



Inter RAO Group 2018 Consolidated Financial and Operating Results

4 March 2019

Key Factors Affecting Group's Financial Performance

1

GENERATION IN THE RUSSIAN FEDERATION:

- Commissioning of 1 790 MW of new and modernized power generation capacity under the Capacity Delivery Agreements (CDA);
- Commissioning of 543 MW of Kaliningrad Generation;
- Capacity payments under CDA grew due to increased payments that include delta CDA and due to day-ahead market coefficients increase for a number of units since 1 Jan. 2018
- Pricing environment on the day-ahead market (DAM): Electricity price depreciation in the 1st pricing zone (by 0.3%) and an increase in the 2nd pricing zone (3.3% YoY increase in electricity prices);
- Heat tariffs across Russian assets of the Group increased; lower average air temperature in the regions where the stations are present YoY.

2

SUPPLY IN THE RUSSIAN FEDERATION:

- Electricity prices for end-users have increased on average due to the growth of regulated (grid tariff) and non-regulated components (CDA for TPP, Renewables, NPP, as well as supply margin increase for the balancing of tariffs in the Far-Eastern Federal District);
- 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 increased to Finland by 37.0%, Lithuania by 41.0% and import from Kazakhstan decreased by 15.9% YoY;
- The increase in the price of the Nord Pool electricity exchange in Lithuania and Finland;
- Weakening of the national currency against the currencies of major export power supply contracts: 7.5% YoY against USD , and 12.2% YoY against EUR, on an average.

4

FOREIGN ASSETS:

- The increase in the price paid for the available electrical capacity of Trakya Elektrik, decreased load due to system operator schedule and planned repairs
- Increase in the average tariff for electricity sales of JSC Telasi;
- Increased electricity supplies to Moldova YoY.



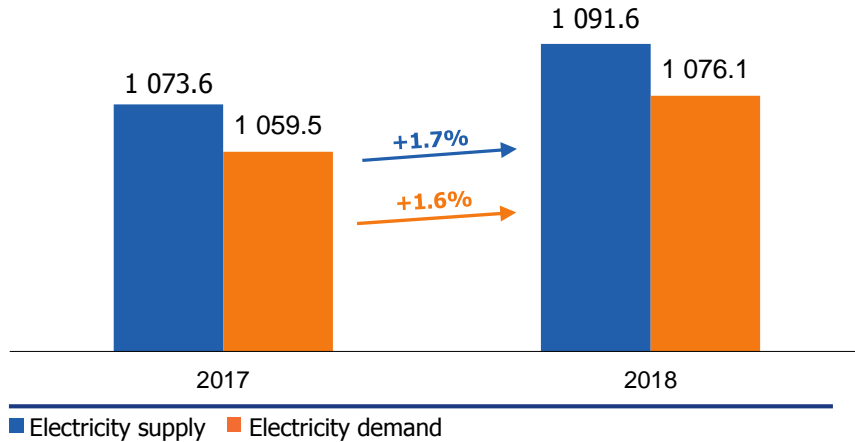
I. Operational Performance Results and Operating efficiency



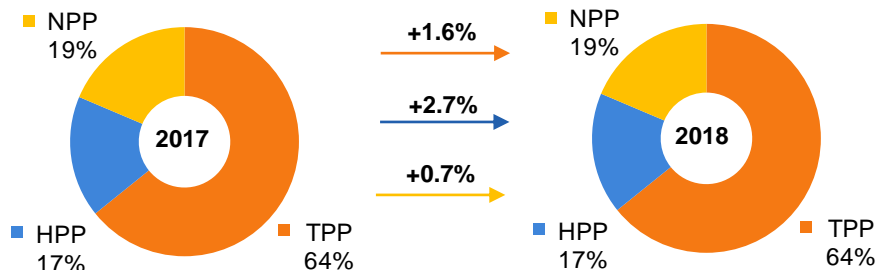
Electricity market conditions in Russian Federation in 2018 ⁽¹⁾

Electricity supply and demand dynamics in Russian Federation

TWh



Load breakdown dynamics of power plants in Russian Federation



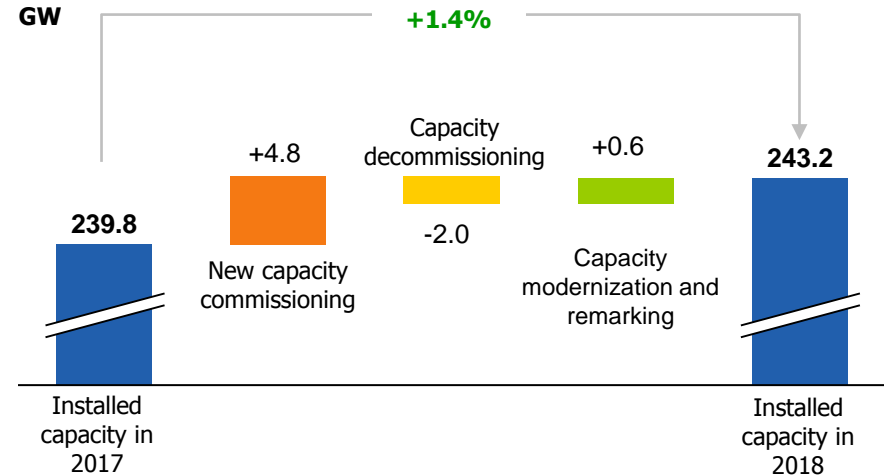
→ Electricity production dynamics by type of power plant

(1) System Operator of United Energy System of Russian Federation

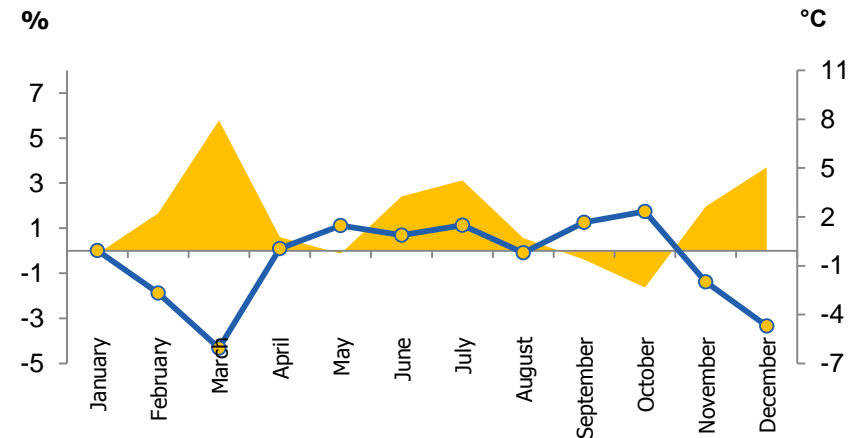
Inter RAO Group 2018 Consolidated Financial and Operating Results

Commissioning and decommissioning of power generating capacity in United Energy System of Russian Federation

