

1H 2016 IFRS FINANCIAL RESULTS PRESENTATION

26.08.2016



ROSSETI



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KEY FACTS AND RESULTS

490 '000 units
electric substations

2,300 '000 units
lines length

761 GVA
installed transformer capacity

216 People
Employed with the Group

78 Regions of presence

16 Subsidiaries



Type	Description
Distribution lines	15 subsidiaries operate electricity lines of 110 kV voltage class and lower
Transmission lines	FGC operates the United National Electrical Network with a voltage class of 220 kV and higher
Other	Electricity retail companies and noncore assets (R&D and design companies, service and construction organizations, real estate property holders)

ROSSETI is an electric utility holding company, one of the largest in the world in terms of the length of networks and installed transformer capacity.

The share held by the Russian Federation in ROSSETI amounts to 87.9%.



January 25

The Unified Register of Technical Standard Documents of the ROSSETI Group, governing the general development, operation, and maintenance rules for transmission and distribution grids.

March 30

ROSSETI and Chinese, South Korean, and Japanese companies sign a quadripartite memorandum to jointly set up the Global Integrated Power System covering Northeast Asia.

May 30

An additional issue of ROSSETI shares is completed.

June 9

The Board of Directors approves the development plans of subsidiaries.

June 9

The Board of Directors reviews the consolidated capex program for 2016 and 2017–2021.

January

February

March

April

May

June

February 24

The Board of Directors approves the Information Policy (Regulations for Disclosing Material Information of ROSSETI Under Shareholder Laws and Securities Market Laws).

April 7

The agreement was signed with the Federal Bailiff Service of the Russian Federation to expedite information exchange by developing electronic communication.

June 25

ROSSETI and State Grid Corporation of China sign a JV agreement to rehabilitate the Russian electric grid sector's infrastructure and construct new power facilities in Russia and, in the longer term, other countries.

June 30

ROSSETI holds the Annual General Meeting of Shareholders. **The AGM resolves to pay dividends for 1Q2016.**



Indicator	1H 2016	1H 2015	Change	
	bn RUB	bn RUB	bn RUB	%
Revenue	415.5	351.9	63.6	18.1
Operating expenses	357.4	313.1	44.3	14.1
EBITDA	139.4	106.1	33.3	31.4
EBITDA margin	33.6%	30.2%	-	3.4 p.p.
Adjusted EBITDA ¹	143.3	114.5	28.8	25.2
Adjusted EBITDA margin	34.5%	32.5%	-	2.0 p.p.
Results from operating activities	76.4	43.3	33.1	76.4
Net profit	53.8	24.1	29.7	123.2
Adjusted net profit ²	56.9	30.8	26.1	84.7
Adjusted net profit margin	13.7%	8.8%	-	4.9 p.p.
Net debt	456.5	487.2 ³	(30.7)	(6.3)

- Consolidated revenue rose largely due to increased revenue from electricity transmission and distribution services as a result of a rise in the average tariff.
- Measures to improve operating efficiency and reduce expenses allowed the Group to achieve an adjusted EBITDA margin of 34.5%, or 2.0 p.p. higher than in the corresponding period of last year.
- Net profit in the 1st half of 2016 increased by 29.7 billion rubles, or 123.2%, to 53.8 billion rubles.

¹ Adjusted EBITDA is calculated as EBITDA (earnings before interest, tax, depreciation, and amortization for the reporting period) less impairment of financial investments and impairment of receivables.

² Adjusted Net Profit for the reporting period is calculated as the period's net profit less impairment of financial investments, impairment of receivables, and related deferred profit tax liabilities.

