

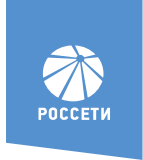


РОССТЕИ

IFRS CONSOLIDATED FINANCIAL RESULTS OF THE ROSSETI GROUP FOR 2018

March 29, 2019

WWW.ROSSETI.RU



ROSSETI AS THE MAINSTAY OF RUSSIA'S ELECTRIC GRID SECTOR

507 thousand substations

2.35 million kilometers of power lines

792 thousand MVA of transformer capacity

217 thousand employees

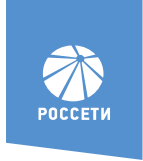
80 regions of operations

15 grid subsidiaries



Activity	Description
Distribution grids	14 subsidiaries (interregional and regional distribution grid companies) operate electric grids rated 110 kV and below
Transmission grids	FGC UES manages the Unified National (All-Russian) Electric Grid rated 220 kV and above
Other	Electricity retail companies and noncore assets (R&D and design companies, service and construction organizations, real 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 Russian Government holds an 88.04% stake in ROSSETI



DISCLAIMER

- The information contained in this presentation has been prepared by the Company and presented on an “as is” and “as available” basis, and, consequently, you shall bear the risks associated with the use of and reliance upon such information. The recipient shall not rely upon the information contained herein, or its completeness, accuracy, or objectivity, for any purposes. The information contained herein shall be verified for authenticity, completeness, and updates.
- Some information in this presentation may contain forecasts and assertions concerning future events or financial performance of ROSSETI (“Company”) and its subsidiaries. Such assertions are based on numerous assumptions related to the current and future plans of the Company’s business strategy and the conditions in which such strategy will be pursued in the future. We caution you that such assertions shall not guarantee certain results in the future and are connected with risks, uncertainty, and assumptions that may not be predicted with full certainty. Consequently, the actual results and outcomes of activities may be substantially different from the presumptions or forecasts stated in such assertions with respect to any future events. Such assertions are made as of the date of this presentation and are subject to change without notice. We have no intention of updating such assertions to bring them into line with any actual results.
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ANNUAL HIGHLIGHTS

- Russia earned a score of **94** on a scale of 0 to 100 in the “Getting Electricity” ranking of *Doing Business 2019*, which is Russia’s best performance across all of the rankings
- In March 2018, ROSSETI received the highest national scale credit rating of **AAA(RU)** from the *Analytical Credit Rating Agency (ACRA)* with a stable outlook
- **Standard & Poor’s** and **Moody’s Investors Service** upgraded the long-term global scale credit ratings of ROSSETI to investment grade (**BBB-** and **Baa3**¹ respectively; stable outlook)
- ROSSETI paid a total of **2.5 billion rubles** as dividends for 1Q2018
- On October 23, 2018, Russia’s first wind park was put into operation in the Kaliningrad Region.



On December 21, 2018, an in-person meeting of the Board of Directors of ROSSETI approved the Digital Transformation 2030 Concept.

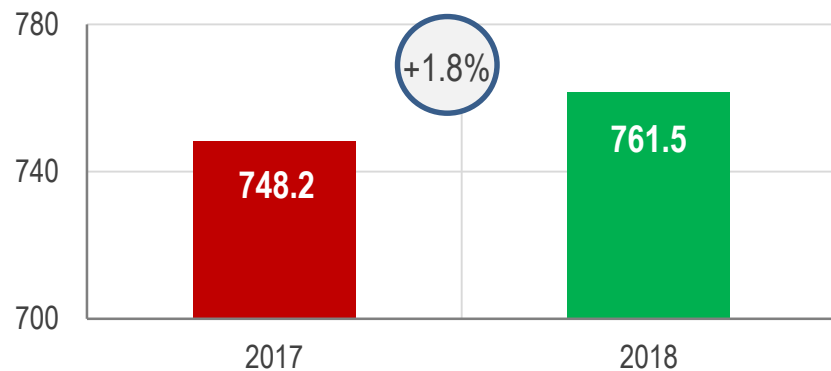
¹ Disclosed as events after the reporting period



