



1H2015 IFRS Financial Results

28.08.2015

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KEY FACTS AND RESULTS

480 '000 units
electric substations

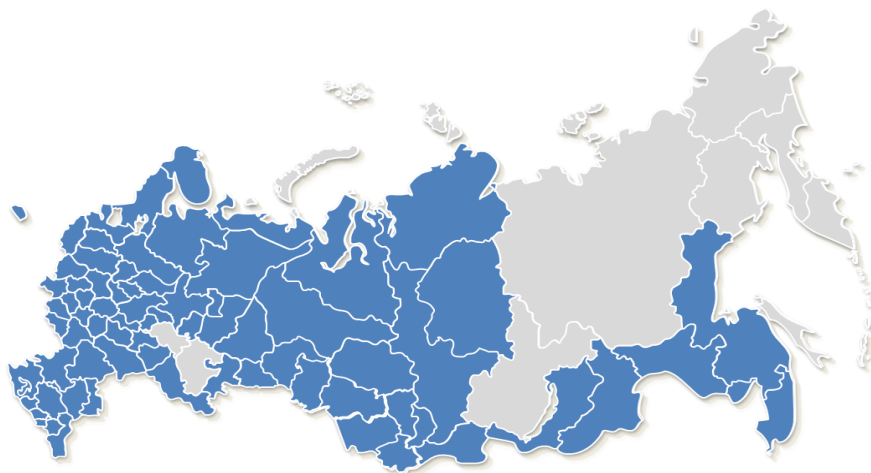
2 290 '000 units
lines length

751 GVA
installed transformer capacity

218 '000 People
Employed with the Group

78 Present regions

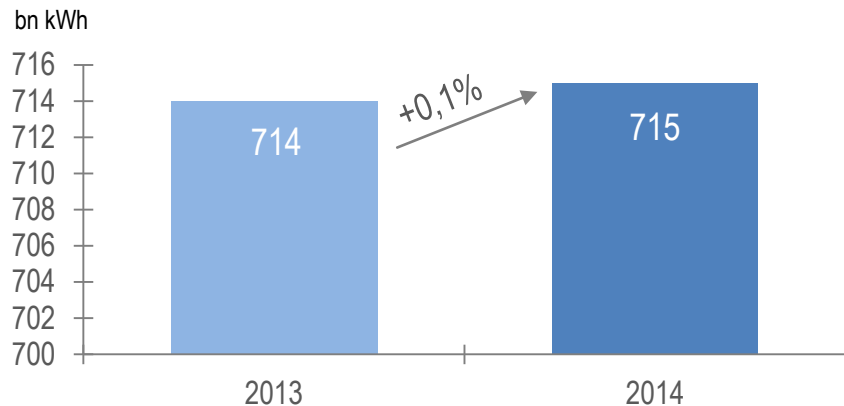
16 Subsidiaries



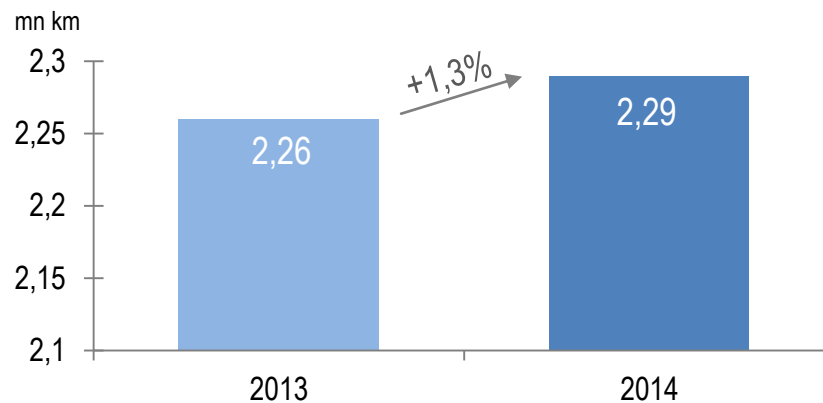
Type	Description
Distribution lines	15 subsidiaries operate electricity lines of 110 kV voltage class and lower
Transmission lines	FGC operates the United National Electrical Network with a voltage class of 220 kV and higher
Other	Electricity retail companies and noncore assets (R&D and design companies, service and construction organizations, real 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.
- On completion of the restructuring of the Russian electric grid sector, the Russian Government's stake in ROSSETI reached 85.31%.

