 31, 2021 was 5.60% - KC+2.75% (as of December 31, 2020: 5.68%-7.40%).

For the year ended December 31, 2021, there were no transfers between the levels of the fair value hierarchy.

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**(e) Capital management**

The main aim of capital management for the Group is to maintain a consistently high level of capital which allows maintaining the trust of investors, creditors and market participants and ensuring 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 under the IFRS, management reports and statements prepared in accordance with the RAS. 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 debt capital.

The Group manages the debt position by implementing a credit policy aimed at improving financial stability, optimizing the debt portfolio and building long-term relationships with debt capital market participants. To manage the debt position, limits are applied in the Group including by categories of financial leverage, debt coverage, debt service coverage. The initial data for calculating the limits are the indicators of the RAS reporting.

The Company and its subsidiaries are required to comply with the statutory requirements for equity adequacy, according to which the value of their net assets, determined in accordance with Russian accounting principles, must constantly exceed the amount of the share capital.

As of December 31, 2021 and as of December 31, 2020, these requirements were met.

**33 Capital Contractual Obligations**

The amount of the Group's capital obligations under contracts for the purchase and construction of property, plant and equipment is 2 416 614 thousand rubles, including VAT, as of December 31, 2021 (as of December 31, 2020: 1 386 140 thousand rubles, including VAT).

**34 Contingent Liabilities**

**(a) Insurance**

The Group has uniform requirements regarding the volume of insurance coverage, the reliability of insurance companies and the procedure for organizing insurance protection. The Group insures assets, civil liability and other insured risks. The Group's main production assets have insurance coverage including coverage in case of damage or loss of property, plant and equipment. Nevertheless, there are risks of a negative impact on the Group's operations and financial position in the event of damage to third parties as well as a result of loss or damage to assets whose insurance protection is not available or has not been fully implemented.

**(b) Contingent tax liabilities**

Russian tax legislation allows for different interpretations with respect to the operations and activities of the Group. Accordingly, the management's interpretation of tax legislation and its formal documentation can be successfully challenged by the relevant regional or federal authorities. Tax administration in Russia is gradually being strengthened. In particular, the risk of checking the tax aspect of transactions without obvious economic meaning or with counterparties violating tax legislation increases. Tax audits may cover three calendar years prior the year of the decision on the tax audit. Under certain conditions, earlier periods may also be subject to verification.

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The Russian tax authorities have the right to add additional tax liabilities and penalties based on the rules established by the legislation on transfer pricing (hereinafter referred to as “TP”) if the price/profitability in controlled transactions differs from the market level. The list of controlled transactions mainly includes transactions concluded between related parties.

Starting from January 1, 2019, control over transfer pricing for a significant part of domestic transactions has been abolished. However, the exemption from price control may not be applicable to all transactions made on the domestic market. At the same time, in the case of additional charges, the mechanism of counter-adjustment of tax liabilities can be used if certain legal requirements are met. Intra-group transactions that have been out of the control of the TP since 2019 can nevertheless be checked by the territorial tax authorities for obtaining unjustified tax benefits, and TP methods can be used to determine the amount of additional charges. The Federal executive body authorized for control and supervision in the field of taxes and fees may verify prices/profitability in controlled transactions and, in case of disagreement with the prices applied by the Group in these transactions, add additional tax liabilities if the Group is unable to justify the market nature of pricing in these transactions by providing relevant legal requirements transfer pricing documentation.

As the practice of applying the property tax rules develops further, the criteria for classifying property as movable or immovable property applied by the Group may be challenged by the tax authorities and courts. The Group's management does not exclude the risk of resource outflow while the impact of such developments cannot be assessed with a sufficient degree of reliability.

In the opinion of management, the relevant provisions of the legislation have been interpreted correctly by them, and the Group's position in terms of compliance with tax legislation can be justified and protected.

As of December 31, 2021, the on-site tax audit for 2016-2018 has been completed but the audit report has not been submitted by the tax authority before the date of signing the reports. As the practice of applying the property tax rules develops further, the tax authorities and courts may challenge the criteria for classifying property as movable or immovable property applied by the Group. The risk of claims from the tax authorities as well as the likelihood of unfavorable resolution of tax disputes (if they arise) is assessed by the Group's management as “probable”. In this regard, the Group's management, exercising the principle of prudence, decided to create a reserve for estimated liabilities for tax risks in the amount of 559 578 thousand rubles.

**(c) Legal proceedings**

The Group is a participant in a number of lawsuits (both as a plaintiff and a defendant) arising in the course of ordinary business activities.

In the opinion of the management, there are currently no outstanding claims or other claims that could have a material 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.

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**(d) Environmental commitments**

The Group has been operating in the field of the power industry in the Russian Federation for many years. The legislation on environmental protection in the Russian Federation continues to develop, and the duties of authorized state bodies to monitor its compliance are being reconsidered. Potential environmental commitments arising from changes in interpretations of existing legislation, lawsuits or changes in legislation cannot be assessed. In the opinion of the management, under the existing control system and under current legislation, there are no probable liabilities that could have a material negative impact on the financial position, results of operations or cash flows of the Group.

**35 Related Party Transactions****(a) Control relationship**

Related parties are shareholders, affiliates and organizations under common ownership and control of the Group, members of the Board of Directors and key management personnel of the Group. As of December 31, 2021 and December 31, 2020, control over the Group belonged to PJSC “Rosseti”. The ultimate controlling party is the state represented by the Federal Agency for Property Management which owns a controlling stake in PJSC “Rosseti”.