KEY OPERATING RESULTS

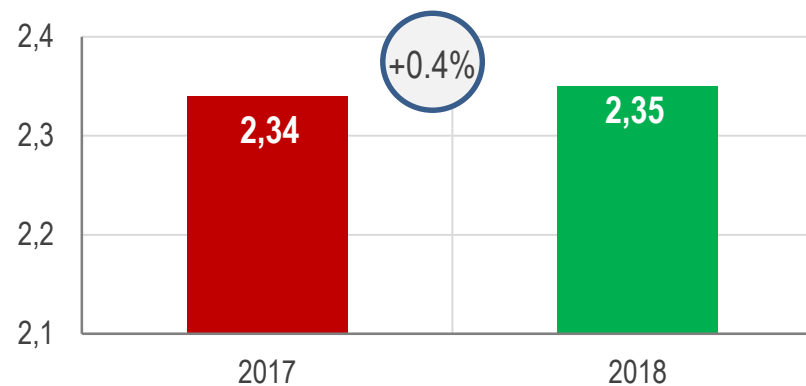
ELECTRICITY TRANSMISSION AND DISTRIBUTION

bn kWh



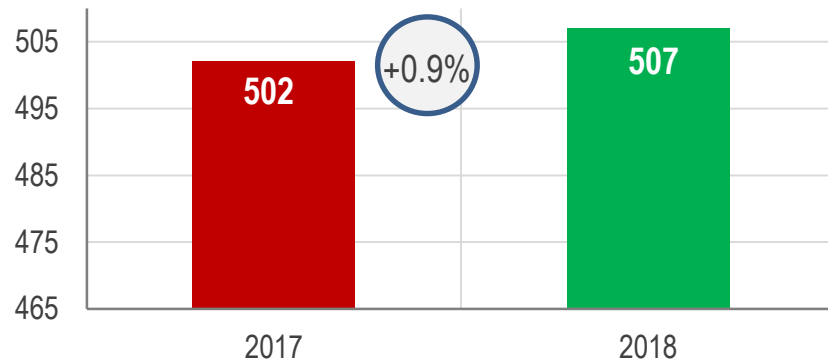
POWER LINES

mn km



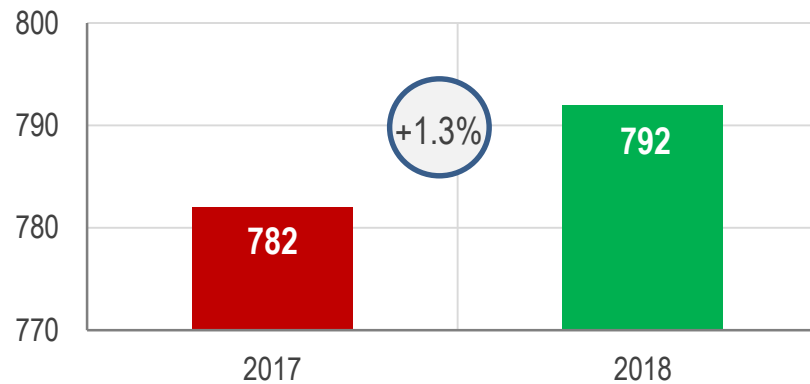
SUBSTATIONS

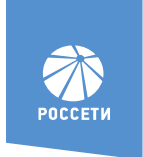
thsd



TRANSFORMER CAPACITY

GVA





KEY FINANCIAL RESULTS

Indicator	2018 bn RUB	2017 ¹ bn RUB	Change	
			bn RUB	%
Revenue	1,021.6	948.3	73.3	7.7
Operating expenses	869.3	797.6	71.7	9.0
Other income, net	23.4	21.7	1.7	7.8
EBITDA	306.3	292.8	13.5	4.6
Net profit	124.7	121.2	3.5	2.9
Net cash flows from operating activities	238.6	212.4	26.2	12.3
Net debt ²	434.1	453.4	(19.3)	(4.3)

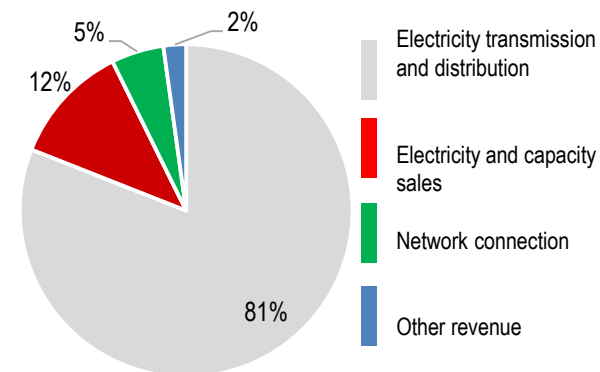
The Company demonstrated **positive financial and economic performance** in 2018 while working to ensure power supply reliability and accessibility amid severe restrictions on tariff growth

