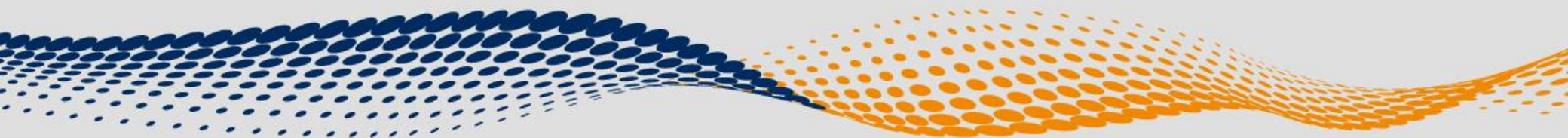




Inter RAO Group 1H2016 Consolidated Financial and Operating Results

29 August 2016



Key Determinants of the Group's Financial Performance

1

GENERATION IN THE RUSSIAN FEDERATION :

- Commissioning of 325 MW of new and modernized power generation capacity under the Capacity Delivery Agreements (CDA);
- Capacity payments for CDA objects grew on average 27.1% YoY due to increased yields of long-term government bonds, adjusted mechanism for calculating the day-ahead market coefficients and the CPI-indexed operating expenses;
- KOM's capacity prices on the wholesale market increased by 14.6% YoY
- Electricity price appreciation on the day-ahead market (DAM) in the 1st pricing zone (by 2.4%) and unfavorable pricing environment in the 2nd pricing zone (3.0% YoY decline in electricity prices);
- Heat tariffs across Russian assets of the Group increased on average 12.7% YoY;
- Optimization of fuel purchase prices across Russian assets of the Group.

2

SUPPLY IN THE RUSSIAN FEDERATION:

- Electricity prices for end-users have increased on average due to the growth of regulated and non-regulated components of the price cap;
- Regional expansion and client base increase in guaranteed supply companies and independent supply companies;
- Active development of the paid services (PS) segment.

3

TRADING:

- Electricity export increase to Finland by 23.9%, while export to Kazakhstan and China decreased 26.2% and 17.7% respectively, alongside with discontinued operations with Ukraine under commercial contracts;
- Weakening of the Russian national currency against the currencies of major export power supply contracts: 22.4% YoY against USD , and 21.9% YoY against EUR, on an average.

4

FOREIGN ASSETS:

- Disposal of a 50% stake in Power Grids of Armenia and Razdan TPP in 4Q2015;
- Disposal of a 100% stake in Mtkvari Energy to pool of international investors in June 2016.



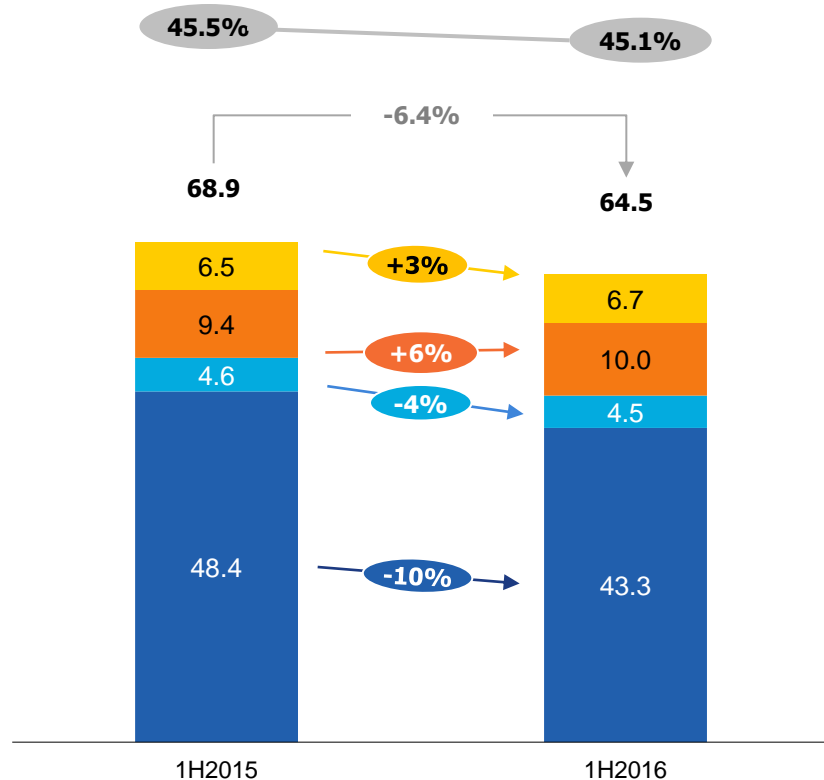
I. Operational Performance Results



Electricity and Heat Generation

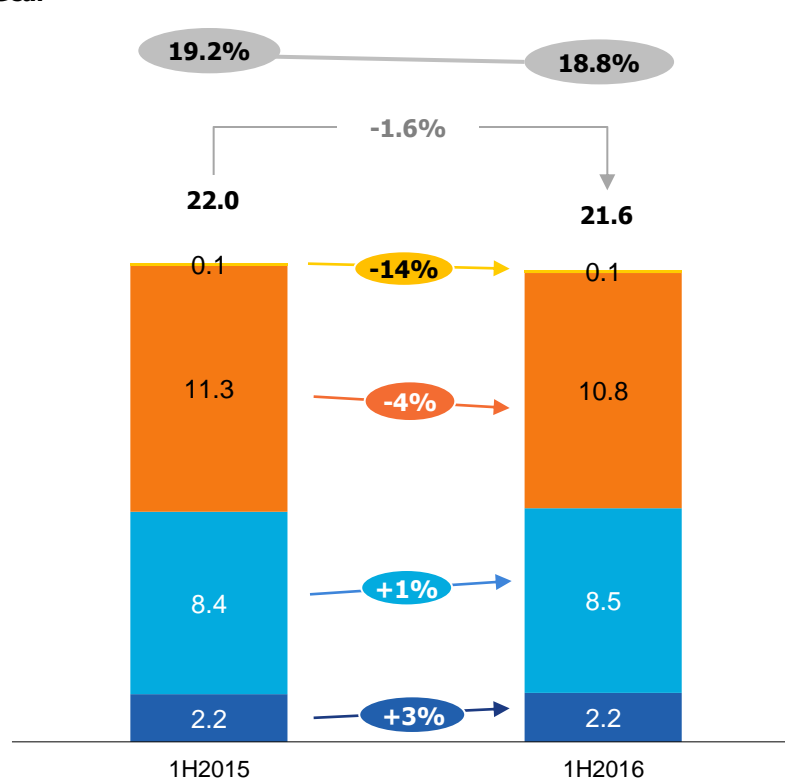
Electricity Generation

TWh



Heat Generation

Mln Gcal



■ INTER RAO – Electricity Generation Group⁽¹⁾ ■ TGK-11 Group ■ BGC Group ■ Foreign Generation # % Load Factor — # % → Electricity/heat production dynamics

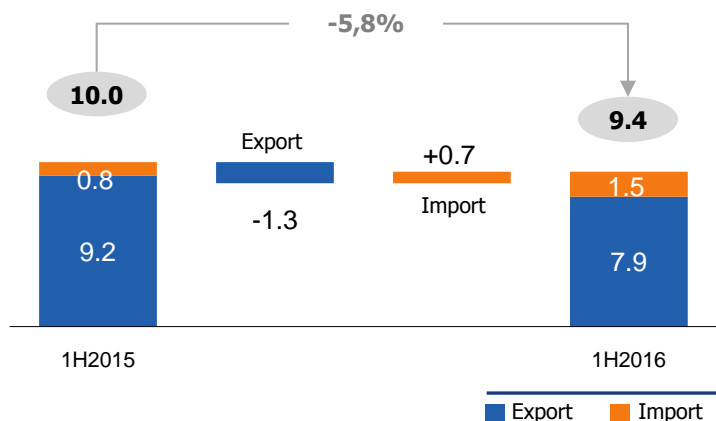
Decrease in electricity generation resulting from decommissioning of inefficient generating equipment, and optimized load profile of the Group's power plants