³ Data as of December 12, 2015



Indicator	1H 2016	1H 2015	Change	
	bn RUB	bn RUB	bn RUB	%
Electricity transmission	348.5	309.9	38.6	12.5
Sales of electricity and capacity	37.3	28.3	9.0	31.8
Technological connection services	11.7	8.5	3.2	37.6
Other revenue	18.0	5.2	12.8	246.2
TOTAL	415.5	351.9	63.6	18.1

- The growth in revenue from electricity transmission and distribution services was due to the indexation of electricity distribution tariffs in effect starting from 1 July 2015.
- Higher revenue from electricity and capacity sales was mainly due to increased sales revenue from subsidiary Federal Grid Company's services.
- Increased revenue from network connection services resulted from completed work on providing network connection to large customers.
- Other revenue rose largely due to the FGC UES Group's increased revenue resulting from the performance of services under construction project contracts for electric grid facilities.



Indicator	1H 2016	1H 2015	Change	
	bn RUB	bn RUB	bn RUB	%
Personnel costs	85,3	82,6	2,7	3,3
Electricity transmission services	64,6	56,3	8,3	14,7
Electricity for compensation of losses	54,8	45,4	9,4	20,7
Depreciation and amortisation	57,3	56,3	1,0	1,8
Electricity for sale	21,0	16,0	5,0	31,3
Taxes and levies other than income tax	11,1	8,7	2,4	27,6
Rent	3,4	3,1	0,3	9,7
Other third-party services ¹	10,7	11,5	(0,8)	(7,0)
Impairment of receivables	3,8	8,1	(4,3)	(53,1)
Provisions	3,1	4,5	(1,4)	(31,1)
Other	42,3	20,6	21,7	105,3
Total operating expenses	357,4	313,1	44,3	14,1

- Employee benefits increased due to wage indexation for production personnel in accordance with the current Sectoral Wage Rate Agreement.
- Prices of electricity distribution services changed due to changes in service prices charged by certain territorial grid organizations.
- Expenses associated with electricity purchased for compensation for electricity network losses increased due to higher prices of purchased electricity.
- Expenses associated with electricity purchased for resale increased due to higher electricity sales in the reporting period.
- Tax payments increased due to the phase-out of property tax benefits.
- Expenses associated with third-party services decreased due to cutting costs in connection with consulting, legal, audit, and other services as part of measures to improve efficiency and reduce expenses.
- Other expense changed due to increased fuel expenses resulting from a rise in electricity sales and due to the performance of construction project contracts.

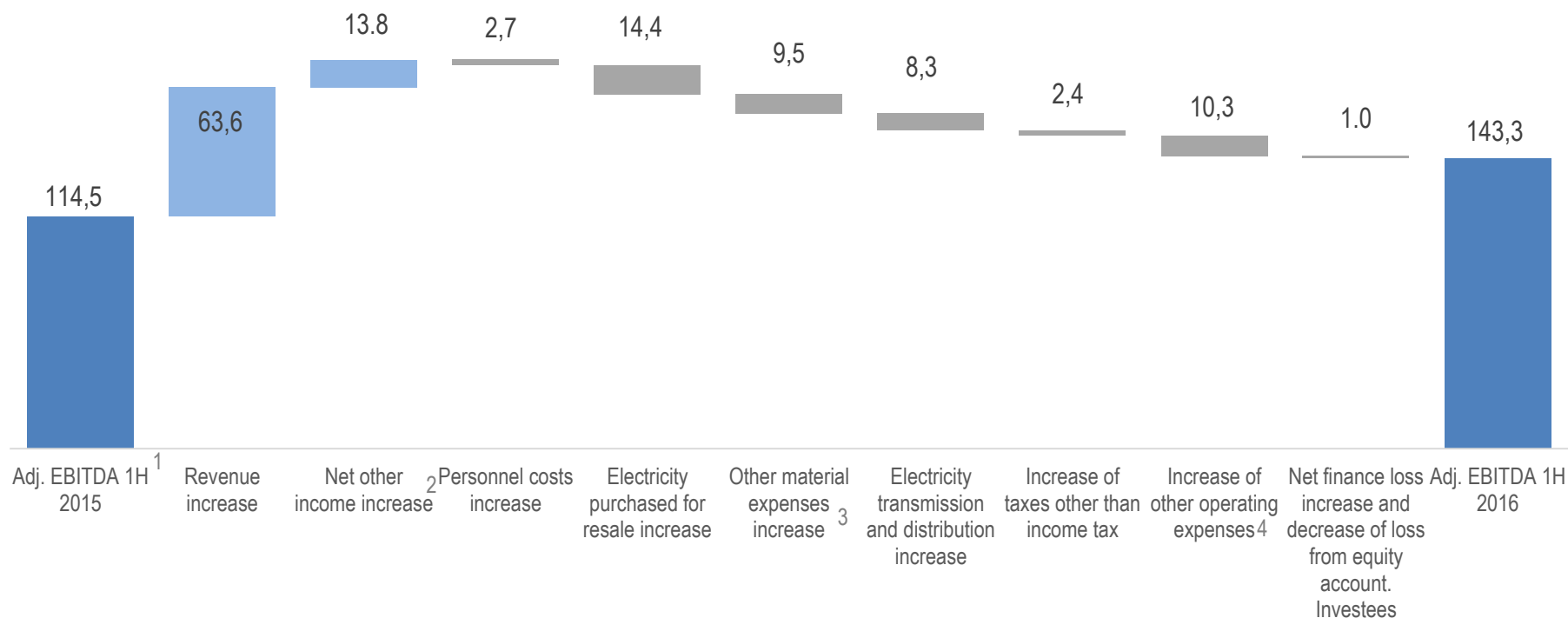
¹ Other third-party services include insurance; consulting, legal, and audit, services; software costs and servicing; communication services; security services; and transportation.



