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Inter RAO Group 1Q2016 Consolidated Financial and Operating Results

30 May 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 25.4% 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 4.5% YoY;
- Electricity price appreciation on the day-ahead market (DAM) in the 1st pricing zone (by 2.1%) and unfavorable pricing environment in the 2nd pricing zone (3.6% YoY decline in electricity prices);
- Heat tariffs across Russian assets of the Group increased on average 12.6% 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:

- Decrease in trading operations with Finland (by 15%), China (by 14%), and Kazakhstan (by 29%) YoY due to unfavorable market conditions, and discontinued operations with Ukraine under commercial contracts;
- Weakening of the Russian national currency against the currencies of major export power supply contracts: 20.0% YoY against USD , and 16.9% YoY against EUR, on an average.

4

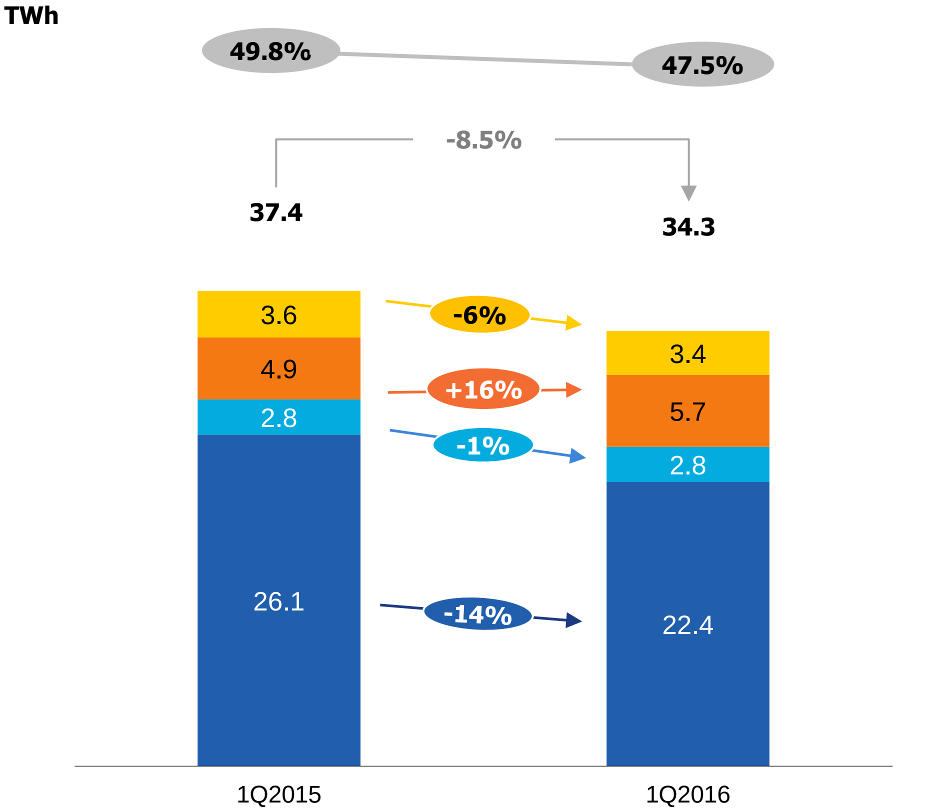
FOREIGN ASSETS:

- Disposal of a 50% stake in Power Grids of Armenia and Razdan TPP to Tashir Group in 4Q2015.

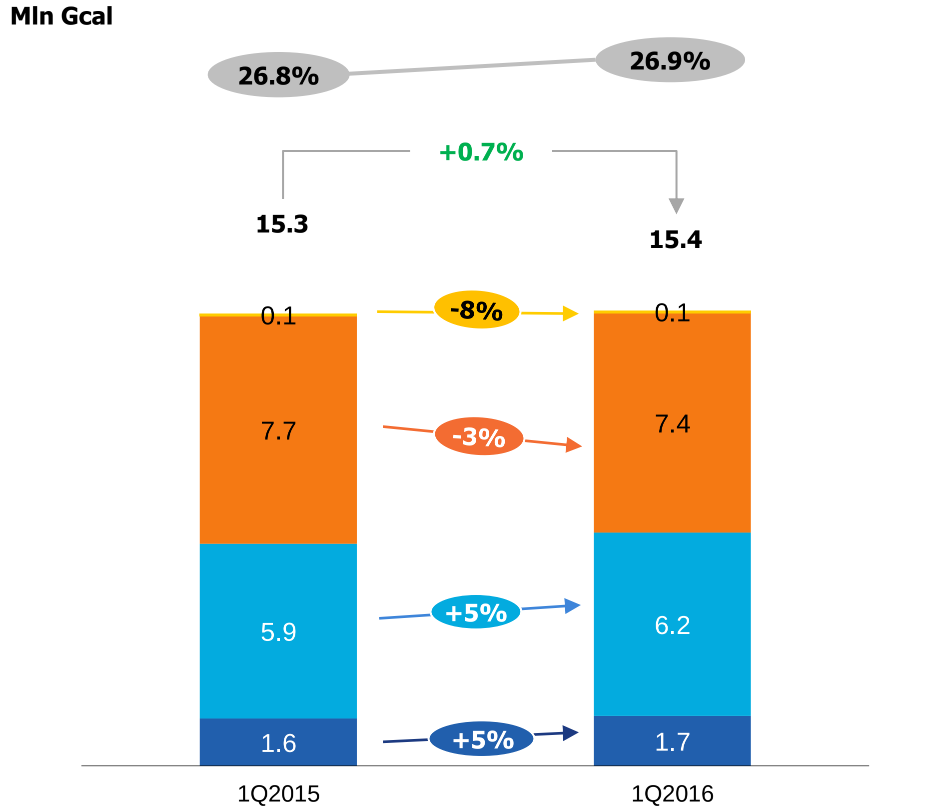
I. Operational Performance Results

Electricity and Heat Generation

Electricity Generation



Heat Generation



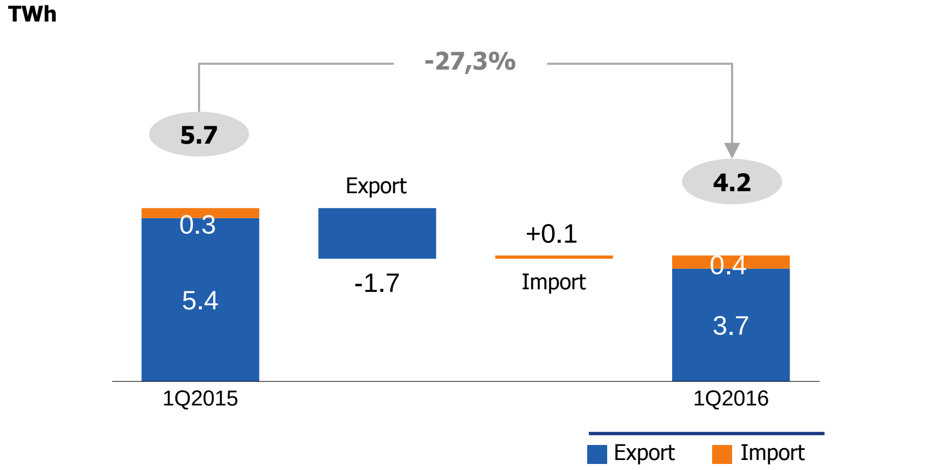
INTER RAO – Electricity Generation Group[1] TGK-11 Group BGC Group Foreign Generation #% Load Factor #% Electricity/heat production dynamics

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

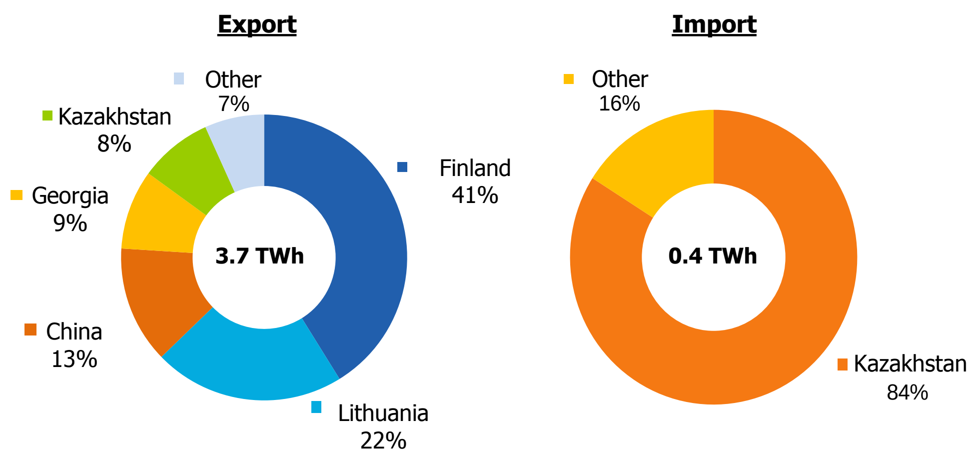
(1) Includes: Inter RAO – Electricity Generation JSC and Nizhnevartovskaya GRES