GW

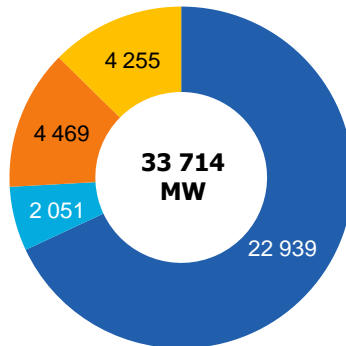


Temperature factor influence

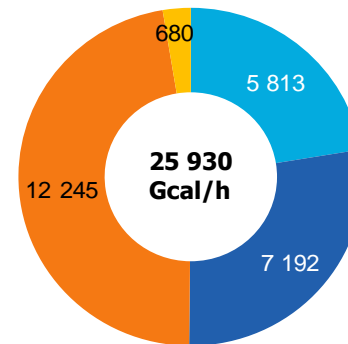


Electricity and Heat Generation

Installed Electric Capacity

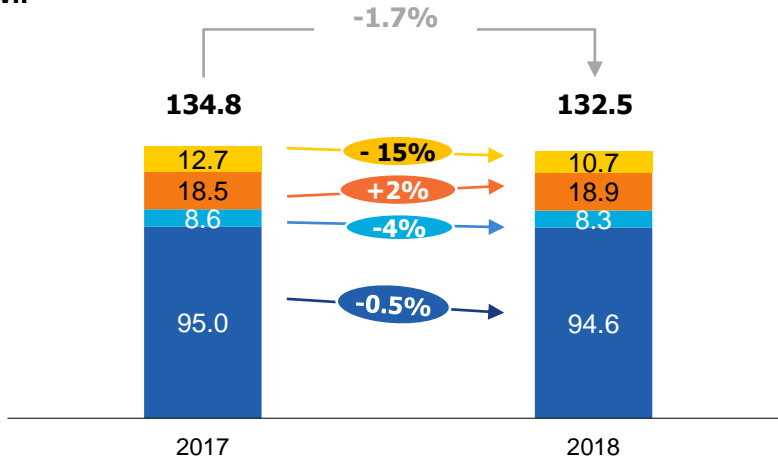


Installed Heat Capacity



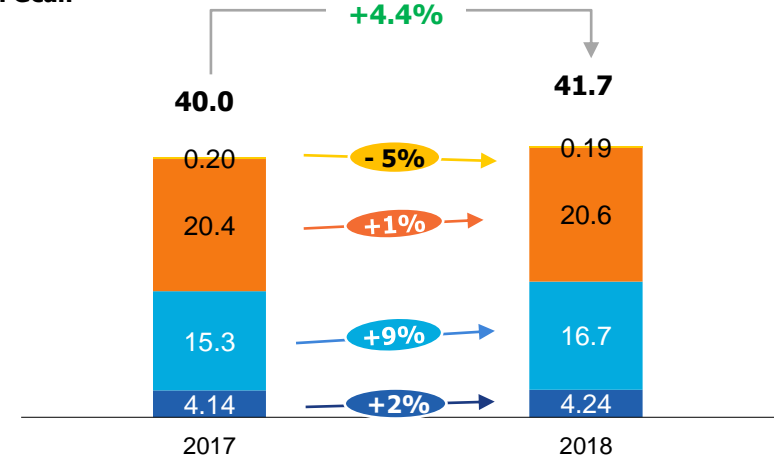
Electricity generation

TWh



Heat generation

Mln Gcal.

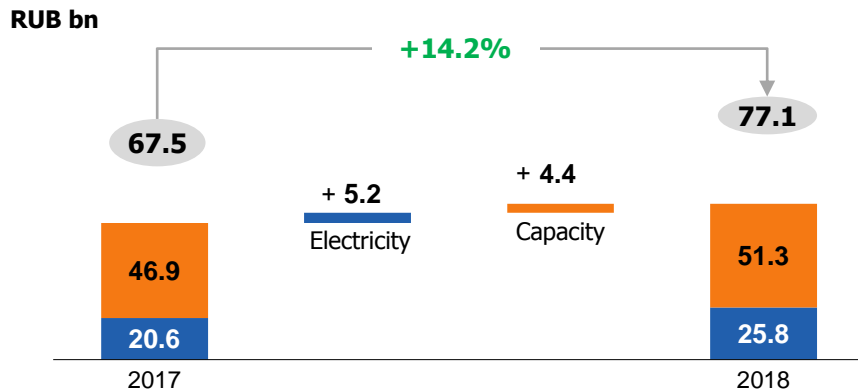


■ INTER RAO – Electricity Generation Group ■ TGK-11 Group ■ BGC Group ■ Foreign Generation — #% — Electricity/heat production dynamics

Electricity generation decreased due to optimization of inefficient generation assets

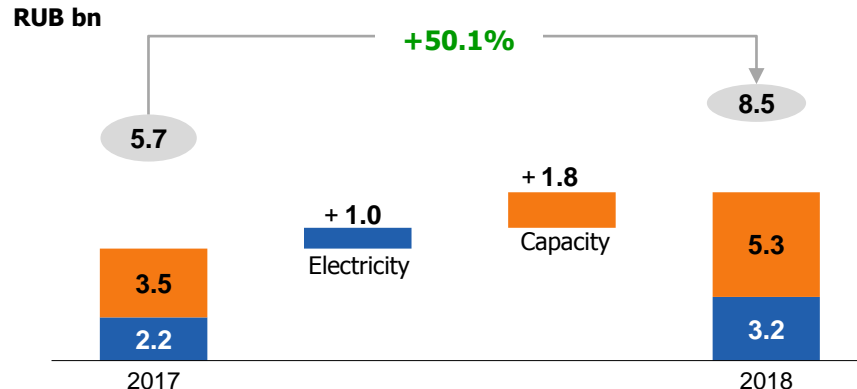
Increased Operational Efficiency in Electricity and Heat Generation Segments

Increased Revenue Bridge for CDA Units of Electricity Generation Segment ⁽¹⁾



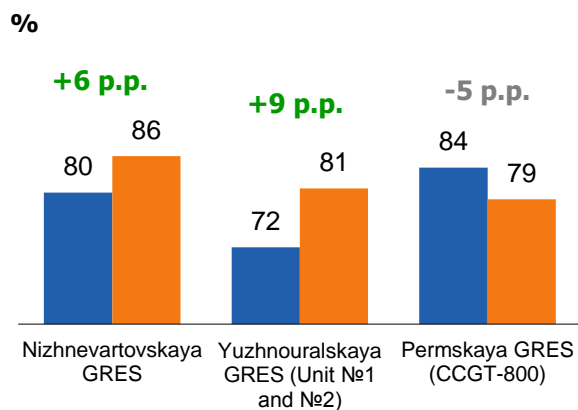
(1) Includes Inter RAO – Electricity Generation JSC and Nizhnevartovskaya GRES, revenue net of purchased electricity and capacity

Increased Revenue Bridge for CDA Units of Heat Generation Segment ⁽²⁾



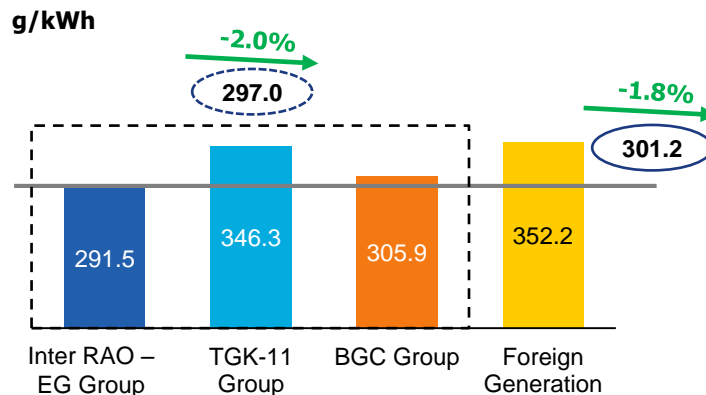
(2) Includes BGC, TGK-11 and Tomsk Generation, revenue net of purchased electricity and capacity

