

## Key Financial Indicators

Adjusted EBITDA<sup>1</sup> was 249.0 billion rubles in the reporting year, or up by 6.8% on the previous year. The adjusted EBITDA margin increased to 32.8%, or 2.0 percentage points higher than in 2013.

Adjusted net profit<sup>2</sup> in 2014 reached 69.5 billion rubles and slightly decreased by 4.5 billion rubles, or 6.1% compared with 2013, due to a high growth rate of depreciation resulting from the commissioning of new capital assets under the capex program.

### CONSOLIDATED FINANCIAL INDICATORS, MILLION RUBLES

Key Financial Indicators, million rubles	2013	2014	2014/2013
Revenue	755,806	759,608	0.5%
Operating expenses	(912,566)	(759,805)	(16.7)%
Adjusted EBITDA	233,162	249,029	6.8%
Adjusted EBITDA margin, %	30.8%	32.8%	2.0 pp
Adjusted net profit	73,999	69,499	(6.1)%

## Revenue

Consolidated revenue in the reporting period rose by 0.5% to 759.6 billion rubles. Changes in revenue are determined by changes in electricity consumption and electricity distribution tariffs. In the reporting year, electricity demand increased by 0.4%. Additionally, revenue was affected by a lower growth rate of electricity distribution tariffs, which resulted in a minor change in the Group's revenue.

Revenue from electricity distribution went up by 6.8% to 620.0 billion rubles due to an increase in the average electricity distribution tariff. Revenue from electricity distribution services accounted for the largest share (82%) in the Group's total revenue. Revenue from electricity and capacity sales went down by 31.9% due to the supplier of last resort functions transferred by some ROSSETI SDCs in 2014 to the winning bidders as a result of the bidding procedures conducted by the Russian Ministry of Energy.

### STRUCTURE OF REVENUE, MILLION RUBLES

Revenue	2013	2014	2014/2013, %
Electricity distribution	580,656	620,022	6.8
Network connection services	37,005	36,473	(1.4)
Electricity resale	127,063	86,516	(31.9)
Other	11,009	12,484	13.4
Government subsidies	73	4,113	-
<b>Total</b>	<b>755,806</b>	<b>759,806</b>	<b>0.5</b>

## Cost Management

One of the key objectives of the Company's management is to increase the operating efficiency of the ROSSETI Group. The targets in this respect are set by the Strategy for Development of the Electric Grid Sector of the Russian Federation.

Work in this area in 2014 included approving the Economic Policy and the Operating Efficiency Management Program for 2014–2017.

The Economic Policy of the Company sets the Company's priorities and goals with respect to improving the operating and financial efficiency of the electric grid sector, ensuring long-term transparent tariff regulation, balancing the interests of electric grid companies and customers, and increasing investor appeal for the industry as a whole.

The Operating Efficiency Management Program is a tool aimed at minimizing the consumption of resources without compromising the reliability, quality, and accessibility of power supply. The Program is synchronized with the Action Plan to Limit the Ultimate Cost of Goods and Services of Infrastructure Companies.

The target of the Operating Efficiency Management Program is to optimize costs and ensure effective cash management amid restricted tariff-based sources of financing. For this purpose, the Company intends to increase the efficiency of its operating, investing, and financing activities.

The implementation of measures under the Operating Efficiency Management Program resulted in reducing per-unit operating expenses of ROSSETI by 13.5% in 2014, or 23.1 billion rubles, compared with 2012, adjusted for inflation. The Company cut its general and administrative expenses by 17.5%, or 9.5 billion rubles.

## Credit Ratings

Receiving credit ratings from international credit rating agencies enables the Company and SDCs to be increasingly attractive to investors and pursue an effective borrowing policy in public capital markets. The Company is active in cooperating with leading international rating agencies.

In accordance with the methodologies of the international rating agencies, ROSSETI and its SDCs qualify as government-linked companies. Consequently, the credit ratings of the Company are closely tied to the sovereign rating of the Russian Federation. Against a background of instable foreign policy, sanctions, and the deteriorating economic situation, the international rating agencies in 2014 revised the sovereign rating for the Russian Federation and the credit ratings for Russia's largest companies, including the ROSSETI Group's entities.

However, ROSSETI's own creditworthiness was not revised by any rating agency, which indicates the Group's stable financial position.

### CREDIT RATINGS OF THE ROSSETI GROUP AS AT DECEMBER 31, 2014

Company	Current Credit Rating		
	Moody's	S&P	Fitch
ROSSETI Group	Ba1	BBB-	-

FGC UES	Baa3	BBB-	BBB
MOESK	Ba2	BB	BB+
IDGC of Centre	-	BB	-
IDGC of Volga	Ba2	-	-
IDGC of Center and Volga Region	Ba2	-	-
IDGC of Urals	Ba2	-	-
LENENERGO	Ba2	-	-