Trading Business

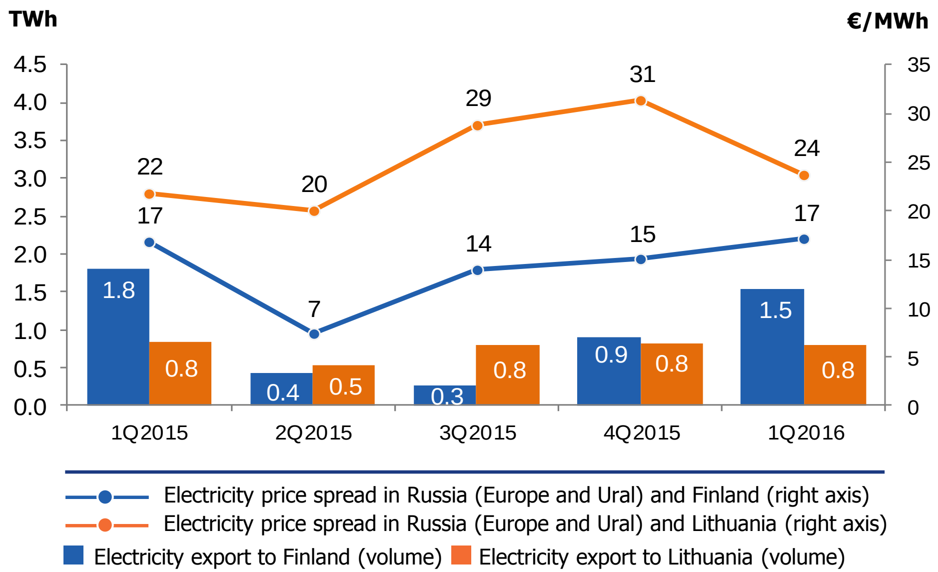
Export / Import Volumes



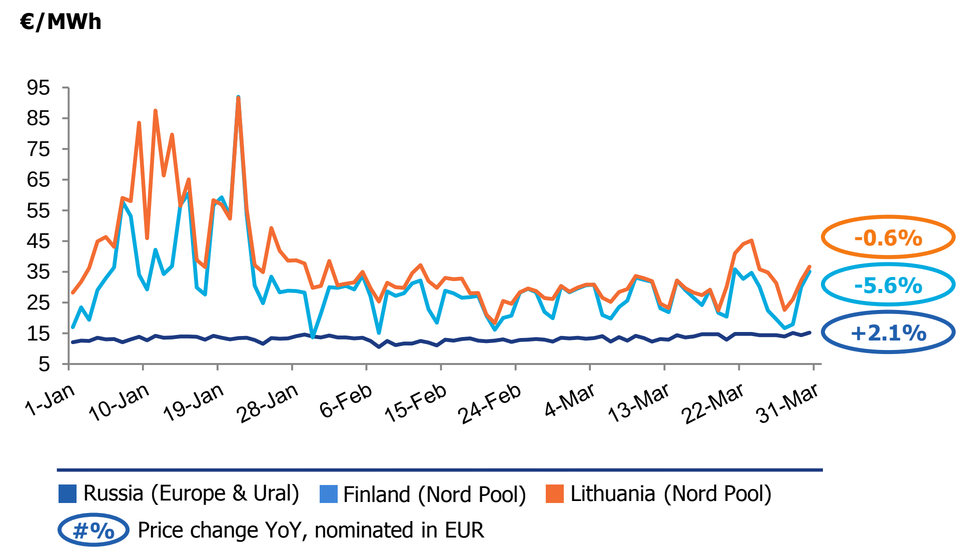
Export / Import Structure



Electricity Export Dynamics and Price Spread

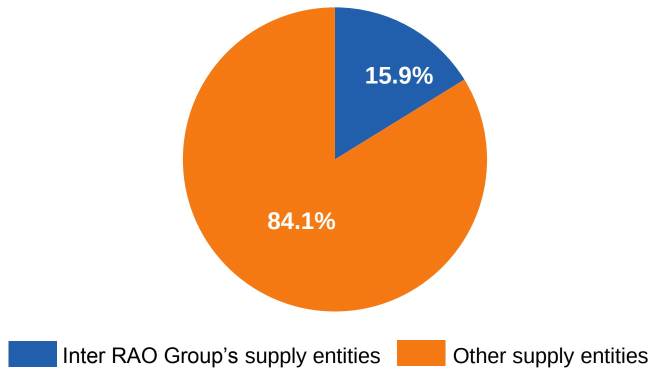


Evolution of Electricity Spot Prices



Supply Business

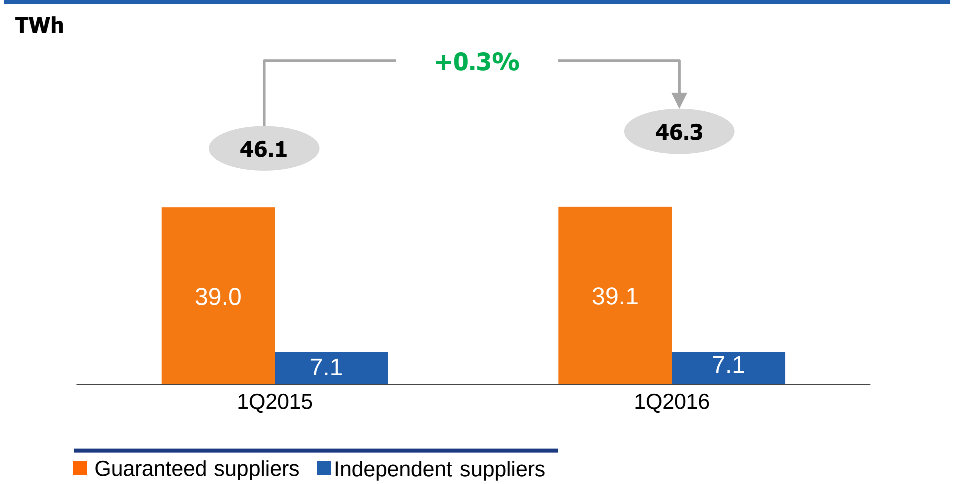
Share in Russian Retail Electricity Market



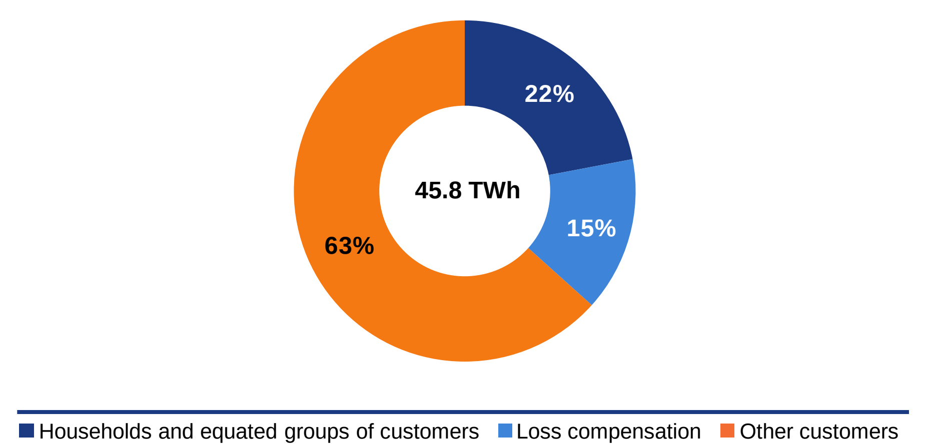
In 1Q2016, electricity consumption in Russia totaled 287.4 TWh showing a 1.2% increase vs the comparable period of last year