(1) Includes: Inter RAO – Electricity Generation JSC and Nizhnevartovskaya GRES

Trading Business

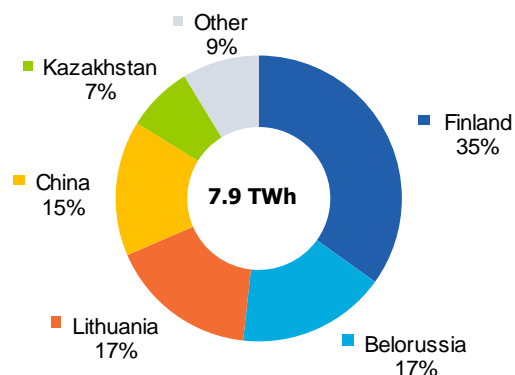
Export / Import Volumes

TWh

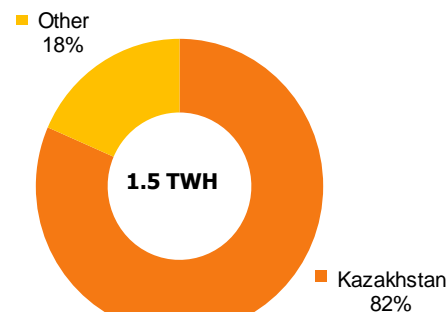


Export / Import Structure for 1H 2016

Export

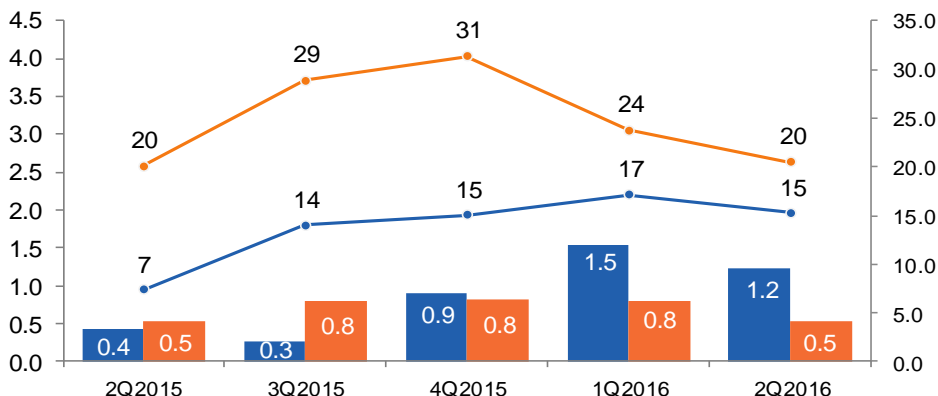


Import



Electricity Export Dynamics and Price Spread

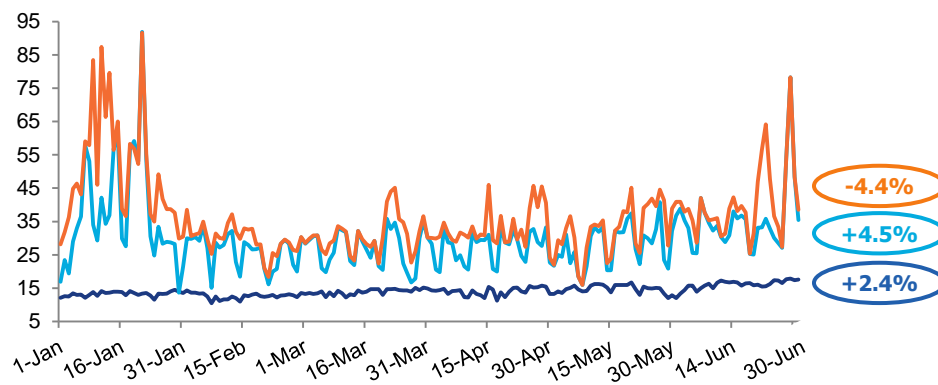
TWh



- Electricity price spread in Russia (Europe and Ural) and Finland (right axis)
- Electricity price spread in Russia (Europe and Ural) and Lithuania (right axis)
- Electricity export to Finland (volume)
- Electricity export to Lithuania (volume)

Evolution of Electricity Spot Prices

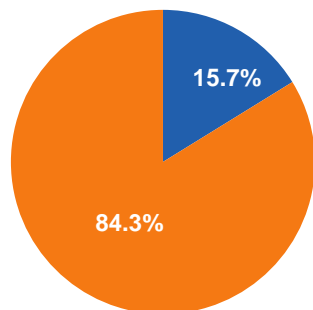
€/MWh



- Russia (Europe & Ural)
- Finland (Nord Pool)
- Lithuania (Nord Pool)
- Price change YoY, nominated in EUR

Supply Business

Share in Russian Retail Electricity Market



■ Inter RAO Group's supply entities ■ Other supply entities

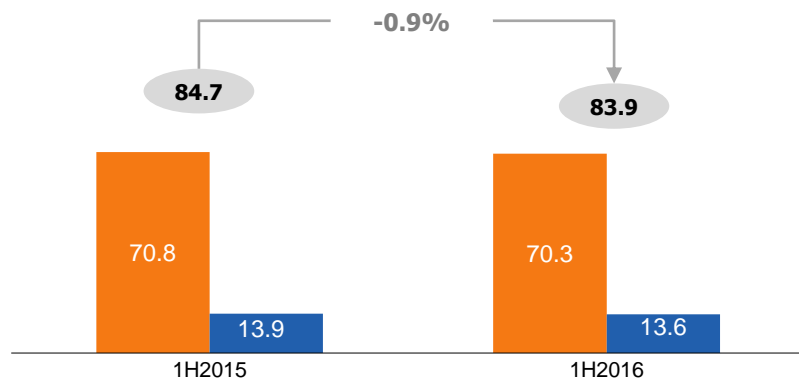
In 1H2016, electricity consumption in Russia totaled 524.2 TWh showing a 0.6% increase vs the comparable period of last year

Supply Companies' Regions of Operation



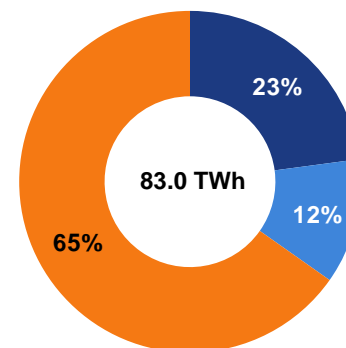
Electricity Supply to Customers

TBТ*ч



■ Guaranteed suppliers ■ Independent suppliers

Retail Electricity Sales Structure



■ Households and equated groups of customers ■ Loss compensation ■ Other customers

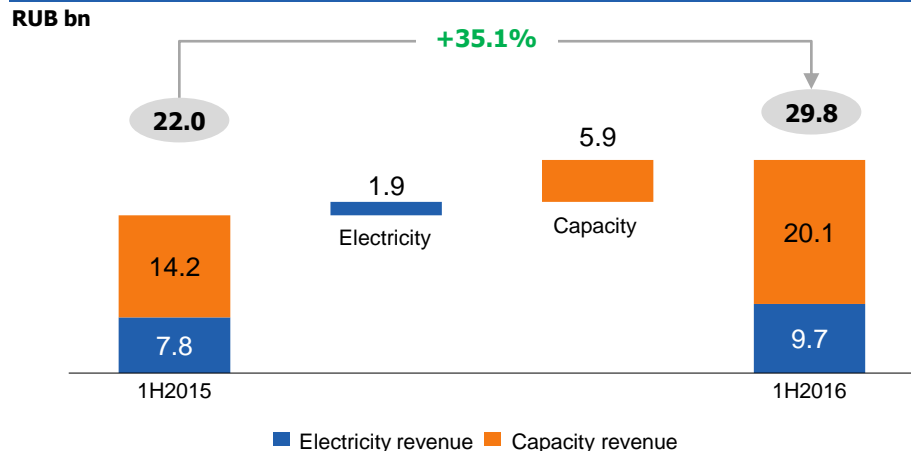


II. Increase in Operational Efficiency



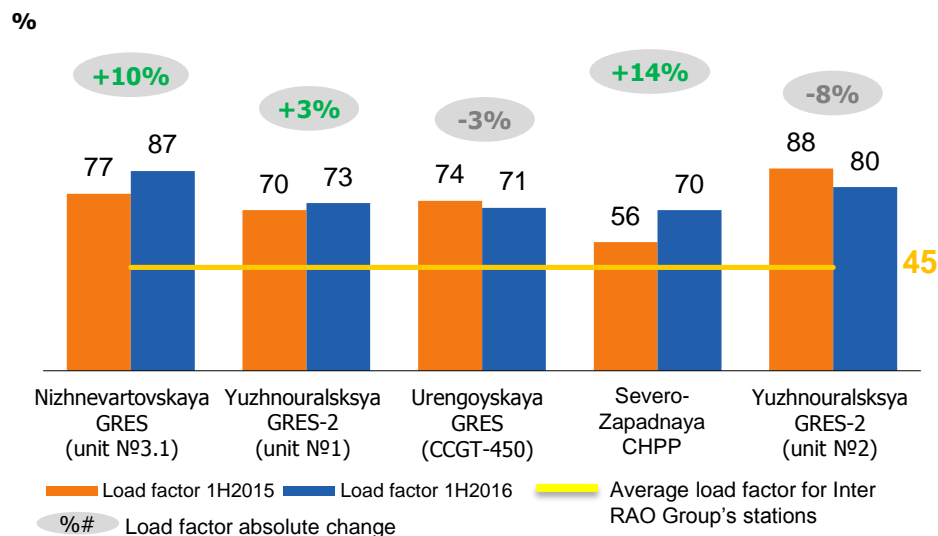
Increased Operational Efficiency in Electricity Generation⁽¹⁾

Revenue Bridge for CDA Units

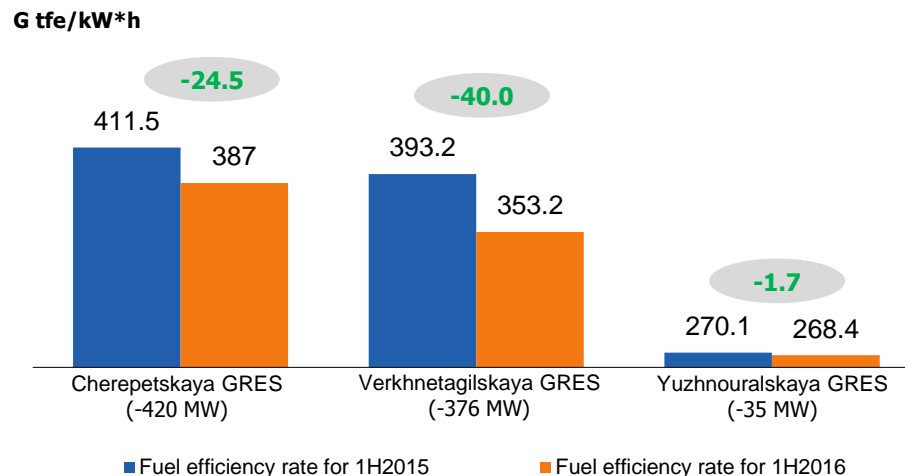


(1) Includes: Inter RAO – Electricity Generation JSC and Nizhnevartovskaya GRES

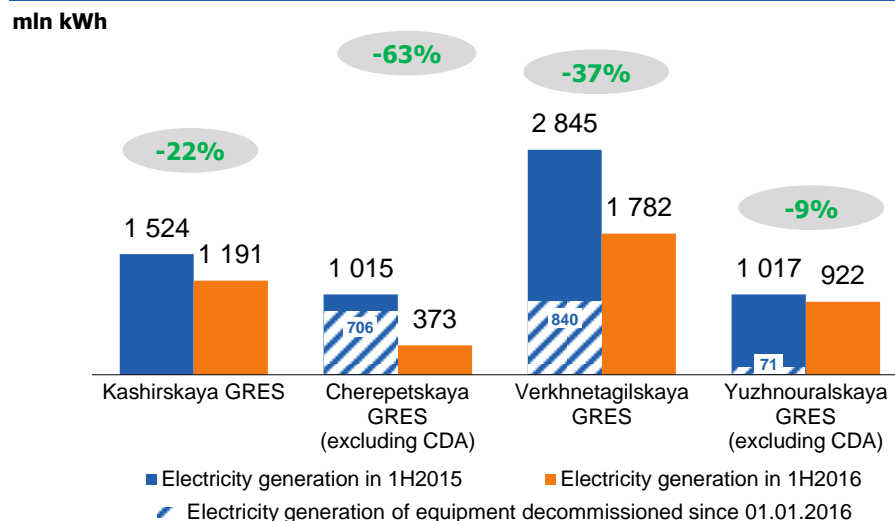
Efficient Load of New High-Margin Power Units



