



STRATEGIC REPORT



INDUSTRY REVIEW, STRATEGY, RISKS AND KPI

MACROECONOMIC AND INDUSTRY REVIEW, MARKET SHARE

Macroeconomic and Industry Review

According to the Russian Ministry of Economic Development*, after active recovery in 2021 global economy has come to deceleration. Retardation of global growth and financial tightening of global markets are mainly due to the spike in food and energy prices. On the back of this, largest developed countries are forced to scale back stimulation of fiscal policy and shift to monetary tightening. Since the end of February 2022, external environment of the Russian economy has changed radically. Sanction restrictions imposed by unfriendly countries resulted in high Fx volatility, reduced prices of financial assets and increased liquidity deficit in the banking sector.

After the sanctions were imposed, as a first stage, the Bank of Russia and Russian Government have implemented a set of primary measures to stabilize currency and financial markets, incl. key rate adjustment, suspension of stock market trading, cash flows control and mandatory sale of export proceeds on the domestic foreign exchange market. In addition to the Bank of Russia's measures, the Russian Government tried to stabilize domestic markets by preparing and implementing the action plan on stimulating the development of the Russian economy under sanctions, adopted on 15 March 2022 and regularly revised afterwards depending on the circumstances.

These measures helped retain the sustainability of currency and financial markets and prevent disruption of the banking system and a sharp contraction of economy, allowing a subsequent gradual ease of the restrictions implemented in response to the sanctions.

Updated forecast of the Bank of Russia on macroeconomic fundamentals for 2023-2025 (market consensus based on the March 2023 polling of market insiders)**

Indicator	2021 (actual)	2022 (actual/ estimation)	2023	2024	2025
CPI (% YoY)	8.4	11.9	6.0	4.1	4.0
Key rate (% p.a., year average)	5.7	10.6	7.5	6.8	6.1
GDP (% YoY)	5.6	-2.1	-1.1	1.5	1.5

Demand outlook for 2023-2025

Specificities of regional economies determine demand growth. Thus, in the energy system of the Sverdlovsk region large investment projects are mainly in metallurgy (AO Svyatogor, AO SZF, OOO VIZ-Stal, OOO Sinergia and OOO Copper Mining Company). In the energy system of the Chelyabinsk region electricity demand is defined by increased consumption of AO Tominsky GOK, implementation of projects by OOO Agricultural Complex Yuzhnouralsky and OOO TMZ, as well as by the development of power-intensive metallurgy enterprises (PAO MMK, OAO MMK-Metiz, AO Karabashmed). In the energy system of the Perm region electricity demand is driven by the production growth of PAO Uralkali, OOO Eurochem - Usolye Potash Plant, etc.

Electricity demand outlook in the Company's areas of service for 2023-2025, billion kWh

Energy system	2023F	2024F	2025F
Perm region	24.5	24.8	25.1
Sverdlovsk region	43.9	44.1	44.2
Chelyabinsk region	38.8	39.2	39.1
Total	107.2	108.1	108.4

Source: Scheme and program of the UES of Russia's development for 2022-2028

Mid-term targets and forecasts on macroeconomic and industry fundamentals may be revised in future due to exacerbated geopolitical situation and economic pressures of sanctions on the Russian economy.

Pricing and tariffs in the Energy Sector for 2023-2025

According to the Ministry of Economic Development's Outlook of the socio-economic development of the Russian Federation till 2025, to compensate gridco's 2022 inflationary cost escalation, the national average growth of regulated tariffs for all consumers shall total 9% since 01 December 2022, 6% since 01 July 2024 and 5% since 01 July 2025. The above-mentioned indexation does not consider standalone decisions of the Government, made to eliminate local imbalances in standalone regions, and decisions of the Russian Federal Antimonopoly Service on approval of regional regulators' statements on tariffs different from the ones, established by the Russian Federal Antimonopoly Service.

* Source: economy.gov.ru/material/directions/makroec/prognozy_socialno_ekonomicheskogo_razvitiya/

** Source: cbr.ru/statistics/ddkp/mo_br/

National average indexation of tariffs for residential consumers shall total 9% since 01 December 2022, 6% since 01 July 2024 and 5% since 01 July 2025.