¹ Source: IFRS Consolidated Financial Results of the ROSSETI GROUP

² Bank deposits with 3-month maturity are included in calculation

Indicator	2018 bn RUB	2017 bn RUB	Change	
			bn RUB	%
Electricity transmission and distribution	826.2	784.2	42.0	5.4
Electricity and capacity sales	119.9	75.7	44.2	58.4
Network connection	52.6	52.4	0.2	0.4
Other revenue	22.9	36.0	(13.1)	(36.4)
Total	1,021.6	948.3	73.3	7.7

REVENUE STRUCTURE IN 2018



- Revenue from electricity transmission and distribution grew due to higher net electricity delivery from some subsidiaries of the Group, tariff indexation, and the changed procedure for including network losses in revenue under the Russian Government's Resolution No. 810 of July 7, 2017
- Electricity and capacity sales increased due to higher sales resulting from taking on the supplier of last resort functions
- Other revenue decreased largely due to a change in the proportion of completed work at different stages of FGC UES's construction projects



OPEX STRUCTURE ANALYSIS

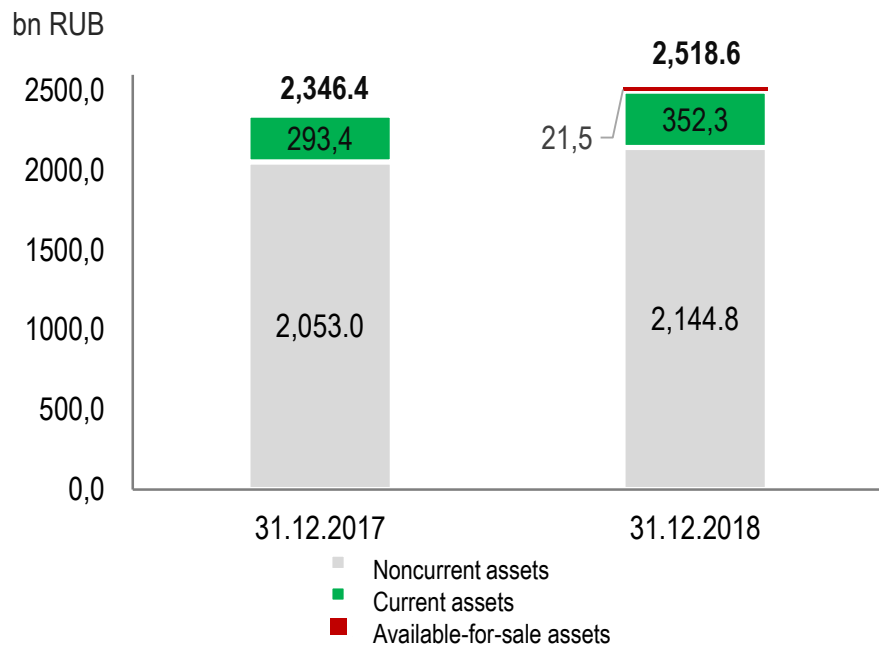
Indicator	2018 bn RUB	2017 bn RUB	Change	
			bn RUB	%
Electricity transmission and distribution services	153.3	143.9	9.4	6.5
Electricity purchased for compensation for electricity network losses	148.1	128.2	19.9	15.5
Electricity purchased for resale	67.1	42.2	24.9	59.0
Depreciation and amortization	116.1	107.3	8.8	8.2
Taxes and levies except profit tax	31.8	24.8	7.0	28.2
Impairment of fixed assets	7.7	21.2	(13.5)	(63.7)
Provision for expected credit losses (impairment of receivables)	25.8	16.2	9.6	59.3
Employee benefits	187.4	181.5	5.9	3.3
Other	132.0	132.3	(0.3)	(0.2)
Total	869.3	797.6	71.7	9.0