ADJUSTED EBITDA RECONCILIATION



bn RUB



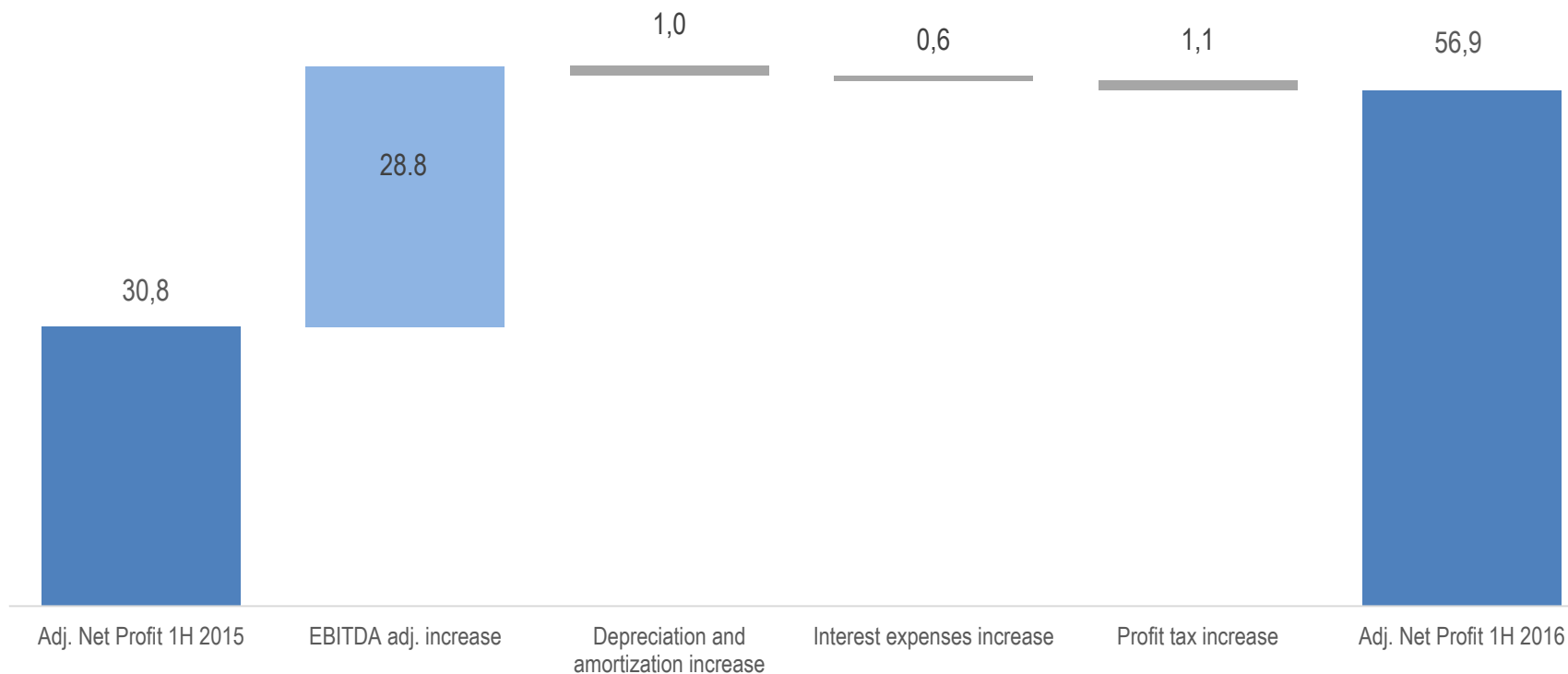
1 Adjusted EBITDA is calculated as EBITDA (earnings before interest, tax, depreciation, and amortization for the reporting period) less impairment of financial investments and impairment of receivables.
 2 Net other income includes a profit of 12.6 billion rubles resulting from the fact that NURENERGO was recognized as no longer being a subsidiary (the functions of its sole executive body were transferred to an administrator).
 3 Other material expenses include purchased electricity for compensation of technological losses and for resale, electricity and heat power for own needs and other material costs.
 4 Other operating costs include the production related services/work and operating costs of other types.