**(b) Transactions with the parent company, its subsidiaries and associated companies**

Transactions with the parent company, its subsidiaries and associated companies include transactions with PJSC “Rosseti”, its subsidiaries and associated companies:

|   | Transaction amount for the year ended |                   | Book value        |                   |
|---|---------------------------------------|-------------------|-------------------|-------------------|
|   | December 31, 2021                     | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| <b>Revenue, other income, financial income</b>                              |                                       |                   |                   |                   |
| <b>Parent company</b>   |                                       |                   |                   |                   |
| Other revenue   | 1 185                                 | 1 185             | –                 | –                 |
| Income from the termination of the lease agreement                          | –                                     | 157               | –                 | –                 |
| <b>Enterprises under the common control of the parent company</b>           |                                       |                   |                   |                   |
| Lease   | 4 608                                 | 4 434             | 1 363             | 4                 |
| Other revenue   | 2 908                                 | 30 669            | 63 846            | 109 811           |
| Interest income   | 3 751                                 | 322               | 1 796             | 160               |
| Income from the termination of the lease agreement                          | 46                                    | –                 | –                 | –                 |
| Other operating income  | 11 350                                | –                 | 68 607            | –                 |
|   | <b>23 848</b>                         | <b>36 767</b>     | <b>135 612</b>    | <b>109 975</b>    |
| Provision for expected credit losses on trade and other accounts receivable | (6 643)                               | (97 750)          | (104 393)         | (97 750)          |
| Accounts receivable less the provision for expected credit losses           | –                                     | –                 | 31 219            | 12 225            |

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|  | Transaction amount for the<br>year ended |                  | Book value       |                  |
|--|--|------------------|------------------|------------------|
|  | December 31                              |                  | December 31,     | December 31,     |
|  | 2021                                     | 2020             | 2021             | 2020             |
| <b>Operating expenses, financial expenses</b>                        |  |                  |                  |                  |
| <b>Parent company</b>  |  |                  |                  |                  |
| Expenses for the organization and development of the UES             | 104 437                                  | 118 322          | 19 434           | 37 165           |
| Other works and services of an industrial nature                     | 15 272                                   | 15 272           | –                | 2 817            |
| Other expenses   | 6 382                                    | 6 413            | –                | 37               |
| Interest expense on lease  | –  | 151              | –                | –                |
| Interest expense on financial liabilities carried at amortized cost  | 285 394                                  | 228 187          | 25 961           | 153 866          |
| <b>Enterprises under the common control of the parent company</b>    |  |                  |                  |                  |
| Electricity transmission services                                    | 8 051 470                                | 7 627 903        | 790 579          | 765 295          |
| Services for technological connection to electric networks           | 1 493                                    | 3 491            | –                | –                |
| Repair and maintenance services                                      | 1 830                                    | 1 759            | 549              | –                |
| Short-term lease   | –  | 558              | 1 217            | 2 385            |
| Other expenses   | 84 927                                   | 58 089           | 21 314           | 20 901           |
| Interest expenses on lease liabilities                               | 20 661                                   | 16 644           | –                | –                |
| Interest expenses on financial liabilities carried at amortized cost | 14 898                                   | –                | –                | –                |
|  | <b>8 586 764</b>                         | <b>8 076 789</b> | <b>859 054</b>   | <b>982 466</b>   |
| Construction and installation works capitalized                      | 47 365                                   | 42 815           | 424 114          | 295 632          |
|  | <b>8 634 129</b>                         | <b>8 119 604</b> | <b>1 283 168</b> | <b>1 278 098</b> |

|   | Book value       |                  |
|---|------------------|------------------|
|   | December 31,     | December 31,     |
|   | 2021             | 2020             |
| <b>Parent company</b>   |                  |                  |
| Credits and loans   | 5 600 000        | 6 800 000        |
| <b>Enterprises under the common control of the parent company</b> |                  |                  |
| Advances issued   | 5 934            | 4 867            |
| Lease liabilities   | 286 291          | 293 285          |
| Advances received   | 30               | 76               |
| Credits and loans   | 600 000          | –                |
|   | <b>6 492 255</b> | <b>7 098 228</b> |

For the year ended December 31, 2021, the Group obtained loans from the parent company in the amount of 4 200 000 thousand rubles, repaid – 5 400 000 thousand rubles.

For the year ended December 31, 2021, the Group obtained loans from companies under the general control of the parent company in the amount of 600 000 thousand rubles, there was no repayment.

As of December 31, 2021, there is no debt to the parent company for the payment of dividends (as of December 31, 2020 – none).

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**(c) Operations with key management personnel**

For the purposes of preparing these consolidated financial statements, key management personnel include members of the Board of Directors and the Executive Board.

Remuneration of key management personnel consists of the salary stipulated by the employment agreement, non-monetary benefits as well as bonuses determined by the results for the period and other payments.

The amounts of remuneration to key management personnel disclosed in the table represent the costs of the current period for key management personnel reflected in the employee compensation expenses.

|  | For the year ended<br>December 31 |                |
|--|-----------------------------------|----------------|
|  | 2021                              | 2020           |
|  | Short-term employee benefits      | 181 750        |
|  | <b>181 750</b>                    | <b>214 488</b> |

The current value of liabilities under defined benefit and defined contribution programs as well as other post-employment benefits, in respect of key management personnel as of December 31, 2021 amounted to 0 thousand rubles (as of December 31, 2020: 0 thousand rubles).

**(d) Transactions with the government-related entities**

As part of its operating activities, the Group carries out transactions with other government-related entities. These operations are carried out at regulated tariffs or at market prices, market interest rates. Taxes are accrued and paid in accordance with Russian tax legislation.

Revenue from government-related entities amounted to:

- 2.68% of the Group's total revenue for the year ended December 31, 2021 (for the year ended December 31, 2020: 1.39%);
- 0.90% of the Group's electricity transmission revenue for the year ended December 31, 2021 (for the year ended December 31, 2020: 0.95%).

The expenses of electricity transmission and the expenses of purchasing electricity to compensate for technological losses, for the government-related entities, amounted to 4.37% of the total expenses of transmission and compensation for losses for the year ended December 31, 2021 (for the year ended December 31, 2020: 3.36%).

As of December 31, 2021, credits and loans from banks associated with the main shareholder of the parent company amounted to 13 244 141 thousand rubles (as of December 31, 2020, 19 471 534 thousand rubles)

For the year ended December 31, 2021, the Group obtained loans and borrowings from banks associated with the main shareholder of the parent company in the amount of 17 224 926 thousand rubles, repaid – 19 471 534 thousand rubles.

Interest accrued on loans and borrowings from the government-related banks for the year ended December 31, 2021 amounted to 1 106 050 thousand rubles (for the year ended December 31, 2020: 1 539 254 thousand rubles).