- Expenses associated with electricity purchased for compensation for electricity network losses increased due to higher unregulated prices of purchased electricity and because of the changed procedure for network losses under the Russian Government's Resolution No. 810 of July 7, 2017
- Expenses associated with electricity distribution services grew due to tariff indexation for other territorial grid organizations
- Expenses associated with electricity purchased for resale increased due to lower electricity sales in the reporting period as a result of taking on the supplier of last resort functions
- Tax payments increased due to gradually abolished property tax benefits in relation to power lines
- Employee benefits increased due to wage indexation for production personnel in accordance with the Sectoral Wage Rate Agreement, adjusted for changes in the consumer price index, and an increase in personnel due to taking on the supplier of last resort functions
- The provision for expected credit losses grew largely because of provisioning for doubtful debts due to the supplier of last resort status lost by retail companies



KEY BALANCE SHEET INDICATORS

ASSETS



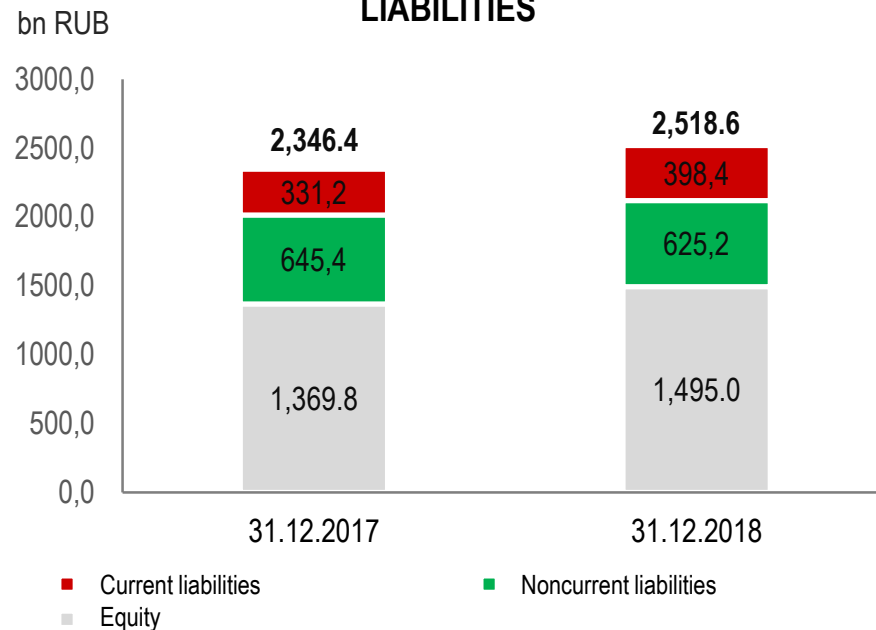
Key factors contributing to changes in the value of noncurrent assets:

- increased fixed assets due to the commissioning of new facilities under the capex program

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

- increased cash balance and short-term bank deposits

LIABILITIES



Key factors contributing to changes in the structure of equity:

- net profit received in the reporting period
- increased Inter RAO share price

Key factors contributing to changes in the structure of current liabilities:

- increased short-term loans and borrowings due to classifying some long-term borrowings as short-term loans and because of increased payables