Fuel efficiency rate improvement due to decommissioning of inefficient equipment



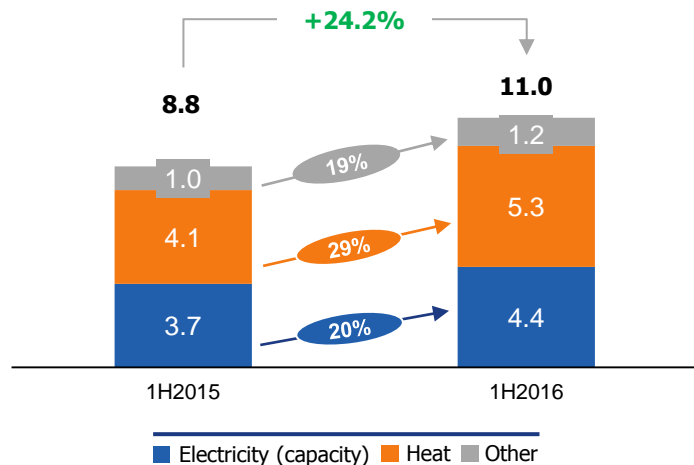
Optimized Load of Low-Margin Generating Units



Increased Operational Efficiency in Heat Generation⁽¹⁾

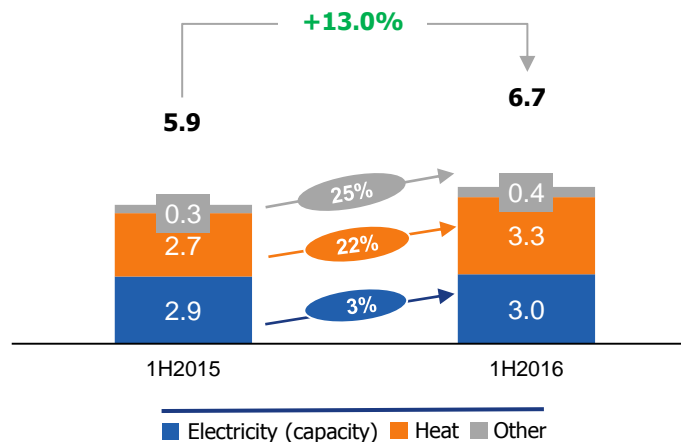
Marginal Profit Dynamics of BGC Group

RUB bn



Marginal Profit Dynamics of TGK-11 Group

RUB bn

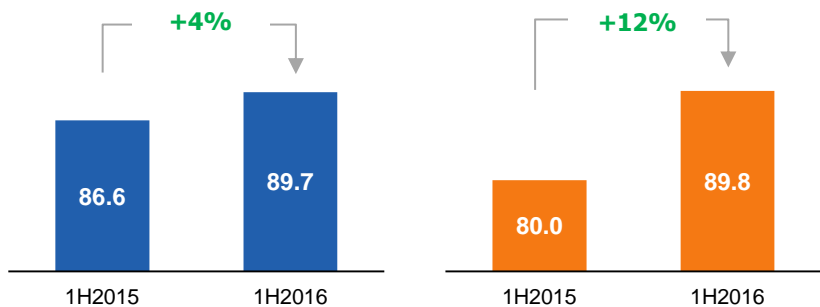


Heat Payments Collection

%

■ «BashRTS»

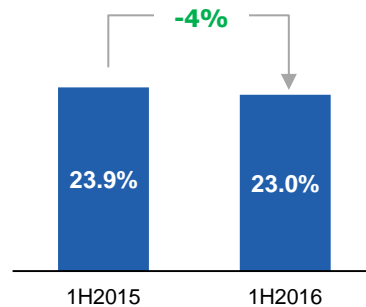
■ «OmskRTS»



Heat Losses in Heat Distribution Networks

%

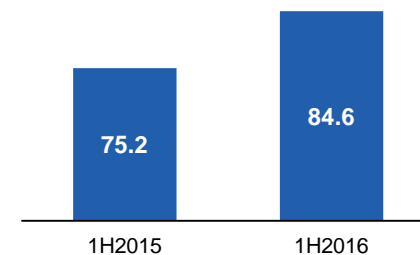
■ «TomskRTS»



Share of electricity generation in cogeneration mode

%

■ «Tomsk Generation»

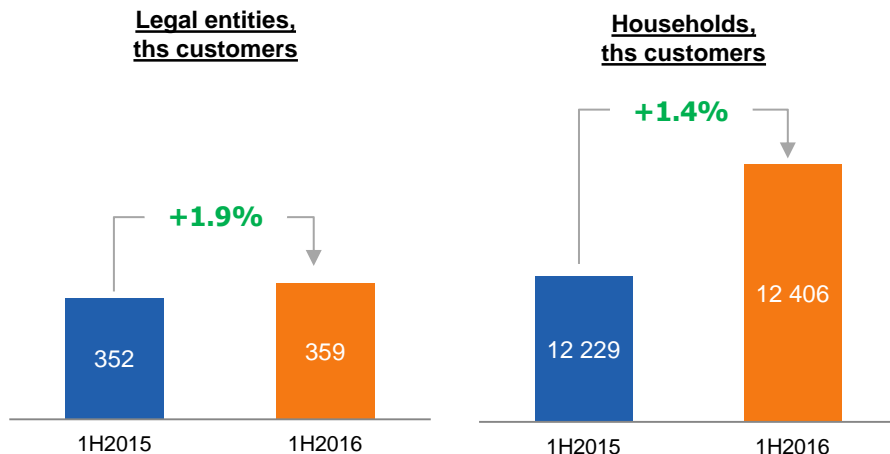


Economically reasonable and fair heat tariffs helped to increase the profitability of Inter RAO Group's heat generation business

(1) Includes BGC, BashRTS, TGK-11, Tomsk Generation, OmskRTS and TomskRTS

Increased Operational Efficiency in Retail Business

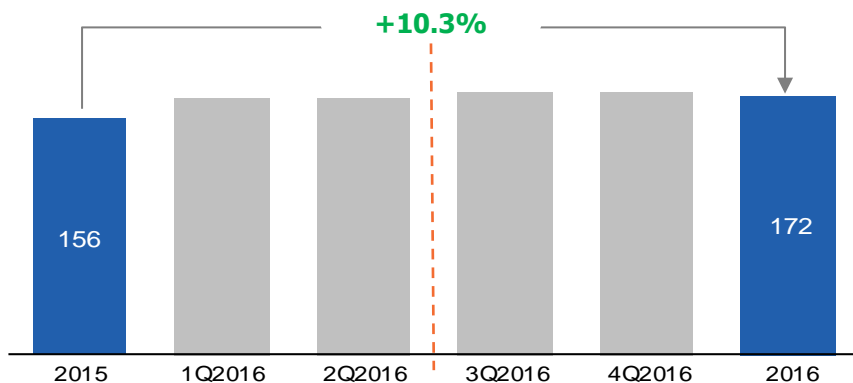
Customer Base*



* In line with reclassification of customers

Supply Margin of Guaranteed Suppliers Dynamics⁽¹⁾

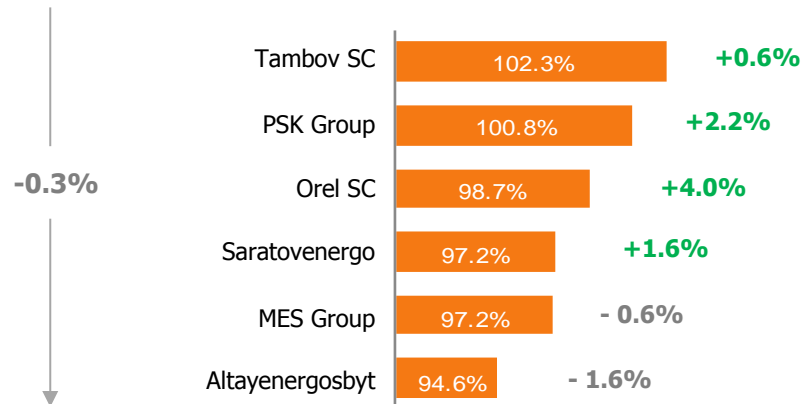
RUB/MWh



■ Supply margin for the year ■ Supply margin for the quarter

(1) Based on weighted average of supply margins of the Group's guaranteed suppliers