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As of December 31, 2021, the balance of cash and cash equivalents placed in the government-related banks amounted to 1 981 785 thousand rubles (as of December 31, 2020: 751 889 thousand rubles.)

As of December 31, 2021, lease liabilities for the government-related entities amounted to 4 721 931 thousand rubles (as of December 31, 2020: 5 716 635 thousand rubles).

### **36 Events after the reporting date**

In the period after the reporting date, the Group received cash in the amount of 386 282 thousand rubles to pay for outstanding shares including:

- for the period of the pre-emptive right to purchase additional shares (from January 1, 2022 to February 3, 2022) – 140 293 thousand rubles,
- for the period of acquisition of additional shares by open subscription (from February 11, 2022 to March 14, 2022) – 245 989 thousand rubles.

On February 4, 2022, the Group handed over an order to the registrar on the placement of 1 835 684 shares in favor of persons exercising the pre-emptive right to purchase securities for a total transaction amount of 183 568 thousand rubles. On February 7, 2022, the order was executed by the registrar.

There are no other significant events that have 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, 2021, prepared in accordance with the IFRS except for the events disclosed in the Note 1 in relation to the economic environment in which the Group operates.

# APPENDIX 6

OPINION OF THE AUDITING COMMISSION

## Auditing Commission of PJSC Rosseti Kuban

Approved  
by the Auditing Commission  
of PJSC Rosseti Kuban  
(Minutes No. 3 dated 29 April 2022)

### OPINION OF THE AUDITING COMMISSION

of Public Joint Stock Company  
Rosseti Kuban

FOR 2021

29 April 2022

Moscow



## I. INTRODUCTION

### INFORMATION ON THE MEMBERSHIP 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 3 June 2021 (Minutes No. 45 dated 4 June 2021) |
| The Chairman and the Secretary of the Auditing Commission were elected by the resolution of the Auditing Commission | Minutes of the Auditing Commission of PJSC Rosseti Kuban No. 1 dated 21 June 2021  |
| Chairman of the Auditing Commission   | Svetlana Kovalyova   |
| Secretary of the Auditing Commission  | Svetlana Trishina  |
| Members of the Auditing Commission  | Viktor Tsarkov<br>Olga Pyatakova<br>Kirill Rogachyov   |

**Duration of the audit:** Pursuant to the Work Plan of the Auditing Commission for the corporate year 2021–2022 (Minutes of Meeting of the Auditing Commission of PJSC Rosseti Kuban No. 1 dated 21 June 2021), the audit of the financial and business activities of PJSC Rosseti Kuban for 2021 was conducted in the period from January to May 2022.

**Grounds for the audit:** Federal Law No. 208-FZ of 26 December 1995 On Joint Stock Companies, Articles of Association of PJSC Rosseti Kuban, Regulations on the Auditing Commission of PJSC Rosseti Kuban, Resolution of the Auditing Commission of PJSC Rosseti Kuban (Minutes of Meeting No. 1 dated 21 June 2021).

**Objective of the audit:** To confirm the accuracy of the data contained in the Annual Report for 2021, the accounting (financial) statements of PJSC Rosseti Kuban for 2021, and the Report on Related Party Transactions Entered into in 2021 (hereinafter, Statements).

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:** from 1 January 2021 to 31 December 2021.

**Object of the audit:** Annual Report for 2021, accounting (financial) statements for 2021, report on related party transactions concluded in 2021, resolutions of management bodies, local regulations and organisational and administrative documents of PJSC Rosseti Kuban, roadmaps, accounting registers, primary accounting documents and other documentation of financial and economic activities of PJSC Rosseti Kuban.

**In carrying out the inspection (audit), the following was used:**

- Federal Law No. 402-FZ dated 6 December 2011 On Accounting
- Federal Law No. 208-FZ dated 26 December 1995 On Joint Stock Companies
- Civil Code of the Russian Federation
- Order No. 34n of the Ministry of Finance of Russia dated 29 July 1998 On the Ratification of Regulations for Accounting and Reporting in the Russian Federation
- Accounting standards (federal, sectoral)
- Order No. 66n of the Ministry of Finance of Russia dated 2 July 2010 On Accounting Forms of Organisations
- Regulation on Disclosure of Information by Issuers of Equity Securities No. 714-P approved by the Bank of Russia on 27 March 2020
- Instruction of the Bank of Russia No. 4335-U dated 31 March 2017 On Establishing the Limits on the Amount of Transactions of Joint Stock Companies and Limited Liability Companies, Above Which Such Transactions May Be Recognised as Related-Party Transactions
- Regulations on Accounting Policy of PJSC Rosseti Kuban for Accounting Purposes, approved by Order of PJSC Rosseti Kuban No. 755-od dated 29 December 2020, as amended
- Other legislative acts and internal administrative documents of PJSC Rosseti Kuban.

### COMPANY DETAILS

|   |   |
|---|---|
| Full title  | Public Joint Stock Company Rosseti Kuban (hereinafter referred to as the Company) |
| Abbreviated title   | PJSC Rosseti Kuban (hereinafter referred to as the Company)                       |
| Location (registered office)  | 2A Stavropolskaya Street, Krasnodar, Russian Federation                           |
| Address of the legal entity   | 2A Stavropolskaya Street, Krasnodar, Krasnodar Region, 350033                     |
| State registration (Primary State Registration Number (OGRN), date) | 1022301427268 dated 17 September 2002   |
| INN (Tax Payer ID)  | 2309001660  |

|  |  |
|--|--|
| Branches and separate subdivisions   | <ul style="list-style-type: none"> <li>- Krasnodar Power Grids</li> <li>- Sochi Power Grids</li> <li>- Armavir Power Grids</li> <li>- Adygeya Power Grids</li> <li>- Timashevsk Power Grids</li> <li>- Tikhoretsk Power Grids</li> <li>- Leningrad Power Grids</li> <li>- Slavyansk Power Grids</li> <li>- South-West Power Grids</li> <li>- Labinsk Power Grids</li> <li>- Ust-Labinsk Power Grids</li> </ul> |
| Executive body (name, position, date of entry into service (all individuals acting in the reporting period and in the events occurred after the reporting date)) | <p>Sergey Sergeev, General Director from 18 July 2019 to 17 May 2021</p> <p>Boris Ebzeev, Acting General Director from 18 May 2021 to the present day.</p>   |
| Chief Accountant (name, position, date of entry into service)  | <p>Inna Skiba, Chief Accountant — the Head of Accounting and Tax Reporting Department from 20 May 2013 to 20 June 2021.</p> <p>Lyudmila Loskutova, Chief Accountant — the Head of Accounting and Tax Reporting Department from 21 June 2021 to the present day.</p>  |
| Average headcount in 2021  | 8,876 people   |
| Key shareholders   | PJSC Rosseti (93.58%), JSC DVEUK – UNPG (6.09%)  |
| Key business activities  | Electricity transmission and connection to distribution grids (All-Russia Classifier of Economic Activities (OKVED) code 35.12)  |