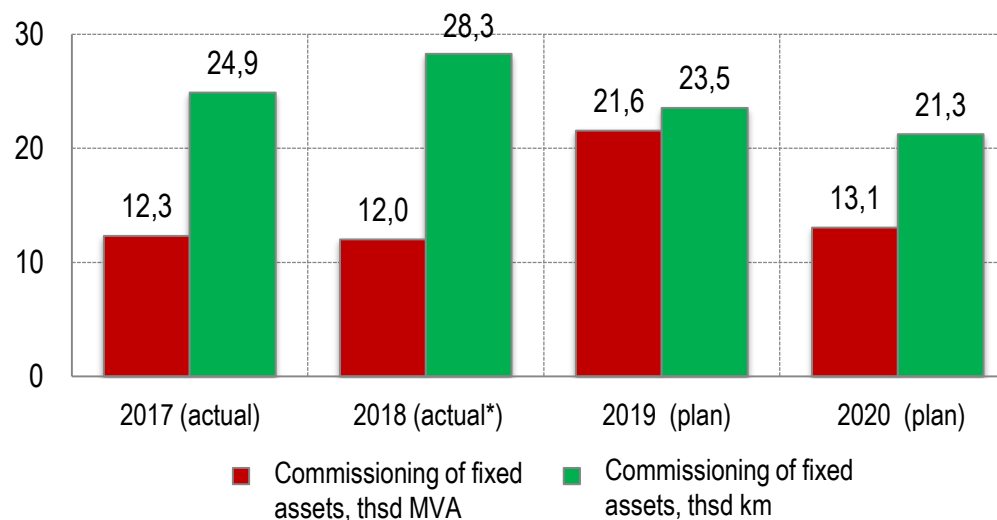
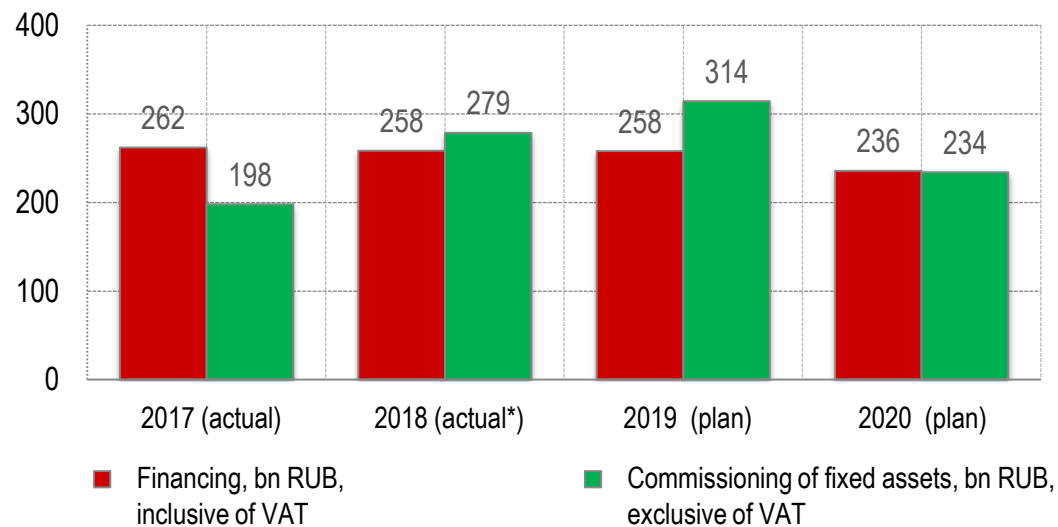
APPROVED CAPEX PROGRAM FOR 2017-2020

The capex programs of ROSSETI subsidiaries take account of the following key priorities and efficiency criteria:

- raising the reliability and affordability of the grid infrastructure;
- reducing the physical deterioration of electric grid facilities and modernizing them;
- achieving a high utilization rate of commissioned facilities;
- optimizing technical solutions based on the necessity of excluding the use of imported equipment and materials whose value is highly dependent on foreign exchange rates.

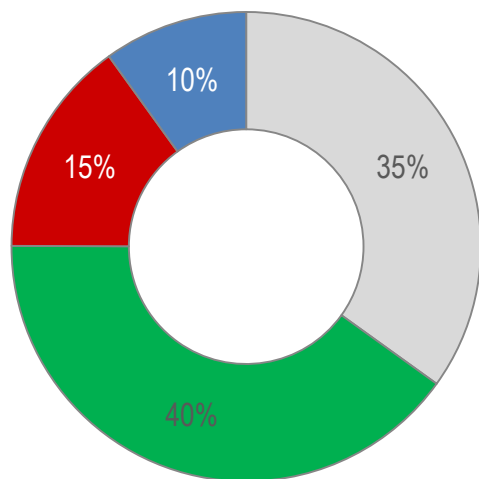
Financing for the capex program for 2017-2020 is **1,014 billion rubles**, inclusive of VAT

The consolidated capex program of ROSSETI subsidiaries for 2017-2020 corresponds to ROSSETI subsidiaries' capex programs approved by the Russian Ministry of Energy in accordance with Resolution of the Russian Government No. 977 of December 1, 2009



