



## **Inter RAO Group 1Q 2015 Consolidated Financial and Operating Results**

28 May 2015



# Key Factors Affecting The Group's Financial Performance



## GENERATION:

- Commissioning of 1.2 GW of new and modernized power capacity under CDA since 1 April 2014
- Favorable domestic market conditions: stable electricity prices on the Day-ahead market in the 1<sup>st</sup> price zone and 42.9% price increase YoY in the 2<sup>nd</sup> price zone
- KOM's capacity prices in the wholesale market went down by 20.3% YoY
- Heat tariffs increased 11.6% YoY



## SUPPLY:

- Regional expansion and client base increase in guaranteed supply companies and independent supply companies



## TRADING:

- Increased trading operations with Finland (by 2.5 times) and Lithuania (by 36%) YoY due to favorable market conditions
- Russian national currency decreased in relation to currencies of major export contracts: 79.8% decrease in relation to USD and 47.4% decrease in relation to EUR YoY



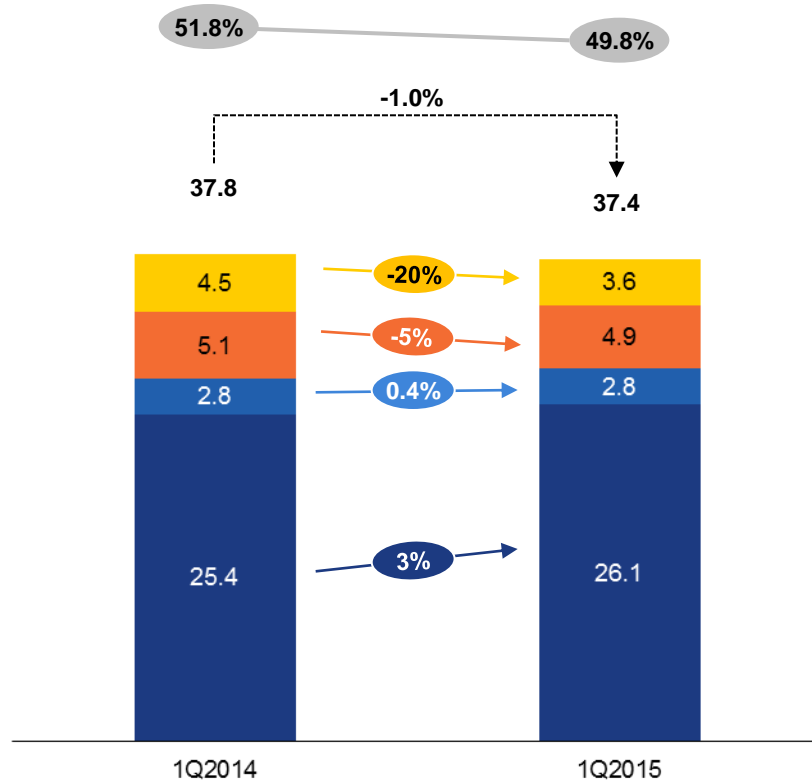
## I. Operational Performance Results



# Electricity And Heat Production

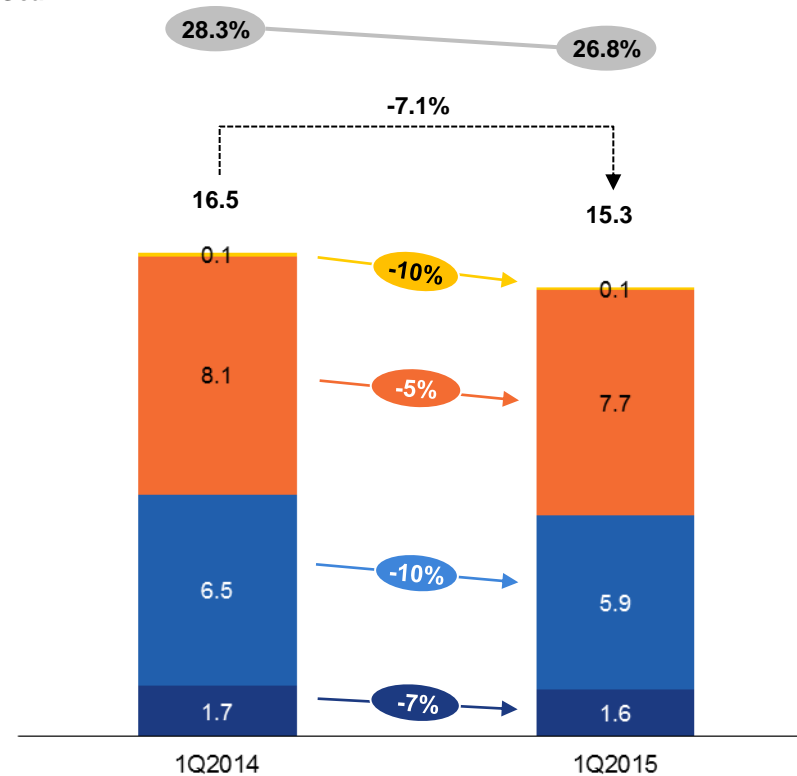
## Electricity Production

TWh



## Heat Production

Mln Gcal.



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

Electricity production decrease due to general downward trend in electricity demand in Russian Federation alongside with optimization of inefficient generation assets of Inter RAO Group

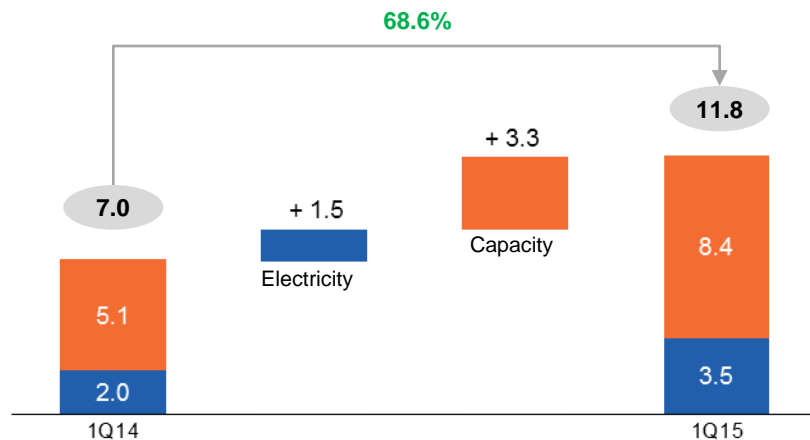


# Efficiency Increase of Electricity Generation<sup>(1)</sup>

## New generating capacity (CDA)

RUB bn

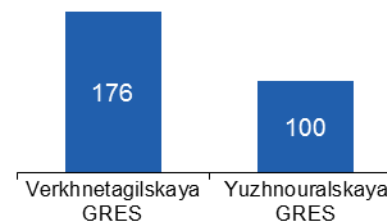
### Revenue bridge of CDA objects<sup>(1)</sup>