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



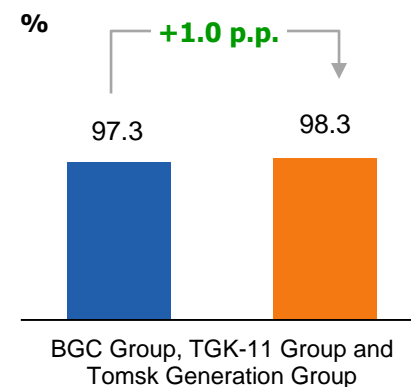
■ 2017 ■ 2018 % Change load factor

Fuel Consumption in Electricity Generation



- Electricity generation fuel efficiency for IRAO Group
- Electricity generation fuel efficiency for IRAO in Russia

Heat Payments Collection

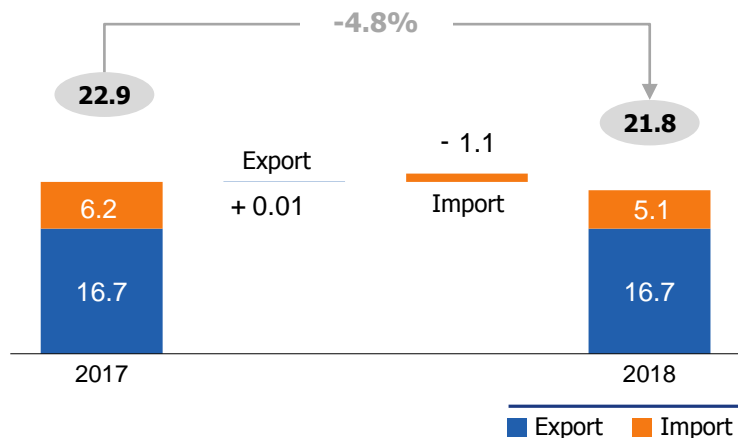


■ 2017 ■ 2018 % Change

Efficiency in Trading Business

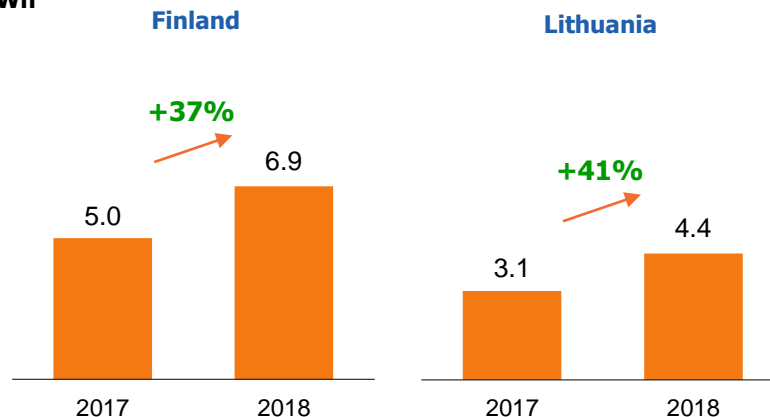
Export / Import Volumes

TWh



Main areas of export growth

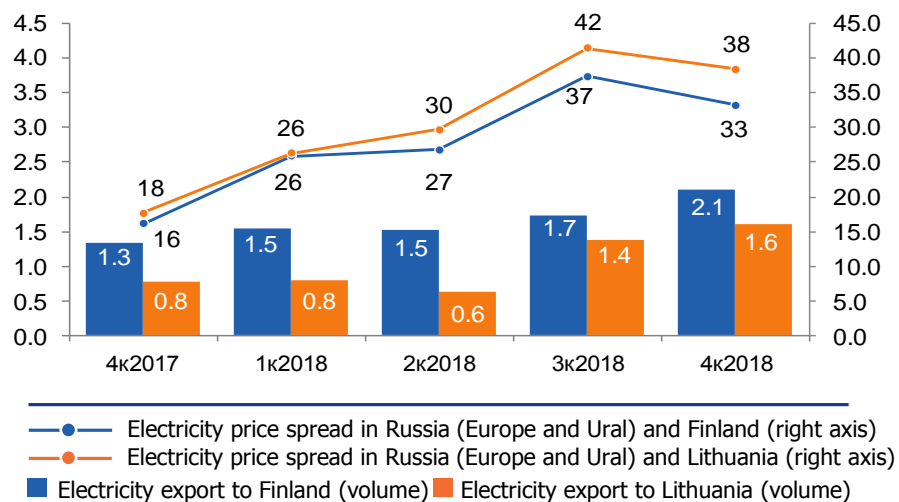
TWh



Electricity Export Dynamics and Price Spread

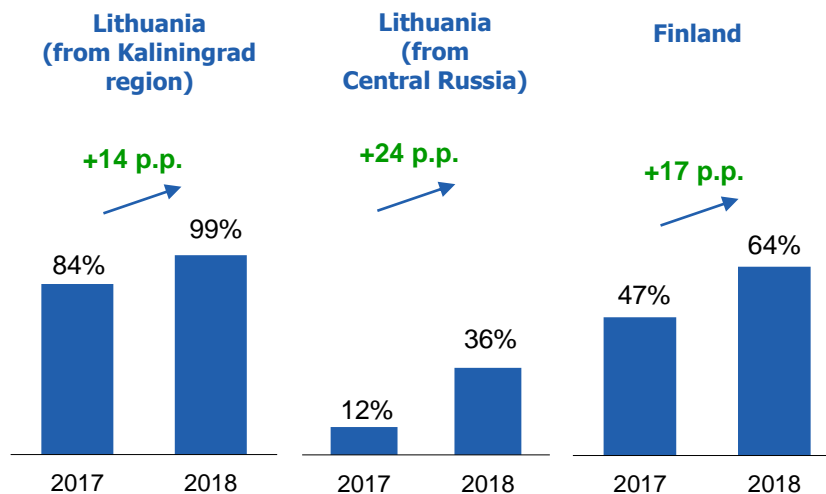
TWh

€/MWh



Using existing network bandwidth

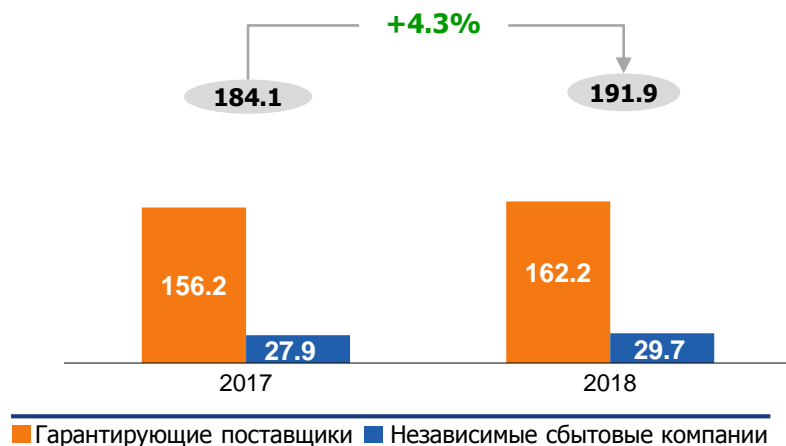
Export share in relation to network bandwidth, %



