

Debt obligations of the Rosseti Group

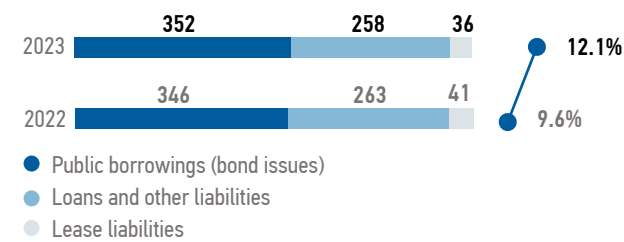
The Company maintains a moderate level of debt burden. There is no currency risk associated with borrowings, as 100% of debt is denominated in Russian Roubles.

The level of Rosseti Group's debt did not change significantly in 2023.

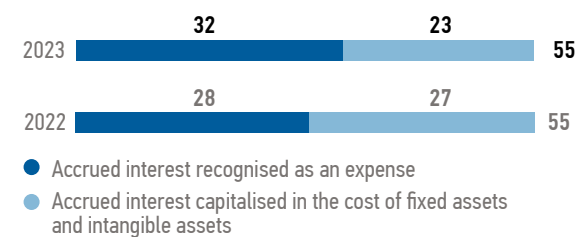
The Rosseti Group's cost of debt for 2023 increased from 9.6% p.a. at the beginning of the year to 12.1% p.a. at the end of the year and is below the market level (according to Bank of Russia's statistics, the average lending rate for a period of 1 to 3 years in December 2023 was 14.4% p.a.).

The Rosseti Group's debt portfolio mainly consists of long-term borrowings; the weighted average maturity of the portfolio is more than 7 years.

Financial debt, RUB bln



Servicing costs of loans and borrowings, RUB bln



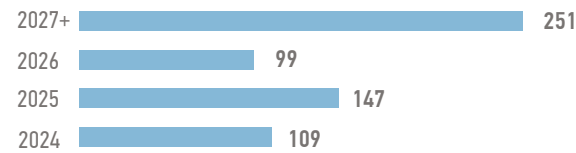
42 RUB BLN

total nominal amount of Rosseti's exchange-traded bonds for 2023

Credit ratings

The credit ratings of the Group's companies are evidence of financial stability, reliability and management efficiency. As of the end of 2023, credit rating agencies affirmed that PJSC Rosseti and its four subsidiaries (PJSC Rosseti Moscow Region, PJSC Rosseti Centre, PJSC Rosseti Centre and Volga Region, and PJSC Rosseti Lenenergo) had the highest sovereign credit rating with a stable outlook. The main rating strength

Debt repayment schedule¹, RUB bln



PJSC Rosseti is the principal borrower among the Rosseti Group's companies. PJSC Rosseti's debt portfolio is evenly distributed between fixed-rate bond loans and bank loans/bonds with payments linked to a floating indicator.

For 2023, PJSC Rosseti also placed five issues of exchange-traded bonds with a total nominal amount of RUB 42 billion:

- 21 February 2023, bonds of 001P-08R series worth RUB 12 billion, with a coupon rate equal to the key rate of the Bank of Russia +1.3% and a 5-year term until put date
- 25 April 2023, bonds of 001P-09R series worth RUB 5 billion, with a coupon rate of 10.44%, period to maturity of 5 years and 001P-10R series worth RUB 10 billion, with a coupon rate of 11.15%, period to maturity of 7 years
- 12 December 2023, bonds of 001P-11R series worth RUB 10 billion, with a coupon rate defined as the average of the Bank of Russia key rate for the coupon period +1.05%, period to maturity of 6 years and 001P-12R series worth RUB 5 billion, with a coupon rate of 12.80%, period to maturity of 3.5 years

The weighted average cost of the debt portfolio of PJSC Rosseti as of 31 December 2023 was 9.11% p.a., which is 1.93% p.a. lower than as of 31 December 2022 (11.04% p.a.). The decrease in the weighted average cost of the debt portfolio was caused primarily by the decrease in the level of the consumer price index.

For full details on PJSC Rosseti's outstanding bond issues, please see Appendix 1.

here lies with the strategic importance of PJSC Rosseti as a key element of the energy supply infrastructure for the Russian economy and households, high business profitability and liquidity.