Supply Companies' Regions of Operation

Electricity Supply to Customers



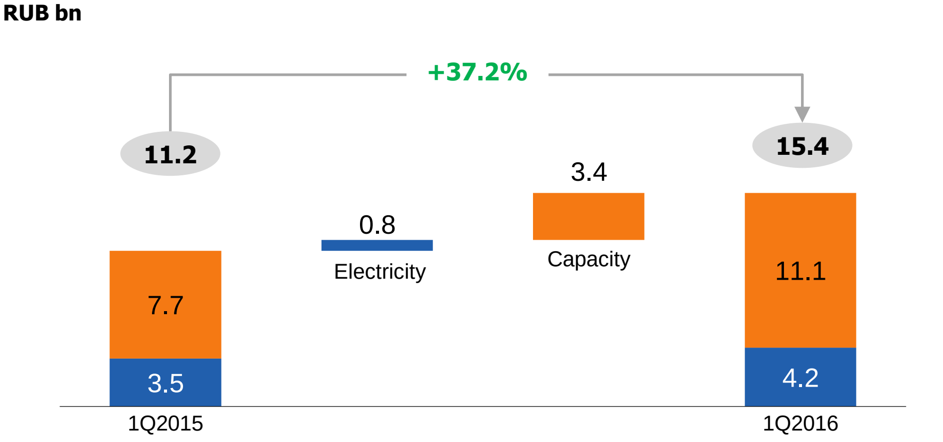
Retail Electricity Sales Structure



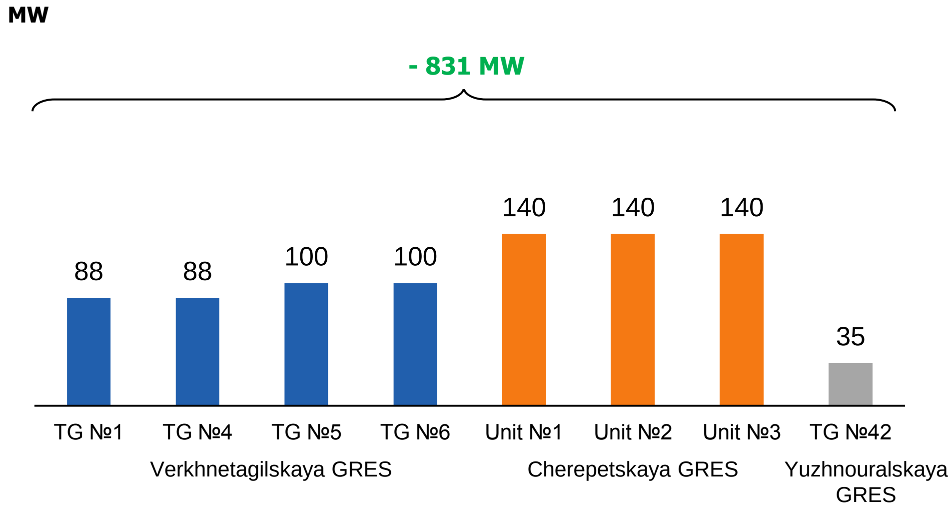
II. Increase in Operational Efficiency

Increased Operational Efficiency in Electricity Generation(1)

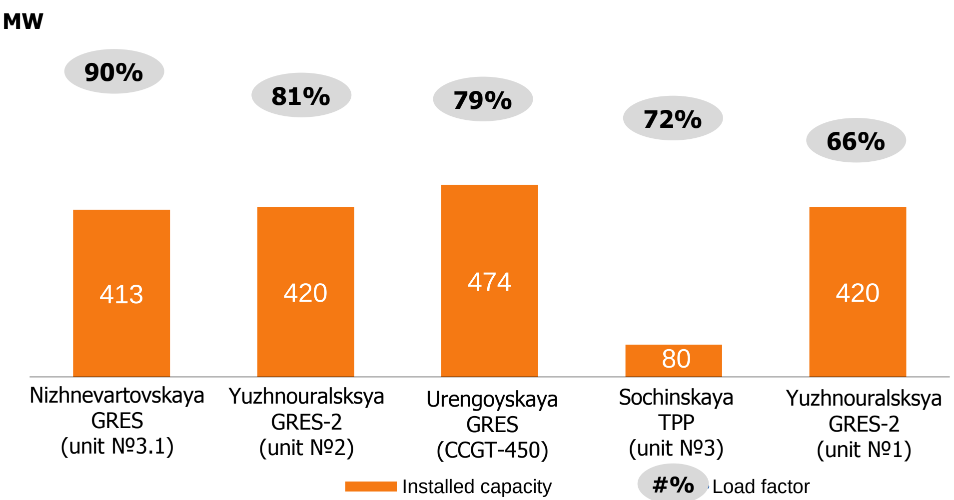
Revenue Bridge for CDA Units



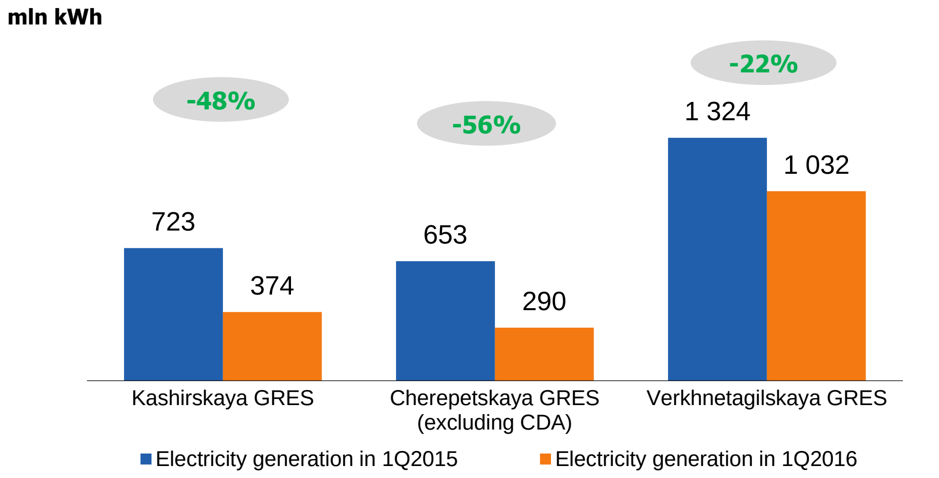
Decommissioning of Inefficient Generating Equipment



Efficient Load of New High-Margin Power Units (CDA)



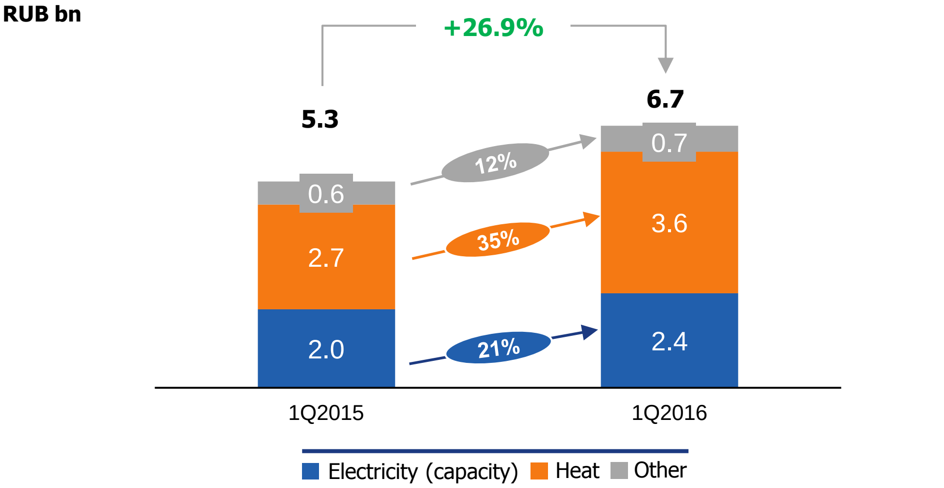
Optimized Load of Low-Margin Generating Units



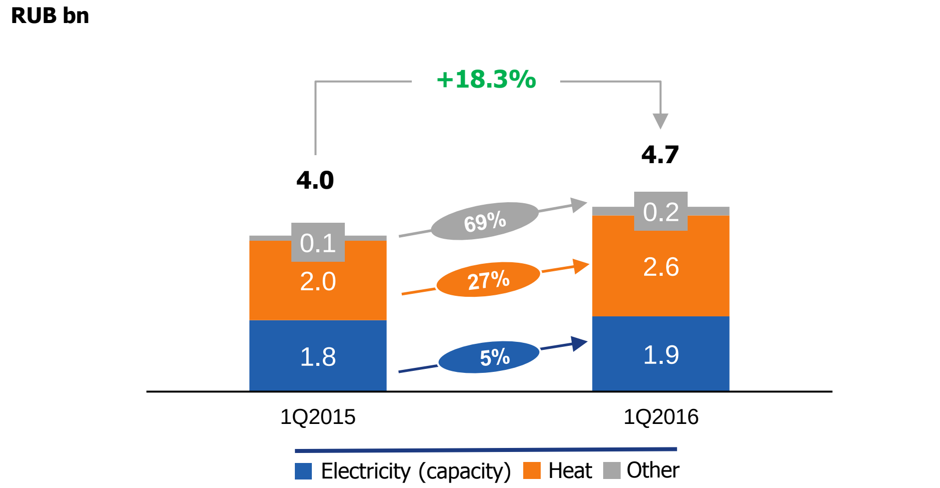
(1) Includes: Inter RAO – Electricity Generation JSC and Nizhnevartovskaya GRES

Increased Operational Efficiency in Heat Generation(1)