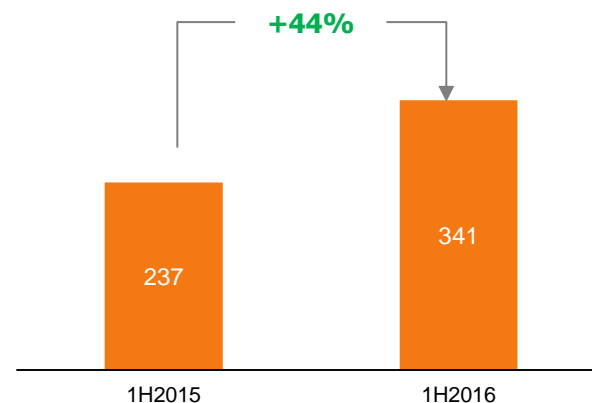
Payments Collection in 1H2016



X% YoY Change

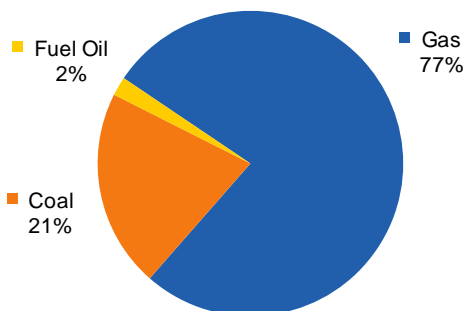
EBITDA Dynamics in PS Segment

RUB mln



Optimization of Fuel Costs

Fuel Mix



Gas consumption in Inter RAO Group reached 14.3 bcm

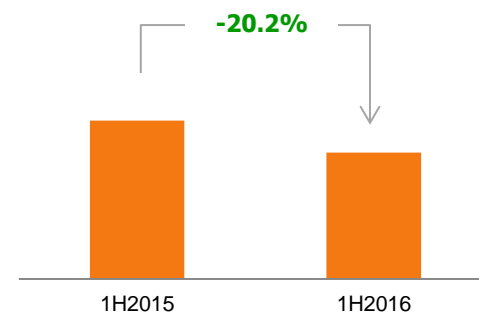
Coal consumption in Inter RAO Group reached 7.9 mln tons

Effective cooperation with gas suppliers

- Since 1 January 2016, Inter RAO Group has been purchasing natural gas for its plants from an independent supplier – Rosneft Oil Company
- Under the contract, Rosneft supplies gas at a discount to the regulated industrial consumer price
- Rosneft has been fulfilling its contractual obligations to Inter RAO Group in full

Decline in Coal Purchase Prices*

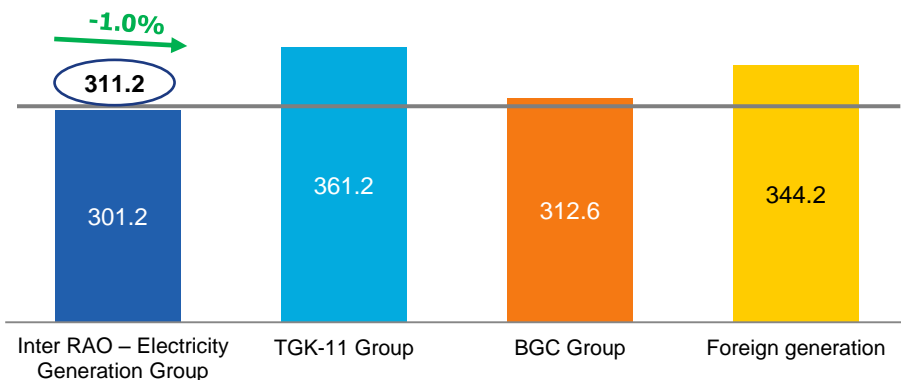
RUB/ton



* Across Russian assets of Inter RAO Group, excluding transportation costs

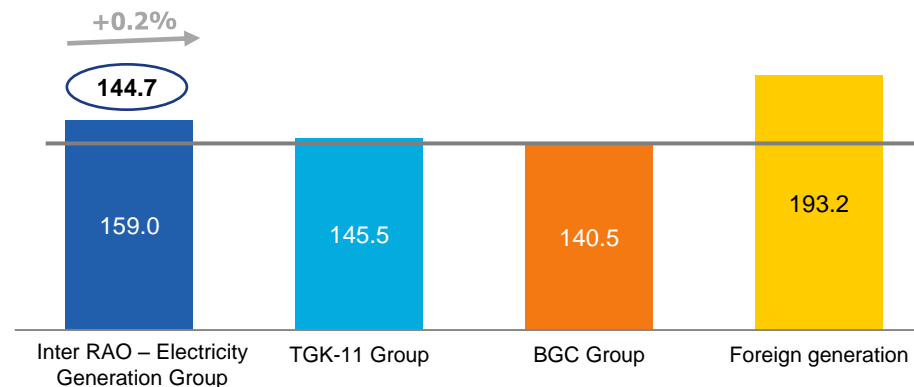
Fuel Consumption in Electricity Generation

g/kWh



Fuel Consumption in Heat Generation

kg/Gcal



- Electricity production fuel efficiency for Inter RAO Group

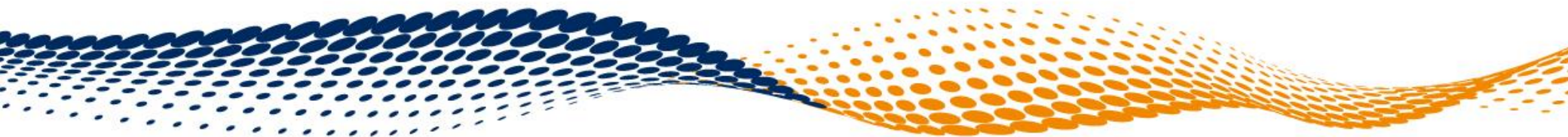
x% - Year-on-Year change

- Heat production fuel efficiency for Inter RAO Group

x% - Year-on-Year change



III. IFRS Financial Results



Key Financials

RUB bn	1H2016	1H2015	Change
Revenue	407.1	391.6	3.9%
Operating expenses	375.2	374.9	0.1%
Operating profit/loss	67.7	22.3	3 times
EBITDA	52.9	37.3	41.9%
EBITDA margin	13.0%	9.5%	36.5%
EBIT	41.8	25.8	61.7%
Net Income/Loss	62.0	19.7	3.1 times
Free Cash Flow (FCF)	14.9	8.1	83.0%
CAPEX	13.5	9.3	45.6%
RUB bn	30.06.2016	31.12.2015	Change
Total assets	593.6	563.2	5.4%
Total equity	420.4	365.4	15.1%
Adjusted total debt ⁽¹⁾	74.1	90.2	-17.9%
Adjusted total net debt ⁽²⁾	-50.9	6.6	-

Please note:

- hereinafter in this presentation all relative percentage changes are shown in accordance with calculations in mln. RUB
- hereinafter in this presentation EBITDA is calculated in accordance with the new methodology adopted by Inter RAO Group

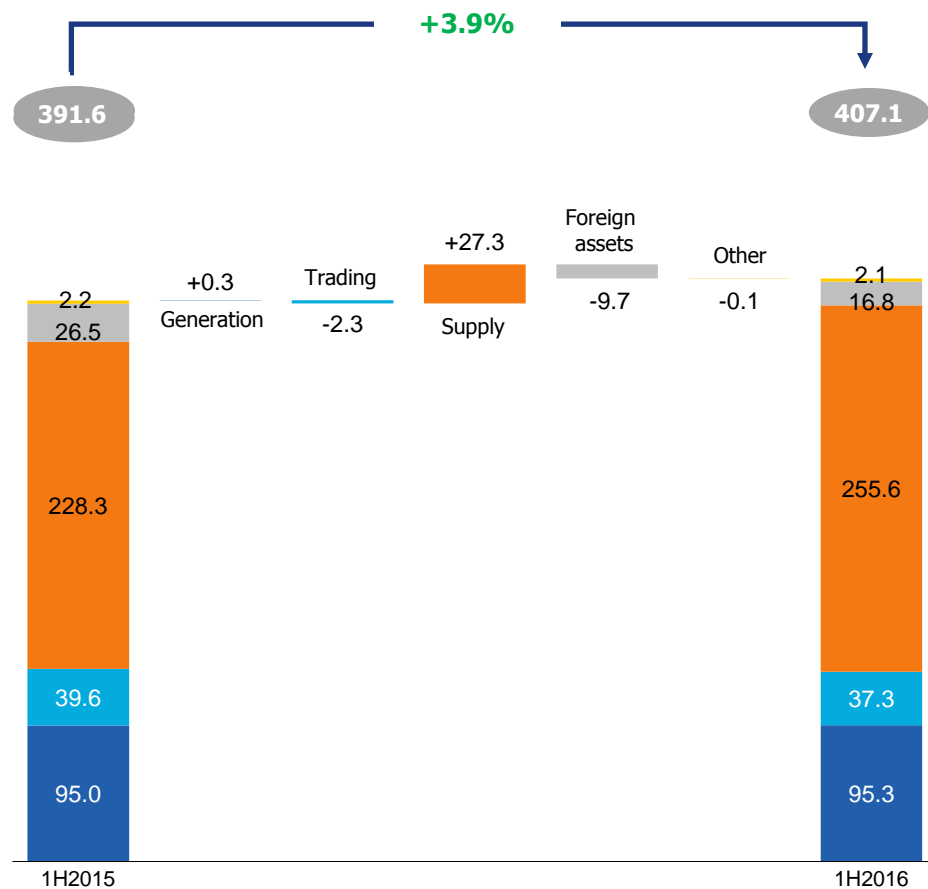
(1) Includes share in debt of joint ventures RUB 11.7 bn as of 30.06.2016 (RUB 13.9 bn as of 31.12.2015);