PJSC Rosseti Kuban is a subsidiary of PJSC Rosseti, which as at 31 December 2021 owns 93.58% of the Company's outstanding shares.

The Company's activities are defined in the Articles of Association.

Clause 2.8 of the Articles of Association stipulates that the Company may establish branches and open representative offices in accordance with the provisions of the Civil Code of the Russian Federation, the Federal Law On Joint Stock Companies and other federal laws. The Company's branches and representative offices are not legal entities; those act on behalf of the Company and on the basis of the regulations approved by the Company. As at 31 December 2021, the Company has 11 branches.

The governing bodies of PJSC Rosseti Kuban are as follows:

- General Meeting of Shareholders
- Board of Directors
- Management Board
- General Director

The Company's supreme management body is the General Meeting of Shareholders. The most important decisions related to the activities of the Company are made by the General Meeting of Shareholders within its competence as prescribed by the legislation of the Russian Federation and the Articles of Association of the Company. In accordance with the Articles of Association of the Company, the Board of Directors, which is elected at the General Meeting of Shareholders, makes decisions on the determination of the Company's development strategy and supervises the activity of its executive bodies.

The management of the current operations of the Company is effected by a sole executive body, i.e. General Director, and a collective executive body, i.e. the Management Board.

Control over the financial and economic activities of the Company is exercised by the Company's Auditing Commission.

The current members of the Board of Directors of PJSC Rosseti Kuban were elected at the Extraordinary General Meeting of Shareholders of PJSC Rosseti Kuban held on 30 December 2021 (the positions below are at the time of election):

1. Daniil Krainskiy — the Deputy General Director for Legal Support at PJSC Rosseti
2. Grigory Gladkovsky — the Deputy Chief Engineer at PJSC Rosseti
3. Yuri Goncharov — the Chief Advisor at PJSC Rosseti
4. Aleksandr Kazakov — the Member of the Board of Directors at PJSC Rosseti South, the Chairman of the Board of Directors at PJSC Rosseti Centre and Volga Region, the Chairman of the Personnel and Remuneration Committee at PJSC Rosseti Kuban
5. Madina Kaloyeva — the Director for Corporate Governance — Head of Corporate Governance Department at PJSC FGC UES
6. Konstantin Kravchenko — the Chief Advisor to the General Director, the Acting Deputy General Director for Digitalisation at PJSC Rosseti
7. Mikhail Medvedev — the Advisor to the General Director at JSC Avangard
8. Aleksey Malsky — the Deputy General Director for Investment, Capital Construction and Service Sales, the Member of the Management Board at PJSC Rosseti
9. Aleksey Polinov — the Deputy General Director for Economics and Finance at PJSC Rosseti Lenenergo, the Chief Advisor to the General Director at PJSC Rosseti
10. Boris Ebzeev — the Chairman of the Management Board, the General Director at PJSC Rosseti South, the Acting General Director at PJSC Rosseti Kuban
11. Viktor Yavorsky — the President of LLC AKG OSBI KLASS

The Board of Directors, which had been elected at the Extraordinary General Meeting of Shareholders on 31 August 2021 and acting until a new Board of Directors was elected on 30 December 2021 (the positions below are at the time of election):

1. Daniil Krainskiy — the Deputy General Director for Legal Support at PJSC Rosseti
2. Grigory Gladkovsky — the Deputy Chief Engineer at PJSC Rosseti
3. Yuri Goncharov — the Chief Advisor at PJSC Rosseti
4. Alexander Kazakov — the Chairman and Member of the Board of Directors at PJSC IDGC of Centre, the Chairman and Member of the Board of Directors at PJSC Rosseti Centre and Volga Region, the Member of the Board of Directors at PJSC Rosseti Volga, the Chairman of the Personnel and Remuneration Committee at PJSC Rosseti Kuban
5. Madina Kaloyeva — the Director for Corporate Governance — Head of Corporate Governance Department at PJSC FGC UES
6. Mikhail Medvedev — the Advisor to the General Director at JSC Avangard
7. Aleksey Molsky — the Deputy General Director for Investment, Capital Construction and Service Sales, the Member of the Management Board at PJSC Rosseti
8. Aleksey Polinov — the Deputy General Director for Economics and Finance at PJSC Rosseti Lenenergo, the Chief Advisor to the General Director at PJSC Rosseti
9. Boris Ebzeev — the Chairman of the Management Board, the General Director at PJSC Rosseti South, the Acting General Director at PJSC Rosseti Kuban
10. Viktor Yavorsky — the President of LLC AKG OSBI KLASS
11. Konstantin Mikhaylik — the Deputy General Director for Digitalisation at PJSC Rosseti

The Board of Directors, which had been elected at the Annual General Meeting on 3 June 2021 and acting until a new Board of Directors was elected on 31 August 2021 (the positions below are at the time of election):