ADJUSTED NET PROFIT RECONCILIATION



bn RUB

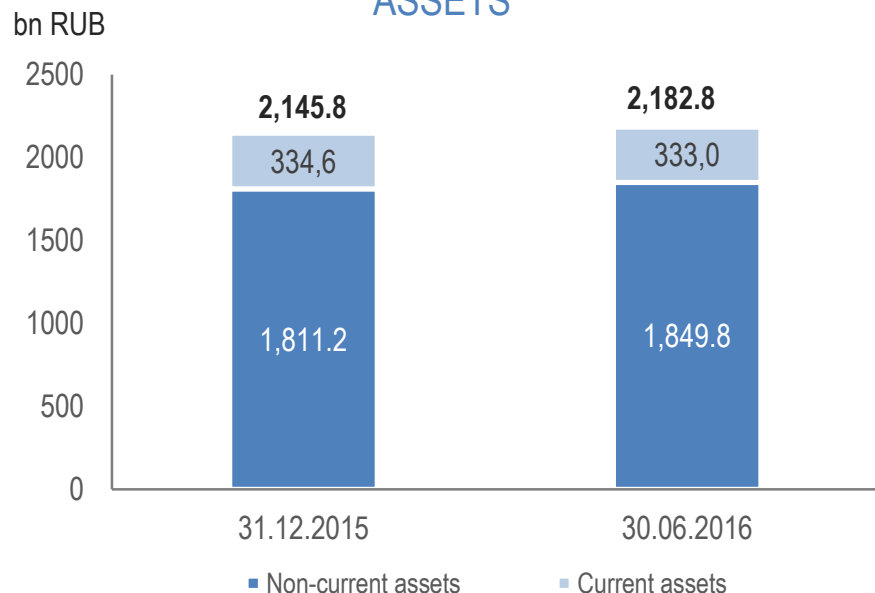


1 Adjusted Net Profit for the reporting period is calculated as the period's net profit less impairment of financial investments, impairment of receivables, and related deferred profit tax liabilities.