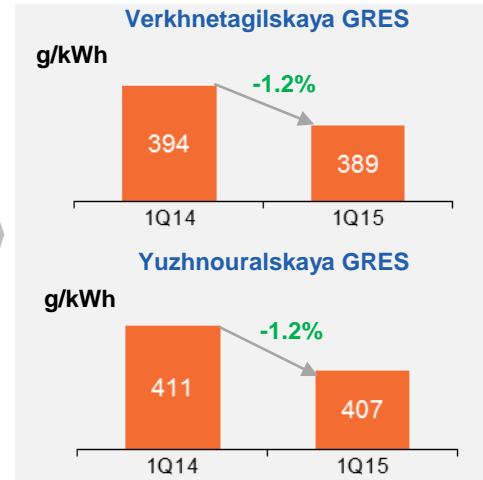
## Generating capacity

### Decommissioning of inefficient capacity<sup>(2)</sup>

MW

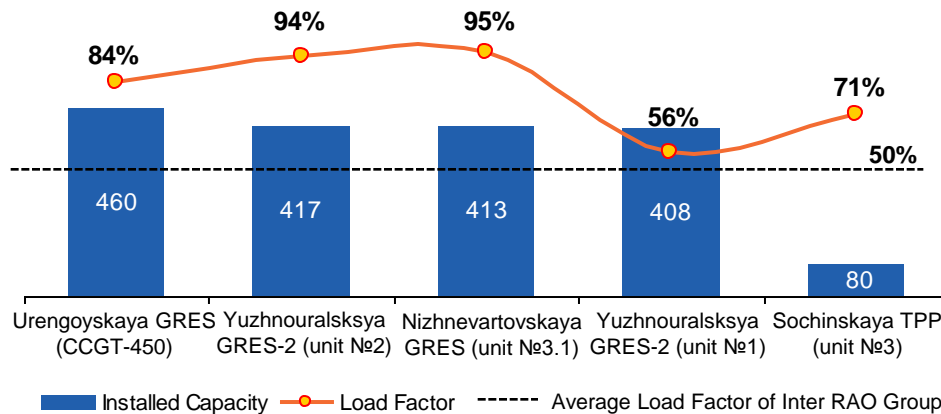


### Fuel efficiency increase<sup>(3)</sup>



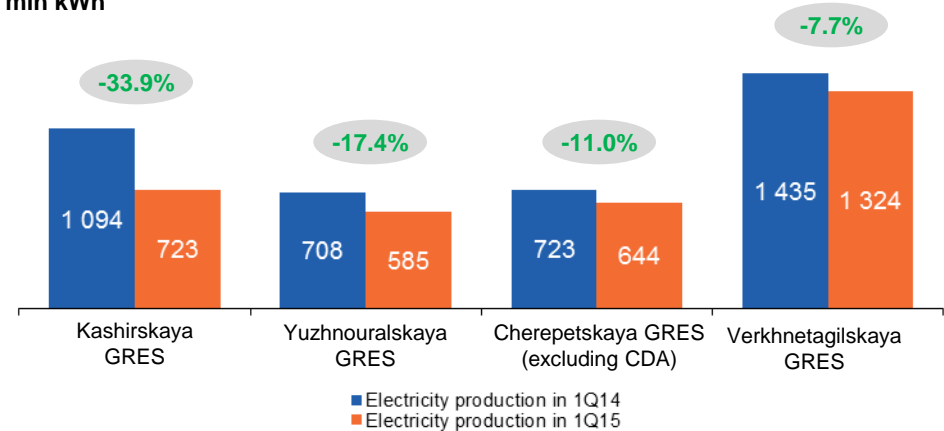
### Efficient load of new power units

MW



### Load decrease of inefficient generation

mln kWh



(1) «IRAO – Electricity Generation» and «Nizhnevartovskaya GRES»

(2) From 1<sup>st</sup> January 2015

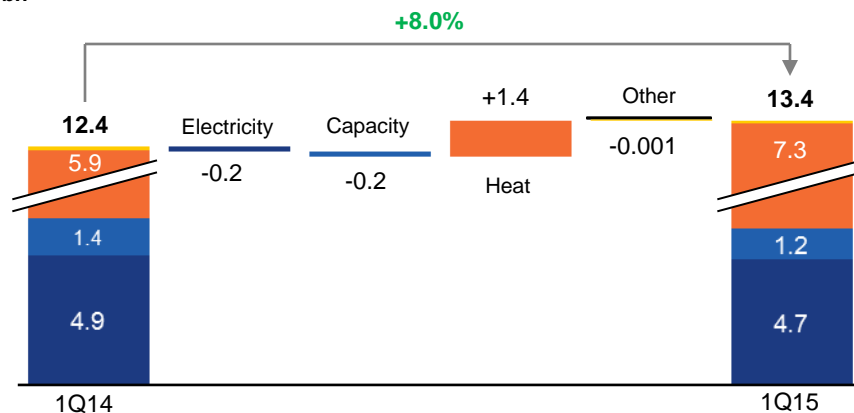
(3) In terms of fuel efficiency rate decrease for electricity production



