

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 a 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
- Controls and organises the Internal Audit activities, among other things, approves the Regulation on Internal Audit Department, action plan, report on action plan implementation, and internal audit budget, preliminarily approves the resolutions of the Company's sole executive body concerning the appointment or dismissal (at the employer's initiative) of the Internal Audit Head, disciplinary penalties, approves employment contract and remuneration provisions for the Internal Audit Head, considers the quality assessment results for internal audit

The goals and objectives, organisational and functional principles, roles and responsibilities of the Internal Audit Directorate are set out in the Internal Audit Policy of the Company

approved by the resolution of the Board of Directors (Minutes No. 454/2021 dated 15 November 2021).

In 2022, the average headcount of personnel performing the internal audit function was 5.5.

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)
- Regulations on the Internal Audit Directorate, approved by decision of the Board of Directors of the Company (Minutes No. 473/2022 dated 21 April 2022)
- Programme on Assurance and Improvement of Internal Audit Quality approved by the resolution of the Company's Board of Directors (Minutes No. 473/2022 dated 21 April 2022)
- Corporate standards for the internal audit functions and the practical application standards elaborated in compliance with the international standards for the professional practice of internal auditing

The feedback from the Audit Committee is submitted to the Head of Internal Audit during the interactions with the Audit Committee including the participation in its meetings, the analysis of its resolutions/recommendations concerning the issues in the competence of the internal audit, and also by polling the members of Audit Committee.

The satisfaction index of the Audit Committee of the Board of Directors with the performance of the internal audit function for 2022 is assessed as "fully 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 2022.

5.5 FTE
average headcount of personnel performing the internal audit function

SHARES AND DIVIDENDS

AUTHORISED CAPITAL AND AUTHORISED SHARES

	At the beginning of 2022	As at the end of 2022
Type, category, kind, form of issuance of securities	Ordinary registered uncertified shares	
Nominal value of each share	RUB 100	
Authorised capital	RUB 33,465,783,700	RUB 33,465,783,700
Number of outstanding shares	341,825,681	363,300,457
State registration number of the issuance of securities and the date of state registration	No. 1-02-00063-A dated 8 July 2003 (main issue) No. 1-02-00063-A dated 1 April 2021 (additional issue)	
Presence/absence of a special right of the Russian Federation to participate in the Company's management ("golden share")	No special right of the Russian Federation to participate in the management of the Company ("golden share")	
Existence of authorised shares that the Company may float in addition to those already placed	135,481,556 ordinary shares for a total par value of RUB 13,548.16 mn	114,006,800 ordinary shares with a total par value of RUB 11,400.68 mn
Number of own shares on the Company's balance sheet	0	0
Number of shares of the Company owned by its controlled entities	0	0

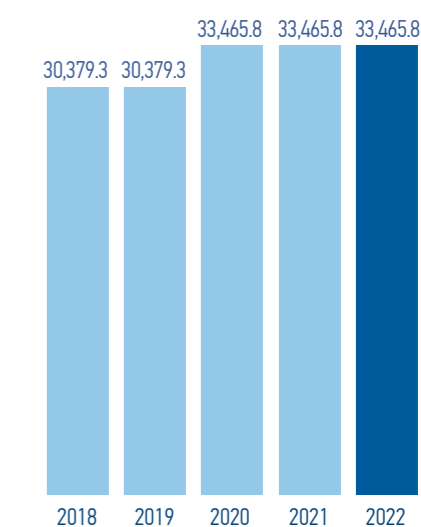
In the reporting year, an additional issue of shares began to be placed, continuing into 2021. The authorised capital of the Company did not change over the reporting year.

The Company did not place any preferred shares.

The Articles of Association of Rosseti Kuban, PJSC states that each registered ordinary share of the Company grants the 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 made by the Bank of Russia on 1 April 2021.

The listing prospectus containing the conditions of the placement of securities and registered by the Bank of Russia also on 1 April 2021 provided for a maximum placement period of one year from the date of state registration of this additional issue of securities.

On 25 April 2022, the Bank of Russia registered the prospectus of the Company's securities providing for extension of the deadline for placement of additional shares until 1 April 2023 by extending the deadline for collection of offers to 2 March 2023.