1. Daniil Krainskiy — the Deputy General Director for Legal Support at PJSC Rosseti
2. Grigory Gladkovsky — the Deputy Chief Engineer at PJSC Rosseti
3. Aleksandr Kazakov — the Chairman and Member of the Board of Directors at PJSC Rosseti Centre and Volga Region, the Chairman of the Personnel and Remuneration Committee at PJSC Rosseti Kuban
4. Mikhail Medvedev — the Advisor to the General Director at JSC Avangard
5. Aleksey Molsky — the Deputy General Director for Investment, Capital Construction and Service Sales, the Member of the Management Board at PJSC Rosseti
6. Aleksey Polinov — the Deputy General Director for Economics and Finance at PJSC Rosseti Lenenergo, the Chief Advisor to the General Director at PJSC Rosseti
7. Viktor Yavorsky — the President of LLC AKG OSBI KLASS
8. Natalya Ozhegina — the Deputy Chairman of the Management Board for Personnel at PJSC FGC UES

9. Egor Prokhorov — the Deputy General Director for Strategy at PJSC Rosseti
10. Sergey Sergeev — the Deputy General Director for Investments at JSC TsIUS UES
11. Maria Tikhonova — Deputy General Director for Corporate Governance at PJSC FGC UES

The Board of Directors, which had been elected at the Annual General Meeting on 29 May 2020 and acting until a new Board of Directors was elected on 3 June 2021 (the positions below are at the time of election):

1. Alexander Gavrilov — the Member of the Krasnodar Regional Scientific and Technical Association of Power and Electrical Engineers;
2. Igor Alyushenko — the Director of the Situation Analysis Centre — Deputy Chief Engineer at PJSC Rosseti
3. Aleksandr Varvarin — the Vice President — Managing Director for the Corporate Relations and Legal Support Office of the Russian Union of Industrialists and Entrepreneurs
4. Vasily Varseev — the Director of the Security Department at PJSC Rosseti
5. Denis Guryanov — the Director of the Corporate Governance Department at PJSC Rosseti
6. Andrey Logatkin — Director of the International Cooperation Department at PJSC Rosseti
7. Ivan Terekhov — the Head of the Insurance Division of the Strategy Department at PJSC Rosseti
8. Irina Shagina — the Director of the Tariff Policy Department at PJSC Rosseti
9. Sergey Sergeev, General Director of PJSC Kubanenergo
10. Mikhail Medvedev — the Advisor to the General Director at JSC Avangard
11. Viktor Yavorsky — the Member of the Presidium of the Management Board of the All-Russian Non-Governmental Organisation of Small and Medium Business OPORA RUSSIA

#### AUDITOR DETAILS

|   |   |
|---|---|
| Full title  | Ernst & Young Limited Liability Company   |
| Abbreviated title   | Ernst & Young LLC   |
| Resolution of the Annual General Meeting of Shareholders to approve the auditor | The Auditor was approved by the Resolution of the Annual General Meeting of Shareholders of PJSC Rosseti Kuban (Minutes No. 45 dated 4 June 2021) |
| Address   | 77/1 Sadovnicheskaya naberezhnaya st., Moscow, Russian Federation, 115035   |
| State Registration Number   | 1027739707203   |
| Membership of self-regulatory organisations                                     | Self-Regulatory Organisation of Auditors Association "Sodruzhestvo"<br>Main Record Number (ORNZ) 12006020327                                      |
| Contract for Audit Services   | Contract for Audit Services for the year 2021 No. 407/30-   |

|                   |  |
|-------------------|--|
|                   | 1003 dated 5 August 2021   |
| Auditor's Opinion | Independent Auditor's Opinion on the Accounting (Financial) Statements of Public Joint Stock Company Rosseti Kuban for 2021 (signed on 25 February 2022) |

## II. ANALYTICS

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 2021, the reliability and completeness of information disclosure in the annual report for 2021, in the Report on the transactions concluded in 2021 and recognized as related-party transactions. Based on the Company's accounting (financial) statements, an analysis of the Company's financial position and standing has been carried out.

In assessing the accuracy of the accounting (financial) statements for 2021, the Auditing Commission relied on the opinion of the Company's auditor, as expressed in the Auditor's Opinion compiled by Ernst & Young LLC dated 25 February 2022.

In the opinion of the Company's auditor, Ernst & Young LLC:

*“the accounting (financial) statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, as well as its financial performance and cash flows in 2021, in compliance with the Russian Federation rules for accounting (financial) statements”.*

In the reporting year, a range of accounting methods used by the Company and constituting the Accounting Policy of PJSC Rosseti Kuban for 2021, approved by Order No. 755-od dated 29 December 2020 (as amended by Order No. 171-od dated 29 March 2021), generally complied with the accounting legislation of the Russian Federation and federal standards.

The stocktake of the Company's property and liabilities for 2021 was performed in accordance with the requirements of the legislation of the Russian Federation.

The statements are prepared in accordance with the laws and regulations of the Russian Federation (Russian Accounting Standards — RAS) and local regulations of the Company, in all material respects.

The book value of the Company's assets and liabilities as at 31 December 2021 amounted to RUB 79,554.1 mn — an increase of 2.8% or RUB 2,173.8 mn as compared to data as at 31 December 2020.

Non-current assets account for 85.5% of the property structure, and as at 31 December 2021 amounted to RUB 68,013.5 mn, or 4.2% more than non-current assets as at 31 December 2020. The increase in total non-current assets was mainly influenced by a growth of the following: construction in progress, advances issued for capital construction and acquisition of property assets, cost of raw materials and materials to be used in the creation of property assets.

As at 31 December 2021, current assets accounted for 14.5% of all assets, or RUB 11,540.5 mn, of which receivables (56.7%) and inventories (17.8%) accounted for the largest share. The value of current assets decreased by 4.5% compared to

31 December 2020, mainly due to the reduced balance of the accounts receivable.

As at 31 December 2021, the amount of receivables (line 1230 of the balance sheet) decreased by 23.4% to RUB 6,547.4 mn, as compared to 31 December 2020. The decrease in the value of accounts receivable at the end of the reporting year was significantly affected by a 23.4% decrease in total short-term accounts receivable, also due to an increase in the allowance for doubtful receivables.

Total amount of receivables recorded under the terms of contracts decreased by 14.2% in 2021 and as at 31 December 2021 amounted to RUB 9,037.7 mn, of which 30.7% is overdue accounts receivable, 27.6% debts are recognized as doubtful receivables by the Company and thus the allowance for doubtful receivables was created. During the reporting year, overdue receivables (under the terms of contracts) decreased by 35.6%. The allowance for doubtful receivables (excluding the allowance for doubtful receivables for advances for construction and installation work) has increased by 25.1%, compared to its value as at 31 December 2020.