For more details on the Group's credit ratings, please see Appendix 1.

State support

In December 2023, in accordance with the Budget Code of the Russian Federation and decisions of the Government of the Russian Federation, the Russian Federation contributed funds as payment for additional ordinary shares of PJSC Rosseti, the issue of which was registered by the Bank of Russia on 21 August 2023 under the number 1-01-65018-D-109D.

Pursuant to the Budget Code of the Russian Federation, PJSC Rosseti was granted federal budgetary investments in the form of a contribution to the authorised capital of PJSC Rosseti in the amount of RUB 1,294,025,600 (One billion two hundred ninety-four million twenty-five thousand six hundred) under the agreement between PJSC Rosseti, the Minenergo of Russia and Rosimushchestvo No. 022-18-2023-002 dated 26 December 2023.

Tariff policy

The Rosseti Group's companies are subject to state regulation due to their monopoly position in the market.

Tariff policy for electricity transmission services

Based on the Forecast of Social and Economic Development of the Russian Federation for 2023 and the planning period of 2024 and 2025 approved by the Government of the Russian Federation, the national average regulated tariffs for electricity transmission services for all categories of consumers is set at 9.0% as of 1 December 2022. There are two tariff levels for transmission services — federal and regional:

- FAS of Russia approves prices (tariffs) for electricity transmission services over the Unified National (All-Russian) Power Grid, as well as maximum and (or) minimum tariff levels for electricity transmission services

On 28 December 2023, the Russian Federation represented by Rosimushchestvo placed 2,588,051,200 new ordinary shares of PJSC Rosseti with a par value of RUB 0.5 each at an offering price of RUB 0.5 for the total amount of RUB 1,294,025,600.

In accordance with the Budget Code of the Russian Federation, subsidiaries of PJSC Rosseti were granted subsidies from the federal budget in 2023 as follows:

- PJSC Rosseti Northern Caucasus in the amount of RUB 1,208.182 million to reimburse expenses related to the maintenance and repair of distribution grids in the Republic of Dagestan, as well as the completing of an emergency reserve with necessary equipment and materials, under the terms of agreement No. 022-11-2023-026 dated 28 December 2023 between PJSC Rosseti Northern Caucasus and the Minenergo of Russia
- JSC Chechenenergo in the amount of RUB 818.124 million to reimburse expenses related to the measures to improve the reliability of the power grid complex of the Chechen Republic under the terms and conditions of agreement No. 022-11-2023-025 dated 22 December 2023 concluded between JSC Chechenenergo and the Minenergo of Russia.

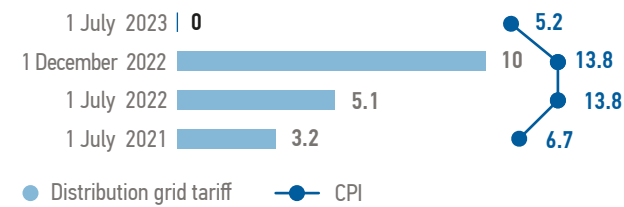
- Regional regulatory authorities set unified 'common pot' tariffs for electricity transmission services within the limits of the tariff ceilings approved by the FAS of Russia, or below or over the limits upon agreement with the FAS of Russia

In accordance with Resolution of the Government of the Russian Federation No. 2053 dated 14 November 2022, the tariff level for transmission services from 1 December 2022 and for the entire 2023 calendar year is set at +9%; the tariff for electricity transmission services on the Unified National (All-Russian) Power Grid provided by the management organisation of the Unified National (All-Russian) Power Grid from 1 December 2022 to 30 April 2023 is set at the level of +11.5%, from 1 May 2023 to 31 December 2023, with consideration of an additional increase of 6.3% in relation to the tariffs that were in effect as of 30 April 2023, in accordance with Order of the Government of the Russian Federation No. 1113-r dated 28 April 2023 since 1 May 2023.

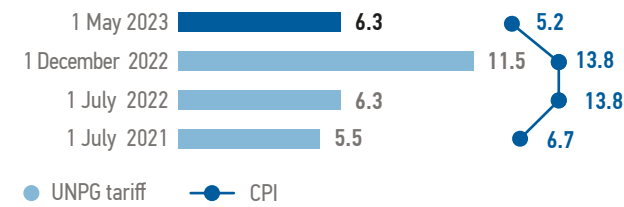
As part of the procedure for approving the exceeded tariff ceilings with the FAS of Russia for 22 regions where PJSC Rosseti's subsidiaries operate, the regions' applications for setting tariffs for electricity transmission services with indexation above 9% were approved.