Increased Operational Efficiency in Supply Business

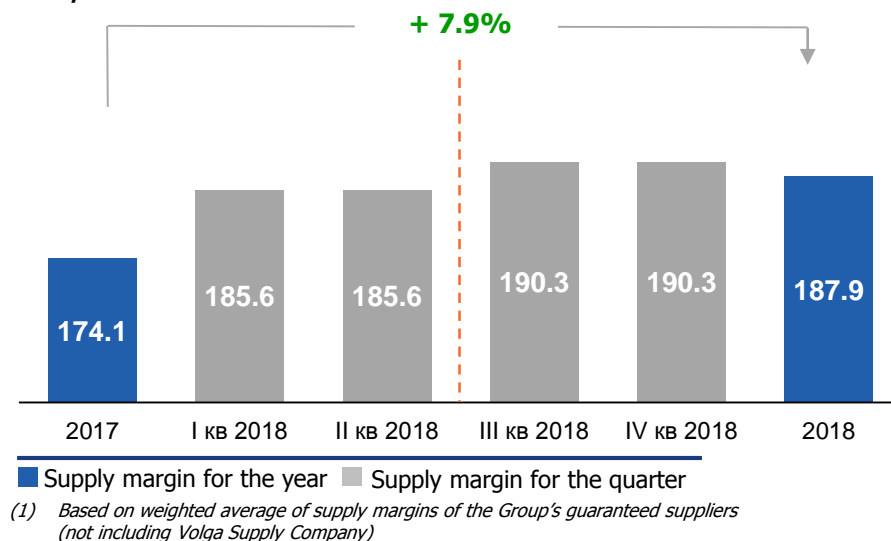
Electricity Supply to Customers

TWh



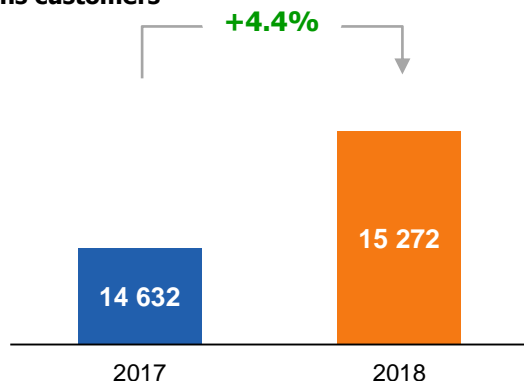
Supply Margin of Guaranteed Suppliers Dynamics⁽¹⁾

RUB/MWh



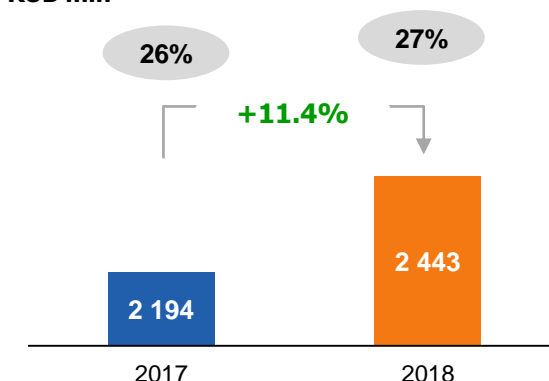
Customer Base

thousands of customers



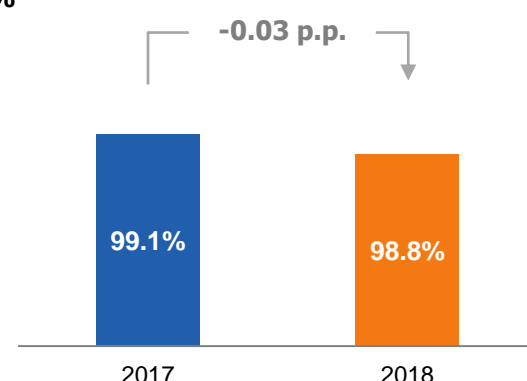
Marginal profit from PS dynamics

RUB mln



Payments Collection of Guaranteed Suppliers

%



x EBITDA Margin %

Main focus on operational efficiency increase in 2019



1

Electricity Generation Business

- Timely commissioning of power units No. 3 and 4 at Pregolskaya TPP (Kaliningrad region) with a total installed capacity of ~ 228 MW;
- Timely commissioning of the power unit No. 1 at Primorskaya TPP (Kaliningrad region);
- Transfer of power units No. 1 and 2 at Sochinskaya TPP to peak operation with payment of daily by-passes;
- Continuing to optimize the loading of generating equipment;
- Decommissioning of 600 MW of inefficient generating capacity at Kashirskaya GRES. Preparing for decommissioning of another 980 MW of capacity at Kashirskaya GRES;
- Continued optimization of the time of repair sites without reducing the amount of work, postponement of repairs of high-performance equipment from periods of high margins;
- Formation of the optimal fuel balance in order to minimize the cost of electricity production;
- Execution of "Lean Production" projects to reduce heat losses on HF and HN, steam / condensate losses, reduction of other types of losses.



2

Heat Generation Business

- Continuing measures to reduce the level of losses in heat networks;
- Strengthening claim work with debtors in the heat market;
- Transition to direct contractual relations with end users of public services in order to increase cash collection;
- The implementation of measures to work with receivables for energy supplied;
- Increase in heat supply, including in terms of collector consumers using the free contract price mechanism;
- Updating heat supply schemes in regions of presence, maintaining the status of a unified heat supply organization;
- Development of regulatory documents in order to develop and improve the regulatory regime;
- Analysis of possibilities for concluding concession agreements in heat supply in order to modernize assets;
- Assessment of feasibility of transition to alternative models of tariff regulation (alternative boiler house, reference costs).



3

Supply Business

- Implementation of the project to modernize unified billing system for settlements with legal entities;
- Implementation of the CRM system for legal entities in the pilot zone;
- Completion of "Unified billing for legal entities", "Forsazh" projects;
- Mobile application "private profile" for legal entities in the pilot zone;
- Creation of a center of competence for supply companies of Inter RAO Group in order to identify the main trends and technical solutions for the development of the company's electricity sales activities in the field of digital transformation;
- Introduction of a service for electronic contracts signing with legal entities and individuals;
- Development of self-service capabilities in IVR (automation of explanations on debt, automation of consulting on paid services, algorithms to encourage subscribers to use IVR);
- The introduction of an information analytical system;
- Development of chatbot capabilities, including chatbot output to social networks, social networking messengers and business process robotization.



II. IFRS Financial Results



Key Financials

<i>RUB bn</i>	2018	2017	Change
Revenue	962.6	869.2	10.7%
Operating expenses	885.8	821.8	7.8%
Operating profit	87.3	56.2	55.2%
EBITDA	121.3	97.6	24.2%
<i>EBITDA margin</i>	12.6%	11.2%	12.2%
Free cash flow	67.1	50.9	31.9%
Net profit	71.7	54.7	31.1%
CAPEX	25.8	31.5	-18.2%

<i>RUB bn</i>	31.12.2018	31.12.2017	Change
Total assets	728.6	639.1	14.0%
Total equity	485.5	461.5	5.2%
Loans and borrowings	9.7	16.2	-39.7%
Lease liabilities⁽¹⁾	50.1	12.7	3.9 times
Net debt⁽²⁾	-166.7	-135.5	-

Please note:

-all relative percentage changes are shown in accordance with calculations in mln. RUB