2 Includes deferred profit tax liabilities related to adjustments.



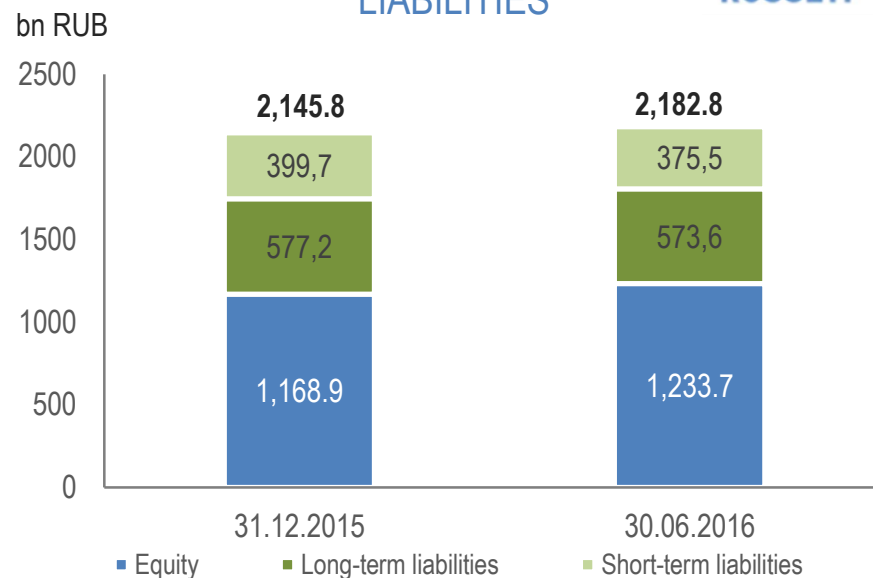
ASSETS



Key factors contributing to changes in the value of noncurrent assets:

- Fixed assets increased due to the commissioning of new facilities under the capex program;
- Long-term financial assets grew in value largely due to a rise in the Inter RAO share price.

LIABILITIES



Key factors contributing to changes in the structure of equity:

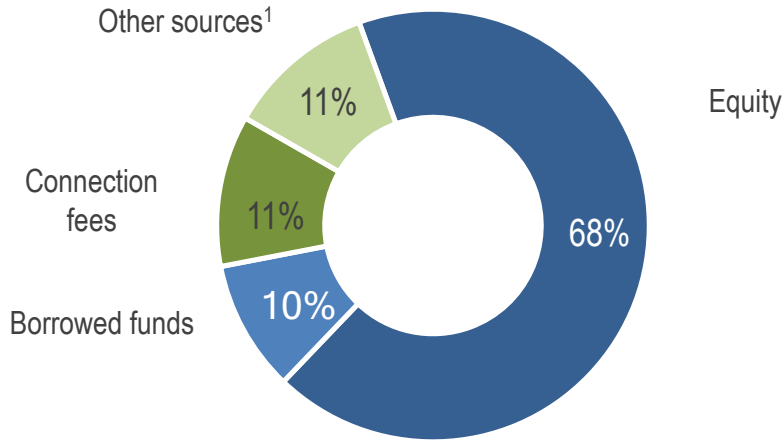
- Increased retained earnings due profit during the reporting period;
- Increased other reserves due to the cumulative effect of the increased fair value of Inter RAO shares;
- A portion of profit allocated as dividends.

Key factors contributing to changes in liabilities:

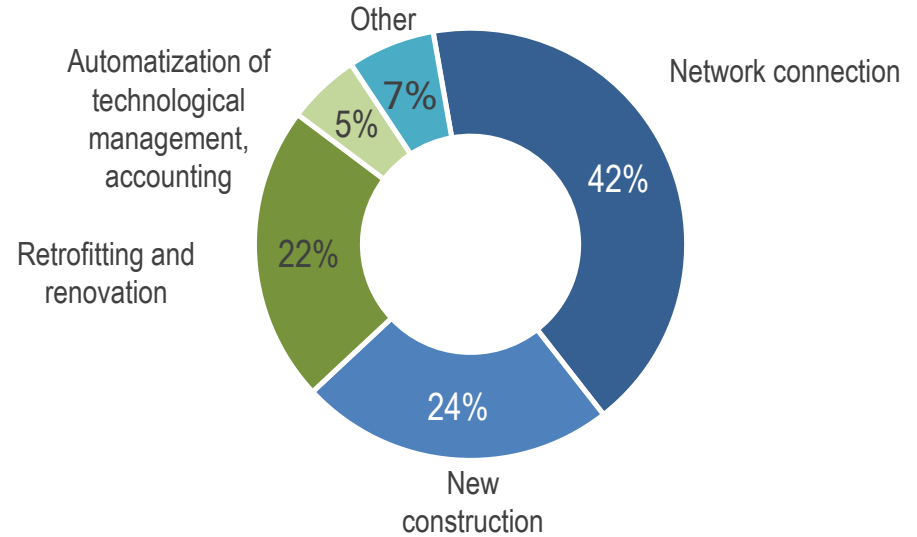
- Decreased loans and borrowings, including due to using subsidiaries' internal funds to repay some loans and bonds;
- An increased balance of long-term advances received and deferred tax;
- Decreased payables to construction organizations.