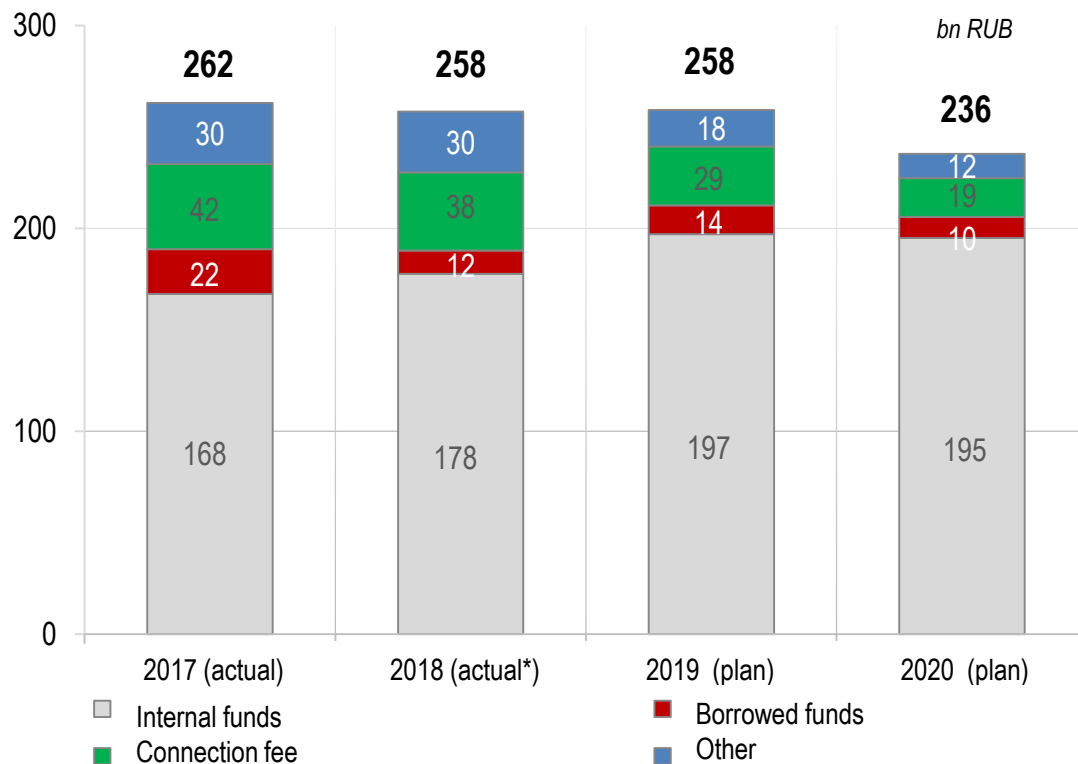
* Preliminary actual figures

STRUCTURE OF THE CAPEX PROGRAM IN 2017-2020



- Modernization of fixed assets
- Network connection
- Grid development
- Other

SOURCES OF FINANCING FOR THE CAPEX PROGRAM IN 2017-2020

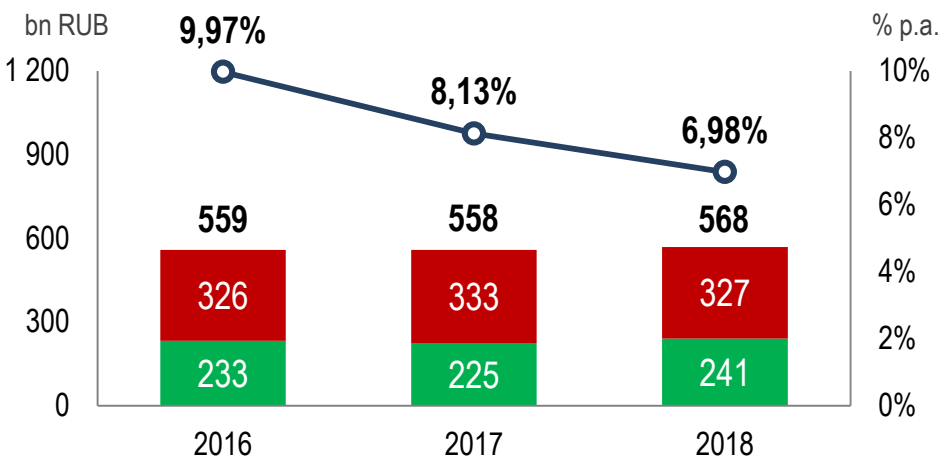


* Internal funds include depreciation and profits used for investment (tariff-based revenues)