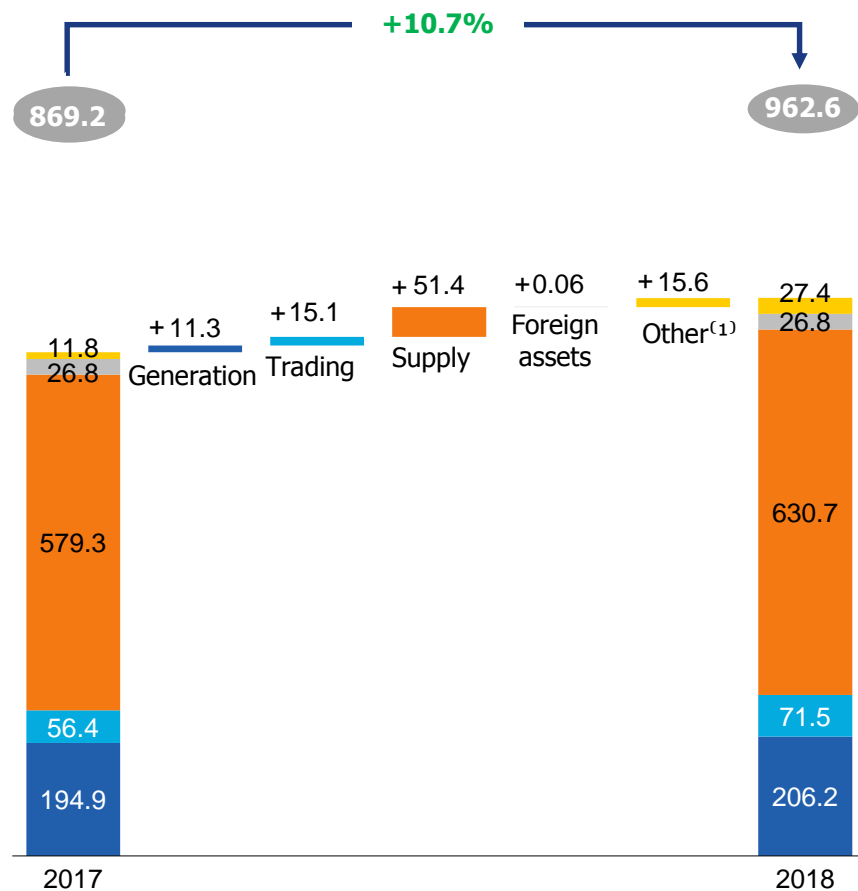
(1) Due to IFRS 16 "Lease" standard in statement of financial position as of 31.12.2017 we recognize lease liabilities in amount of RUB 12.3 bn. Total lease liabilities figure including share in lease liabilities of joint ventures amounted to RUB 12.7 bn. (As of 31.12.2018 we recognize lease liabilities in amount of RUB 49.7 bn. Total lease liabilities figure including share in lease liabilities of joint ventures amounted to RUB 50.1 bn.)

(2) Includes cash deposits (3-12 months) in amount of RUB 72.8 bn as of 31.12.2018 (as of 31.12.2017 – RUB 22.3 bn) and lease liabilities (including share in lease liabilities of joint ventures) in amount of RUB 50.1 bn as of 31.12.2018 (as of 31.12.2017 - RUB 12.7 bn)

Evolution of key financials

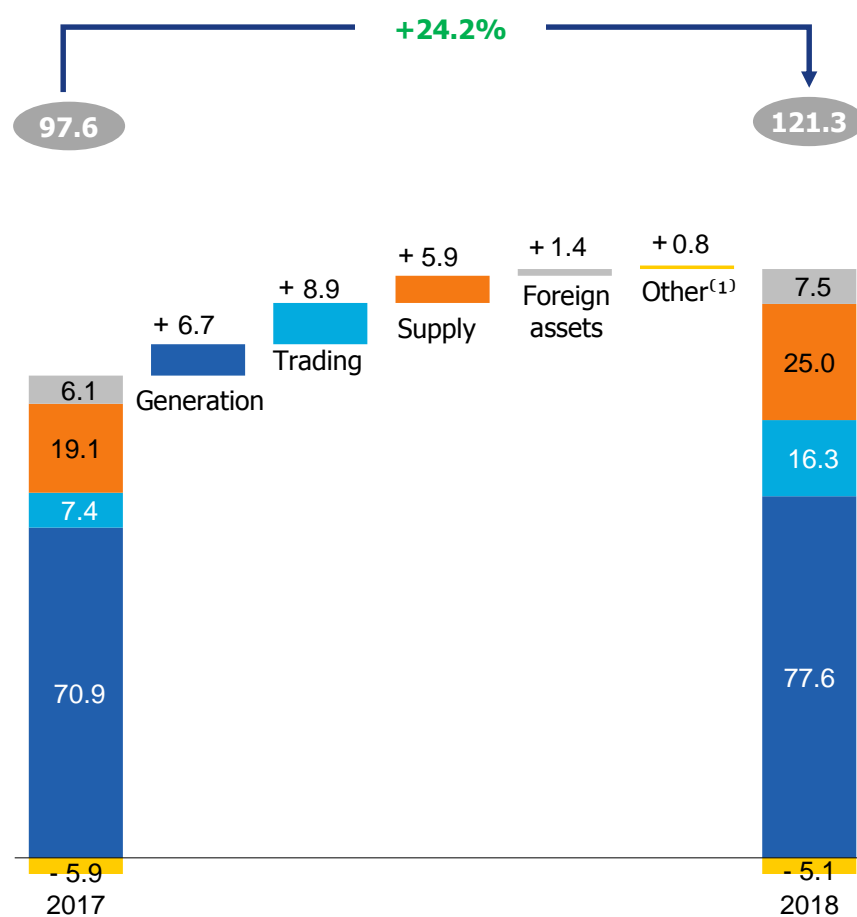
Revenue bridge

RUB bn



EBITDA bridge

RUB bn



Please note:

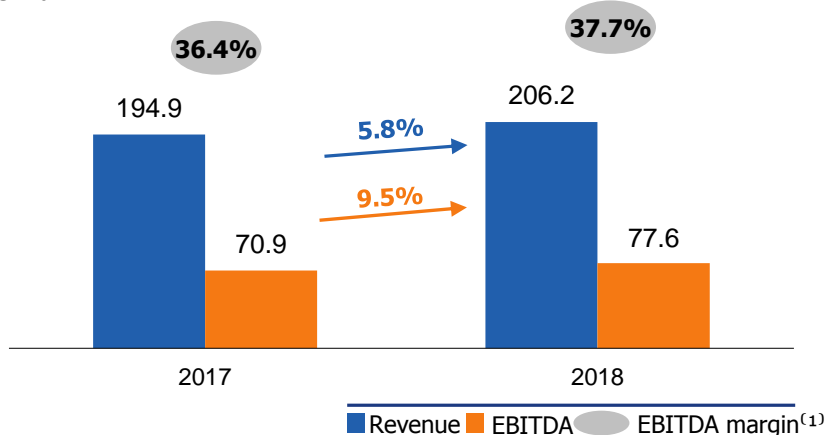
Generation includes financial results from the Electricity Generation and Heat Generation segments