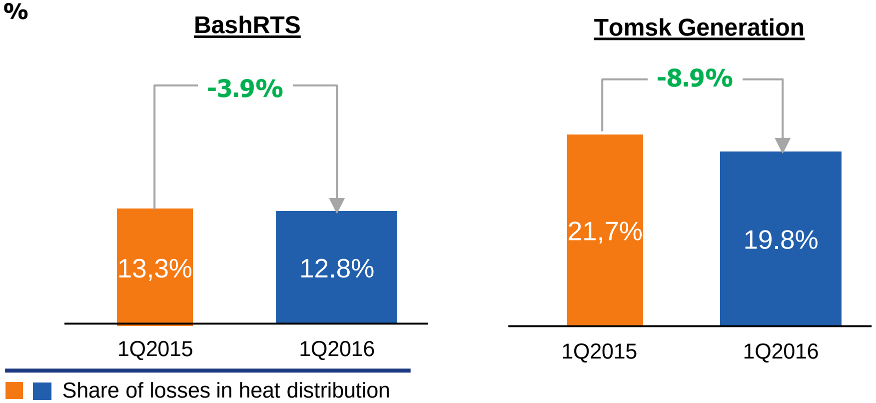
Marginal Profit Dynamics of BGC Group



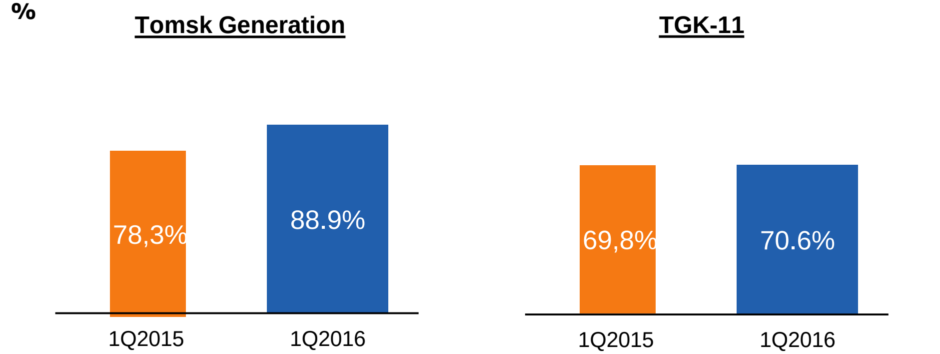
Marginal Profit Dynamics of TGK-11 Group



Heat Losses in Heat Distribution Networks



Share of electricity generation in cogeneration mode

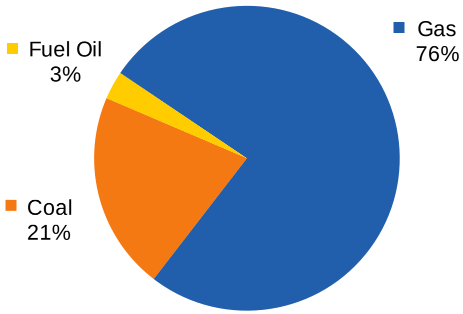


Economically reasonable and fair heat tariffs helped to increase the profitability of Inter RAO Group's heat generation business

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

Optimization of Fuel Costs

Fuel Mix



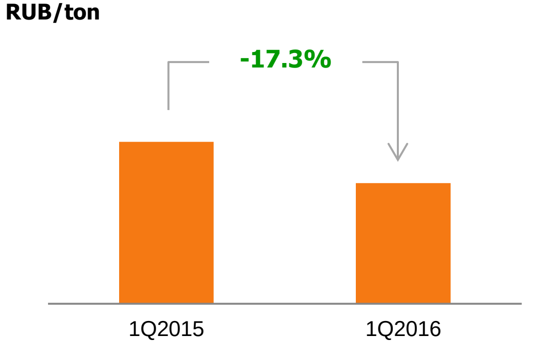
Gas consumption in Inter RAO Group reached 7.8 bcm

Coal consumption in Inter RAO Group reached 4.3 mln tons

Effective cooperation with gas suppliers

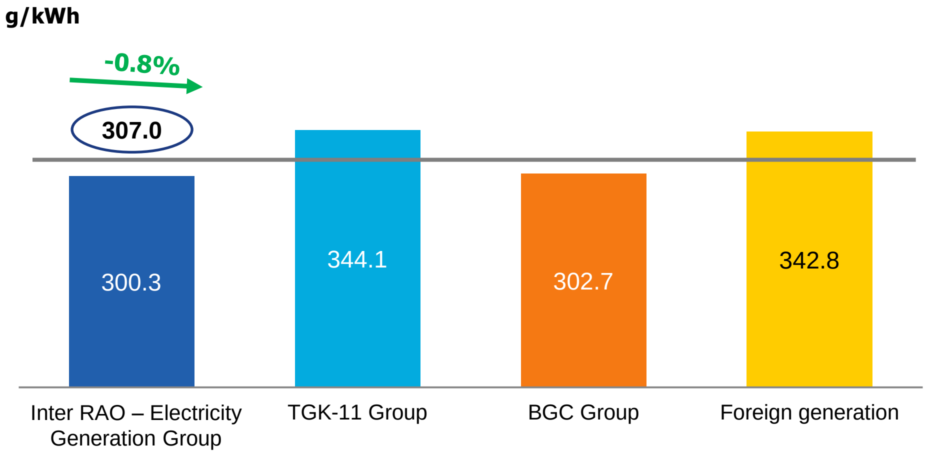
- Since 1 January 2016, Inter RAO Group has been purchasing natural gas for its plants from an independent supplier – Rosneft Oil Company
- Under the contract, Rosneft supplies gas at a discount to the regulated industrial consumer price
- Rosneft has been fulfilling its contractual obligations to Inter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

Decline in Coal Purchase Prices*



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

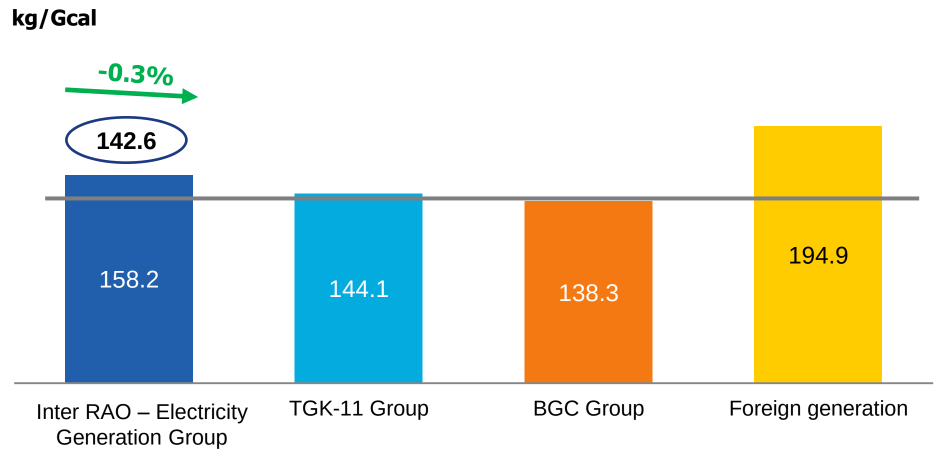
Fuel Consumption in Electricity Generation