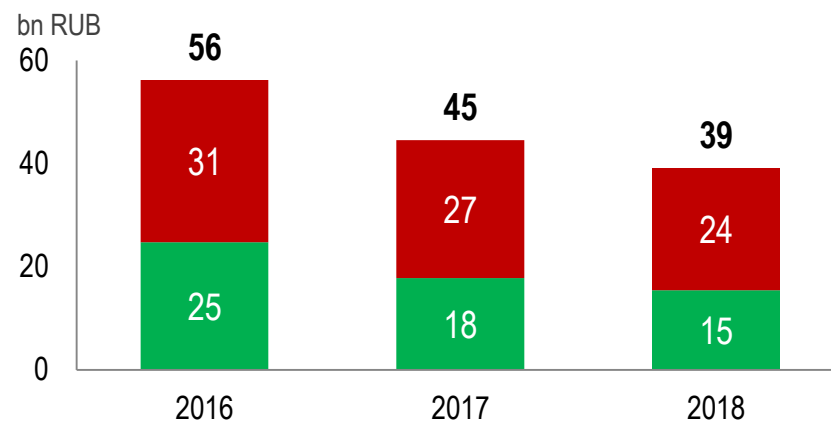
ROSSETI GROUP BORROWINGS

FINANCIAL DEBT



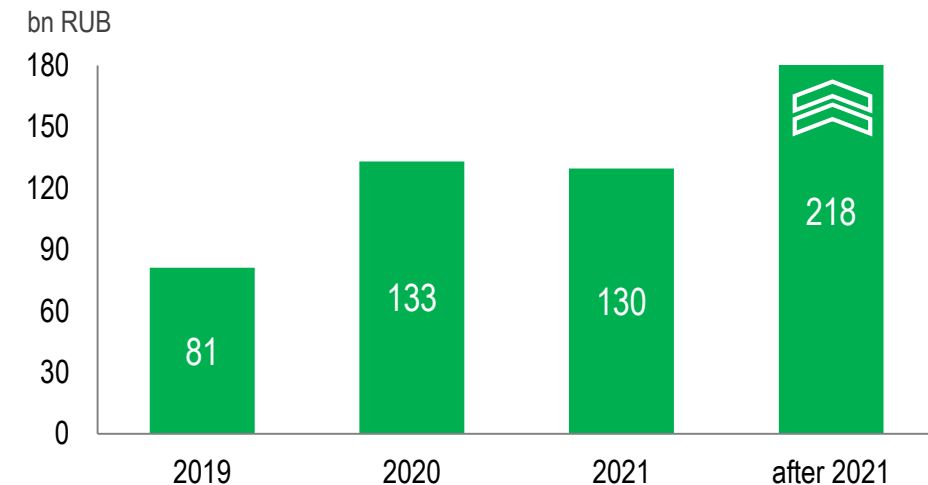
- Public debt offerings (bond loans) on the end of period
- Loans, borrowings, and other financial obligations on the end of period
- Weighted average interest rate for period

DEBT SERVICE EXPENSES



- Interest paid on financial obligations
- Capitalized interest

DEBT REPAYMENT SCHEDULE¹



- The weighted average interest rate of the Group's debt portfolio for 2018 in comparison with 2017 decreased by 1.15 pp to 6.98 %.
- Compared with last year, debt service expenses decreased by 5 billion rubles in 2018.
- The Group's debt portfolio is dominated by long-term borrowings, with a weighted average maturity exceeding 8 years.

¹ Principal debt less accrued but unpaid interest



RESULTS IN CAPITAL MARKETS IN 2018

CAPITAL MARKETS

- IDGC of Centre placed bonds totaling 5 billion rubles with a coupon rate of 6.95% in April 2018
- IDGC of North-West and IDGC of Centre repaid early their bond loans totaling 10 billion rubles in May 2018
- FGC UES placed bonds totaling 10 billion rubles with a coupon rate of 8.70% p.a. in October 2018

CREDIT RATINGS

- Potential bond issuers from among the ROSSETI Group's entities received national scale ratings from the Analytical Credit Rating Agency (ACRA), with ROSSETI, FGC UES, MOESK, and LENENERGO³ receiving the highest rating of AAA(RU)²
- Standard & Poor's upgraded the ratings of ROSSETI and FGC UES to investment grade of BBB-²
- Moody's upgraded the global scale ratings of ROSSETI and FGC UES to investment grade of Baa3^{2,3}