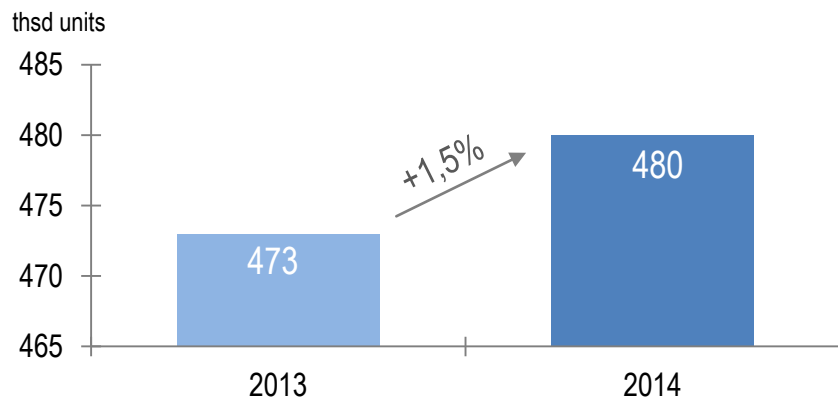
ELECTRICITY DELIVERY



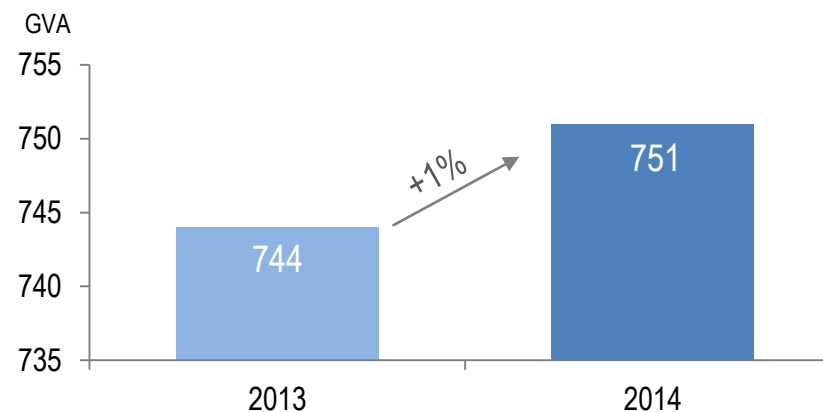
LENGTH OF POWER LINES

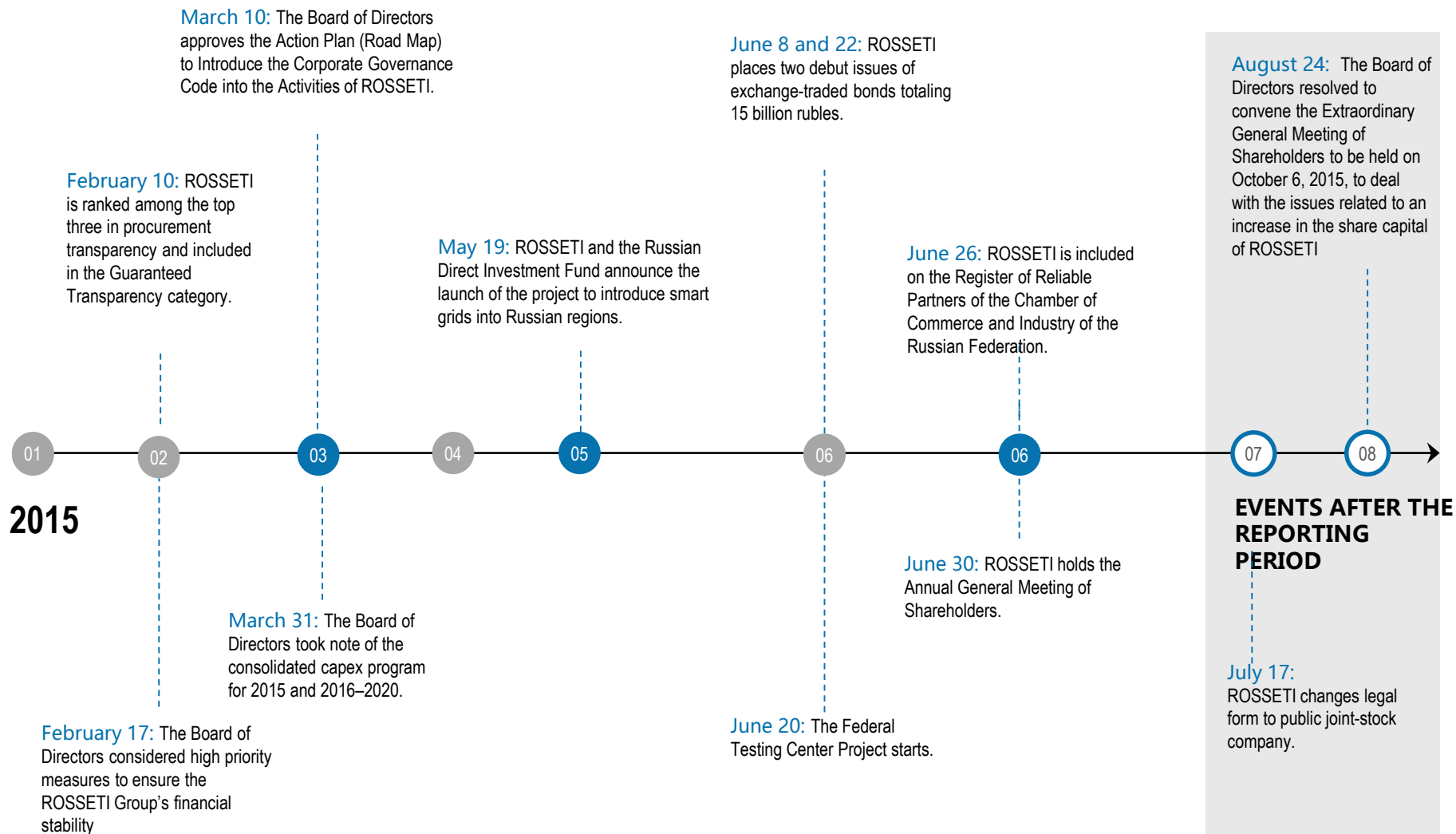


NUMBER OF SUBSTATIONS



TRANSFORMER CAPACITY





Indicators	1H2015 bn RUB	1H2014 bn RUB	Change	
			bn RUB	%
Revenue	351.9	377.8	(25.9)	(6.9)
Operating Expenses	313.1	331.8	(18.7)	(5.6)
EBITDA	106.1	113.7	(7.6)	(6.7)
Adjusted EBITDA ¹	114.5	121.9	(7.4)	(6.1)
Adjusted EBITDA Margin	32.5%	32.3%	0.2 p.p.	-
Operating Profit	43.3	50.6	(7.3)	(14.4)
Operating Profit (less impairment of receivables)	51.4	57.0	(5.6)	(9.8)
Net Profit	24.1	31.5	(7.4)	(23.5)
Adjusted Net Profit ²	30.8	38.1	(7.3)	(19.2)
Adjusted Net Profit Margin	8.8%	10.1%	-	(1.3)
Net Debt	519.0	496.1 ³	22.9	4.6

- Decrease in revenue due to the supplier of last resort functions transferred by some ROSSETI subsidiaries to other organizations.
- Due to the fact that tariff indexation for electricity distribution services ceased to be applied as of July 1, 2014, resulted in a 6.1% decrease in Adjusted EBITDA.
- Measures to improve operating efficiency and reduce costs led to a 0.2 p.p. increase in Adjusted EBITDA Margin compared to the corresponding period of the previous year.
- A 23.5% decrease net profit in the 1st half of 2015 was largely due to adverse macroeconomic factors, including a rise in nonpayments for electricity distribution services provided, increased borrowings, and higher borrowing costs.
- Net Debt increased due to a rise in borrowed funds for the implementation of the capex program.

¹ - Adjusted EBITDA is calculated as EBITDA (earnings before interest, tax, depreciation, and amortization for the reporting period) less losses on impairment of fixed assets, 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 losses on impairment of fixed assets, impairment of financial investments, and impairment of receivables and related deferred profit tax liabilities.

³ - Data as at December 31, 2014.