(1) «Includes the segments Engineering and Corporate Centre

Key Segments: Generation

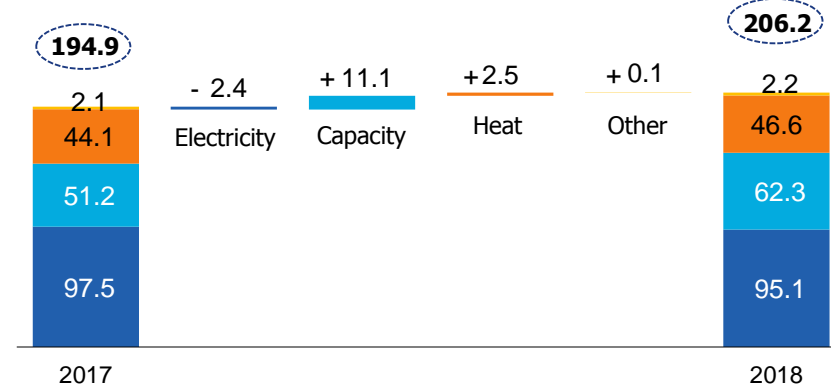
Revenue and EBITDA

RUB bn



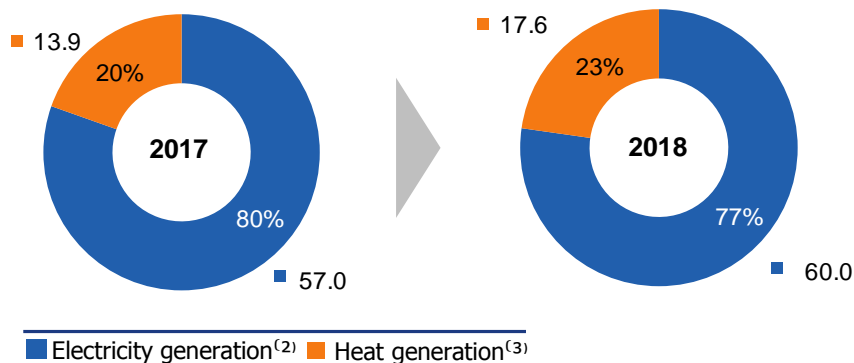
Revenue breakdown

RUB bn



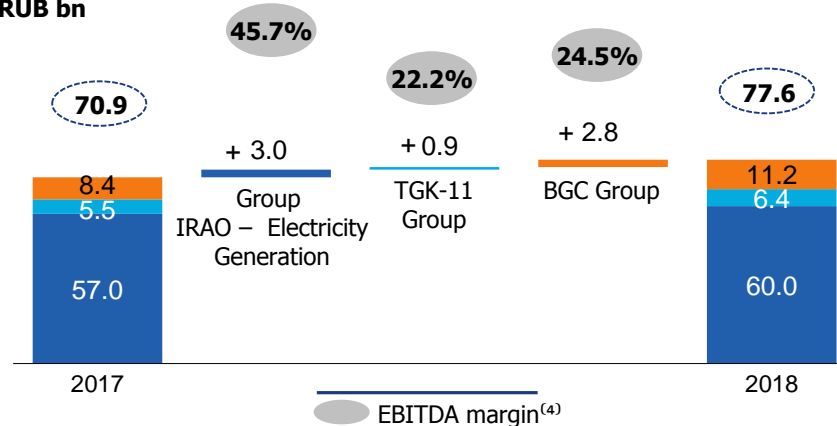
EBITDA structure

RUB bn



EBITDA contribution by company

RUB bn



(1) EBITDA margin calculation excludes inter-segment revenue (RUB 55.6 bn in 2017 and RUB 61.4 bn in 2018)

(2) Electricity generation sub segment includes financial results of Inter RAO – Electricity Generation Group

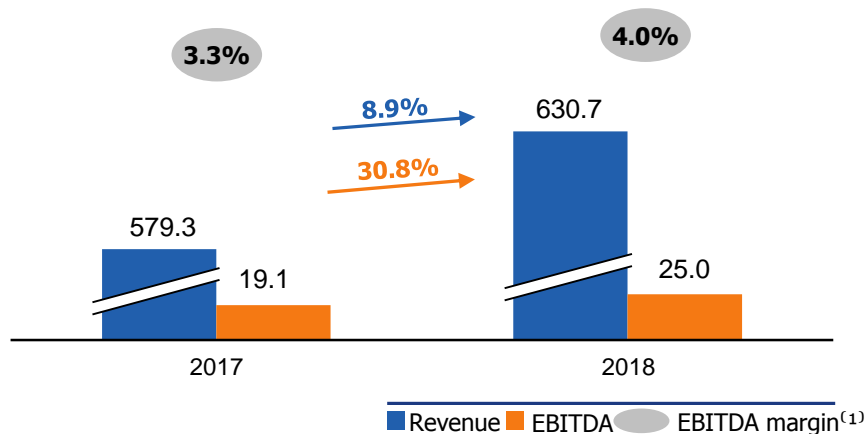
(3) Heat generation sub segment includes financial results of TGK-11 Group and BGC Group

(4) EBITDA margin calculation excludes inter-segment revenue in 2018 (Inter RAO – Electricity Generation Group – RUB 46.0 bn; TGK-11 Group – RUB 3.9 bn; BGC Group – RUB 11.5 bn.)

Key Segments: Supply

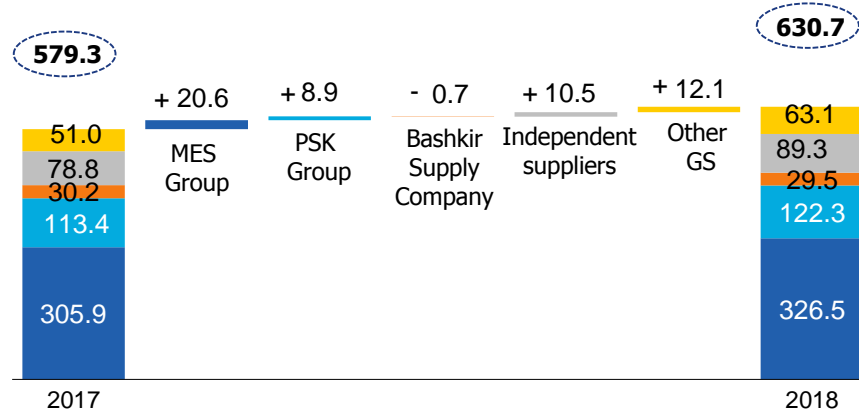
Revenue and EBITDA

RUB bn



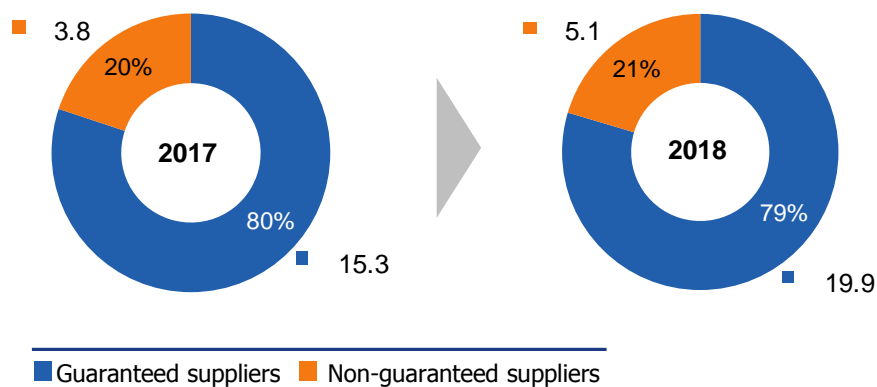
Revenue contribution by company

RUB bn



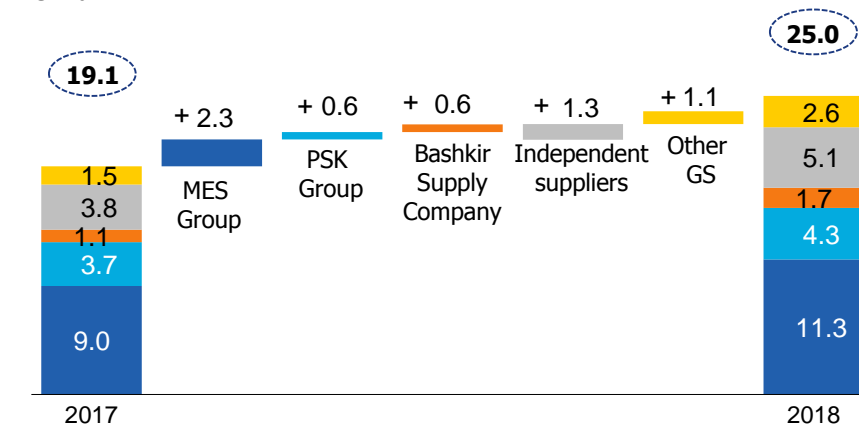
EBITDA structure

RUB bn



EBITDA contribution by company

RUB bn

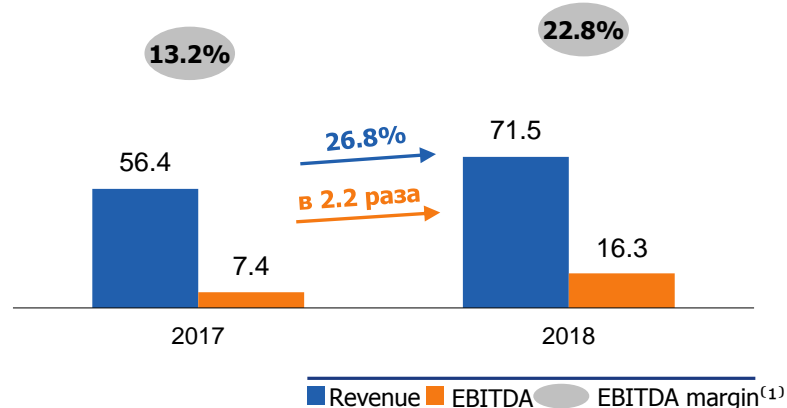


(1) EBITDA margin calculation excludes inter-segment revenue (RUB 1.5 bn in 2017 and RUB 1.7 bn in 2018)