# Efficiency Increase of Heat Generation<sup>(1)</sup>

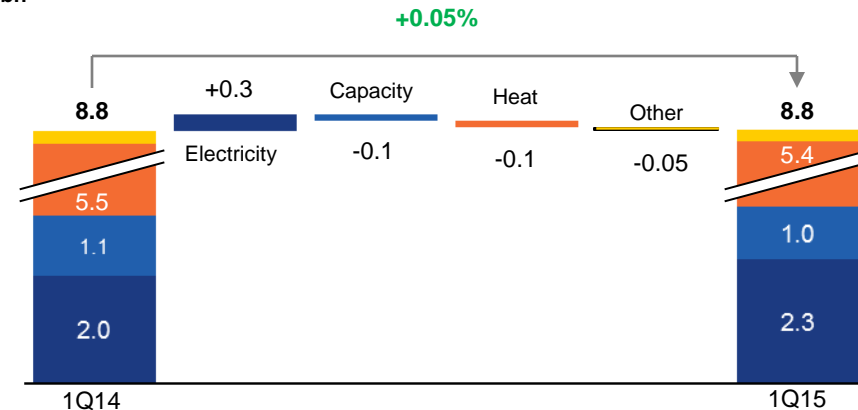
## Revenue bridge of BGC Group

RUB bn



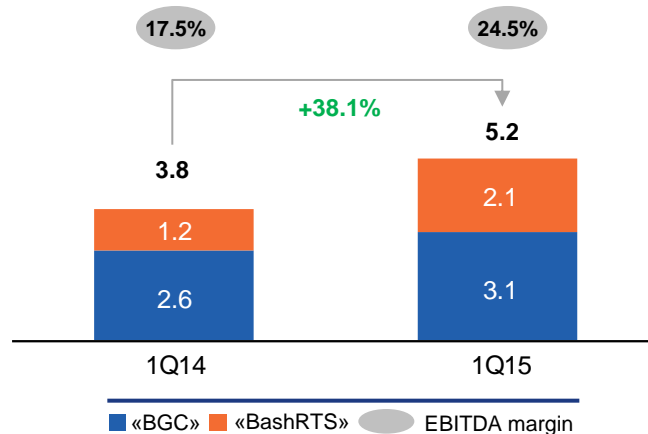
## Revenue bridge of TGK-11 Group

RUB bn



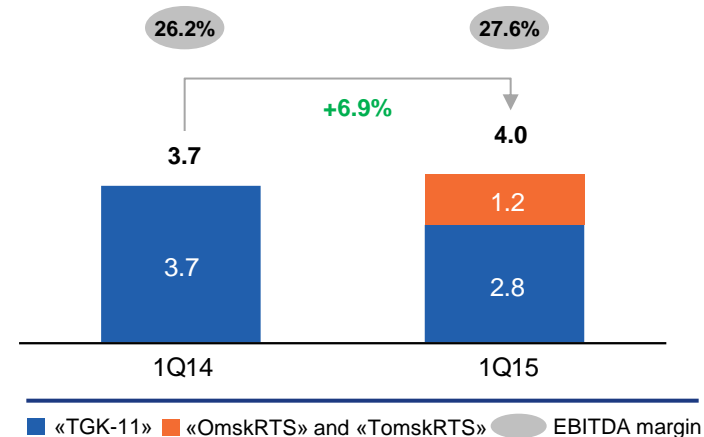
## Marginal Profit dynamics of BGC Group

RUB bn



## Marginal Profit dynamics of TGK-11 Group

RUB bn



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

(1) BGC Group and TGK-11 Group



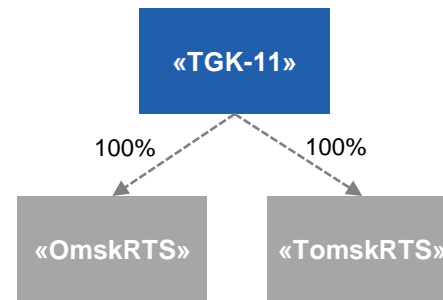
# Completion of «TGK-11» reorganization

## Reorganization's targets

- Efficiency increase of generation assets of «TGK-11» Group due to optimization of management system and expenses decrease
- Transparency increase of heat generation and heat supply segments
- Elimination of cross-subsidization of Tomsk assets by the Omsk branch
- Creating conditions for the implementation of targeted measures aimed at economic efficiency improvement of Tomsk and Omsk assets as separate business entities
- Heat supply improvement of «TGK-11» Group

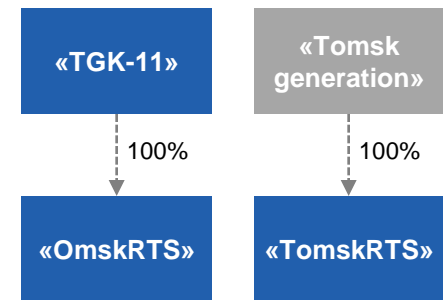
## Reorganization plan

### I stage (April 2014)



Heat networks spin-off

### II stage (April 2015)

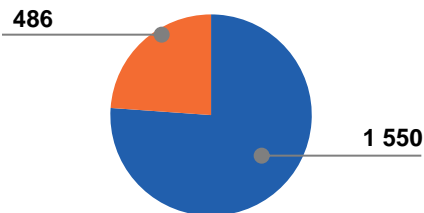


«Tomsk generation» spin-off

## Heat generation assets of «TGK-11» Group

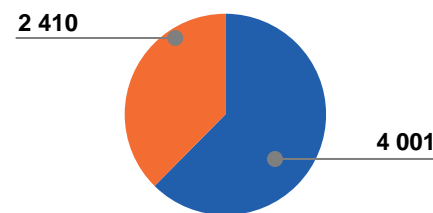
### Installed electric capacity

MW



### Installed heat capacity

Gcal/h

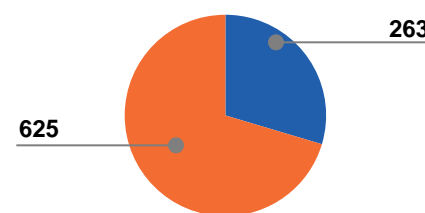


■ «TGK-11» ■ «Tomsk generation»

## Heat distribution assets of «TGK-11» Group

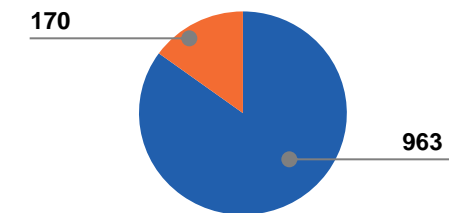
### Heat network length

Km



### Installed heat capacity<sup>(1)</sup>

Gcal/h



■ «OmskRTS» ■ «TomskRTS»

Heat network spin-off and separation of heat business according to the area of operation would help to increase transparency of regulation and formation of fair tariff decisions