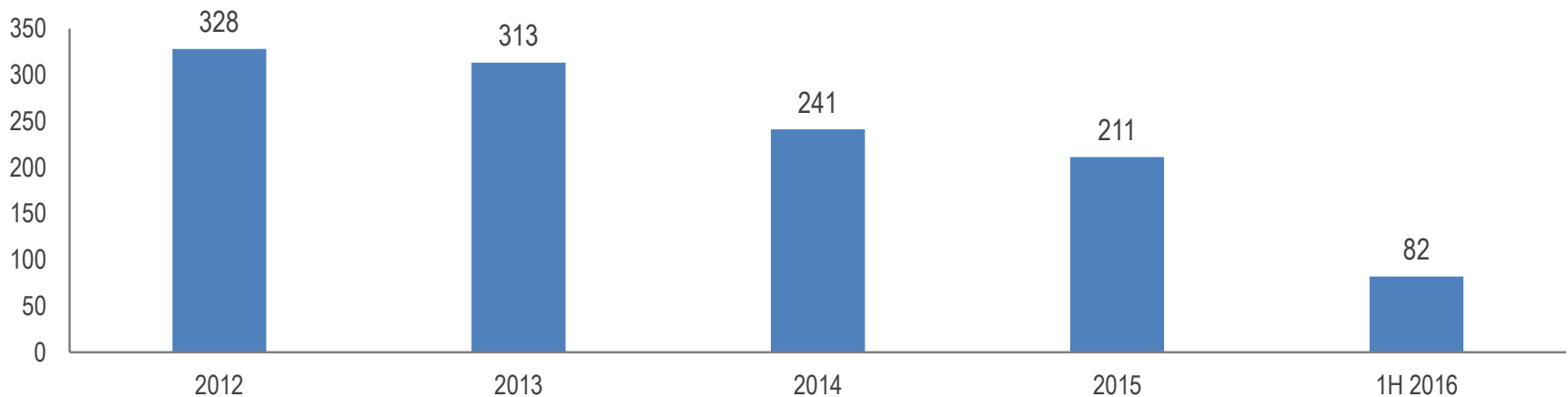
SOURCES OF FINANCING



AREAS OF FINANCING



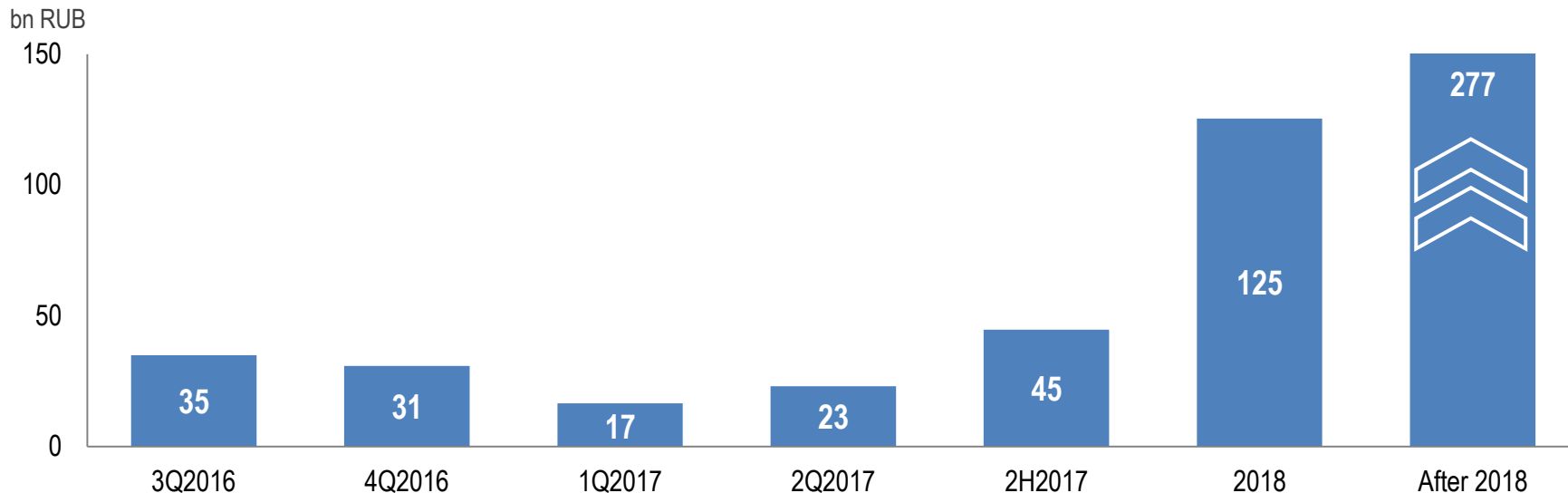