On 20 March 2023, the Board of Directors resolved to approve a securities prospectus for Rosseti Kuban, PJSC, 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. 513/2023 dated 20 March 2023); in this connection, placement of additional shares of this issue is suspended until the registration of the securities prospectus by the Bank of Russia.

On 21 March 2023, the approved securities prospectus was sent to the Bank of Russia for registration. Once this prospectus is registered by the Bank of Russia, the placement of additional shares will continue.

INFORMATION ON ADDITIONAL ISSUE OF SECURITIES

Issue goals	Financing of measures to create energy infrastructure for investment projects in the Republic of Adygeya, renovation of power supply centres in the Sochi power district, including reimbursement of costs incurred by the Company, increasing the financial stability of Rosseti Kuban and reducing its debt load
Share placement price	RUB 100 per one share
Form of payment for shares	Monetary funds
Period of preemptive right for the acquisition of additionally issued shares	From 10 April 2021 to 3 February 2022
Number of the Company's securities placed as a result of shareholders exercising their pre-emptive right to purchase securities	9,003,528
Period for collecting offers for acquisition of shares of additional issue stipulated by the listing prospectus registered on 25 April 2022	From 11 February 2022 to 2 March 2023
Date of suspension of the share placement	20 March 2023
Number of the Company's securities placed by public subscription as of 31 December 2022	19,639,092
Information on the additional issue of Rosseti Kuban shares on the Company website	Home / For Shareholders and Investors / Information Disclosure / Disclosure of information at specific stages of the securities issue procedure / 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 of the Company as at 31 December 2022:

- Rosseti, PJSC, which owns 93.96% of the voting shares of the Company
- DVEUK-UNPG, JSC, which owns 5.73% of the voting shares of the Company

The Russian Federation indirectly owned voting shares of Rosseti Kuban due to its dominant shareholding in the above companies (88.04% in Rosseti and 100% in DVEUK-UNPG).

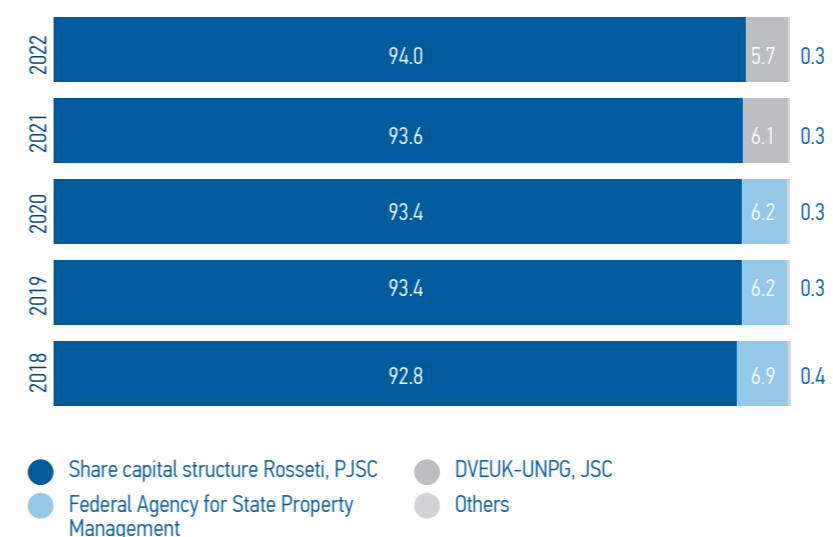
The Company does not have any other shareholders who own more than 5% of Rosseti Kuban's shares. The Company has no information about any shareholder agreement made. The Company does not hold any shares of its own. There are no cross-holdings of the Company's shares.

In addition, there were minor changes (up to 1%) in the structure of the Company's share capital due to placing additionally issued shares.

The following entities ceased to operate on 9 January 2023:

- Public Joint Stock Company Russian Grids (abbreviated Rosseti, PJSC) – the Company's largest shareholder
- Joint Stock Company Kuban Main Grids
- Joint Stock Company Tomsk Main Grids
- Joint Stock Company Far East Energy Management Company – UNPG (also a shareholder of the Company) in connection with their merger with Public Joint Stock Company Federal Grid Company – Rosseti (abbreviated name of Rosseti, PJSC, formerly FGC UES, PJSC). The latter is the universal legal successor of the above entities and has acquired ownership of all shares of Rosseti Kuban, PJSC owned by the above-mentioned shareholders of the Company. Thus, the share of Rosseti, PJSC in the total number of outstanding shares of Rosseti Kuban, PJSC since 9 January 2023 is 99.69%.