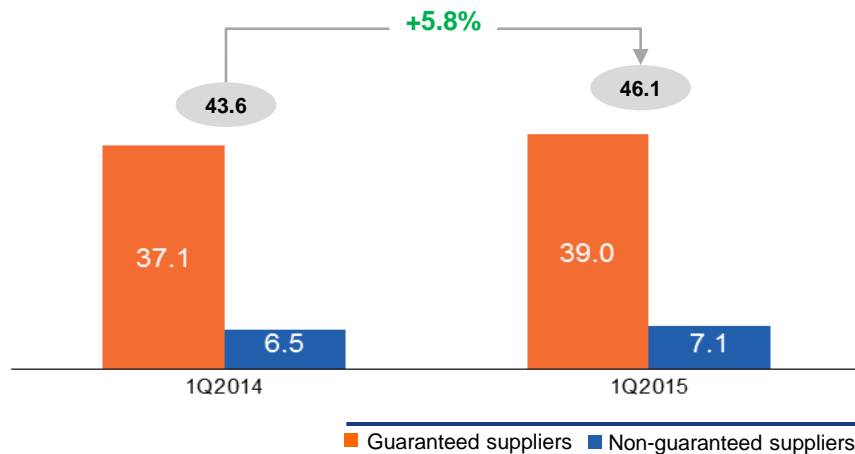
(1) Installed heat capacity of boiler houses



# Efficiency Increase of Supply Business

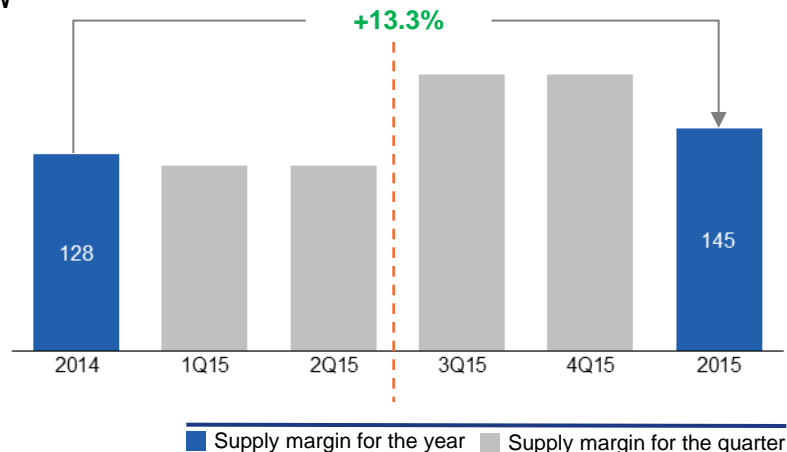
## Electricity Sales to Customers<sup>(1)</sup>

TWh



## Supply Margin of guaranteed suppliers dynamics<sup>(3)</sup>

RUB/MW

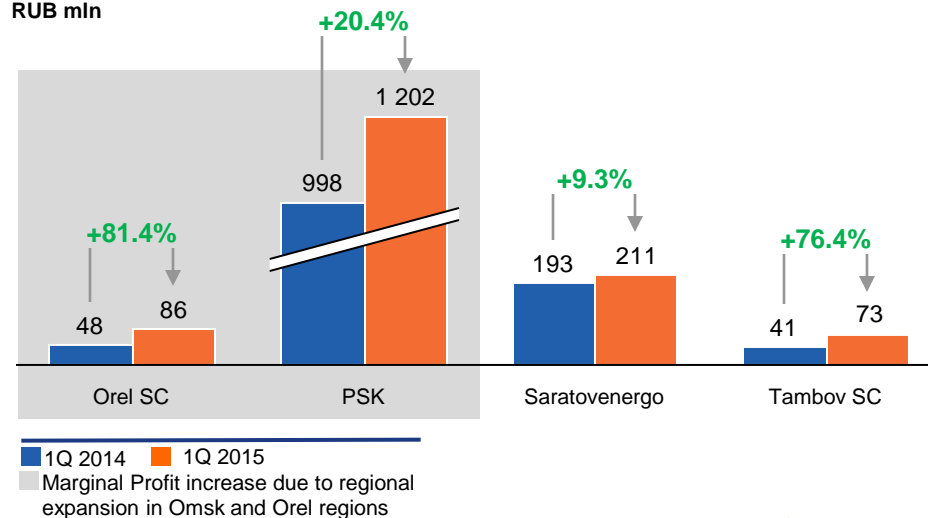


## Accomplished activities in 1Q 2015 :

- ✓ Launch of a united contact center for European zone for supply companies of the Group in Orel
- ✓ Pilot project of United billing in Orel
- ✓ Launch of «Centralized trading» project in terms of Group's supply segment
- ✓ New products available for the customers in the area of extra paid services
- ✓ Launch of the new pay system for the employees of supply companies of Inter RAO Group

## Marginal Profit dynamics

RUB mln



(1) Includes electricity sales in retail and wholesale markets

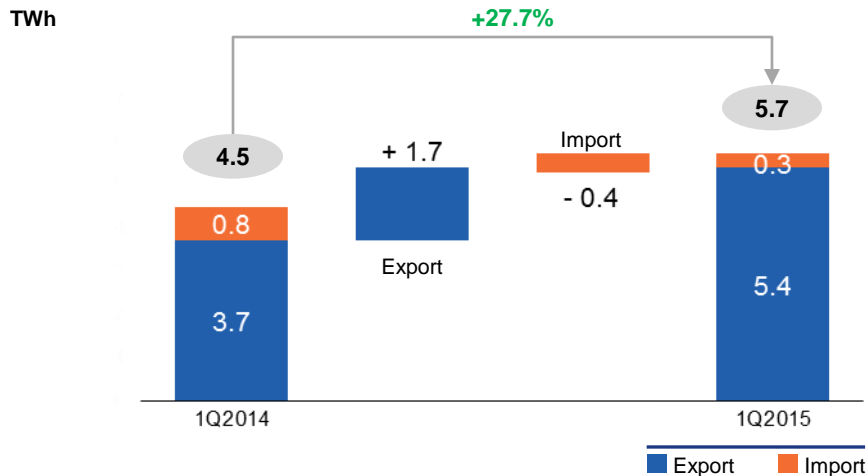
(2) Based on weighted average of supply margins of the Group's guaranteed suppliers