(2) Includes cash deposits (3-12 months) in amount of RUB 23.9 bn as of 30.06.2016. (as of 31.12.2015 – RUB 17.8 bn) and share in debt of joint ventures in amount of RUB 11.7 bn as of 30.06.2016. (as of 31.12.2015.- RUB 13.9 bn)

Evolution of key financials

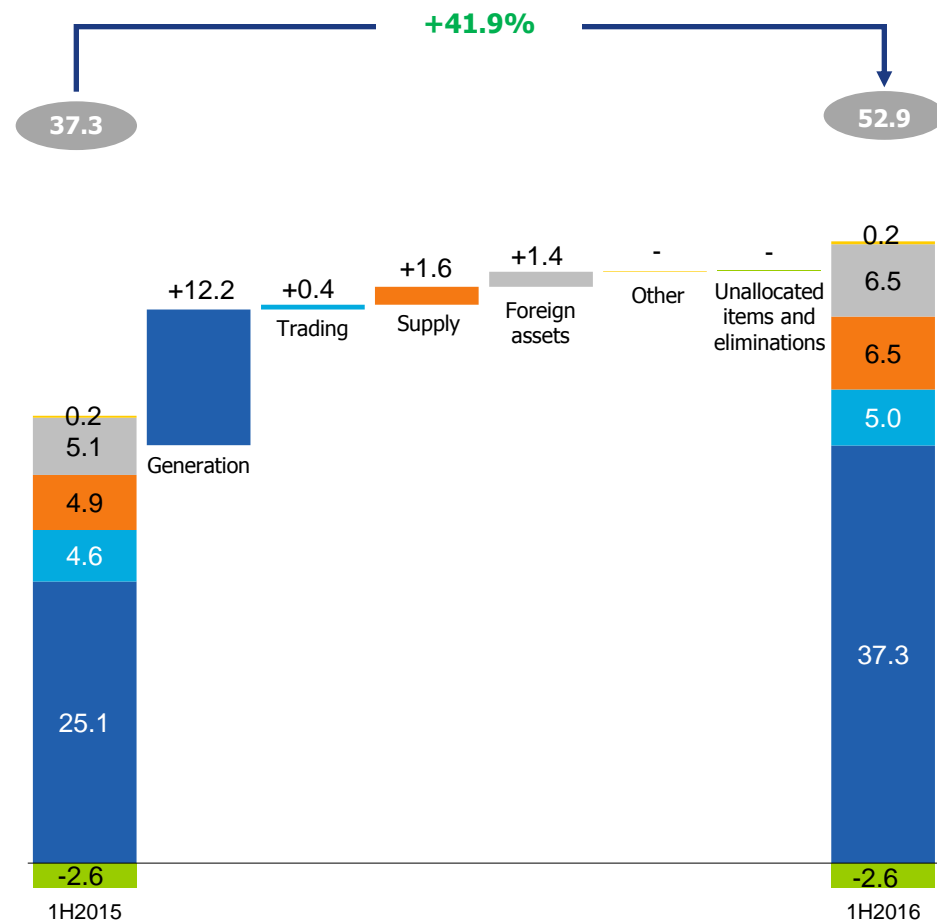
Revenue bridge

RUB bn



EBITDA bridge

RUB bn

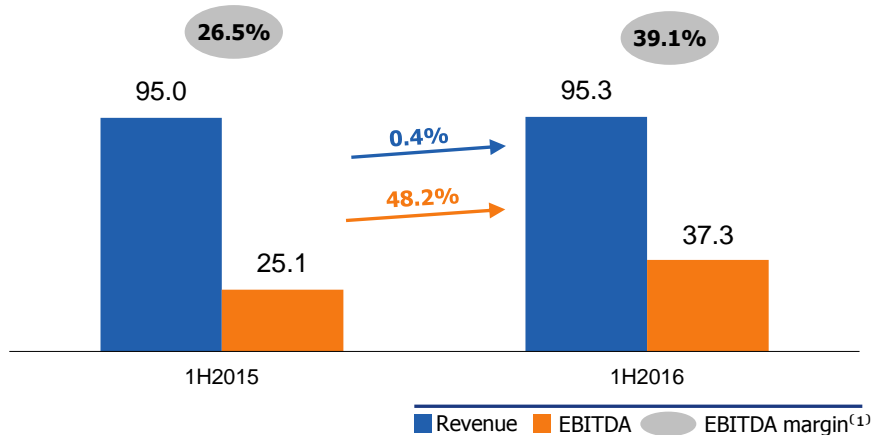


EBITDA increased mainly in Generation segment

Key Segments: Generation and Supply

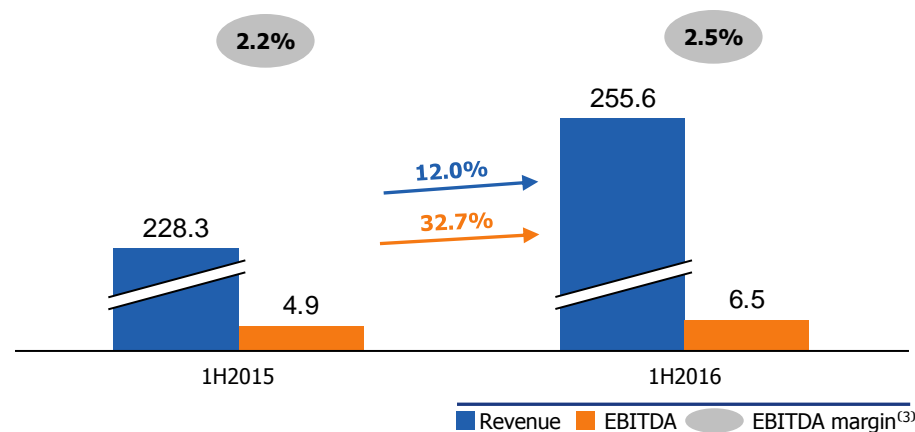
Generation: Revenue and EBITDA

RUB bn



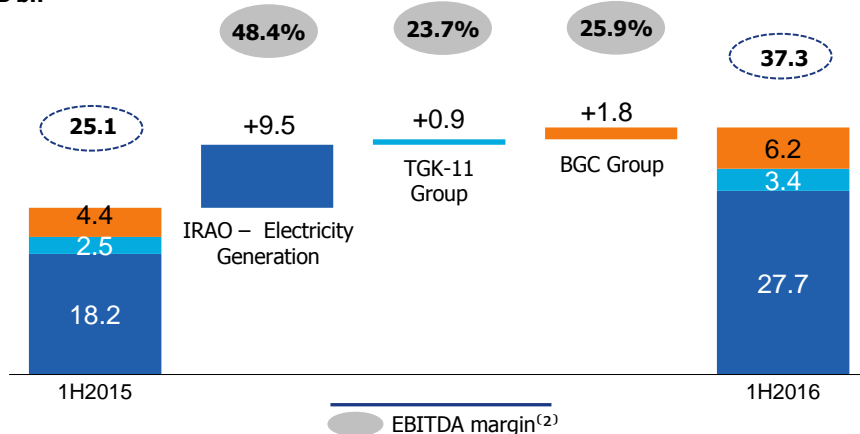
Supply: Revenue and EBITDA

RUB bn



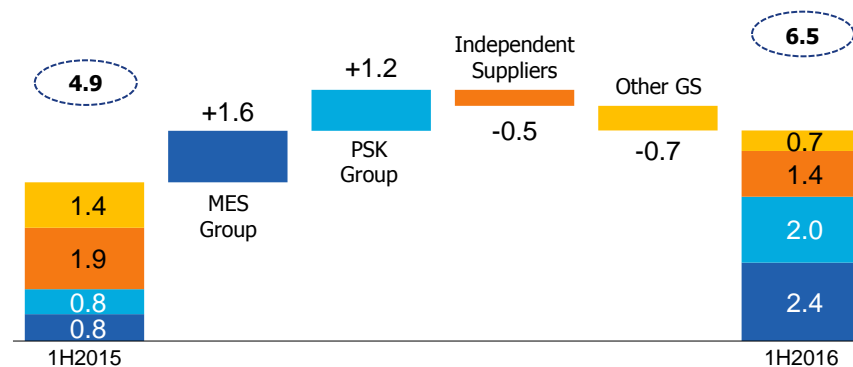
Generation: EBITDA contribution by company

RUB bn



Supply: EBITDA contribution by company

RUB bn



(1) EBITDA margin calculation excludes inter-segment revenue (RUB 17.4 bn in 1H 2015 and RUB 21.7 bn in 1H 2016)

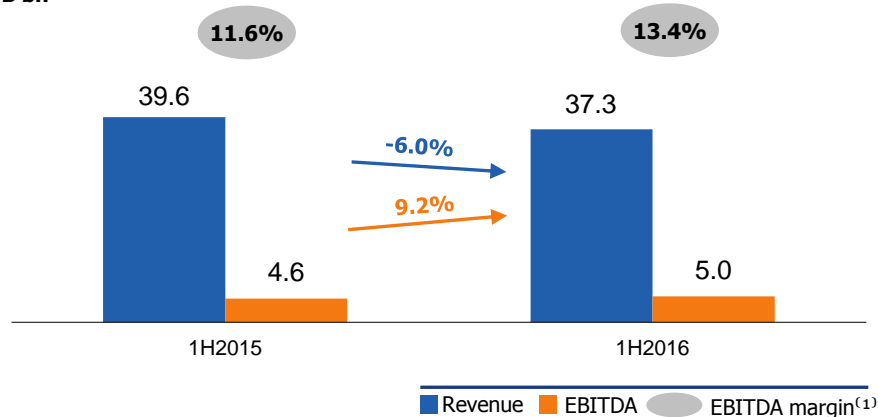
(2) EBITDA margin calculation excludes inter-segment revenue in 1H 2016 (INTER RAO – Electricity Generation – RUB 16.9 bn; TGK-11 Group – RUB 1.7 bn; BGC Group – RUB 3.1 bn)