SHARE CAPITAL STRUCTURE OF ROSSETI KUBAN IN 2018–2022 (%)



STATISTICAL INFORMATION ON REGISTERED PERSONS IN THE REGISTER OF SHAREHOLDERS OF ROSSETI KUBAN, PJSC AS OF 31 DECEMBER 2022

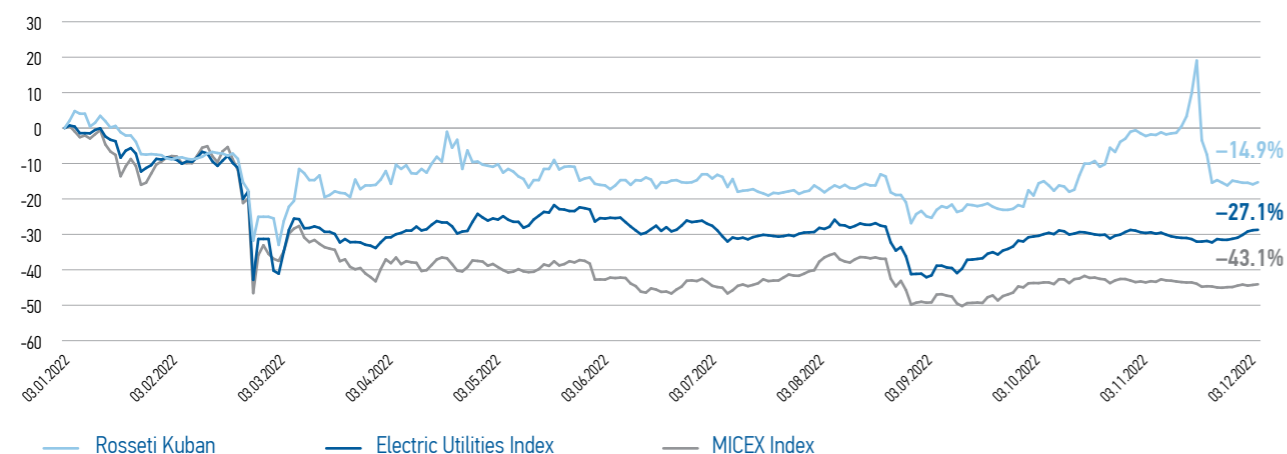
Type of personal account / other account and category of registered person	Number of shares	% of issued shares	% of placed shares
Account of unidentified persons	3,364	0.0008	0.0009
Emission account	40,940,512	10.1277	
Legal entities — owners (accounts: 14)	2,876	0.0007	0.0008
Individual owners, including co-ownership accounts (accounts: 1,790)	341,998	0.0846	0.0941
Nominee holders of Central Securities Depository (accounts: 2)	362,952,219	0.0846	0.0941
Total in the register (accounts: 1,808)	404,240,969	100.0	100.0

EQUITY MARKET AND THE COMPANY'S CAPITALISATION

Shares of Rosseti Kuban, PJSC are traded on tier 3 of the List of Securities Admitted to Trading on the Moscow Exchange; ticker: KUBE, ISIN code: RU0009046767.

Information on the current quotations and transaction prices is available in Russian and English: <http://moex.com>; <https://rosseti-kuban.ru/>

CHANGES IN ROSSETI KUBAN'S SHARE PRICE



The Company's market capitalisation at the end of 2021 was RUB 22.46 billion and at the end of 2022, including the additionally issued shares, – RUB20.38 billion (calculation based on market price 3).

The maximum level of capitalisation in 2022 was RUB 28.15 billion, the minimum level was RUB 13.75 billion. In the reporting year, the share price declined by 14.9% (closing price calculation) on the back of a 43.12% increase in the MICEX Index and a 27.09% decrease in the MICEX Power Index.