CREDIT RATINGS OF THE GROUP'S ENTITIES¹

Rating Agency	S&P	Moody's	Fitch	ACRA	Expert RA
Rating Scale	International			National	
POCCETI	BBB-	Baa3	-	AAA(RU)	-
FGC UES	BBB-	Baa3	BBB-	AAA(RU)	-
MOESK	BB	Ba1	BB+	AAA(RU)	-
LENENERGO	-	Ba1	-	AAA(RU)	-
IDGC of Volga	-	Ba1	-	AA+(RU)	-
IDGC of North-West	-	-	-	AA+(RU)	-
IDGC of Urals	-	Ba1	-	-	ruAA
IDGC of Centre	BB	-	-	-	ruAA
IDGC of Center and Volga Region	-	Ba1	-	-	ruAA
Tyumenenergo	-	-	-	-	ruAA

¹ As of March 25, 2019

² Stable outlook

³ Disclosed as events after the reporting period



APPENDICES



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (1/2)

Indicator	December 31, 2018 mn RUB	December 31, 2017 mn RUB	Change	
			mn RUB	%
Non-current assets:				
Property, plant and equipment	1,983,874	1,877,078	106,796	5.7
Intangible assets	19,145	16,758	2,387	14.2
Investments in associates and joint ventures	1,401	883	518	58.7
Trade and other receivables	82,521	74,483	8,038	10.8
Assets related to employee benefits plans	6,216	6,709	(493)	(7.35)
Financial investments	41,562	69,914	(28,352)	(40.6)
Deferred tax assets	10,090	7,186	2,904	40.4
Total non-current assets	2,144,809	2,053,011	91,798	4.5
Current assets:				
Inventories	37,109	35,050	2,059	5.9
Financial investments	47,192	149	47,043	-
Income tax prepayments	3,380	4,528	(1,148)	(25.4)
Trade and other receivables	180,619	151,644	28,975	19.1
Cash and cash equivalents	84,056	102,054	(17,998)	(17.6)
Total current assets	352,356	293,425	58,931	20.1
Assets held for sale	21,467	-		
Total assets	2,518,632	2,346,436	172,196	7.3



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (2/2)

Indicator	December 31, 2018 mn RUB	December 31, 2017 mn RUB	Change	
			mn RUB	%
Equity:				
Share capital	200,903	200,903	-	-
Share premium	213,098	213,098	-	-
Treasury shares	(109)	(2,702)	2,593	(96.0)
Other reserves	15,322	25,960	(10,638)	(41.0)
Retained earnings	687,786	583,216	104,570	17.9
Total equity attributable to owners of the Company	1,117,000	1,020,475	96,525	9.5
Non-controlling interest	377,962	349,318	28,644	8.2
Total equity	1,494,962	1,369,793	125,169	9.1
Non-current liabilities:				
Loans and borrowings	480,989	506,990	(26,001)	(5.1)
Trade and other payables	44,046	39,840	4,206	10.6
Employee benefits	23,592	32,717	(9,125)	(27.9)
Deferred tax liabilities	76,640	65,843	10,797	16.4
Total non-current liabilities	625,267	645,390	(20,123)	(3.1)
Current liabilities:				
Loans and borrowings	87,268	51,244	36,024	70.3
Trade and other payables	295,124	263,090	32,034	12.2
Provisions	10,901	10,561	340	3.2
Current tax liabilities	5,110	6,358	(1,248)	(19.6)
Total current liabilities	398,403	331,253	67,150	20.3
Total liabilities	1,023,670	976,643	47,027	4.8
Total equity and liabilities	2,518,632	2,346,436	172,196	7.3



CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Indicator	2018 mn RUB	2017 mn RUB	Change	
			mn RUB	%
Revenue	1,021,602	948,344	73,258	7.7
Operating expenses	(869,263)	(797,625)	(71,638)	9.0
Other income, net	23,355	21,677	1,678	7.7
Results from operating activities	175,694	172,395	3,298	1.9
Finance income	17,617	16,319	1,298	8.0
Finance costs	(27,517)	(30,034)	2,517	(8.4)
Net finance costs	(9,900)	(13,715)	3,815	(27.8)
Share of profit/(loss) of associates and joint ventures (net of income tax)	337	2	335	-
Profit before income tax	166,131	158,683	7,448	4.7
Income tax expense	(41,453)	(37,524)	(3,929)	10.5
Profit for the period	124,678	121,159	3,519	2.9
Profit attributable to:				
Owners of the Company	90,985	89,828	1,157	1.3
Non-controlling interest	33,693	31,331	2,362	7.5