Indicators	1H2015	1H2014	Change	
	bn RUB	bn RUB	bn RUB	%
	Electricity distribution	309.9	305.8	4.1
Electricity and capacity sales	28.3	55.4	(27.1)	(48.9)
Technological connection services	8.5	12.3	(3.8)	(30.9)
Other revenue, including government subsidies	5.2	4.3	0.9	20.9
TOTAL	351.9	377.8	(25.9)	(6.9)

KEY FACTORS CONTRIBUTING TO CHANGES IN REVENUE:

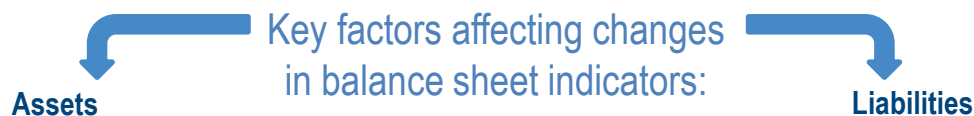
- Revenue from electricity distribution grew due to a rise in net delivery; however, the growth was insignificant because tariff indexation for electricity distribution services ceased to be applied as of July 1, 2014, and because pool-based payments changed in some Russian regions.
- The decrease in revenue from electricity and capacity sales was largely due to the supplier of last resort functions transferred by some ROSSETI subsidiaries to the winning bidders as a result of the bidding procedures conducted by the Russian Ministry of Energy.
- The decrease in revenue from network connection was due to the fact that the bulk of work under network connection contracts would be done in the 2nd half of 2015.

Indicators	1H2015	1H2014	Change	
	bn RUB	bn RUB	bn RUB	%
Payroll expenses	82.6	79.2	3.4	4.3
Depreciation and amortization	56.3	60.1	(3.8)	(6.3)
Electricity distribution services	56.3	62.5	(6.2)	(9.9)
Electricity purchased for compensation for electricity network losses	46.2	43.5	2.7	6.2
Electricity purchased for resale	15.2	30.9	(15.7)	(50.8)
Taxes and levies except profit tax	8.7	7.2	1.5	20.8
Impairment of receivables	8.1	6.4	1.7	26.6
Reserves	4.5	4.3	0.2	4.7
Other	35.2	37.7	(2.5)	(6.6)
TOTAL operating expenses	313.1	331.8	(18.7)	(5.6)
TOTAL operating expenses, less impairment of receivables	305.0	325.4	(2.4)	(6.3)

KEY FACTORS CONTRIBUTING TO CHANGES IN OPERATING EXPENSES:

1. Payroll expenses increased due to wage indexation in accordance with the current Sectoral Wage Rate Agreement and due to new production personnel hired for facilities put into operation under the capex program.
2. Electricity distribution expenses decreased due to changes in pool-based payments in some Russian regions and because of lower tariffs of some territorial grid organizations.
3. Expenses associated with electricity purchased for compensation for electricity network losses increased due to higher prices of purchased electricity.
4. Expenses associated with electricity purchased for resale decreased revenue due to the supplier of last resort functions transferred by some ROSSETI subsidiaries to other organizations.
5. Tax payments increased due to gradually abolished property tax benefits.
6. Impairment of receivables was related to an increase in provisioning for doubtful debts due to a rise in nonpayments for electricity distribution services provided as a consequence of a deterioration in the current macroeconomic situation.

Indicators	June 30, 2015 bn RUB	December 31, 2014 bn RUB	Change	
			bn RUB	%
Assets, including:	2,031.1	1,984.1	47.0	2.4
Noncurrent assets	1,715.8	1,696.6	19.2	1.1
Current assets	315.3	287.5	27.8	9.7
Liabilities, including:	2,031.1	1,984.1	47.0	2.4
Equity	1,066.4	1,038.8	27.6	2.7
Liabilities:	964.7	945.3	19.4	2.1
- <i>Noncurrent liabilities</i>	572.0	563.2	8.8	1.6
- <i>Current liabilities</i>	392.7	382.1	10.6	2.8



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

- increased fixed assets largely due to the commissioning of new facilities under the capex program;
- increased value of long-term financial assets largely due to a rise in the Inter RAO share price as at June 30, 2015.

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

- increased value of financial assets and cash due to borrowings intended to finance the capex program;
- higher costs of construction materials and increased inventories due to the fact that some subsidiaries switched over to using in-house resources for repair operations;
- decreased short-term receivables due to a decrease in VAT reclaimed.