Key Segments: Trading and Foreign Assets

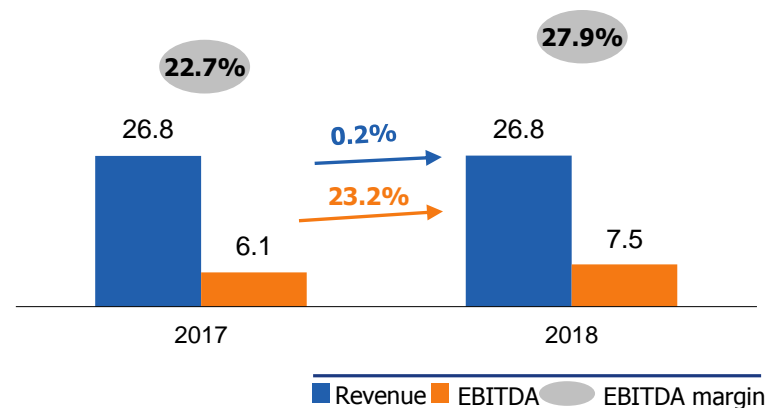
Trading: Revenue and EBITDA

RUB bn



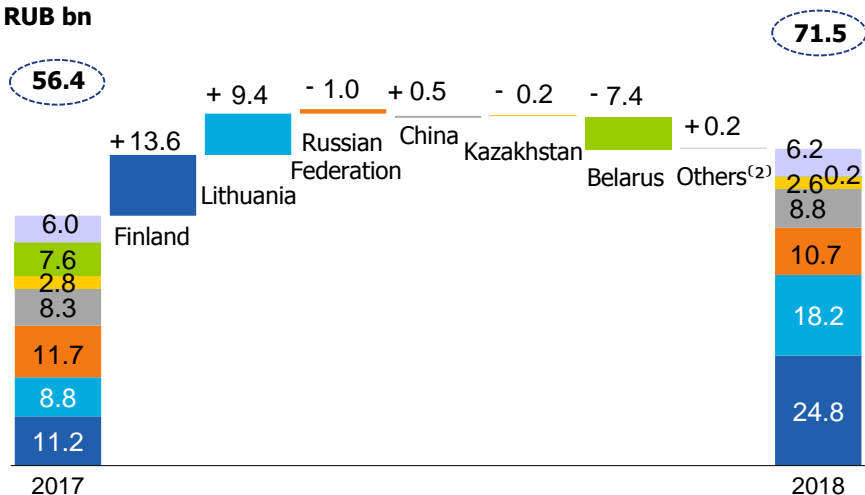
Foreign Assets: Revenue and EBITDA

RUB bn



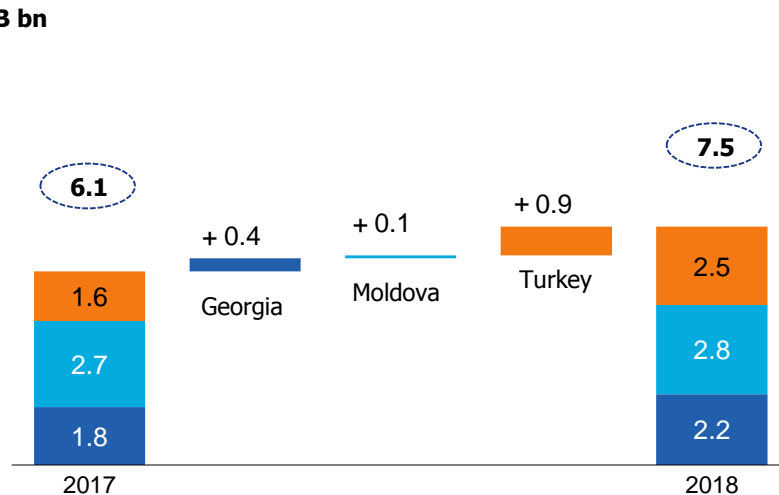
Trading: Revenue contribution by country

RUB bn



Foreign Assets: EBITDA contribution by country

RUB bn

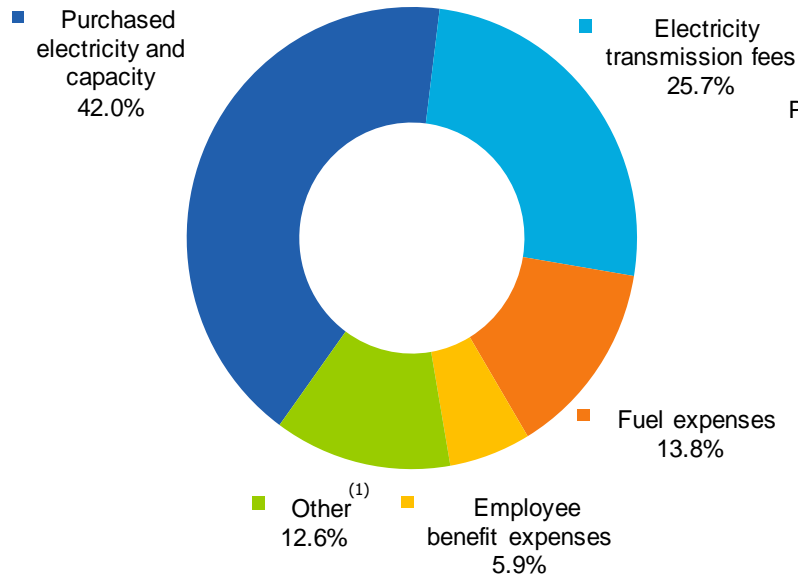


(1) EBITDA margin calculation excludes inter-segment revenue (RUB 2.3 bn in 2017 and RUB 2.1 bn in 2018)