FINANCING, BILLION RUB, INCLUSIVE OF VAT



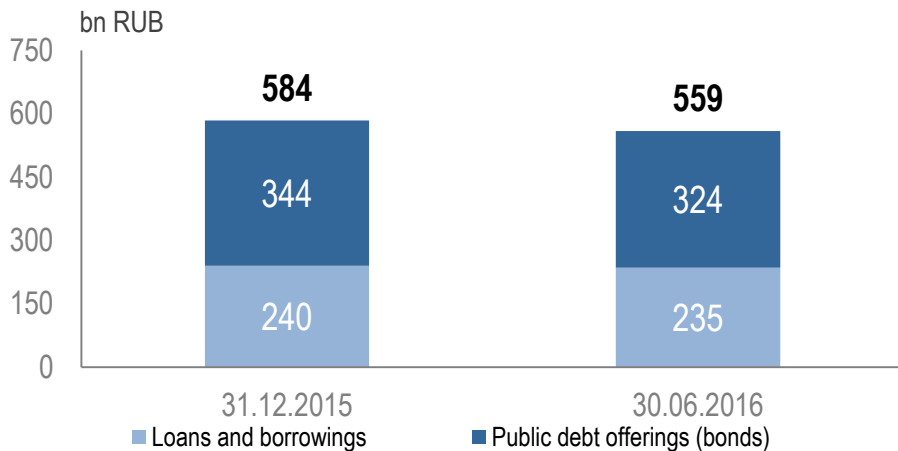
¹ VAT reclaimed, additionally issued shares, public funding, other.



