

Country and regional risks

Risks associated with the political and economic situation in the country and the region.

Country and regional risks are primarily caused by macroeconomic factors that manifest themselves at the global level, on the scale of the Russian Federation and individual regions. These factors may negatively affect the ability to attract borrowed capital, liquidity indicators, investment and operational efficiency and, ultimately, the Company's shareholder value.

The economic situation in the reporting period was characterized by the revival of the global, including the Russian economy after the recession and stagnation caused by the negative impact of the COVID-19 coronavirus pandemic, which confirms the gradual recovery of business activity and the increase in production capacity in Russia. Extractive and manufacturing industries, construction and freight transport, as well as consumer-oriented industries have contributed to the economic recovery.

Risks associated with possible military conflicts, the introduction of a state of emergency and strikes in the country and the region.

The Russian Federation is a multinational state, includes regions with different levels of social and economic development, and therefore it is impossible to exclude the possibility of internal conflicts in Russia, including the use of military force. Also, the Company cannot completely exclude the risks associated with the possible introduction of a state of emergency in the regions where the Company's branches are located, and in Russia as a whole. Acts of terrorism, both domestic and international, can cause damage to the Company's activities, which can also have a negative impact on investments and the value of the Company's securities. In the event of possible military conflicts or terrorist acts, the Company's branches may bear the risks of disabling their fixed assets.

Risks associated with geographical features of the regions of presence, including increased risk of natural disasters, possible termination of transport communication due to remoteness and/or inaccessibility, etc.

In the regions of the Company's presence, there is a possibility of emergency situations due to natural disasters (hurricanes, heavy rains, floods and floods, snow blockages, etc.), as a result of which the power supply and transport links in the region may be interrupted.

The risks associated with the increased risk of natural disasters are regarded by Society as minimal.

The risks associated with the possible termination of transport communication due to remoteness and/or inaccessibility are regarded by the Company as minimal.

The projected dynamics of the industry development is determined by the overall dynamics of socio-economic development of the regions and sectors of the economy of the Russian Federation.

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The demand for the products of the Company's industry from consumers is stable and subject to minor fluctuations. However, there are risks of a decrease in electricity consumption, mainly in the industrial sector, which may lead to a decrease in revenue from the sale of network services and, accordingly, financial performance.

The Company receives its main income from the provision of services for the transmission of electric energy to consumers in the territory of 7 regions: Saratov, Samara, Ulyanovsk, Penza and Orenburg regions and the Republic of Mordovia and the Chuvash Republic.

In addition to the Company, other large network organizations operate on the territory of the regions, each of which is limited by territorial limits:

- on the territory of the Samara region: JSC "Samara Grid Company", JSC "ORES-Togliatti", Kuibyshev Directorate for Energy Supply - a structural subdivision of Transenergo - a branch of JSC "Russian Railways", JSC "Samaraneftegaz", LLC "Transneft Electric Grid Service", JSC "Samara Bearing Plant", LLC "Samara Electric Grid Company";

- on the territory of the Saratov region: JSC "Oblkommunenergo", CJSC "SPGPP", JSC "NESK", LLC "Eltrait", LLC "Electric Grid Company", LLC "Transport Energy Company";

- on the territory of the Ulyanovsk region: Municipal Unitary Enterprise "Ulyanovsk City Electric Grid", JSC "Ulyanovsk Grid Company", LLC "Energomodul"; JSC "Aviastar - OPE"; LLC "Energoprom GROUP", JSC "SSC NIIR", LLC "IES";

- on the territory of the Orenburg Region: Gazprom Energo LLC, SUE OKES, the South Ural Directorate for Energy Supply - a structural subdivision of Transenergo - a branch of JSC Russian Railways, PJSC Gaisky GOK; JSC Oboronenergo, LLC Terra;

- on the territory of the Penza region: CJSC "Penza Gorelektrosset", Kuibyshev Directorate for Energy supply - a structural subdivision of Transenergo - a branch of JSC "Russian Railways", JSC FNPC "PO "Start" named after M.V. Protsenko", JSC "Gorelektrosset" (Kuznetsk), LLC "Grid Company", JSC "PTPA", LLC "Energopromset";

- on the territory of the Republic of Mordovia: JSC TF "Watt", LLC "Life support Systems RM", LLC "Electroteploset", JSC "Mordovian electric grid";

- on the territory of the Chuvash Republic: Municipal Unitary Enterprise "Cheboksary city electric networks", JSC "Kanash city electric networks", JSC "CHPO named after V.I. Chapaev", Municipal Unitary Enterprise "KS Novocheboksarsk", Municipal Unitary Enterprise "Alatyr city electric networks", LLC "SK Olympus", LLC "ESC".

The Company has no risks associated with a possible change in prices for raw materials used in production, since the Company does not use raw materials for its main economic activity.

However, it should be noted that there is a high degree of risk of increasing the cost of purchasing purchased electricity to compensate for losses in distribution networks due to the liberalization of prices in the wholesale electricity market.

The risks of price changes for materials, equipment and services used by the Company for its activities are compensated by holding open auctions in accordance with the Unified Procurement Standard of PJSC ROSSETI (Procurement Regulations).

An organization engaged in the provision of electricity transmission services, in accordance with the current legislation, is a subject of a natural monopoly, in which there is no competition. The activities of such an organization are subject to state regulation.

Tariffs (prices) for the Company's services are set by the regulatory authorities of the relevant subjects of the Russian Federation (Samara, Saratov and Ulyanovsk, Penza and Orenburg regions, the Republic of Mordovia and the Chuvash Republic) within the powers defined by Federal Law No. 35-FZ of 26.03.2003 "On Electric Power Industry", according to which the validity period of tariffs is at least 12-10 months and can be reviewed only by the decision of the Government of the Russian Federation, including according to the instructions of the FAS. Based on this, the risk of tariff changes during one fiscal year is possible, but not significant.