\# - Electricity production fuel efficiency for Inter RAO Group

x% - Year-on-Year change

Fuel Consumption in Heat Generation

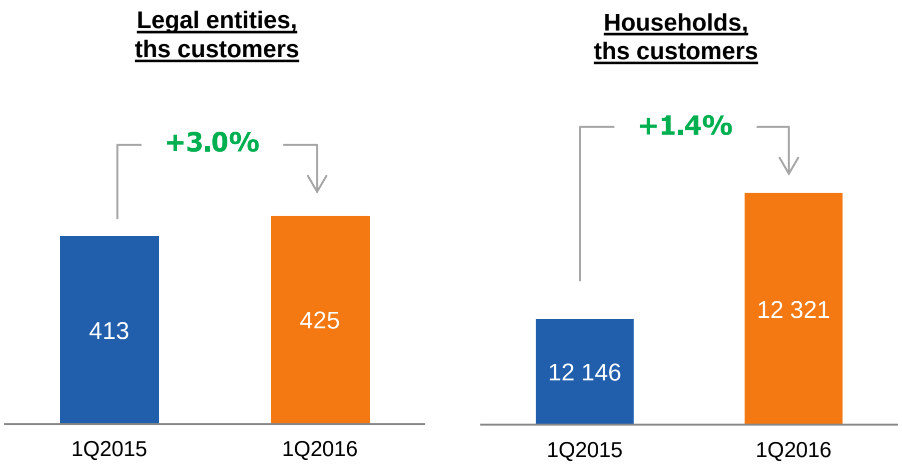


\# - Heat production fuel efficiency for Inter RAO Group

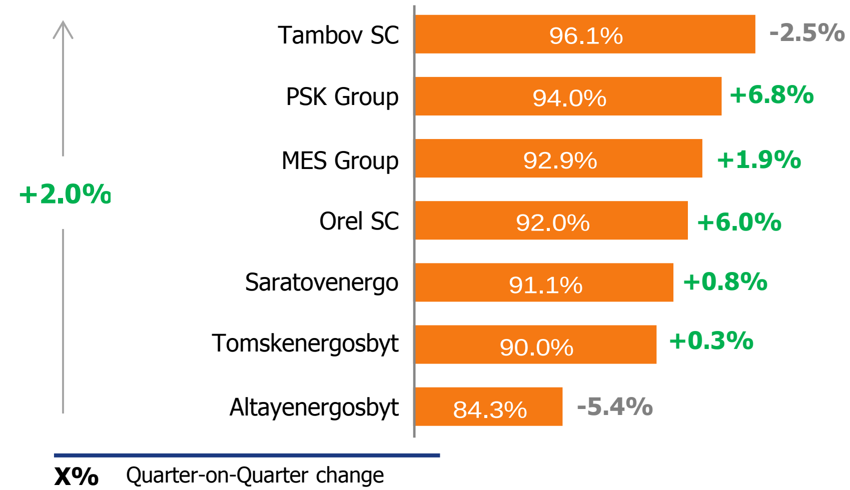
x% - Year-on-Year change

Increased Operational Efficiency in Retail Business

Customer Base

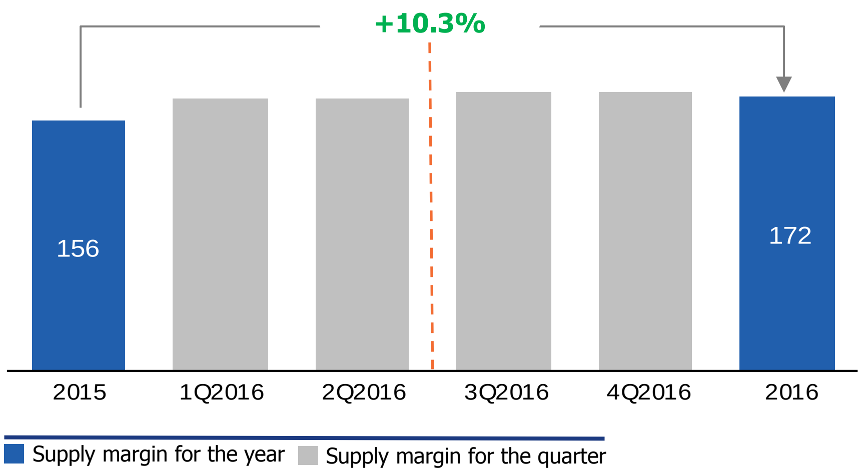


Payments Collection in 1Q2016



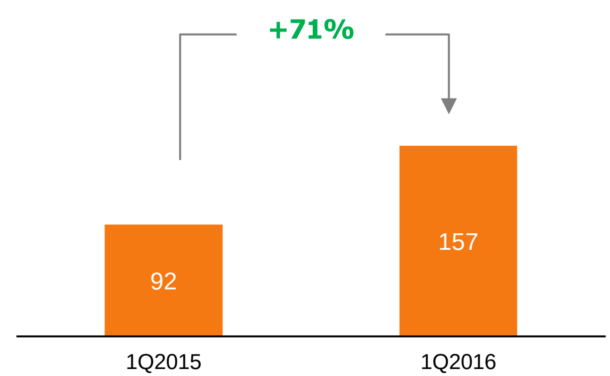
Supply Margin of Guaranteed Suppliers Dynamics(1)

RUB/MWh



EBITDA Dynamics in PS Segment

RUB mln



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

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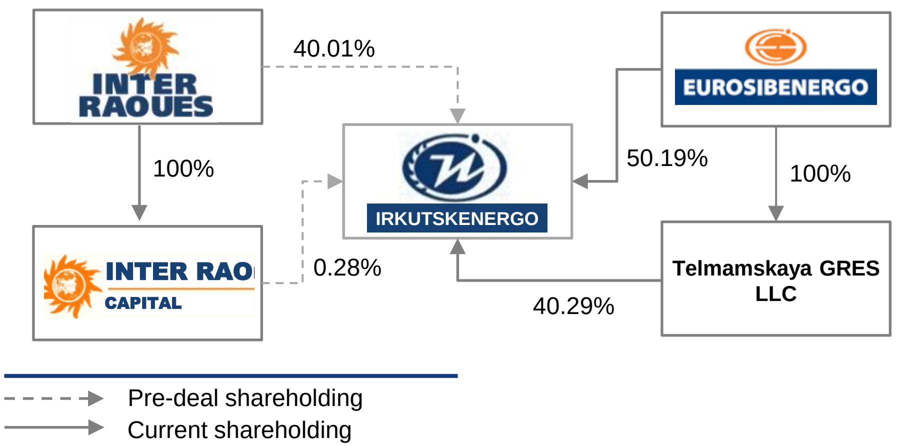
III. Sale of Equity Stake in Irkutskenergo

Minority Stakes Disposal

Overview

- In May 2016, Inter RAO PJSC and Inter RAO Capital JSC entered into the share purchase agreements (the SPAs) to sell their 40.29% stake in Irkutskenergo PJSC.
- The Buyer under the SPAs is Telmamskaya GRES LLC — a subsidiary of EuroSibEnergo JSC.
- The transaction value is RUB 70 billion with payment in cash:
  - The first part of the payment (the main tranche) to be made in early June 2016.
  - The rest of the payment to be made by equal quarterly tranches through to 31 May 2018.
- The transaction is subject to the necessary corporate approvals to be received by each of the parties — the Board of Directors of Inter RAO PJSC and the sole new shareholder - Telmamskaya GRES LLC.

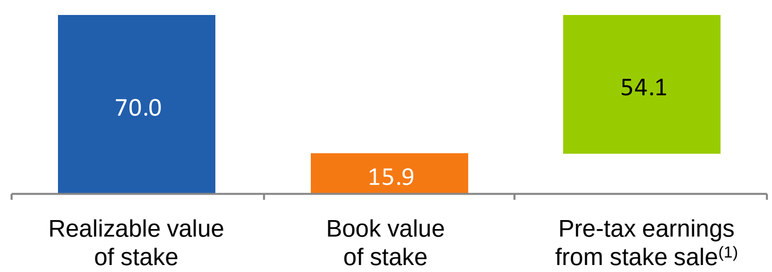
Changes in Irkutskenergo Ownership Structure



Effect of selling stake in Irkutskenergo

Effect on the RAS net income

RUB bn



Effect on the IFRS consolidated net income

RUB bn

During 2011 – 2016, Inter RAO Group has raised RUB 127 billion under the Minority Stake Disposal Programme.

(1) Excluding the impact of discounting

IV. IFRS Financial Results

Key Financials

RUB bn	1Q2016	1Q2015	Change
Revenue	224.4	216.5	3.7%
Operating expenses	204.5	202.3	1.1%
Operating profit/loss	21.3	17.4	22.5%
EBITDA	**31.8**	**25.0**	**27.4%**
EBITDA margin	14.2%	11.5%	22.9%
EBIT	26.4	19.2	37.0%
Net Income/Loss	17.0	16.0	5.9%
Free Cash Flow (FCF)	6.6	3.1	115.7%
CAPEX	6.0	4.5	34.4%

RUB bn	31.03.2016	31.12.2015	Change
Total assets	564.1	563.2	0.2%
Total equity	379.1	365.4	3.8%
Adjusted total debt[(1)]	79.4	90.2	-12.0%
Adjusted total net debt[(2)]	1.1	6.6	-83.1%

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 12.5 bn as of 31.03.2016 (RUB 13.9 bn as of 31.12.2015);

(2) Includes cash deposits (3-12 months) in amount of RUB 17.2 bn as of 31.03.2016. (as of 31.12.2015 – RUB 17.8 bn) and share in debt of joint ventures in amount of RUB 12.5 bn as of 31.03.2016. (as of 31.12.2015.- RUB 13.9 bn)