As at 31 December 2021, equity capital represents 50.5% of the equity and liabilities structure, amounting to RUB 40,173.4 mn. In the reporting year, shareholders' equity increased by 6.2%, which is due to the Company's net profit in the reporting period and an increase in total equity (before registration of changes) in connection with the additional issue of shares.

Non-current liabilities as at 31 December 2021 amounted to RUB 19,966.5 mn and decreased by RUB 1,563.7 mn or 7.3% in the reporting year, mainly due to the repayment of long-term borrowings.

In the reporting year, short-term liabilities increased by RUB 1,393.3 mn, or 7.7%, and amounted RUB 19,414.2 mn. The largest share in the structure of short-term liabilities is represented by accounts payable — 58.5% or RUB 11,354.8 mn (an increase of 5.5% in the reporting year), borrowings — 24.9% or RUB 4,834.2 mn (a decrease of 13% in the reporting year), and estimated liabilities — 14.4% or RUB 2,802.9 mn (an increase of 83.5% in the reporting year). As at 31 December 2021, accounts payable are 33.3%; they increased by 1.2% in the reporting year. As at 31 December 2021, the Company's current liabilities exceed its current assets by 1.7 times.

In the reporting year, the Company generated a net profit of RUB 1,711.8 mn (last year's net loss was RUB 1,501.3 mn).

As at 31 December 2021, the net asset value is RUB 40,465.5 mn: it exceeds the authorised capital of the Company. The increase in net asset value was 6.5% in the reporting year.

In the course of the audit, the data of the annual accounting (financial) statements and the data of the Annual Report of the Company for 2021 were verified on a selective basis. As part of this work, the Revision Commission did not find any material misstatements in the financial information contained in the Company's Annual Report for 2021.

The Auditing Commission audited the information disclosure in the Company's

2021 annual report for compliance with the requirements of Bank of Russia Regulation No. 714-P On Information Disclosure by Issuers of Equity Securities dated 27 March 2020.

The Company's Annual Report to be submitted for approval by the Annual General Meeting of Shareholders contains information as required by the 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 2021, 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 has conducted a selective audit of the reliability of information disclosure in the Report on transactions made by PJSC Rosseti Kuban in 2021 that are recognized under Russian law to be related party transactions, as required by Federal Law No. 208-FZ of 26 December 1995 On Joint Stock Companies.

No facts of misrepresentation of information contained in the Report on transactions made by PJSC Rosseti Kuban in 2021 and recognized as related party transactions under the laws of the Russian Federation were identified.

At the time of issuing this Opinion, the Report on the transactions made by PJSC Rosseti Kuban in 2021 and recognised as related-party transactions in accordance with the laws of the Russian Federation has not been approved by the Company's Board of Directors.

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.

### III. SUMMARY

Based on the results of the audit of the Company's financial and operating activities and pursuant to Article 88 of Federal Law No. 208-FZ dated 26 December 1995 On Joint Stock Companies, the Auditing Commission hereby expresses the opinion that the information contained in the Company's Annual Report for 2021 and annual accounting (financial) statements for 2021 is accurate in all material respects. No facts of misrepresentation of the information contained in the Report on the transactions made by PJSC Rosseti Kuban in 2021 and recognized as related-party transactions under the laws of the Russian Federation were identified.

The composition of the Company's reporting statements confirmed by the Auditing Commission:

| Sl. No. | Description of a reporting document | Date of signing by management | Number of sheets in a document |
|---------|-------------------------------------|-------------------------------|--------------------------------|
|---------|-------------------------------------|-------------------------------|--------------------------------|

| 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 2021  | 25 February 2022              | 2                              |
| 2       | Report on Financial Performance for January to December 2021  | 25 February 2022              | 1                              |
| 3       | Statement of Changes in Equity for 2021   | 25 February 2022              | 3                              |
| 4       | Cash Flow Statement for January to December 2021  | 25 February 2022              | 2                              |
| 5       | Explanatory Note to the Balance Sheet and Financial Performance of PJSC Rosseti Kuban for 2021, in narrative and tabular formats  | 25 February 2022              | 77                             |
| 6       | Annual Report of PJSC Rosseti Kuban for 2021 (with appendices, including the Report on transactions made by PJSC Rosseti Kuban in 2021 and recognized as related party transactions in accordance with the laws of the Russian Federation). | —                             | 423                            |

This Opinion of the Revision Commission shall be considered together with all confirmed forms of accounting (financial) statements and Explanatory Notes to the Balance Sheet and Report on Financial Performance for 2021, with the Company's Annual Report for 2021, with the Report on transactions made by PJSC Rosseti Kuban in 2021 and recognized as related-party transactions in accordance with the laws of the Russian Federation

Chairman of the Auditing Commission \_\_\_\_\_ S. Kovalyova

Members of the Auditing Commission:

