



ROSSETI Discloses Its IFRS Financial Results for 1H2015

August 28, 2015. Moscow, Russia – PJSC ROSSETI (LSE:RSTI) (“Company”), Russia’s largest electricity transmission and distribution company, announces today the IFRS financial results of the ROSSETI Group (“Group”) for the six months ended June 30, 2015.

Financial results:

- Revenue: 351.9 billion rubles (1H2014: 377.8 billion rubles)
- Operating expenses: 313.1 billion rubles (1H2014: 331.8 billion rubles)
- EBITDA: 106.1 billion rubles (1H2014: 113.7 billion rubles), EBITDA margin: 30.2% (1H2014: 30.1%)
- Adjusted EBITDA:¹ 114.5 billion rubles (1H2014: 121.9 billion rubles), adjusted EBITDA margin: 32.5% (1H2014: 32.3%)
- Net profit: 24.1 billion rubles (1H2014: 31.5 billion rubles)
- Adjusted net profit:² 30.8 billion rubles (1H2014: 38.1 billion rubles)

Corporate highlights:

- The Board of Directors considered high priority measures to ensure the ROSSETI Group’s financial stability.
- The Board of Directors reviewed of the consolidated capex program for 2015 and 2016–2020.
- ROSSETI placed two debut issues of exchange-traded bonds totaling 15 billion rubles.
- The Board of Directors of the Company approved the Action Plan (Road Map) to Introduce the Corporate Governance Code into the Activities of ROSSETI.

Events after the reporting period:

- The Board of Directors of ROSSETI resolved on August 24, 2015, to convene an Extraordinary General Meeting of Shareholders to be held on October 6, 2015, to deal with the issues related to an increase in the share capital of ROSSETI.

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

Commenting on the 1H2015 financial results, Oksana Shatokhina, Deputy Director General for Economic Affairs of ROSSETI, said, “In the first six months of the year, the financial performance of grid companies was under pressure from adverse economic factors such as stagnation in electricity consumption, higher costs of debt financing, and a rise in equipment prices. Responding to external challenges, the ROSSETI Group launched the process of reducing its long-term capex program and intensified measures to streamline its investing activities. Additionally, ROSSETI continued to exercise prudence in the area of cost management. The Group’s total operating expenses in the 1st half of 2015 decreased by 5.6%.

The Group’s top priorities are still to ensure that counterparties will pay for services provided as required and to maintain the financial condition of the key subsidiaries, which is essential for accomplishing the ROSSETI Group’s objectives.”

Financial indicators

Indicator	1H2015	1H2014	Change
	billion rubles	billion rubles	%
Revenue, including:	351.9	377.8	(6.9)
- Electricity distribution	309.9	305.8	1.3
- Electricity and capacity sales	28.3	55.4	(48.9)
Operating expenses	(313.1)	(331.8)	(5.6)
EBITDA	106.1	113.7	(6.7)
Adjusted EBITDA	114.5	121.9	(6.1)
Net profit	24.1	31.5	(23.5)
Adjusted net profit	30.8	38.1	(19.2)

In the 1st half of 2015, the Group’s revenue went down by 6.9% to 351.9 billion rubles (1H2014: 377.8 billion rubles) largely due to a 48.9% decrease in revenue from electricity and capacity sales. The decrease in revenue from electricity sales resulted from 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 in 2014. Revenue from electricity distribution insignificantly increased in the 1st half of 2015 due to the fact that tariff indexation for electricity distribution services ceased to be applied as of July 1, 2014, and because of changes in pool-based payments in some Russian regions.

The Group’s operating expenses went down by 5.6% to 313.1 billion rubles (1H2014: 331.8 billion rubles) largely due to a 50.8% decrease in expenses associated with electricity purchased for resale to 15.2 billion rubles (1H2014: 30.9 billion rubles), a 9.9% decrease in electricity distribution expenses to 56.3 billion rubles (1H2014: 62.5 billion rubles).

Payroll expenses in the 1st half of 2015 increased by 4.3%, which is considerably lower than the growth rate of inflation. The increase was due to wage indexation for production personnel 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.

The Group’s adjusted EBITDA was 114.5 billion rubles, or 6.1% lower compared with the corresponding period last year (1H2014: 121.9 billion rubles). However, measures to improve the Group’s operating efficiency raised adjusted EBITDA margin to 32.5% (1H2014: 32.3%).

The Group’s net profit in the reporting period was 24.1 billion rubles (1H2014: 31.5 billion rubles), or 23.5% lower compared with the corresponding period last year, largely due to decreased revenue and adverse macroeconomic factors, including a rise in nonpayments for electricity distribution services provided, increased borrowings, and higher borrowing costs.

In the 1st half of 2015, the Group's assets increased by 2.4% to 2,031.1 billion rubles (2014: 1,984.1 billion rubles) due to a rise in the volume of financial assets, including as a result of depositing available cash in banks.

The Group's net debt as at June 30, 2015, was 519.0 billion rubles (December 31, 2014: 496.1 billion rubles). The increase in net debt mainly resulted from a rise in public debt offerings intended to finance the capex program.

Outlook for 2015

The business plans of the Group's entities for 2015–2019 take into account the current difficult macroeconomic situation where they operate, including a trend toward lower electricity consumption, the projected consumer price index in accordance with the Forecast of the Socioeconomic Development of the Russian Federation for 2015–2017, constraints of debt financing and higher borrowing costs, a rise in nonpayments for services provided, and higher prices of imported and domestic equipment and services.

At the same time, the Group's priorities for 2015 continue to include improving operating efficiency. To achieve this goal, the Group has formulated an action plan to enhance grid companies' operating efficiency and ensure their financial stability in the current macroeconomic situation with the aim of meeting all targets outlined in the Strategy for Development of the Electric Grid Sector of the Russian Federation.

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A conference call for investors and analysts will take place at 3:00 p.m. Moscow (1:00 p.m. London/8:00 a.m. New York) on August 28, 2015.

Participant dial-in numbers:

UK dial-in number:	+44 (0) 20 3427 1924
Russia dial-in number:	+7 (495) 213 0982
US dial-in number:	+1 646 254 3373
Confirmation codes:	Russian version: 3340739 English version: 1083174

Callers are advised to dial in 5–10 minutes in advance.

A recording of the conference call will be available for replay within seven days after the event at:

UK dial-in number:	+44 20 3427 0598 Toll free: 0800 358 7735
Russia dial-in number:	+7 (495) 705 9453 Toll free: 810 800 2870 1012
US dial-in number:	+1 (347) 366 9565 Toll free: 1866 932 5017
Replay passcode:	Russian version: 3340739 English version: 1083174

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ROSSETI holds stakes in and manages 15 distribution grid companies and the transmission grid company in Russia. The Company, together with its subsidiaries, owns and operates 2.29 million kilometers of power lines and 751 GVA of transformer capacity. The Company serves 78 Russian regions.

Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of ROSSETI. You can identify forward-looking statements by terms such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “will,” “could,” “may,” or “might” and the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industry, as well as many other risks specifically related to ROSSETI and its operations.