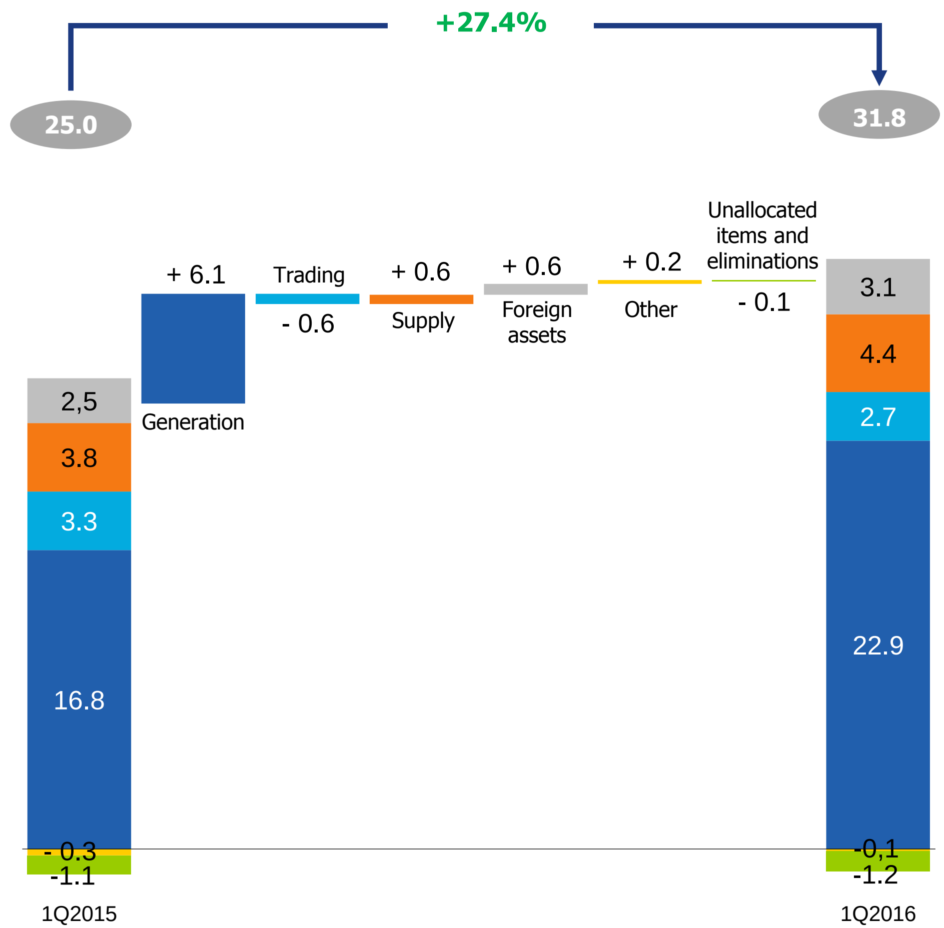
Evolution of key financials

Revenue bridge

RUB bn

EBITDA bridge

RUB bn

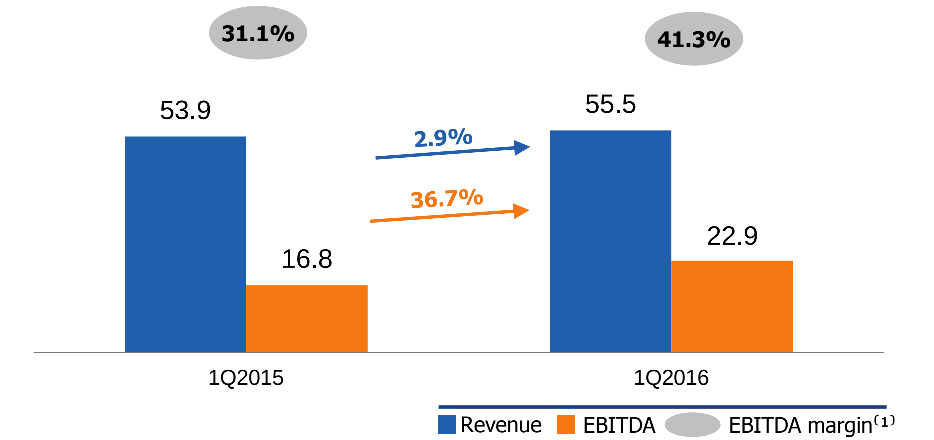


EBITDA increased mainly in Generation segment

Key Segments: Generation and Supply

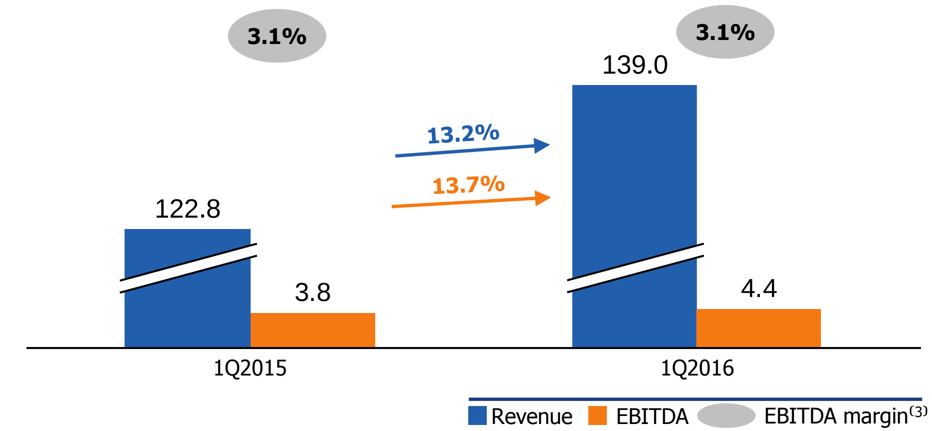
Generation: Revenue and EBITDA

RUB bn



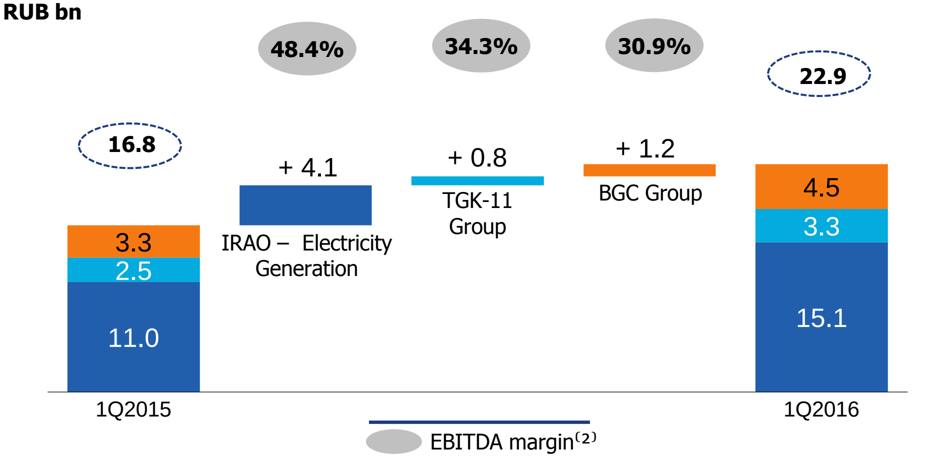
Supply: Revenue and EBITDA

RUB bn



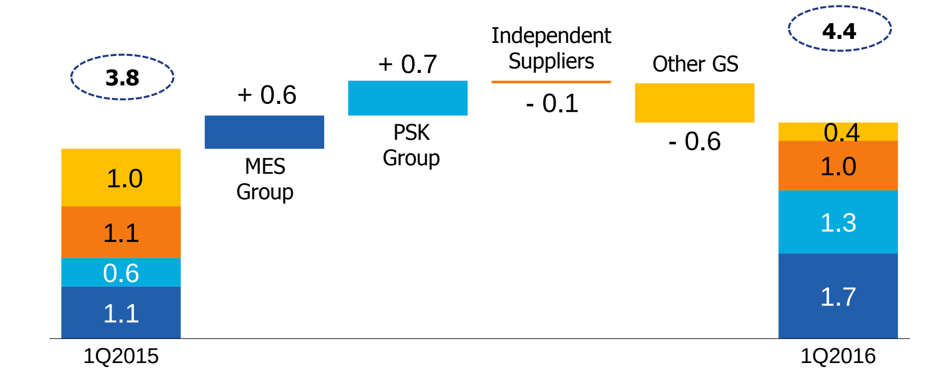
Generation: EBITDA contribution by company

RUB bn



Supply: EBITDA contribution by company

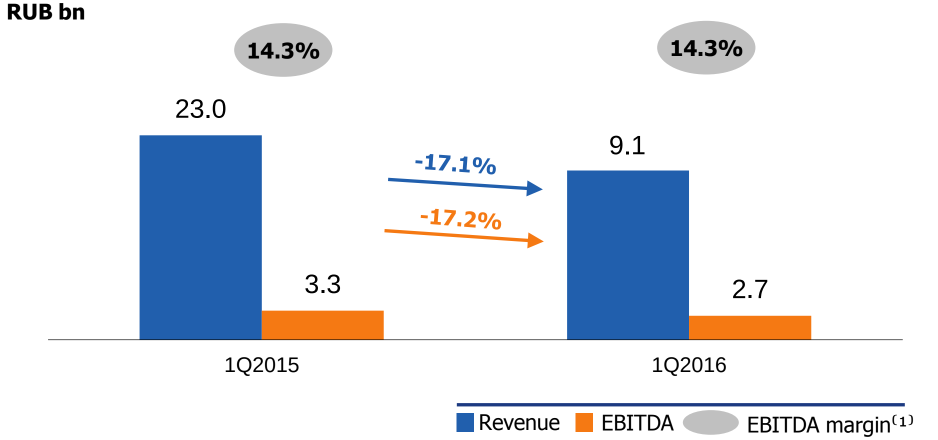
RUB bn



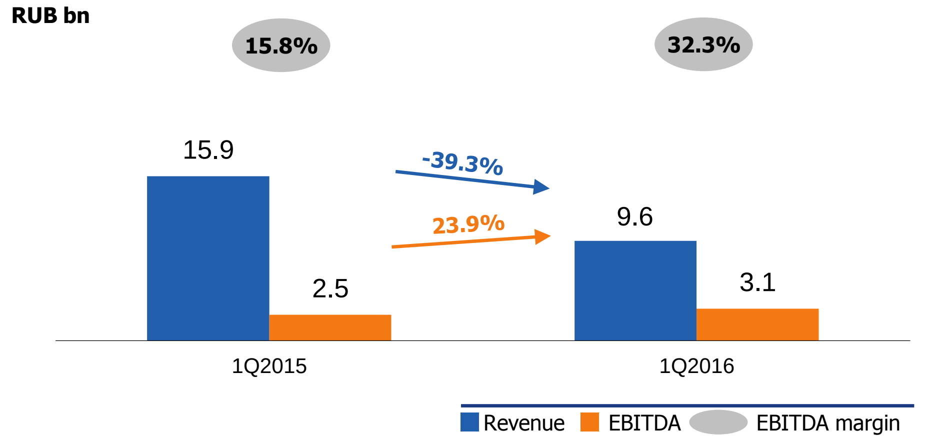
(1) EBITDA margin calculation excludes inter-segment revenue (RUB 9.5 bn in 1Q 2015 and RUB 11.0 bn in 1Q 2016)
(2) EBITDA margin calculation excludes inter-segment revenue in 1Q 2016 (INTER RAO – Electricity Generation – RUB 8.3 bn; TGK-11 Group – RUB 1.0 bn; BGC Group - RUB 1.7 bn)
(3) EBITDA margin calculation excludes inter-segment revenue (RUB 0.5 bn in 1Q 2015 and RUB 0.5 bn in 1Q 2016)