¹ Principal debt on loans and borrowings minus accrued but unpaid interest.

Distribution grid tariff change, %¹



Transmission grid tariff change, %



Distribution of costs in the structure of the “common pot” tariff for electric power transmission services in 2022–2023

Indicators	2022	2023	Change 2023/2022
Expenses for payment for normative (process) losses of electric power in DGC grids, RUB bln	146.8	162.0	10.4%
Expenses for payment for services of adjacent LGOs by individual tariffs, RUB bln	187.6	210.4	12.1%
Expenditures on payment for services on electric power transmission through UNPG, RUB bln	152.8	171.8	12.5%
RGR for maintenance of grid facilities of DGCs, RUB bln	467.7	555.3	18.7%

Long-term tariff regulation in PJSC Rosseti is based on long-term parameters using the return on invested capital method.

All subsidiaries of PJSC Rosseti that provide electricity transmission and grid connection services also regulate their long-term tariffs on the basis of long-term parameters, as follows:

- in seven regions of operation, the return on invested capital method (RAB regulation)
- in 58 regions of operation — by the method of long-term indexation of the required gross revenue



Tax policy

The Company adheres to a transparent tax policy and discloses information on tax payments. The Company has the following documents in place:

- Accounting Policy of the Company²
- Procedure for Organising Risk Management and Internal Control of PJSC Rosseti and Subsidiaries (the Rosseti Group)³

To ensure information openness and transparency of the Company, be able to submit requests for a reasoned opinion of the tax authority in case of doubt or ambiguity on taxation issues, and reduce the cost of supporting tax control measures, PJSC Rosseti has switched to a tax monitoring regime starting from 2020.

In 2023, the interaction with the Federal Tax Service in the tax monitoring mode proved to be highly efficient: the number of claims received from the tax authority was significantly reduced, which results in cost savings through the synergistic effect of digitalisation of tax administration and focus on methodological aspects of tax control management.

Main objectives of tax control

Completeness and timeliness of payment and transfer of taxes, levies and insurance contributions

Identification, assessment, minimisation and elimination of risks of incorrect calculation, incomplete and untimely payment of taxes, fees and insurance premiums of an organisation

Timely preparation of the organisation’s tax reporting

Creation of an effective control environment in the field of tax accounting

Timely identification and analysis of tax risks of business processes

Development and implementation of control procedures for tax accounting and tax reporting

Standardisation and regulation of control procedures in relation to tax accounting and tax reporting

Results of tax monitoring in 2023:

- Execution of a motivated opinion of the tax authority in respect of transactions made
- Execution of Order No. ED-7-23/518@ dated 25 May 2021 “On approval of requirements for the organisation of the internal control system, as well as forms and formats of documents to be submitted by organisations when disclosing information on the internal control system”
- Execution of Order No. ED-7-23/476@ dated 11 May 2021 “On approval of the forms and requirements for documents used in tax monitoring”
- Creation of the Integration Module of the Company’s information system with Nalog-3 AIS and the Module of the Internal Control System in the information system of tax accounting information disclosure in accordance with Order No. ED-7-23/163@ dated 13 March 2023 “On approval of the procedure for providing access of tax authorities to information systems of organisations”

- Successful testing of nine services of information interaction between the Tax Monitoring Information System and Nalog-3 AIS within the Working Group of the pilot project of the Federal Tax Service of Russia on integration of information systems of organisations participating in tax monitoring with Nalog-3 AIS in accordance with Order of the Federal Tax Service of Russia No. ED-7-23/163@ dated 13 March 2023 “On approval of the procedure for providing access of tax authorities to information systems of organisations”

For more details on the risks associated with proper compliance with the tax legislation, please see the section: Key Risks, p. 56.

For more details on taxes paid in 2023, please see the section: Responsible Taxpayer, p. 135.

¹ CPI — consumer price index.

² Approved by Order No. 535 dated 30 December 2015 (as amended by Order No. 357 dated 25 August 2023).

³ Approved by Order No. 203 dated 15 May 2023.