

## ACRA AFFIRMS AA+(RU) TO JSC “ROSSETI TYUMEN”, OUTLOOK STABLE

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The credit rating of JSC “ROSSETI Tyumen” (hereinafter, ROSSETI Tyumen, or the Company) is based on the Company’s strong market positions in its regions of presence, strong operating profile, good business profitability, low leverage, and good liquidity. The rating is constrained by the Company’s medium business size and cash flow. ACRA assesses that it is highly likely that PJSC ROSSETI (AAA(RU), outlook Stable; hereinafter, ROSSETI, or the Holding) will provide the Company with extraordinary support if necessary.

ROSSETI Tyumen is an interregional power grid operator that functions in the Tyumen Region (AAA(RU), outlook Stable), the Khanty-Mansi Autonomous Okrug – Yugra (AAA(RU), outlook Stable), and the Yamalo-Nenets Autonomous Okrug (AAA(RU), outlook Stable).

### KEY ASSESSMENT FACTORS

**High likelihood of extraordinary support from ROSSETI.** ROSSETI Tyumen is a natural monopoly that transmits electricity in three Russian regions where the main consumers are located, including companies that extract the lion’s share of Russia’s oil and gas. The Company’s regions of presence are some of the most important to the Holding, a national electricity supplier. The Company is part of the ROSSETI Group and is integrated into the single treasury system and the mechanism for providing operating liquidity to subsidiaries. The Company has consistently demonstrated good financial indicators and therefore it generally does not require additional financial assistance from the shareholder. However, the fact that the Holding has supported other subsidiaries and affiliates in the past indicates a high likelihood of support being provided to the Company if necessary.

**An infrastructure monopoly with low sales risks.** ROSSETI Tyumen occupies a dominant position in the electricity transmission market within the boundary of interconnected networks. Based on tariff and balance decisions, the Company’s market share in terms of tariff revenue is about 68%. The level of overdue receivables is low at less than 1% of revenues for 2023 (the level of collection of payments for electricity transmission is high). The structure of the Company’s electricity supply is dominated by oil and gas companies.

**Strong operating profile.** The economic development of the Russian regions in which ROSSETI Tyumen operates creates conditions for setting tariffs at a level that ensures sufficient business profitability of the Company. At the same time, there is a risk of socio-political factors influencing tariff decisions, which leads to, in ACRA’s opinion, regulatory risks. According to the Agency’s calculations, the tariffs provide the Company with a weighted FFO before interest and taxes margin of 17%. According to ACRA’s forecasts, the average annual FFO before net interest and taxes margin in 2024–2026 will remain at the current level. The wear and tear of the Company’s fixed assets is moderate. The Company’s investment activity is at a weighted level of 14.5% of revenues and mainly aimed at maintaining high quality and reliable electricity supply and ensuring prompt connection to power grids, including for the assets of oil and gas companies,

including PJSC “GAZPROM” (AAA(RU), outlook Stable), Rosneft (AAA(RU), outlook Stable), and LUKOIL (AAA(RU), outlook Stable). ACRA assesses the Company’s corporate governance as adequate and in line with industry standards. The Company’s board of directors has an independent director. ROSSETI Tyumen’s risk management system minimizes all the major types of risk and the Holding’s control includes approval of key unified internal regulations (credit policy, regulations for the placement of funds and other documents unified within the group), as well as monitoring of their adherence by the Company’s management. The Company’s financial transparency is assessed as high.

**Lower free cash flow (FCF).** According to ACRA’s calculations, the Company’s FCF was negative in 2023 (RUB -6 bln). This decline was the result of a combination of factors, including growth of the investment program and dividend payments. In ACRA’s opinion, the Company’s FCF will remain negative in 2024–2026 due to higher capital expenditures and dividend payments.

**Low leverage.** The entire current debt is represented by three ruble-denominated loans provided by a single creditor that are due by July 2025, inclusive. According to ACRA’s calculations, as of the end of 2023, the ratio of total debt to FFO before net interest payments was 0.5x. ACRA does not expect the Company’s total debt to exceed 1.0x in 2024–2026.

**The Company’s good liquidity** hinges on the availability of funds in its accounts and deposits, as well as a significant amount of committed credit lines exceeding the Company’s total debt by several times.

## KEY ASSUMPTIONS

- The corporate capital investment program being implemented in full and on time;
- In its forecast, ACRA includes dividend payments of no more than 50% of IFRS or RAS net profits (whichever is higher), as per the current dividend policy.

## POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

The **Stable outlook** assumes that the rating will highly likely stay unchanged within the 12 to 18-month horizon.

### A positive rating action may be prompted by:

- Lower regulatory risks due to the introduction of long-term and transparent tariff regulation principles coupled with a significant reduction of the investment program and reduced wear and tear of fixed assets;
- Business profitability exceeding 25% of FFO before net interest and taxes;
- Higher importance of the Company for ROSSETI expressed in the inclusion of cross-default provisions in the ROSSETI’s debt obligations.

### A negative rating action may be prompted by:

- ROSSETI’s loss of control or looser integration between the Company and the Holding;
- Total debt growing above 1.0x of FFO before net interest payments and coverage declining below 10.0x;
- FFO before net interest and taxes margin falling below 15% and FFO before net interest and taxes declining below RUB 5 bln.

## RATING COMPONENTS

Standalone creditworthiness assessment (SCA): **aa**.

Support: group.

## ISSUE RATINGS

There are no outstanding issues.

## REGULATORY DISCLOSURE

The credit rating has been assigned to JSC “ROSSETI Tyumen” under the national scale for the Russian Federation based on the [Methodology for Credit Ratings Assignment to Non-Financial Corporations under the National Scale for the Russian Federation](#), [Methodology for Analyzing Rated Entities Associated with a State or a Group](#), and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

The assessment of the economic development of the regions of presence of the rated entity was determined on the basis of the principles of the [Methodology for Assigning Credit Ratings to Regions and Municipal Entities of the Russian Federation](#).

The credit rating of JSC “ROSSETI Tyumen” was published by ACRA for the first time on June 29, 2021. The credit rating and its outlook are expected to be revised within one year following the publication date of this press release.

The credit rating was assigned based on data provided by JSC “ROSSETI Tyumen”, information from publicly available sources, and ACRA’s own databases. The credit rating is solicited and JSC “ROSSETI Tyumen” participated in its assignment.

In assigning the credit rating, ACRA used only information, the quality and reliability of which were, in ACRA’s opinion, appropriate and sufficient to apply the methodologies.

ACRA provided no additional services to JSC “ROSSETI Tyumen”. No conflicts of interest were discovered in the course of credit rating assignment.

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