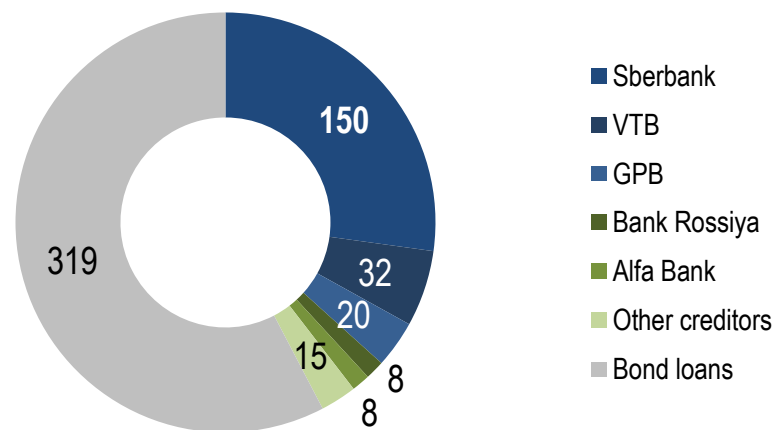
GROUP DEBT REPAYMENT SCHEDULE¹



GROUP BORROWINGS²



DEBT BREAKDOWN BY BANK¹



¹ Principal debt less accrued but unpaid interest

² Debt less accrued but unpaid interest



Thank you



Appendix



Indicators	30.06.2016 mn RUB	31.12.2015 mn RUB	Change	
			mn RUB	%
Non-current assets:				
Property, plant and equipment	1,745,854	1,734,044	11,810	0.7
Intangible assets	17,031	18,532	(1,501)	(8.1)
Investments in associates and joint ventures	1,413	1,489	(76)	(5.1)
Non-current accounts receivable	16,945	16,572	373	2.3
Other investments and financial assets	59,625	31,928	27,697	86.7
Deferred tax assets	8,895	8,579	316	3.7
Total non-current assets	1,849,763	1,811,144	38,619	2.1
Current assets:				
Inventories	37,033	33,921	3,112	9.2
Other investments and financial assets	23,688	36,777	(13,089)	(35.6)
Current income tax prepayments	8,945	4,201	4,744	112.9
Trade and other receivables	160,509	162,624	(2,115)	(1.3)
Cash and cash equivalents	102,816	97,090	5,726	5.9
Total current assets	332,991	334,613	(1,622)	(0.5)
Total assets	2,182,754	2,145,757	36,997	1.7



Indicators	30.06.2016 mn RUB	31.12.2015 mn RUB	Change	
			mn RUB	%
Equity:				
Share capital	163,154	163,154	-	-
Share premium	212,978	212,978	-	-
Treasury shares	(2,713)	(2,713)	-	-
Reserve for issue of shares	34,917	33,473	1,444	4.3
Other reserves	13,922	(2,100)	16,022	(763.0)
Retained earnings	489,136	448,120	41,016	9.2
Total equity attributable to equity holders of the Company	911,394	852,912	58,482	6.9
Non-controlling interest	322,246	315,983	6,263	2.0
Total equity	1,233,640	1,168,895	64,745	5.5
Non-current liabilities:				
Loans and borrowings	448,589	465,439	(16,850)	(3.6)
Trade and other payables	25,244	22,075	3,169	14.4
Employee benefits	32,868	29,473	3,395	11.5
Deferred tax liabilities	66,899	60,155	6,744	11.2
Total non-current liabilities	573,600	577,142	(3,542)	(0.6)
Current liabilities:				
Loans and borrowings	110,763	118,832	(8,069)	(6.8)
Trade and other payables	252,560	267,972	(15,412)	(5.8)
Provisions	11,196	11,421	(225)	(2.0)
Current income tax liabilities	995	1,495	(500)	(33.4)
Total current liabilities	375,514	399,720	(24,206)	(6.1)
Total liabilities	949,114	976,862	(27,748)	(2.8)
Total equity and liabilities	2,182,754	2,145,757	36,997	1.7

Indicators	30.06.2016 mn RUB	30.06.2015 mn RUB	Change	
			mn RUB	%
Revenue	415,481	351,895	63,586	18.1
Operating expenses	(357,370)	(313,088)	44,282	14.1
Other income, net	18,309	4,476	13,833	309.0
Results from operating activities	76,420	43,283	33,137	76.6
Finance income	7,580	8,510	(930)	(10.9)
Finance costs	(19,046)	(18,629)	(417)	(2.2)
Net finance costs	(11,466)	(10,119)	(1,347)	(13.3)
Share of (loss)/profit of associates and joint ventures	(73)	9	(82)	(911.1)
Profit before income tax	64,881	33,173	31,708	95.6
Income tax expense	(11,077)	(9,081)	(1,996)	(22.0)
Profit for the period	53,804	24,092	29,712	123.3
Profit attributable to:				
Owners of the Company	42,334	18,127	24,207	133.5
Non-controlling interest	11,470	5,965	5,505	92.3