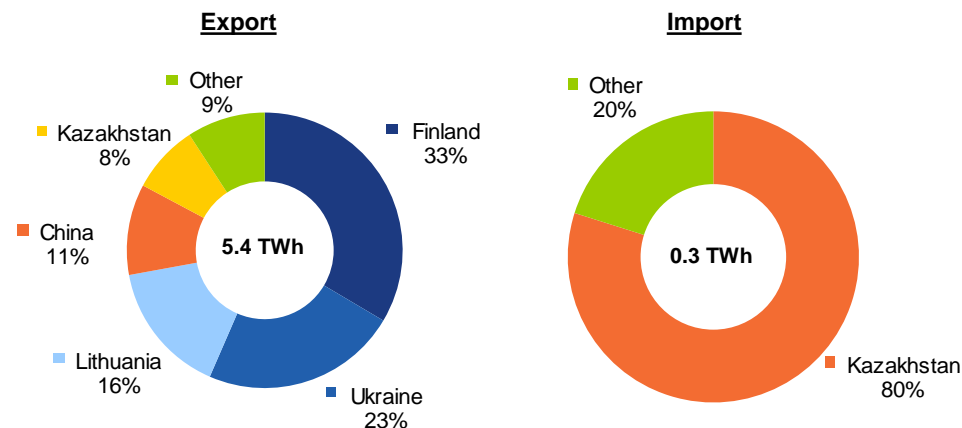


# Efficiency Increase of Trading Business

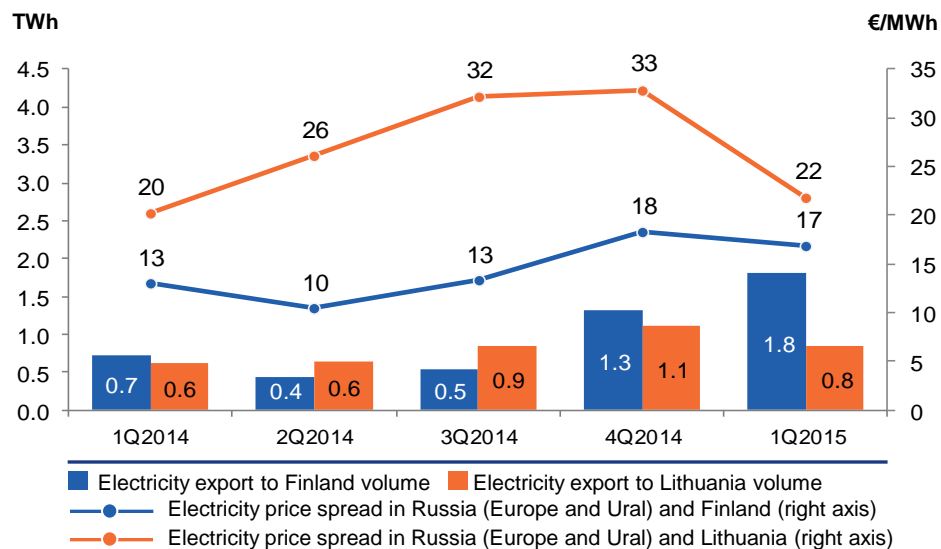
## Export/Import Volumes



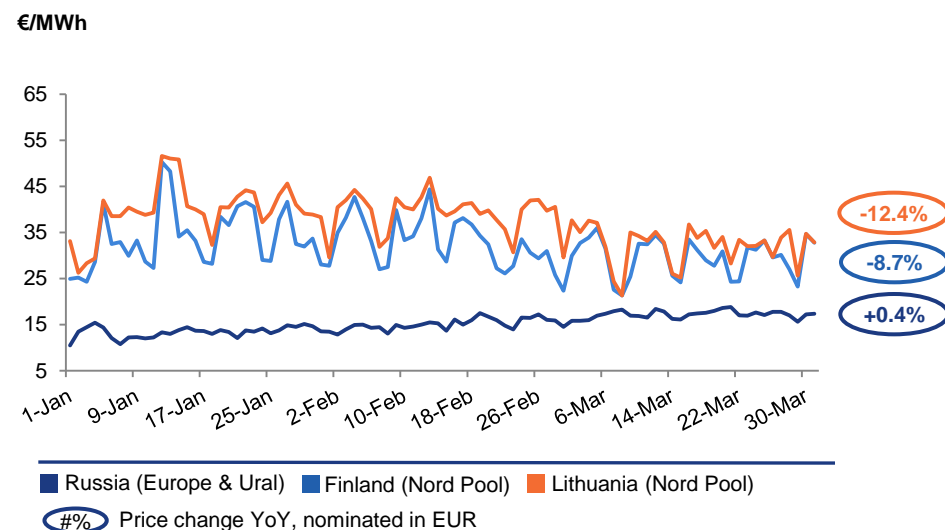
## Export/Import Breakdown



## Electricity export dynamics and price spread



## Electricity Spot Prices





# Operating Efficiency Improvement in 2015

## Electricity Generation segment

### Accomplished activities in 1Q 2015 :

- ✓ Management expenses optimization
- ✓ Profitability increase of electricity sales
- ✓ Implementation of the program of maintenance and repairs staff number optimization on the power plants
- ✓ Maximization of capacity sales from CDA objects

### Measures to be taken till the end of 2015 :

- Implementation of «Lean production» system at branches of Inter RAO – Electricity Generation Group;
- Removal of limitations of technical conditions on the technical connection of power units
- Load increase of Kaliningradskaya CHPP-2 in heat regime and heat sales increase
- Exploration of the possibility of capacity re-attestation at generation assets
- Working on a commodities exchange in order to purchase gas on better conditions and fuel inventory optimization at coal power plants

## Heat Generation segment

### Accomplished activities in 1Q 2015 :

- ✓ Completion of TGK-11 Group reorganization
- ✓ Increase of received payments for the heat energy
- ✓ Diversification of gas suppliers and increase in the number of independent fuel suppliers

### Measures to be taken till the end of 2015:

- Load optimization of power plants in heat mode
- Implementation of measures to reduce heat loss
- Optimization of the number of employees and outsourcing of non-core employees