\_\_\_\_\_ V. Tsarkov

\_\_\_\_\_ S. Trishina

\_\_\_\_\_ O. Pyatakova

\_\_\_\_\_ K. Rogachyov

# APPENDIX 7

## FUNCTIONS OF PARTICIPANTS IN THE INTERNAL CONTROL SYSTEM (ICS) OF PJSC ROSSETI KUBAN

| Sl. No. | ICS participants   | Key functions in the ICS  |
|---------|--|---|
| 1       | Auditing Commission  | <ul style="list-style-type: none"> <li>Exercises control over financial and economic activities of the Company; based on its results, prepares proposals/recommendations for improvement of the ICS</li> <li>Carries out independent assessment of accuracy of the data contained in the Company's Annual Report and the annual accounting statements of the Company</li> </ul>   |
| 2       | Board of Directors   | <ul style="list-style-type: none"> <li>Determines the principles and approaches to the organisation of the Company's ICS, including approving the Company's internal documents defining the organisation and the strategy for the development and improvement of the ICS, supports the Company's Internal Control Policy</li> <li>Monitors the activities of the executive bodies of the Company in the main (priority) areas</li> <li>Reviews the report of the Management Board on organisation and functioning of the Company's ICS</li> <li>Annually reviews reports of the internal auditor on the efficiency of the ICS</li> <li>Considers the results of the external independent assessment of the efficiency of ICS</li> </ul>   |
| 3       | Audit Committee of the Board of Directors  | <ul style="list-style-type: none"> <li>Carries out preliminary consideration before approval by the Board of Directors of the Company's internal documents defining the organisation and strategy for the developments and improvement of the ICS, Internal Control Policy and subsequent changes to them</li> <li>Carries out preliminary consideration (prior to consideration by the Board of Directors) of the results of assessment of the ICS efficiency based on the report of the internal auditor on the ICS efficiency, as well as information on the results of the external independent assessment of the ICS; it also prepares proposals / recommendations for improvement of the ICS</li> <li>Monitors the ICS regarding consideration of issues related to control over the accuracy of the Company's accounting (financial) statements, over selection of an external auditor and conducting an external audit, over ensuring compliance with regulatory legal requirements regarding consideration of the report of the Management Board on the organisation and functioning of the ICS, and also regarding consideration of issues related to the analysis and assessment of implementation of the Internal Control Policy</li> </ul> |
| 4       | Other Committees of the Board of Directors<br>Personnel and Remuneration Committee<br>Reliability Committee<br>Strategy, Development, Investment and Reform Committee<br>Grid Connection Committee | <ul style="list-style-type: none"> <li>Within the competencies established by the Board of Directors, monitor the implementation of the established financial and operational indicators, supervise compliance with applicable laws, rules and procedures set by local regulations, as well as the accuracy and timeliness of reporting generated by the Company</li> </ul>   |
| 5       | Executive bodies (Management Board, General Director)  | <ul style="list-style-type: none"> <li>Ensure creation and effective functioning of the ICS</li> <li>Ensure execution of resolutions of the Board of Directors in terms of ICS organisation</li> </ul>  |
| 5.1     | Management Board   | <ul style="list-style-type: none"> <li>Establishes the direction and plans for development and improvement of the ICS</li> <li>Prepares reports on the financial and economic activities of the Company, the organisation and functioning of the ICS</li> <li>Considers the results of the external independent assessment of the ICS efficiency; develops measures for the development and improvement of the ICS</li> </ul>   |

| Sl. No. | ICS participants  | Key functions in the ICS   |
|---------|---|--|
| 5.2     | General Director  | <ul style="list-style-type: none"> <li>Approves the regulatory and methodological documents of the Company on the organisation and functioning of the ICS, except for the documents which approval falls within the competences of the Company's Board of Directors</li> <li>Ensures accomplishment of the Company's business plans necessary for achieving its targets</li> <li>supervises accounting and administrative reporting, preparation of accounting (financial) and other statements;</li> <li>Submits the reports on the Company's financial and economic performance and organisation and functioning of the Company's ICS for the consideration by the Board of Directors</li> </ul> |
| 6       | Collective working bodies; the most important of which are listed below:  | <ul style="list-style-type: none"> <li>Within their authority, perform control procedures and/or develop recommendations for improving control procedures and certain components (elements) of internal control and the ICS</li> </ul>   |
| 6.1     | Commission for Settlement of Accounts Receivable of the Company   | <ul style="list-style-type: none"> <li>Evaluates the reasonableness and prospects for resolving disputes between the Company and counterparties with regard to financial settlements</li> <li>Evaluates the efficiency of measures implemented in order to reduce accounts receivable, including for services rendered for the transmission of power</li> <li>Considers issues in terms of accounts receivable management submitted by the structural divisions of the Company to the Commission for consideration</li> <li>Determines the position of the Company in relation to the management of accounts receivable</li> </ul>   |
| 6.2     | Commission for Assessment of the Activities of Contractors Involved in the Construction, Retrofitting and Renovation of the Company | <ul style="list-style-type: none"> <li>Identifies problems in the areas of production activities of a contractor that may cause risks of nonfulfillment (improper fulfillment) of contractual obligations to the Company by the contractor</li> <li>Provides a comprehensive assessment of the efficiency of contractors in the context of the production for capital construction</li> <li>Draws up a list of bona fide contractors duly fulfilling their obligations under contracts for the construction, retrofitting and renovation of power grid complex facilities</li> </ul>   |
| 6.3     | Power Supply Consolidation Commission of the Company  | <ul style="list-style-type: none"> <li>Determines the technical and economic feasibility of the acquisition of power facilities, taking into account all submitted documents</li> <li>Determines the position of the project submitted for its consideration on the expediency (inexpediency) of the acquisition of power facilities</li> <li>Organises a transaction for the acquisition of power facilities</li> <li>Concludes a contract on the acquisition of facilities and organises registration of facilities</li> </ul>   |
| 6.4     | Commission on Corporate Ethics Compliance and Conflict of Interest Resolution   | <ul style="list-style-type: none"> <li>Resolves pre-conflict situations arising in the Company's structural divisions, information about which is sent by the Anti-Corruption Compliance Procedure Unit for consideration at the Commission meetings</li> <li>Resolves conflicts of interests in relation to the Company's employees</li> <li>Considers the facts and cases of violation of the norms of corporate ethics and standards of corporate behavior in the Company</li> <li>Ensuring implementation of the requirements of Article 13.3 of Federal Law No. 273-FZ of the Russian Federation dated 25 December 2008 On Combating Corruption</li> </ul>                                    |