Forecasts on changes of electricity tariffs in 2023-2025

Indicator	2022	2023F	2024F	2025F
Indexation of tariffs for all consumer categories, except for residential sector	3.8%			
	01 July	0%	6%	5%
	01 December		01 July	01 July
Indexation of tariffs for residential sector	5%			
	01 July	0%	6%	5%
	01 December		01 July	01 July

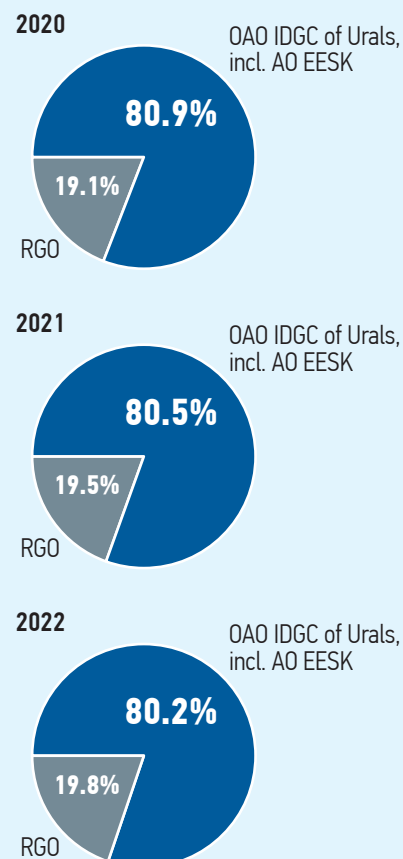
Source: Outlook of the socio-economic development of the Russian Federation for 2022 and 2023-2024 (Ministry of Economic Development), <https://economy.gov.ru/>

Forecasts on changes of electricity tariffs may be revised in future due to exacerbated geopolitical situation and economic pressures of sanctions on the Russian economy.

Company's Market Share

OAo IDGC of Urals renders services to customers across the Perm, Sverdlovsk and Chelyabinsk regions. The Company is a natural monopoly with state-regulated electricity transmission and connection tariffs. The area of service is also abundant in other regional grid operators transmitting electricity mainly through low- and medium-voltage networks. In 2022, the Company's GRR-based share of the electricity transmission market totaled 80.2% (incl. AO EESK), RGOs' share being 19.8%.

Company's market share in terms of GRR



Peers

There are no public peers in the Company's area of service. Usually, for evaluation purposes analysts compare Rosseti Ural with other interregional distribution grid companies (PAO Rosseti's affiliates, rendering services in other regions) that are not Company's peers.

Company*	Service area, thous. km ²	Population of the region, million	Revenues, RUB billion	Net income, RUB billion	Revenues, RUB billion	Profit for the period, RUB billion	Market value, RUB billion as of 30.12.2022	2022 trading volumes, RUB billion
			RAS		IFRS			
Rosseti Moscow Region	47.0	20	198.3	11.4	199.7	13.5	49.0	1.6
Rosseti Lenenergo	85.9	7.2	95.1	18.0	N/A	N/A	84.5	18.0
Rosseti Volga	403.5	12.0	66.6	-1.1	66.8	-0.47	5.0	1.4
Rosseti North West	1 409.7	5.7	47.8	-0.46	53.3	-0.26	2.5	1.2
Rosseti North Caucasus	170.4	9.97	41.3	-11.3	41.3	0.68	10.5	0.68
Rosseti Siberia	1,850.0	13.0	64.6	-0.2	64.8	-0.2	23.4	0.97
Rosseti Ural	443	10.4	88.7	3.3	103.0	4.3	17.2	0.99
Rosseti Center	457.7	12.8	109.7	4.5	114.6	4.9	13.5	3.1
Rosseti Center and Volga	408.0	12.6	113.3	10.9	114.0	11.0	28.0	4.9
Rosseti South	337.4	7.9	42.1	-0.6	44.1	0.3	5.0	0.46
Rosseti Kuban	83.3	6.1	63.7	5.2	64.2	5.7	18.8	0.16

* Brands of the companies

Source: open sources (columns 2-7), Moscow Exchange (columns 8-9).