Key factors contributing to changes in the structure of equity:

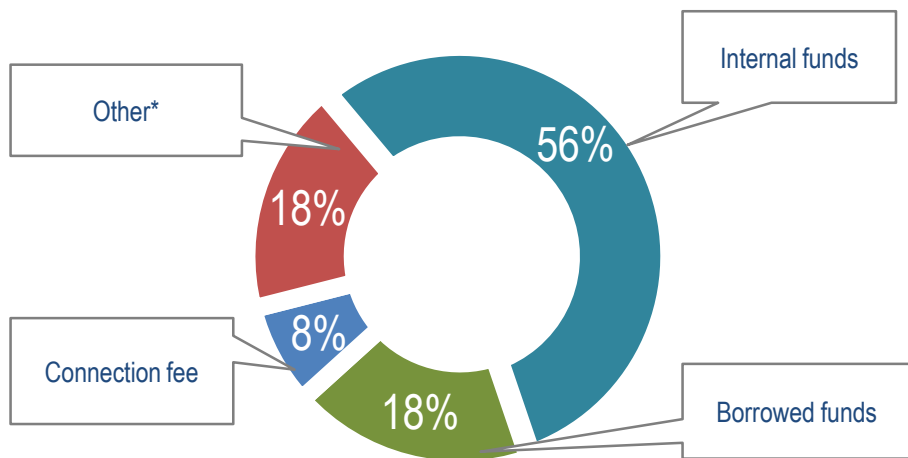
- increased retained earnings due to the reporting period's profit;
- increased balance of other reserves largely due to a rise in the Inter RAO share price recognized through other comprehensive income.

Key factors contributing to changes in the structure of liabilities:

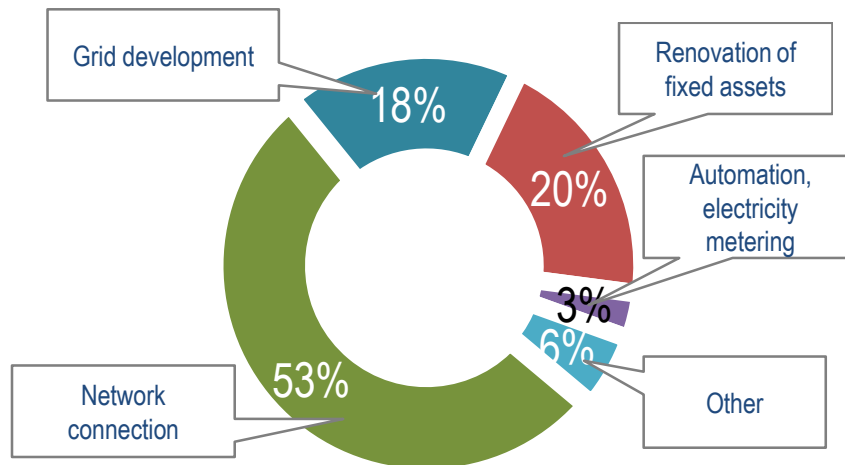
- increased borrowed funds for the implementation of the capex program;
- decreased payables as a result of the payment of debt for work completed under the capex program in 2014, and decreased debt because of the suppliers of last resort functions transferred by some subsidiaries.



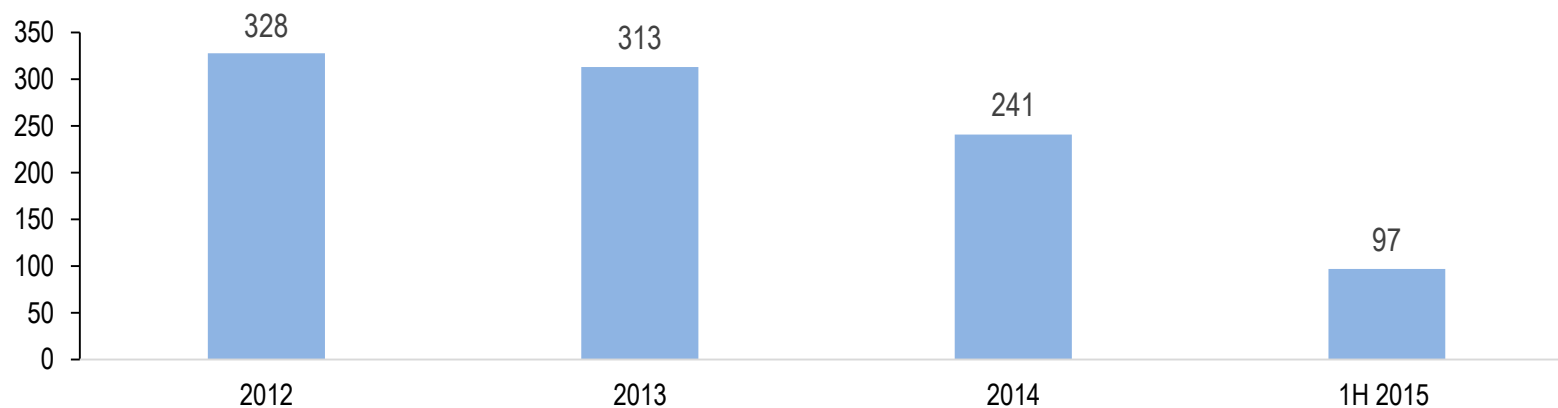
FINANCING, BILLION RUB, INCLUSIVE OF VAT