Key Segments: Trading and Foreign Assets

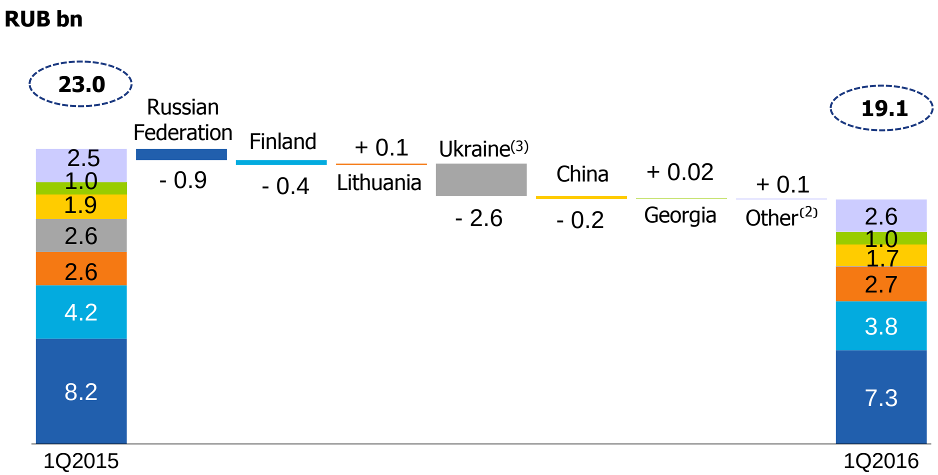
Trading: Revenue and EBITDA



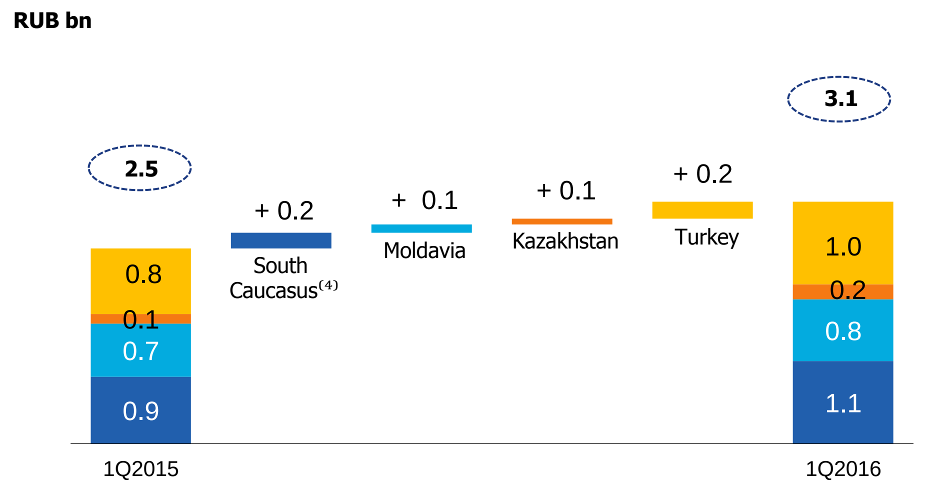
Foreign Assets: Revenue and EBITDA



Trading: Revenue contribution by country



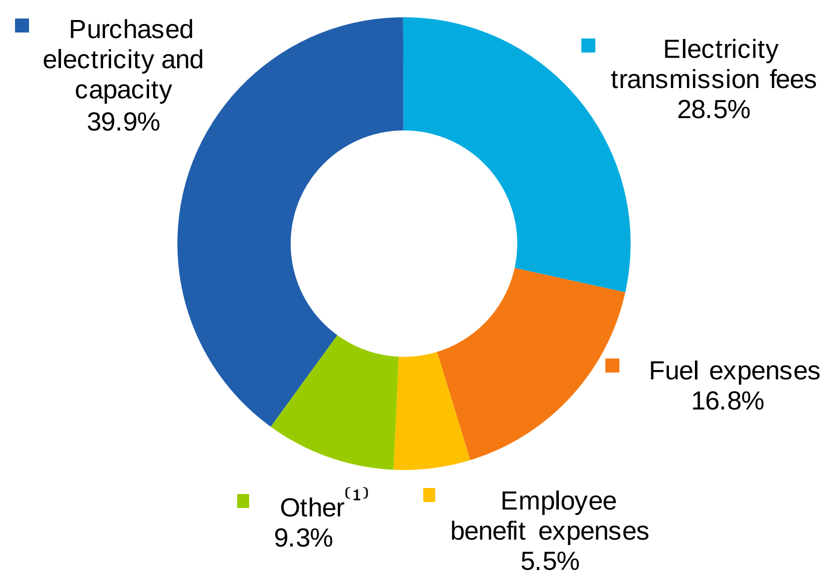
Foreign Assets: EBITDA contribution by country



(1) EBITDA margin calculation excludes inter-segment revenue (RUB 0.4 bn in 1Q 2015 and RUB 0.3 bn in 1Q2016).
(2) Kazakhstan, Belorussia, South Ossetia, Azerbaijan, Mongolia, Norway, Latvia, Estonia and Poland;
(3) Electricity trading with Ukraine in 1Q 2016 took place in order to support the parallel operation of power systems of the two countries and amounted to RUB 44 mln
(4) South Caucasus segment includes financial results of Georgia and Armenia

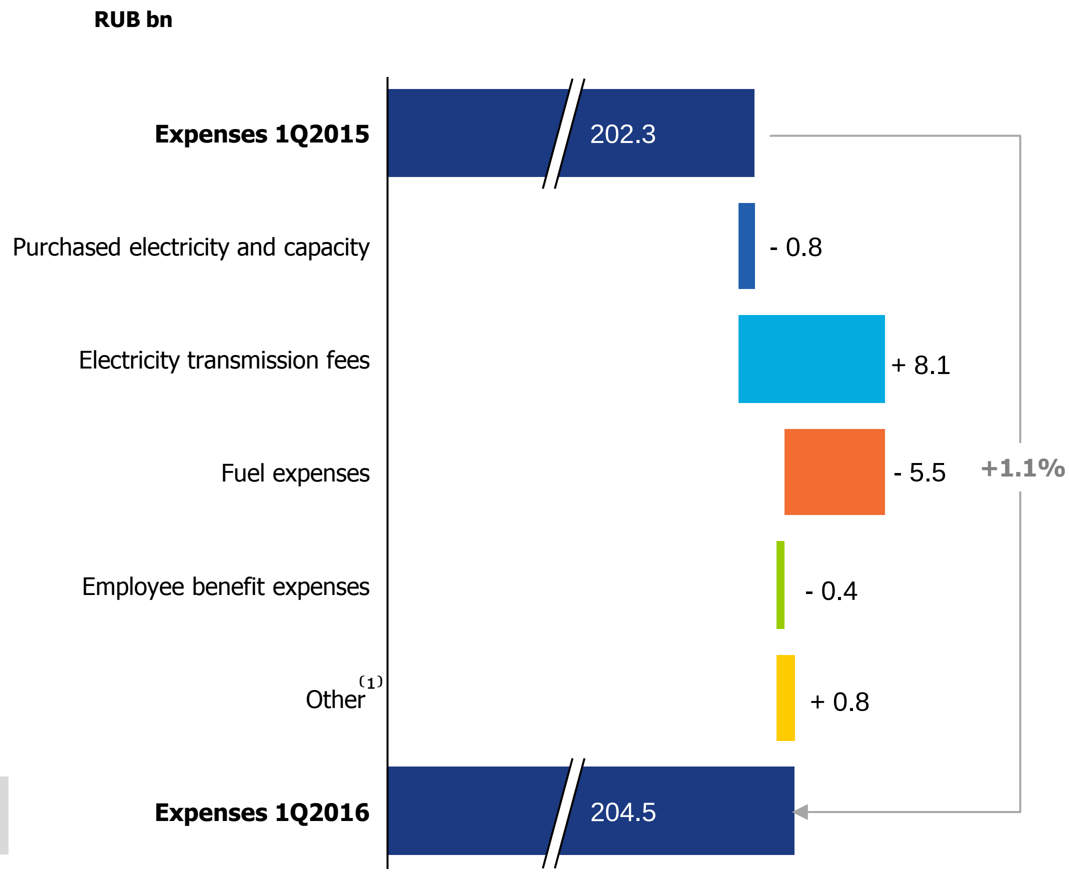
Consolidated Operating Expenses

OPEX breakdown



Consolidated operating expenses of Inter RAO Group for the 1Q2016 amounted to RUB 204.5 bn

OPEX dynamics



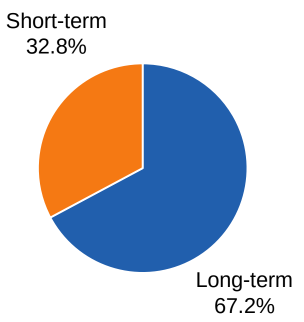
Consolidated revenue growth of Inter RAO Group for 1Q 2015 (+3.7% YoY) is exceeding the growth of consolidated operating expenses (+1.1% YoY)