(3) EBITDA margin calculation excludes inter-segment revenue (RUB 0.7 bn in 1H 2015 and RUB 0.7 bn in 1H 2016)

Key Segments: Trading and Foreign Assets

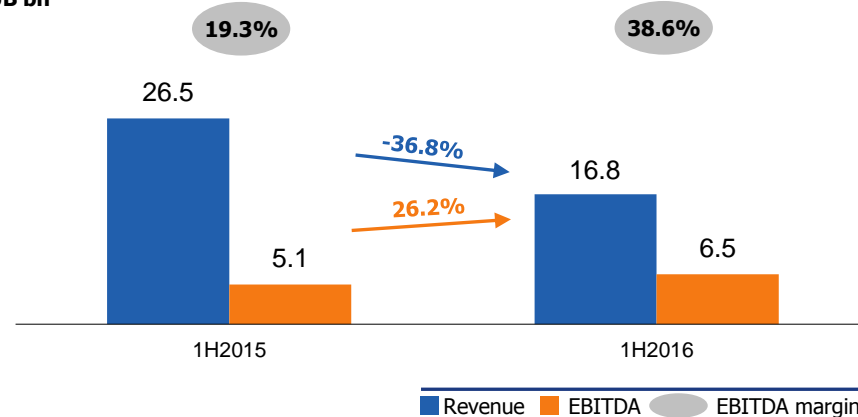
Trading: Revenue and EBITDA

RUB bn



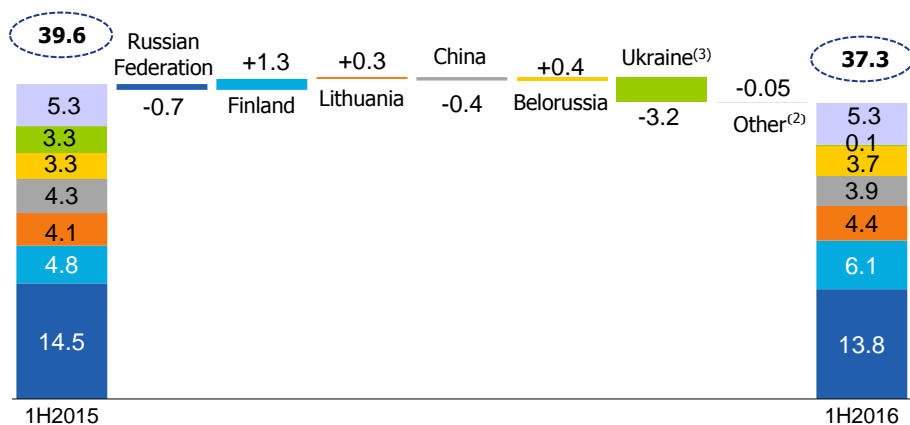
Foreign Assets: Revenue and EBITDA

RUB bn



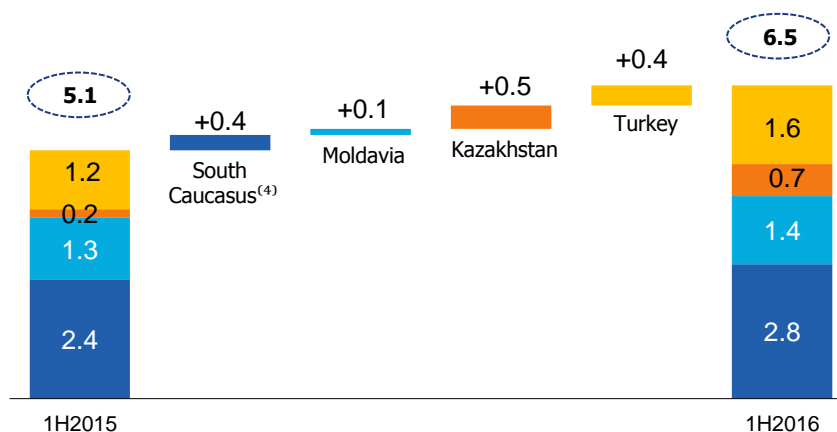
Trading: Revenue contribution by country

RUB bn



Foreign Assets: EBITDA contribution by country

RUB bn



(1) EBITDA margin calculation excludes inter-segment revenue (RUB 0.8 bn in 1H 2015 and RUB 0.8 bn in 1H 2016).

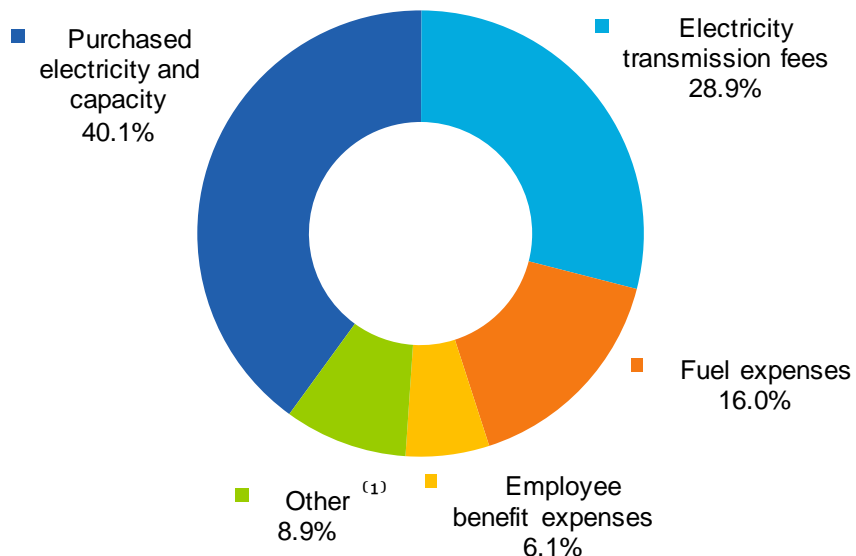
(2) Kazakhstan, Georgia, South Ossetia, Azerbaijan, Mongolia, Norway, Latvia, Estonia and Poland;

(3) Electricity trading with Ukraine in 1H 2016 took place in order to support the parallel operation of power systems of the two countries and amounted to RUB 0.1 bn

(4) South Caucasus segment includes financial results of Georgia and Armenia

Consolidated Operating Expenses

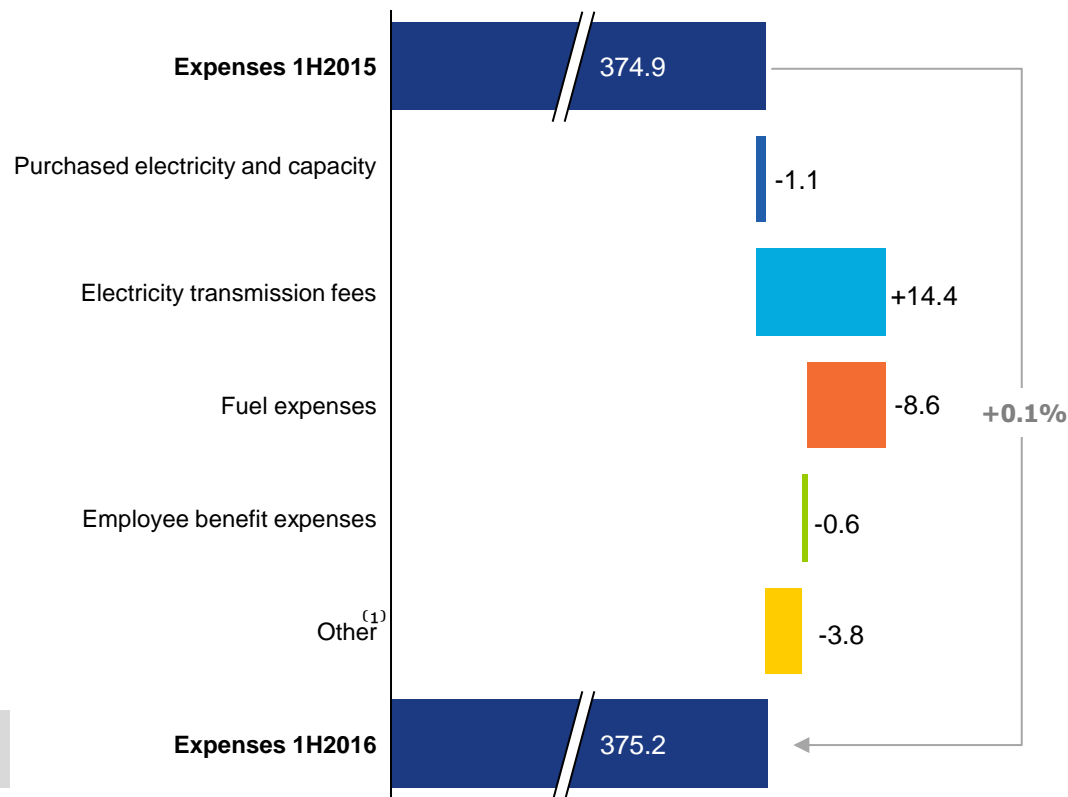
OPEX breakdown



Consolidated operating expenses of Inter RAO Group for the 1H2016 amounted to RUB 375.2 bn

OPEX dynamics

RUB bn



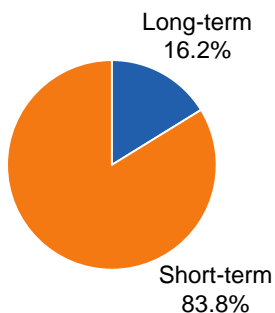
Consolidated revenue growth of Inter RAO Group for 1H 2016 (+3.9% YoY) is exceeding the growth of consolidated operating expenses (+0.1% YoY)

(1) Other expenses include depreciation and amortization, provision for impairment of accounts receivables, recovery of provision for impairment of fixed assets and construction in progress and other operating expenses