AREAS OF FINANCING



FINANCING, BILLION RUB, INCLUSIVE OF VAT

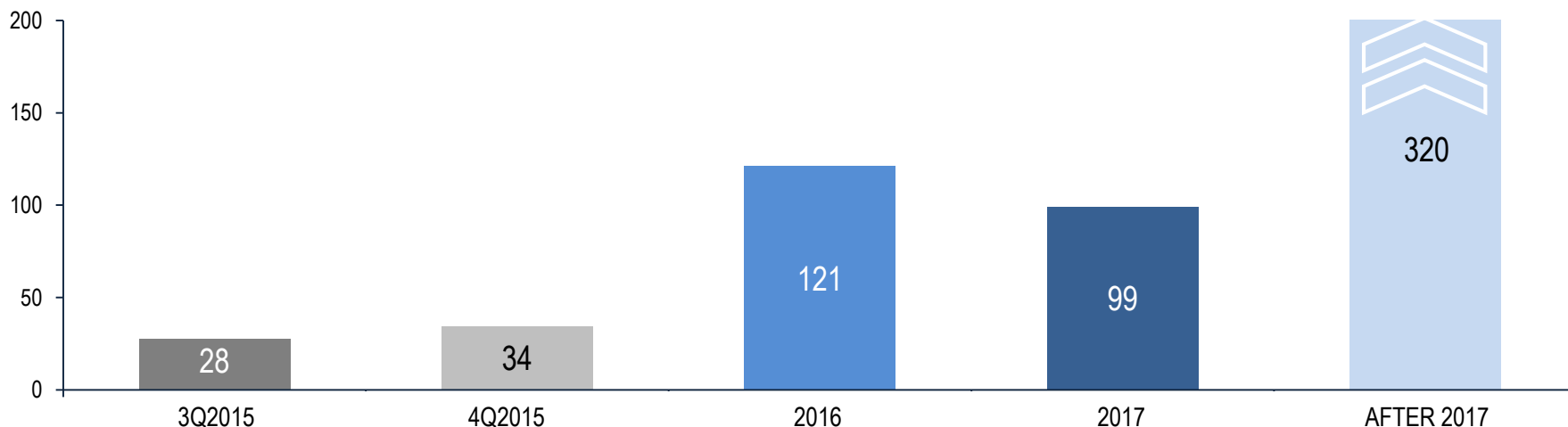


* VAT reclaimed, additionally issued shares, public funding, other



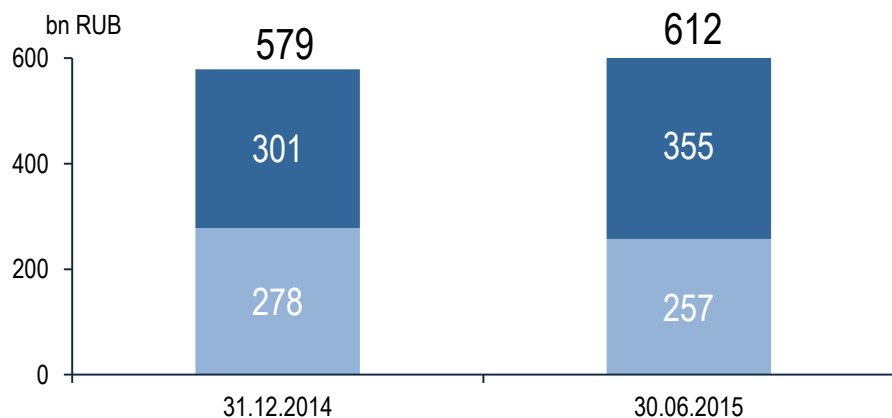
GROUP DEBT REPAYMENT SCHEDULE*

bn RUB

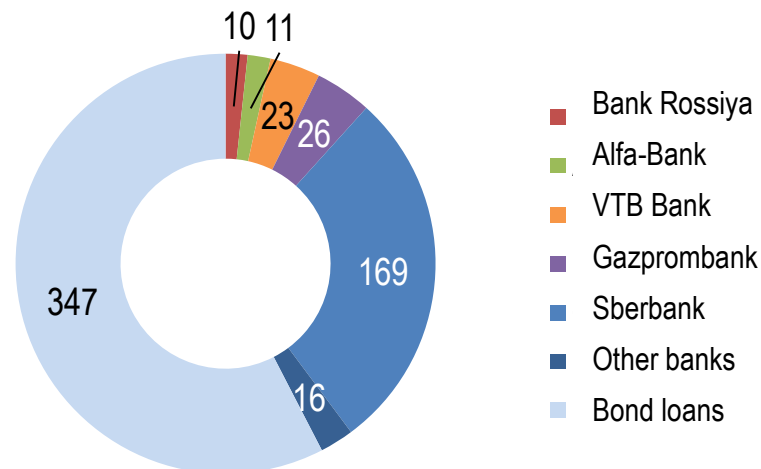


GROUP BORROWINGS

bn RUB



DEBT BREAKDOWN BY BANK*

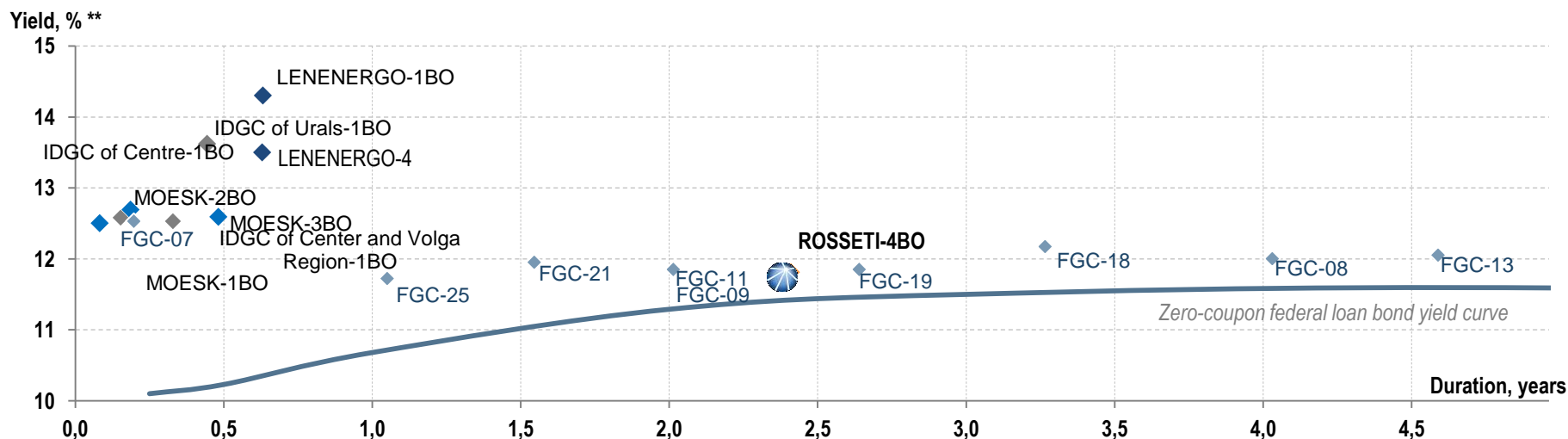


■ Loans and borrowings ■ Public debt offerings (bonds)

* Principal debt less accrued but unpaid interest



OUTSTANDING BOND ISSUES*



- The Group currently has 42 outstanding bond issues
- In the 1st half of 2015, the Group's entities were active in placing bond issues, including 40 billion rubles in FGC UES infrastructure bonds callable after 30 years
- ROSSETI raised a total of 15 billion rubles from the debut issues of exchange-traded bonds in June 2015
- Against a background of the instable macroeconomic situation and following the downgrade of the sovereign rating for the Russian Federation, the international rating agencies in February-March 2015 revised the credit ratings for the ROSSETI Group's entities
- At the same time, the creditworthiness of the ROSSETI Group's entities was not revised by any rating agency, which indicates the Group's stable financial position