## Supply segment

### Measures to be taken till the end of 2015:

- Completion employees number optimization of Inter RAO Group's guaranteed suppliers
- Introduction of «united billing» system in three supply companies (Mosenergosbyt, Omsk SC, Tomskenergosbyt)
- Centralization of trading, purchase and treasury functions of supply companies
- Preparation for the launch of a united contact center in Siberia zone for supply companies of the Group in Tomsk
- Center of development of extra paid services launch
- Launch of the meter reprogramming campaign



## II. IFRS Financial Results



# Key Financials

<i>RUB bn</i>	1Q15	1Q14	Change
Revenue	216.5	189.6	14.2%
Operating expenses	202.3	181.7	11.3%
Operating profit/loss	17.4	9.9	75.0%
<b>Adjusted EBITDA</b>	<b>25.0</b>	<b>16.2</b>	<b>54.6%</b>
EBITDA margin	11.5%	8.5%	35.4%
Adjusted EBIT	19.2	10.8	77.5%
Net income/(Loss)	16.0	3.8	4.2 times
Free Cash Flow (FCF)	3.1	2.7	12.3%
CAPEX	4.5	6.9	-35.2%
<i>RUB b</i>	31.03.2015	31.12.2014	Change
Total assets	598.4	585.5	2.2%
Total equity	363.4	348.2	4.4%
Adjusted total debt <sup>(1)</sup>	116.4	117.2	-0.7%

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 10.1 bn as of 31.03.2015 (RUB 10.1 bn as of 31.12.2014).