(1) Other expenses include depreciation and amortization, provision for impairment of accounts receivables and other operating expenses

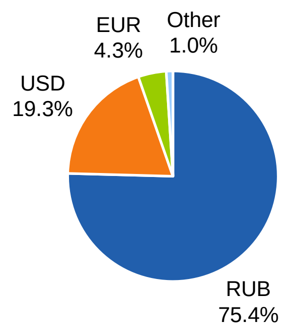
Debt and Liquidity Analysis(1)

Debt composition*

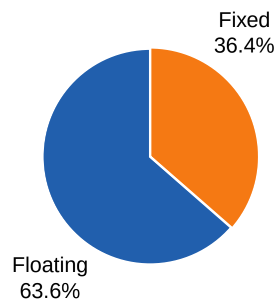
By maturity



By currency

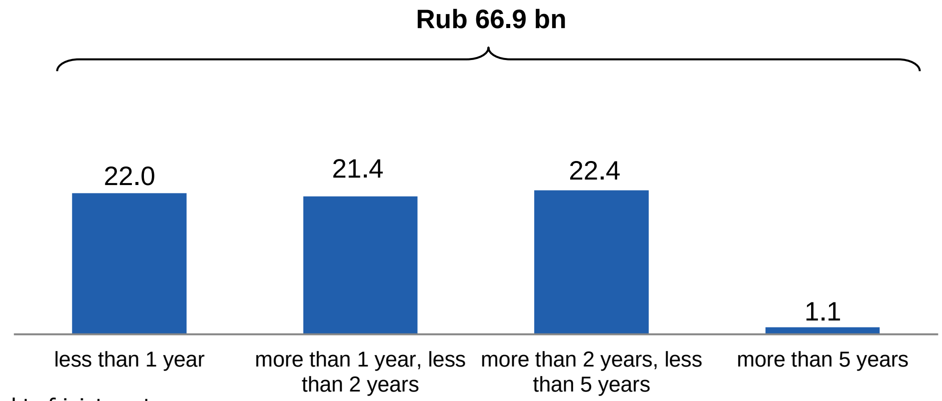


By percentage rate



Debt maturity profile*

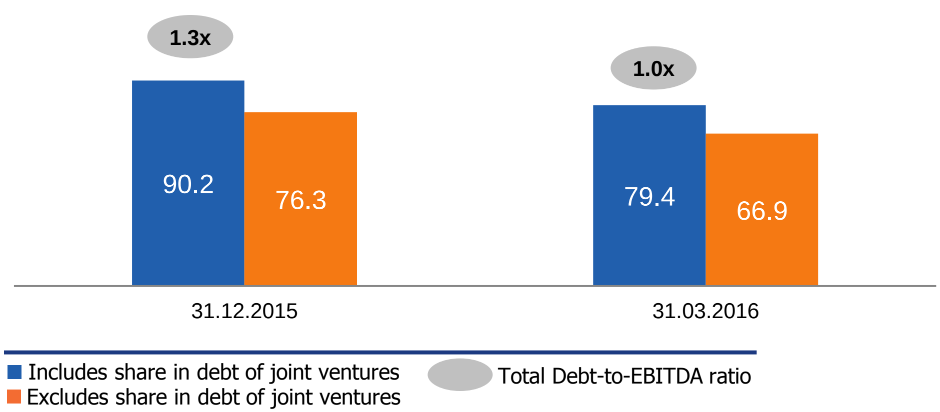
RUB bn



* excludes share in debt of joint ventures

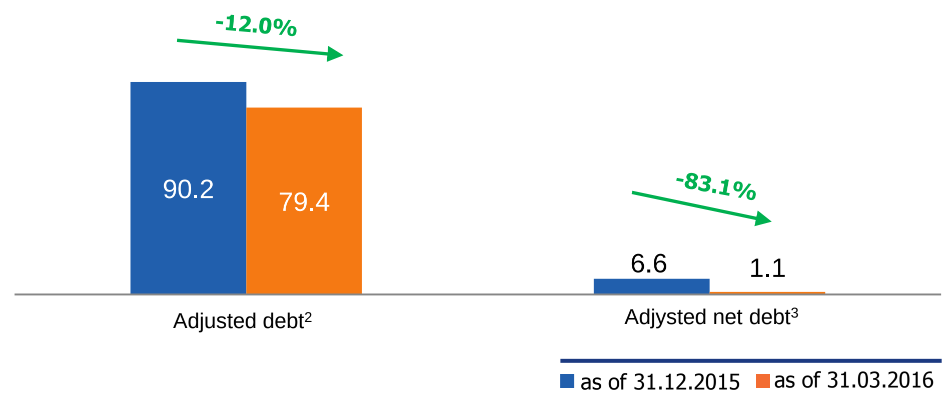
Total debt statistics(2)

RUB bn



Debt evolution

RUB bn



(1) *Includes financial lease*
(2) *Includes share in debt of joint ventures in the amount of RUB 12.5 bn as of 31.03.2016 (RUB 13.9 bn as of 31.12.2015)*
(3) *Includes cash deposits (3-12 months) in amount of RUB 17.2 bn as of 31.03.2016. (as of 31.12.2015 – RUB 17.8 bn) and share in debt of joint ventures in amount of RUB 12.5 bn as of 31.03.2016. (as of 31.12.2015 - RUB 13.9 bn)*

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V. Long-term Capacity Market

Achievements in implementation of the CDA concept: actual LTGL* yields in 2015

1 **THE CDA TERMS ENVISAGE A GUARANTEED RATE OF RETURN** calculated annually based on the sovereign bond yields in the preceding year in accordance with the methodology approved by the Russian Ministry of Economic Development

2 **Sovereign bond qualification criteria for calculating the LTGL:**	**Pre-change**	**Post-change**
1) Term to maturity to be not less than 8 years and not more than 10 years	In each trading day	As of 1 January
2) At least one transaction to be made with respect to such bond 3) The bond to be included into the MICEX list of liquid securities in 3Q of the previous year	No change	No change
4) In the absence of the appropriate sovereign bonds, the LTGB yield calculated for the year-earlier period to be adjusted using the monetary policy indicators	Refinancing rate	Bank of Russia's base rate

THE SITUATION IN 2015

- None of traded sovereign bonds met the term to maturity criteria **in each trading day**
- The refinancing rate has not been changed since 2012

POTENTIAL RISK THAT THE LTGL-BASED RATE OF RETURN MAY STAY AT THE 2015 LEVEL (8.934%) in spite of significant growth in sovereign bond yields versus 2014, pushed Russian generating companies to initiate certain amendments to be made to the regulatory framework.

In a very short time and because of productive efforts, the initiative has been approved by the Market Council's Supervisory Board, and on 23 December 2015 the Ministry of Economic Development made changes to the Sovereign Bond Yield Calculation Methodology, which allowed to apply the new selection criteria for calculating the LTGB-based ROR in 2016, as a result **THE LTGB-BASED ROR WAS DETERMINED TO BE 10.948%**

The guaranted CDAs investments rate of return in 2016 reached 16.6% (17.6%)**

THE ECONOMIC EFFECT for Inter RAO – Electricity Generation Group	**in 1Q2016 reached RUB 1.1 billion** (including RUB 1.2 billion of Nizhnevartovskaya GRES) **in 2016 is expected to be RUB 3.9 billion** (including RUB 4.3 billion of Nizhnevartovskaya GRES)

** long-term government liabilities (sovereign bonds)*
*** depends whether (or not) follow-on offerings take place in the process*

Achievements in implementation of the CDA concept: adjusted mechanism for calculating the day-ahead market coefficients (DAMCs)

Under existing CDA rules, **only a part of the total investment project cost is compensated to a capacity supplier**, the rest is to be compensated from the profit on sales in the electricity market.

The RF Government Decree №238 establishes the base DAMCs. These coefficients determine the share of reimbursable costs in the capacity market and are subject to adjustment upon 3 years and 6 years from the commencement of capacity supply under the CDA.

Gas				Coal	
< 150 MW	150 – 250 MW	> 250 MW	II PZ	I PZ	II PZ
79%	75%	71%	90%	80%	95%

The adoption of the DAMCs Adjustment Methodology has been delayed and postponed from year to year, but in response to the pro-active stand of capacity suppliers, the Ministry of Energy approved the Methodology late in 2015.

The DAMCs Adjustment Mechanism was first applied in 2016, according to which the ratio of estimated forward-looking profit to necessary gross capacity sales revenue determined the new higher DAMCs levels.

		DAMCs	
		Base	Adjusted
Upon 3 years of supply	Unit 1 of Yuzhnouralsksya GRES-2	71%	84%
	Unit 8 of Cherepetskaya GRES	80%	94%
	CCGT of Urengoyskaya GRES	71%	86%
Upon 6 years of supply The last chance! to adjust the DAMCs for the remaining 4 years under the CDAs	Unit 3 of Kashirskaya GRES (modernization)	85%	99%
	Unit 3 of Sochinskaya TPP	79%	79%

THE ECONOMIC EFFECT for Inter RAO – Electricity Generation Group	in 1Q 2016 reached RUB 685 million in 2016 is expected to be RUB 3.0 billion

V. Q&A session