CREDIT RATINGS OF THE GROUP'S ENTITIES

	STANDARD & POOR'S RATINGS SERVICES	MOODY'S	FitchRatings
POCCETM	BB+	Ba2	-
FGC UES	BB+	Ba1	BBB-
MOESK	BB-	Ba2	BB+
LENENERGO	-	Ba2	-
IDGC of Centre	BB-	-	-
IDGC of Volga	-	Ba2	-
IDGC of Center and Volga Region	-	Ba2	-
IDGC of Urals	-	Ba2	-

* Exclusive of FGC UES infrastructure bond issues totaling 140 billion rubles

** Data as of August 20, 2015



Thank you



Appendix

Indicators	June 30, 2015 mn RUB	December 31, 2014 mn RUB	Change	
			mn RUB	%
Non-current assets:				
Property, plant and equipment	1,653,072	1,643,586	9,486	0.6
Intangible assets	14,091	14,300	(209)	(1.5)
Investments in associates and joint ventures	1,311	1,627	(316)	(19.4)
Non-current accounts receivable	7,226	6,971	255	3.7
Other investments and financial assets	32,702	22,952	9,750	42.5
Deferred tax assets	7,419	7,117	302	4.2
Total non-current assets	1,715,821	1,696,553	19,268	1.1
Current assets:				
Inventories	31,961	26,630	5,331	20.0
Other investments and financial assets	41,022	17,908	23,114	129.1
Current income tax prepayments	5,626	4,636	990	21.4
Trade and other receivables	143,435	155,776	(12,341)	(7.9)
Cash and cash equivalents	93,256	82,576	10,680	12.9
Total current assets	315,300	287,526	27,774	9.7
Total assets	2,031,121	1,984,079	47,042	2.4

Indicators	June 30, 2015 mn RUB	December 31, 2014 mn RUB	Change	
			mn RUB	%
Equity:				
Share capital	163,154	163,154	-	-
Share premium	212,978	212,978	-	-
Treasury shares	(2,725)	(2,725)	-	-
Other reserves	612	(3,981)	4,593	115.4
Retained earnings	401,682	383,554	18,128	4.7
Total equity attributable to equity holders of the Company	775,701	752,980	22,721	3.0
Non-controlling interest	290,667	285,824	4,843	1.7
Total equity	1,066,368	1,038,804	27,564	2.7
Non-current liabilities:				
Loans and borrowings	484,558	485,409	(851)	(0.2)
Trade and other payables	18,237	17,851	386	2.2
Employee benefits	28,314	25,512	2,802	11.0
Deferred tax liabilities	40,897	34,389	6,508	18.9
Total non-current liabilities	572,006	563,161	8,845	1.6
Current liabilities:				
Loans and borrowings	127,719	93,227	34,492	37.0
Trade and other payables	245,292	268,469	(23,177)	(8.6)
Provisions	19,427	18,871	556	2.9
Current tax liabilities	309	1,547	(1,238)	(80.0)
Total current liabilities	392,747	382,114	10,633	2.8
Total liabilities	964,753	945,275	19,478	2.1
Total equity and liabilities	2,031,121	1,984,079	47,042	2.4



Indicators	June 30, 2015 mn RUB	December 31, 2014 mn RUB	Change	
			mn RUB	%
Revenue	351,895	377,809	(25,914)	(6.9)
Operating expenses	(313,088)	(331,756)	18,668	(5.6)
Other income, net	4,476	4,589	(113)	(2.5)
Results from operating activities	43,283	50,642	(7,359)	(14.5)
Finance income	8,510	5,194	3,316	63.8
Finance costs	(18,629)	(13,990)	(4,639)	33.2
Net finance costs	(10,119)	(8,796)	(1,323)	15.0
Share of profit of equity accounted investees (net of income tax)	9	1	8	800.0
Profit before income tax	33,173	41,847	(8,674)	(20.7)
Income tax expense	(9,081)	(10,307)	1,226	11.9
Profit for the period	24,092	31,540	(7,448)	(23.6)
Profit attributable to:				
Owners of the Company	18,127	22,724	(4,597)	(20.2)
Non-controlling interest	5,965	8,816	(2,851)	(32.3)