| Sl. No.                | ICS participants   | Key functions in the ICS   |
|------------------------|--|--|
| 7                      | Heads of the Company's units and structural divisions  | <ul style="list-style-type: none"> <li>Perform the functions of developing, documenting, introducing, monitoring and improving the internal control system in the functional areas of the Company, the responsibility for the organisation and coordination/fulfillment of which is assigned to them by the Company's regulatory documents / regulations for structural divisions, including:</li> <li>Ensure implementation of internal control principles</li> <li>Establish effective processes (activities), including development and implementation, taking into account the identified risks of new control procedures or the modification of existing ones</li> <li>Ensure regulation of supervised processes (activities)</li> <li>Arrange execution of control procedures</li> <li>Assess (monitor) execution of control procedures</li> <li>Assess the supervised processes (activities) for the need to optimize them to improve efficiency and meet the changing conditions of the external and internal environment, organize development of proposals for improving the control procedures</li> <li>Ensure elimination of identified deficiencies in the control procedures and processes (activities)</li> </ul> |
| 8                      | Employees of the Company's structural units performing control procedures as part of their professional duties | <ul style="list-style-type: none"> <li>Perform the control procedures</li> <li>Timely inform the direct managers about cases when the execution of the control procedures has become impossible for any reason and/or a change in the design of the control procedures is required due to a change in the internal and/or external conditions of the Company's operation</li> <li>Submit proposals for the implementation of the control procedures in relevant areas of activity to direct management</li> </ul>  |
| "2nd line of defence": |  |  |
| 9                      | Internal Control and Risk Management Directorate   | <ul style="list-style-type: none"> <li>Develops and ensures the implementation of basic and methodological documents on the establishment and improvement of the ICS</li> <li>Assists management in the establishment of the ICS of business processes, in making recommendations on the description and implementation of the control procedures in processes (activities) and securing responsibility for the appropriate officials</li> <li>Prepares information on the state of the ICS for stakeholders</li> <li>Interacts with the government regulatory authorities on internal control issues</li> </ul>   |
| <b>10</b>              | <b>Specialised control subdivisions:</b>   |  |
| 10.1                   | Economic Security Directorate of the Security Department   | <ul style="list-style-type: none"> <li>Counteracts the facts of unfair competition</li> <li>Conducts official investigations into the facts (preconditions) of damage to the interests of the economic security of the Company</li> <li>Organises the fight against theft of electricity, financial and material resources, intellectual property, the prevention of other crimes against the Company's property</li> <li>Conducts independent audits and participates in joint inspections of the financial and economic activities of the Company's subdivisions to prepare its own opinion on violations and form an evidence base to protect the Company's legitimate interests</li> </ul>   |
| 10.2                   | Anti-Corruption Compliance Procedure Unit of the Security Department   | <ul style="list-style-type: none"> <li>Develops and organises the implementation in the Company of a unified system for running the corporate and anti-corruption compliance procedures</li> <li>Organises the Company's activities in the conduct of corporate and anti-corruption compliance procedures</li> </ul>   |



# APPENDIX 8

## PARTICIPANTS IN THE RISK MANAGEMENT SYSTEM AND THEIR FUNCTIONS

| Sl. No.                       | ICS participants                        | Key functions in the ICS   |
|-------------------------------|---|--|
| 10.3                          | Legal Department                        | <ul style="list-style-type: none"> <li>Supervises the Company's compliance with legal requirements by conducting legal review and coordination in the manner prescribed by the organisational and administrative documents of the Company, drafts of contracts and agreements, drafts of organisational and administrative documents, drafts of powers of attorney to represent the Company's interests to third parties, drafts of statements, letters, applications and complaints sent on behalf of the Company to the legislative and executive authorities, courts of law, and enforcement agencies</li> <li>Monitors and informs the Company's management on the adopted regulatory legal acts of the Russian Federation, which significantly affect the Company's activities, in order to minimize the risks of non-compliance with the requirements of the legislation and the interests of the Company</li> </ul> |
| 10.4                          | Corporate Provision Office              | <ul style="list-style-type: none"> <li>Controls resolutions of the Management Board, Board of Directors and its Committees</li> <li>Provides control of information transparency in the Company, to the benefit of its shareholders and potential investors</li> </ul>   |
| 10.5                          | Office of the Administration Department | <ul style="list-style-type: none"> <li>Provides a single documentation management system in terms of control of the performance discipline in the Executive Office and branches of the Company</li> <li>Organises control of performance of documents, including regulatory and administrative documents, instructions of the General Director, Minutes of meetings, documents of the Deputy General Directors on respective business activities</li> </ul>  |
| <b>"3rd line of defence":</b> |   |  |
| 11                            | Internal Audit Department               | <ul style="list-style-type: none"> <li>Develops the recommendations based on the results of internal audits to improve control procedures, individual components (elements) of internal control and the ICS</li> <li>Performs internal independent assessment of ICS efficiency and produces recommendations for enhancing efficiency and resulting quality of ICS</li> </ul>  |

| Name of participant                                   | Core functions in the RMS  |
|---|--|
| Board of Directors                                    | <ul style="list-style-type: none"> <li>Approves internal documents of the Company that set forth how the Company's RMS is arranged and functions;</li> <li>Reviews reports from the Company's executive bodies concerning the organisation, functioning, and performance of the RMS, evaluates its operation and draw recommendations on how to improve it</li> </ul>                                      |
| Board of Directors' Strategy Committee                | <ul style="list-style-type: none"> <li>Provides preliminary consideration, analysis and development of recommendations (conclusions) on issues of control of critical and significant risk factors within the materials on the issue on performance of the business plan for the corresponding quarter, organisation, functioning, and efficiency of the risk management systems in the Company</li> </ul> |
| Executive bodies (Management Board, General Director) | <ul style="list-style-type: none"> <li>Specify requirements to the format and completeness of information about the Company's risks</li> <li>Define lines and plans of RMS development and improvement</li> <li>Analyse the risk portfolio and devise response and resource reallocation actions to manage certain risks</li> </ul>  |
| Risk owners   | <ul style="list-style-type: none"> <li>Are responsible for timely identification and evaluation of risks, adoption of response actions, timely development and arrangement of risk management actions, as well as regular risk monitoring</li> </ul>   |
| Persons in charge of risk management activities       | <ul style="list-style-type: none"> <li>Are responsible for timely identification and/or minimisation of risks, taking action to manage the risks in time and in full</li> </ul>  |
| Internal Control and Risk Management Directorate      | <ul style="list-style-type: none"> <li>Is in charge of overall coordination of risk management procedures</li> </ul>   |
| Internal Audit Department                             | <ul style="list-style-type: none"> <li>Performs internal independent assessment of RMS efficiency and produces recommendations for enhancing efficiency and resulting quality of RMS</li> </ul>  |