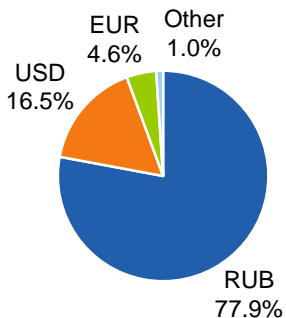
Debt and Liquidity Analysis⁽¹⁾

Debt composition⁽²⁾

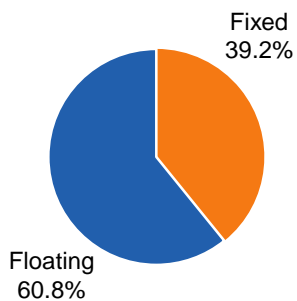
By maturity*



By currency



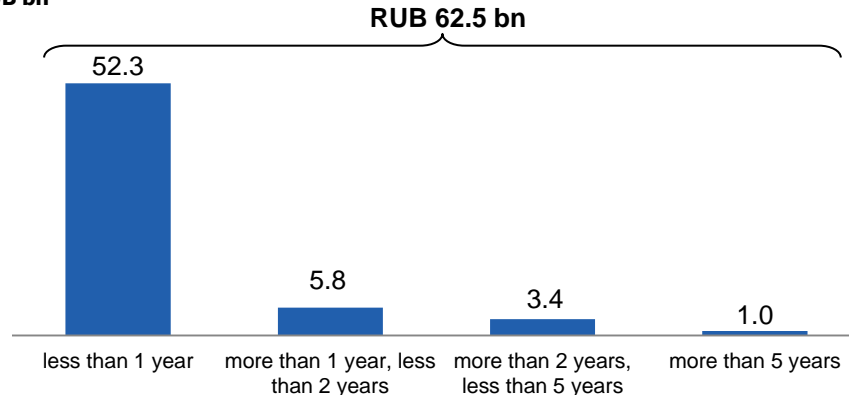
By percentage rate



* Short-term debt share has increased to 83.8% (as of 31.12.2015 – 44.2%) due to planned early payoff of some of the Group's liabilities

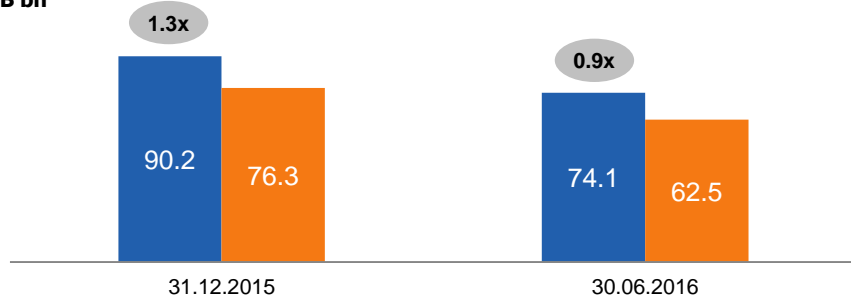
Debt maturity profile⁽²⁾

RUB bn



Total debt statistics⁽²⁾

RUB bn

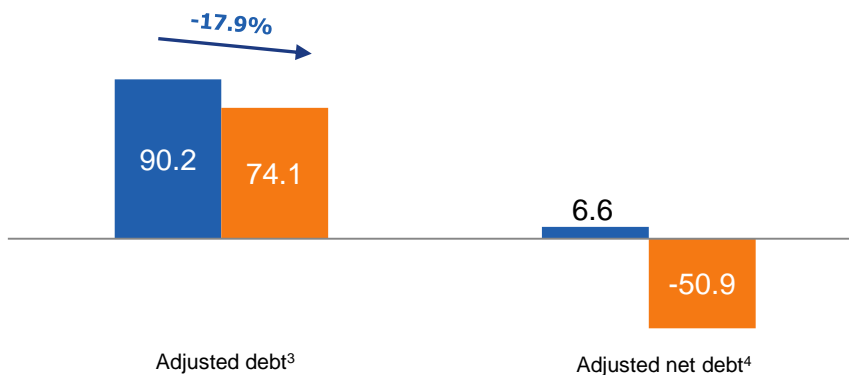


■ Includes share in debt of joint ventures
■ Excludes share in debt of joint ventures

○ Total Debt-to-EBITDA ratio

Debt evolution

RUB bn



■ as of 31.12.2015 ■ as of 30.06.2016

(1) Includes financial lease

(2) Excludes share of debt in joint ventures

(3) Includes share in debt of joint ventures in the amount of RUB 11.7 bn as of 30.06.2016 (RUB 13.9 bn as of 31.12.2015)

(4) Includes cash deposits (3-12 months) in amount of RUB 23.9 bn as of 30.06.2016. (as of 31.12.2015 – RUB 17.8 bn) and share in debt of joint ventures in amount of RUB 11.7 bn as of 30.06.2016. (as of 31.12.2015 – RUB 13.9 bn)



IV. CPA (KOM) 2020. Electric Utilities perspective until 2035

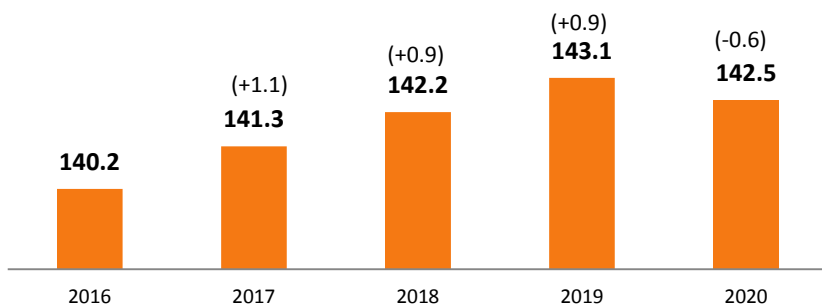


Information for KOM 2020

- ✓ KOM prices at demand points were indexed by 3.8%. Further indexation for KOM 2020 is envisaged taking into account CPI fact figures for previous three years less 1 percentage point for each year.
- ✓ Applied reservation coefficient for KOM 2020 stayed at the level of the year 2019.

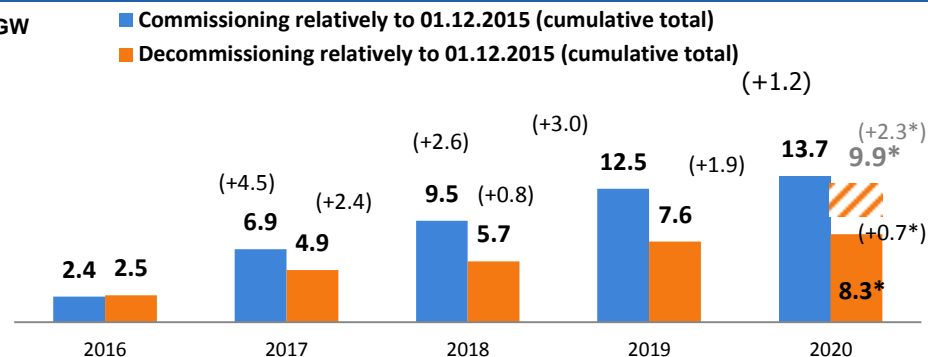
KOM demand at 1 point in 1PZ**

GW



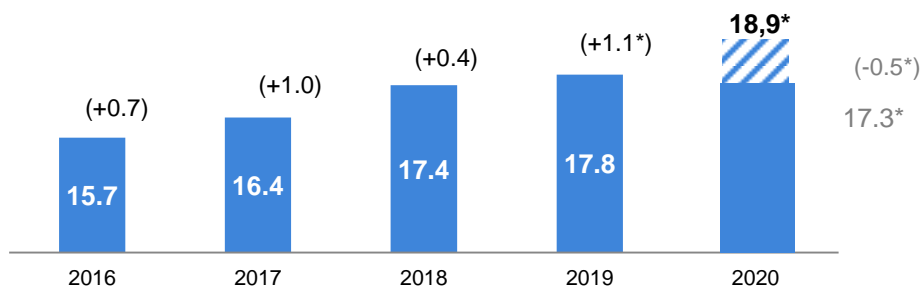
Commissioning/decommissioning balance for KOM in 1PZ**

GW



Excess capacity selected for KOM in 1PZ**

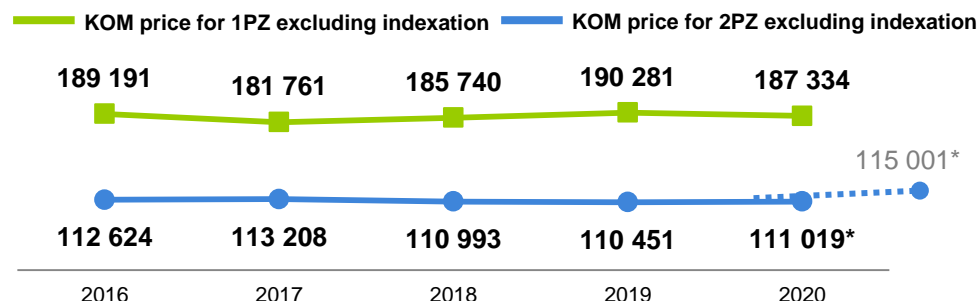
GW



* - depending on various decommissioning programmes that were adopted by capacity suppliers

Forecasted KOM prices (excluding indexation)

RUB/MW per month



Decommissioning figures are lower than new commissioning in the system therefore in current conditions KOM prices are expected to stay at the same level

Electric utilities perspective until 2035

Necessity of investment and modernization in Russian Federation

- Share of generation equipment in Russia, older than 30 years accounts to 126 GW or 52% of total power plants' installed capacity
- More than half (54%) equipment of energy system (turbines, boilers, generators, transformers) are operated outside the standard term of service