MOVEMENTS OF PRICE PER ONE SHARE OF ROSSETI KUBAN IN 2022:

Closing price (end of 2021)	Minimum price, RUB	Maximum price, RUB	Closing price (end of 2022)	Relative gain for the period, %
66.4	40	79.4	56.5	-14.9

QUOTATIONS AND TRADED VALUE

Indicator	2020	2021	2022	2022/2021 (relative gain, %)
Weighted average price at the end of the period (RUB)	68.5	66.7	56.3	-15.6
Market capitalisation on last trading day, RUB bn (including outstanding additional shares) (RUB bn)	22.69	22.46	20.38	-9.26
Trading volume (mn shares)	1.7	0.8	2.51	213.75
Trading volume (RUB mn)	129.3	60.3	156.16	158.97

The trading volume of the Company's stock on the Moscow Exchange in 2022 amounted to RUB 156.16 mn / 2.51 million shares.

The low trading activity in 2022 is due to the small number of free-floating shares.

The Company's shares are not included in the stock index calculation bases.

DIVIDENDS

The Dividend Policy of the Company is the set of principles and methods used in the Company to determine the ratio between the capitalised portion of the Company profits and the amounts paid as dividends, as well as the system of relations and principles for determining the procedures and the terms of dividend payment, the establishment of Company responsibility for the dividend payment.

The Dividend Policy of the Company is 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:

- Compliance 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)
- Creating an 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 that dividend payments can be made on a quarterly basis if the relevant criteria are met
- Ensuring the maximum transparency (reliability) of the dividend calculation mechanism and dividend payout procedures
- Supporting the positive dynamics of dividend payment volumes provided that the net profits of the Company increase
- Making the information on the Company's Dividend Policy available to the shareholders and other interested parties
- Maintaining the required level of the financial and technical conditions in the Company (Investment Programme implementation), supporting the Company development prospects

PROFIT DISTRIBUTION ACCORDING TO RAS FOR 2018–2022¹, RUB '000

Name	For 2018 (annual General Meeting of Shareholders, 2019)	For 2019 (annual General Meeting of Shareholders, 2020)	For 2020 (annual General Meeting of Shareholders, 2021)	For 2021 (annual General Meeting of Shareholders, 2021)
Undistributed profit (loss) for the reporting period, incl.:	151,158	2,428,011	(1,501,278)	1,711,834
Reserve fund	7,560	121,401	–	85,592
Profit for development	0	1,669,696	–	694,019
Dividends	143,638	636,914	–	932,223
Recovery of losses of prior periods	–	–	–	–

On 5 December 2022, the extraordinary General Meeting of Shareholders of the Company decided to pay dividends on ordinary shares of the Company from the net profit of the Company for 9 months of 2022 in the amount of RUB 1,943,544 thousand in cash.

In accordance with the Company's Articles of Association, the annual General Meeting of Shareholders will decide on the distribution of profits based on the results of 2022.

¹ 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, No. 48 dated 21 June 2022 respectively).

HISTORY OF DIVIDEND PAYMENTS MADE BY THE COMPANY IN 2016–2022

	Dividend period, year					
	2016	2017	2018	2019	2021	9 months 2022
Number and date of the Minutes of the General Meeting of Shareholders, when the dividend payment decision was made	No. 39 dated 29.06.2017	No. 40 dated 25.05.2018	No. 42 dated 20.06.2019	No. 43 dated 29.05.2020	No. 48 dated 21.06.2022	No. 49 dated 08.12.2022
Record date of making a list of persons entitled to dividends for the particular dividend period	27.06.2017	05.06.2018	01.07.2019	15.06.2020	27.06.2022	16.12.2022
Volume of declared (accrued) dividends for the shares of this category (type) per one share (RUB)	1.762658567	1.0585165	0.472815	1.90318	2.71262	5.4823041072
Cumulative declared (accrued) dividends for all shares of this category (type) (RUB)	535,125,135	321,570,274	143,638,050	636,914,105	932,223,000	1,943,544,000
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	636,664,303.52	931,799,202.66	1,827,451,279.06
Payment term for the declared dividends on the Company's shares	10 and 25 working days ¹	10 and 25 working days ¹	10 and 25 working days ¹	10 and 25 working days ¹	10 and 25 working days ¹	10 and 25 working days ¹
Form of payment and other provisions for the declared dividends on the Company's shares	Monetary funds					
Causes of non-distribution of declared dividends	The questionnaire contains no dividends allocation details to be provided by a registered person					

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.

¹ 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.