(2) Georgia, Azerbaijan, Mongolia, Norway, Latvia, Estonia, Ukraine and Poland

Consolidated Operating Expenses

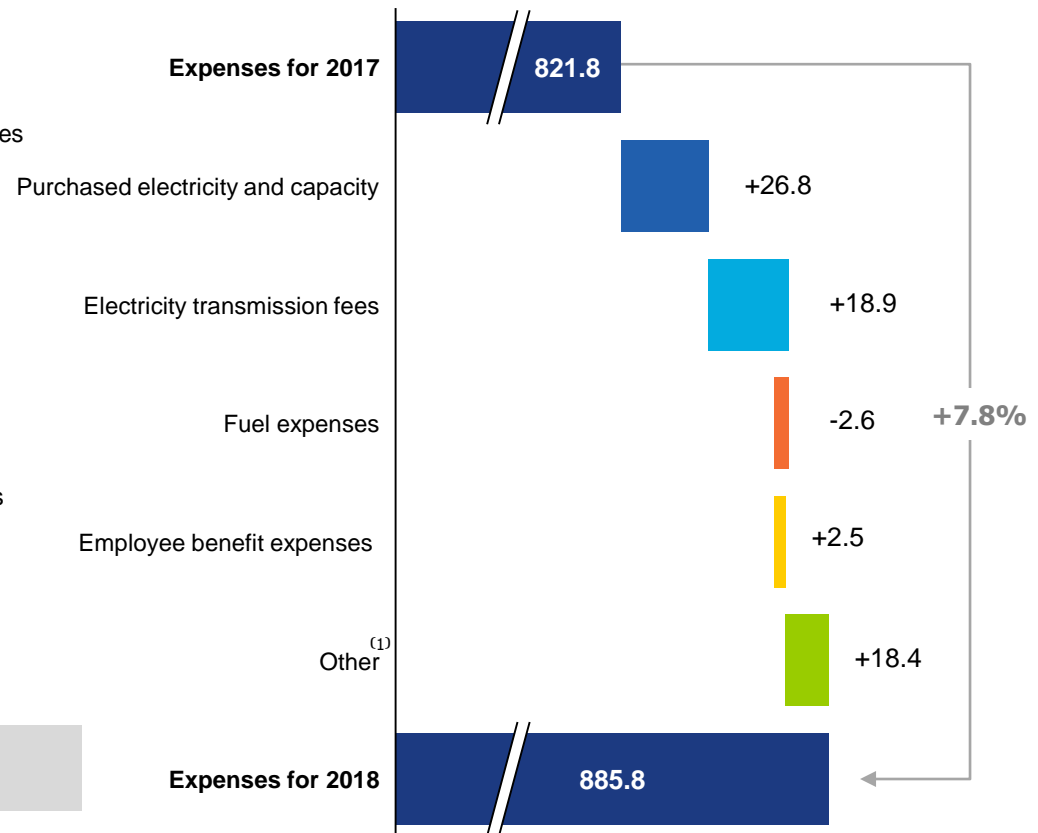
OPEX breakdown



Consolidated operating expenses of Inter RAO Group for the 2018 amounted to RUB 885.8 bn

OPEX dynamics

RUB bn

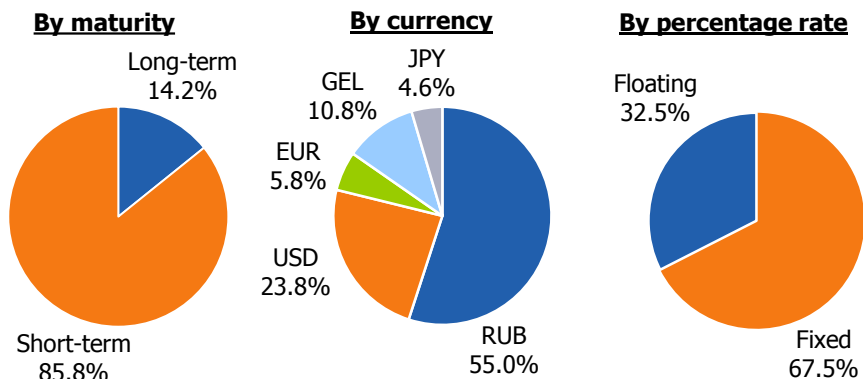


Consolidated revenue growth of Inter RAO Group for 9M 2018 (+10.7% YoY) exceeds the growth of consolidated operating expenses (+7.8% YoY)

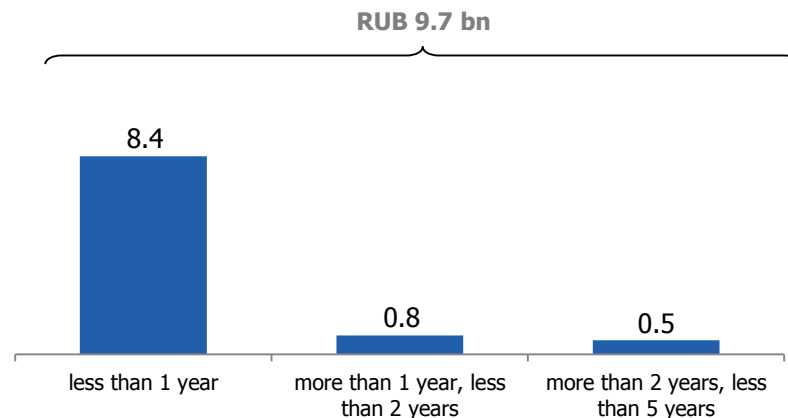
⁽¹⁾ Other expenses include depreciation and amortization, provision for impairment of accounts receivables, construction contracts expenses and other operating expenses

Debt and Liquidity Analysis

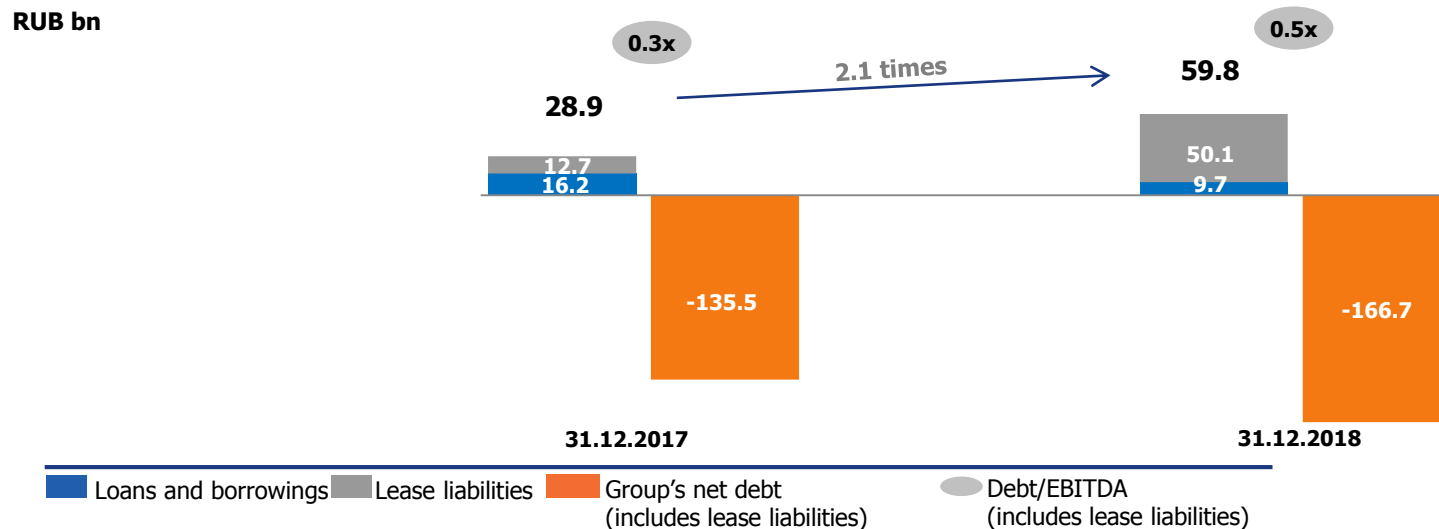
Loans and borrowings composition ⁽¹⁾



Loans and borrowings maturity profile ⁽¹⁾



Total debt statistics ⁽²⁾



(1) Excluding lease liabilities and share in debt of joint ventures

(2) Includes debt and lease liabilities in joint ventures as of 31.12.2018 in amount of RUB 0.4 bn (lease liabilities of joint ventures as of 31.12.2017 – RUB 0.4 bn) and cash deposits (3-12 months)



Q&A session