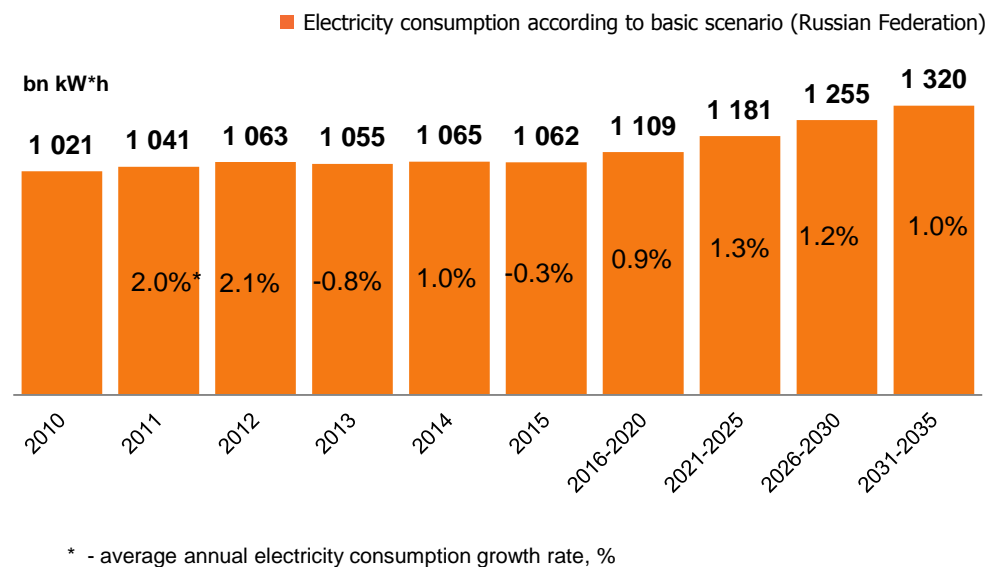
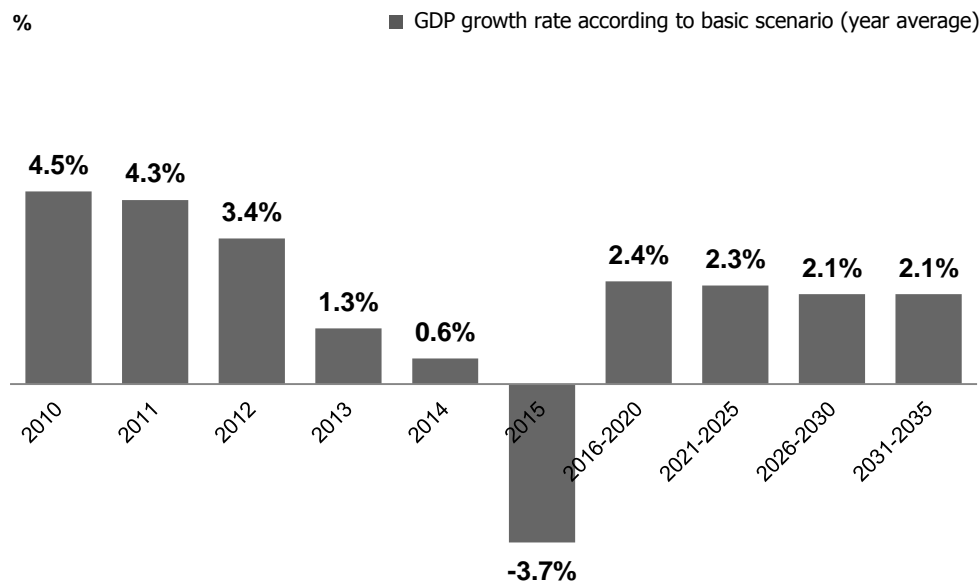
Accidents and accidental termination of launch operation on generating equipment

According to sector reports 129 GW of TPPs' operating capacity will reach its standard term of service until 2035. Current KOM price levels do not allow to allocate enough funds for equipment modernization.

Main regulatory documents

- Russia's energy strategy until 2035 (project)
- General scheme of electric power facilities in the period up to 2030 with a prolongation until 2035 (project)
- Scheme and development program of the Unified Energy System of Russia in years 2016 - 2022 (SiPR), approved by order of the Ministry of Energy of Russia № 147 from March 1, 2016

1. Russia's energy strategy



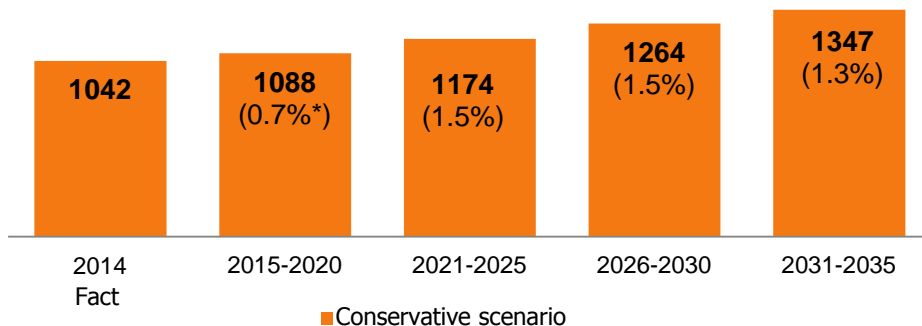
Modest growth of Russian economy – by 1.5 times until 2035 (on average 1,9% annually)

Electricity consumption until 2035 (relatively to 2014) is expected to grow by 24% according to basic scenario

Electric utilities perspective until 2035

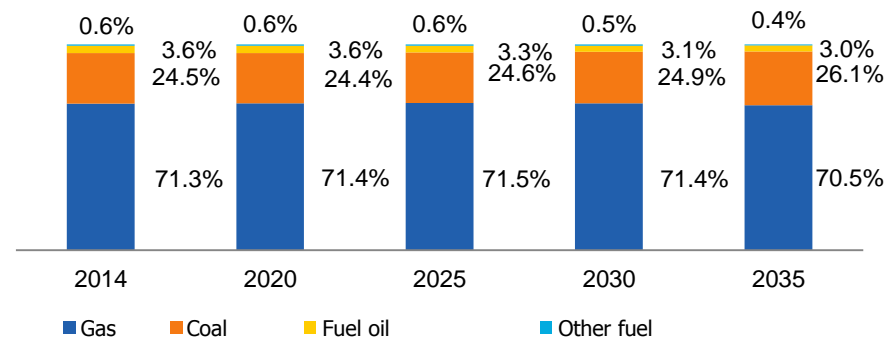
2. General scheme

bn kW*h Electricity consumption forecast in the zone of Russian unified electricity supply



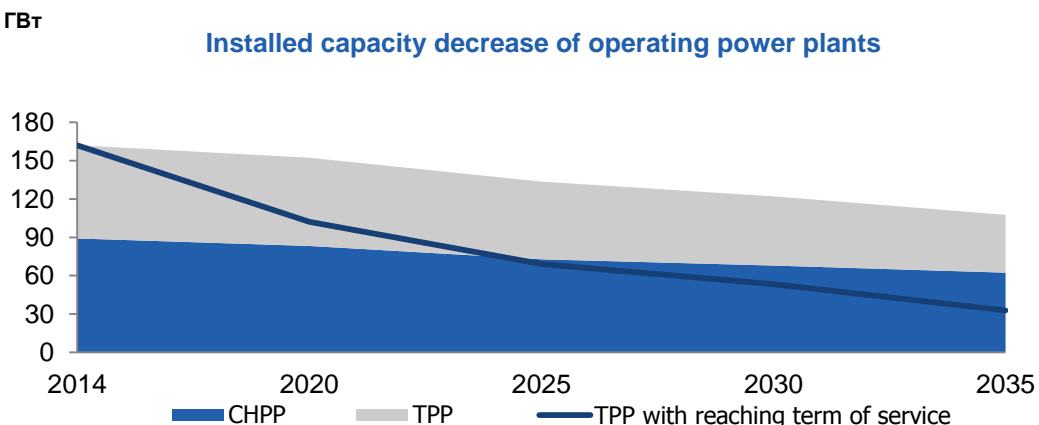
Conservative scenario is characterized by long-term annual economic growth of 1.7% (for the period 2013-2035)

Used fuel by types



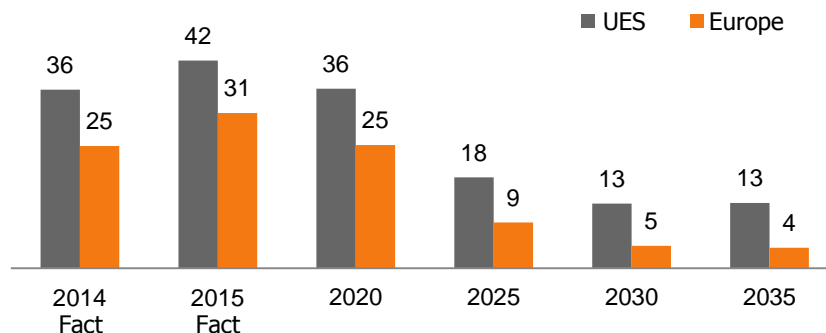
No significant changes in used fuel structure are observed

Installed capacity decrease of operating power plants



129 GW of capacity until 2035 is expected to reach its term of service: 53 GW are recommended for decommissioning, 76 GW (37 GW TPPs + 39 GW CHPPs) – for modernization

Excess capacity for an hour of year's maximum



Decrease of excess capacity after 2020 is explained by lower installed capacity growth in comparison to consumption growth

Annual average GDP growth of 1.7-1.9% that was Taken into account (during 2010-2013 GDP was growing on average by 3,4% annually) does not give economical feasibility in terms of quality transformations and fast growth in electric utilities sector