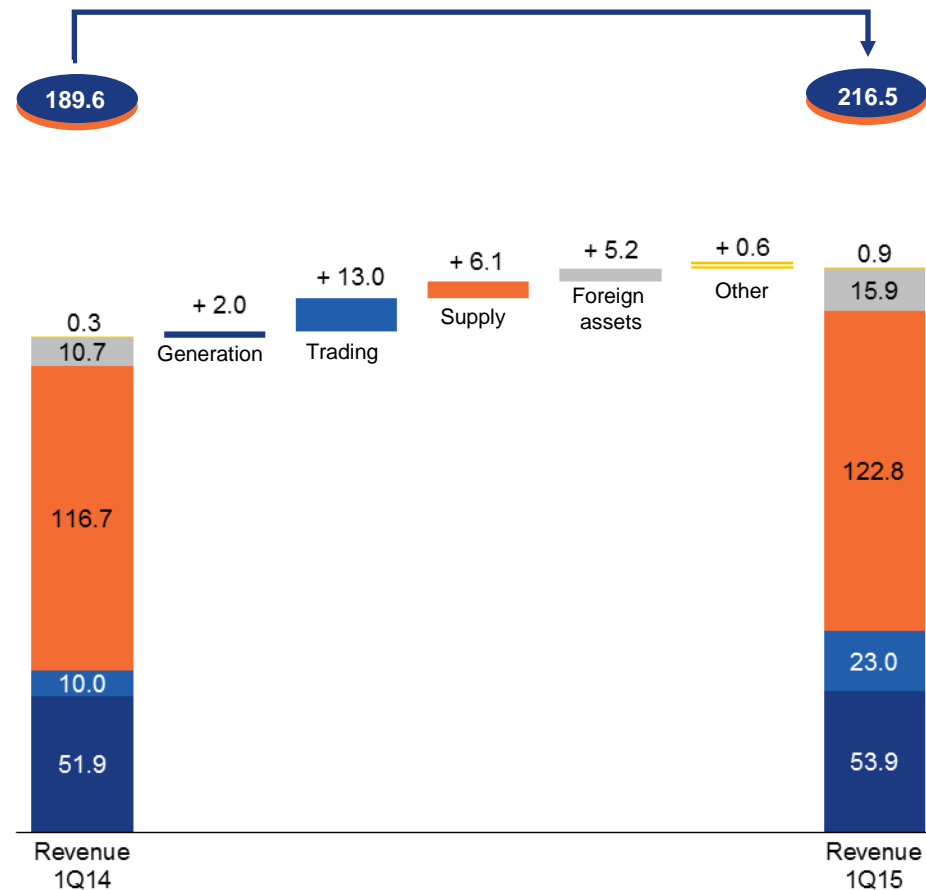


# Evolution of Key Financials

## Revenue Bridge

RUB bn

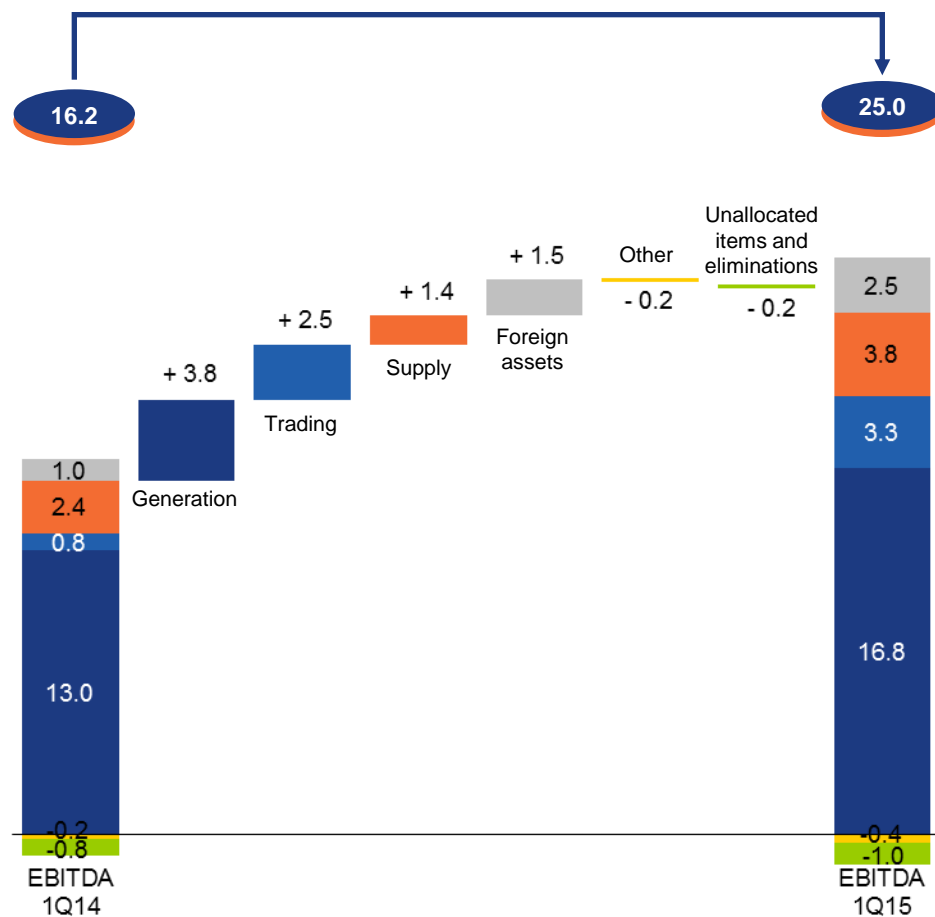
14.2%



## EBITDA Bridge

RUB bn

54.6%

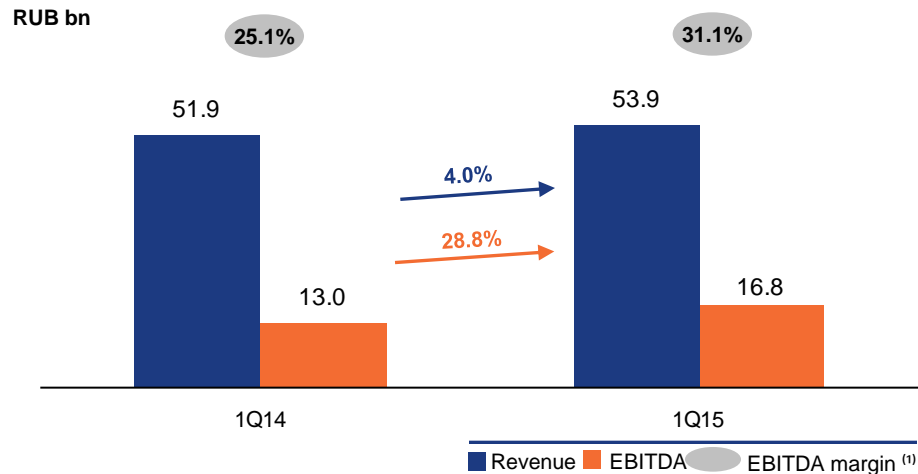


EBITDA increased mainly in Generation and Trading segments

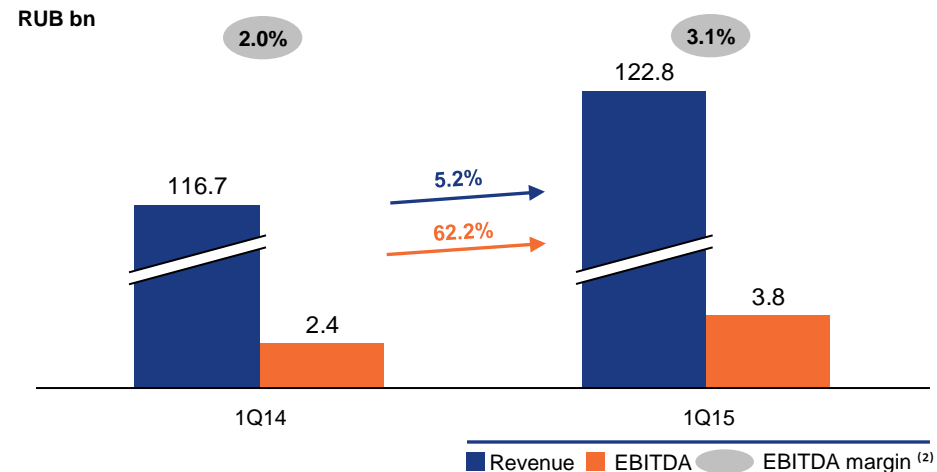


# Key Segments: Generation and Supply

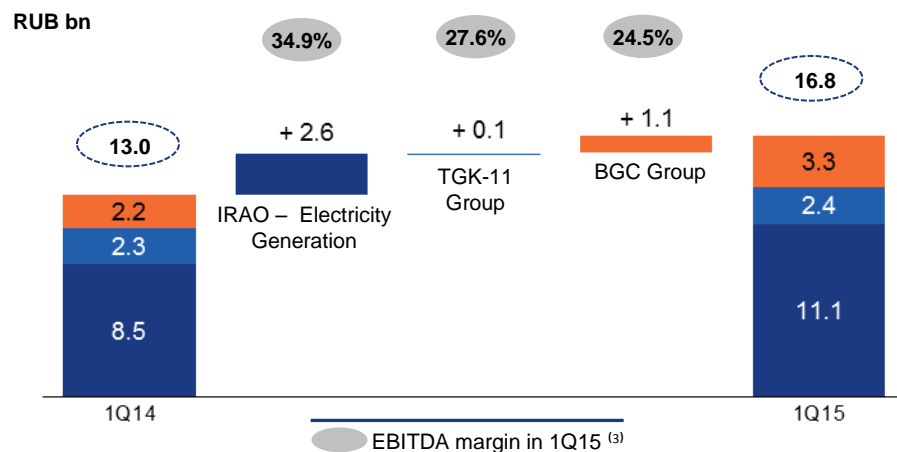
## Generation: Revenue and EBITDA



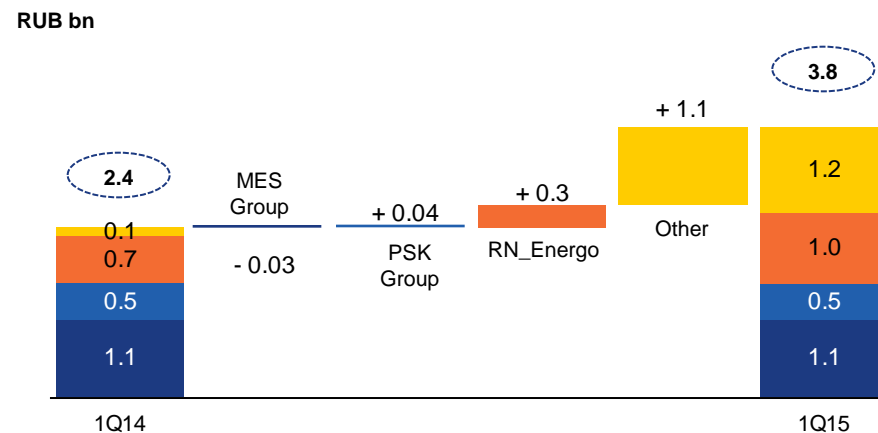
## Supply: Revenue and EBITDA



## Generation: EBITDA Contribution by Company



## Supply: EBITDA Contribution by Company



(1) EBITDA margin calculation excludes inter-segment revenue (RUB 8.2 bn in 1Q14 and RUB 9.5 bn in 1Q15)

(2) EBITDA margin calculation excludes inter-segment revenue (RUB 0.2 bn in 1Q14 and RUB 0.5 bn in 1Q15)

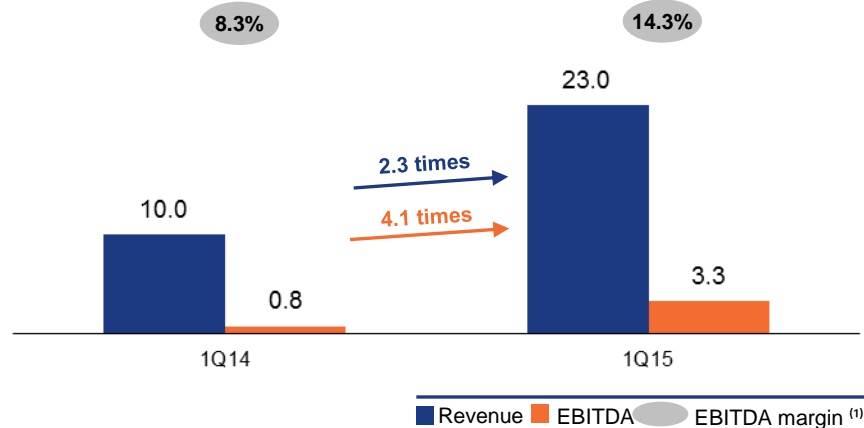
(3) EBITDA margin calculation excludes inter-segment revenue in 1Q15 (INTER RAO – Electric Power Plants – RUB 7.3 bn; TGK-11 Group – RUB 1.1 bn; BGC Group – RUB 1.1 bn)



# Key Segments: Trading and Foreign Assets

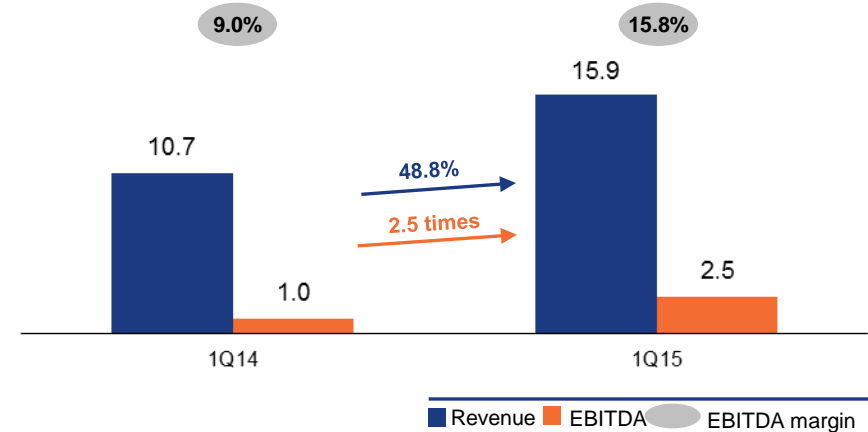
## Trading: Revenue and EBITDA

RUB bn



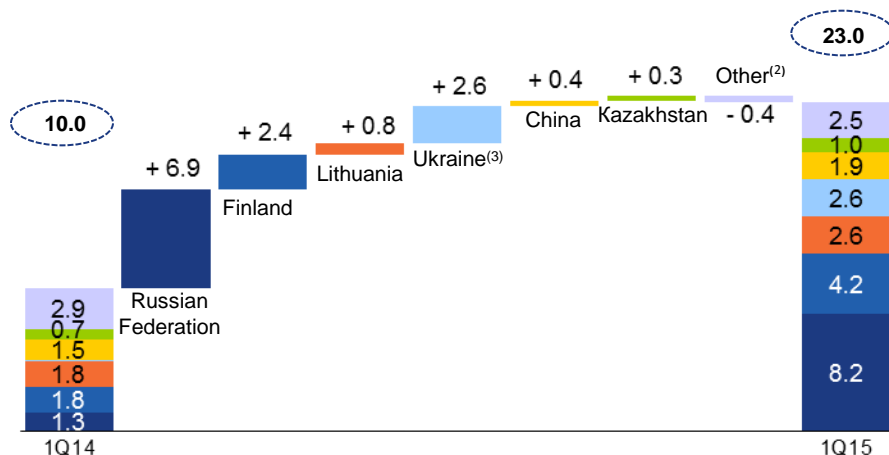
## Foreign Assets: Revenue and EBITDA

RUB bn



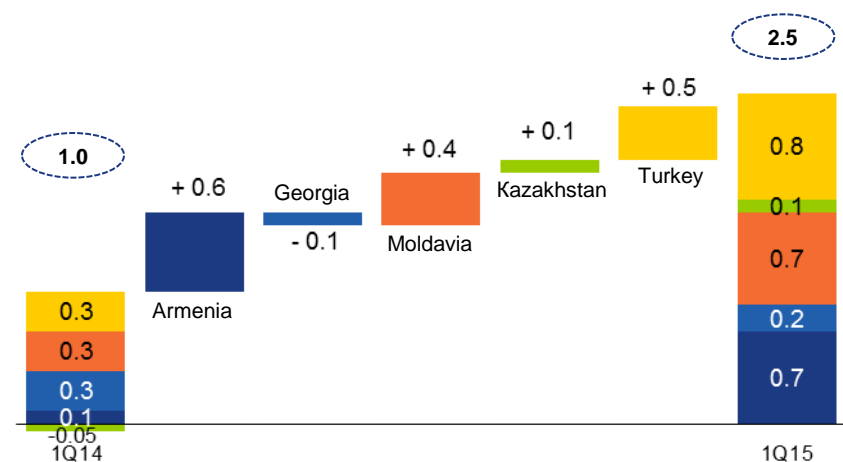
## Trading: Revenue Contribution by Geography

RUB bn



## Foreign Assets: EBITDA Contribution by Geography

RUB bn



(1) EBITDA margin calculation excludes inter-segment revenue (RUB 0.2 bn in 1Q14 and RUB 0.4 bn in 1Q15).

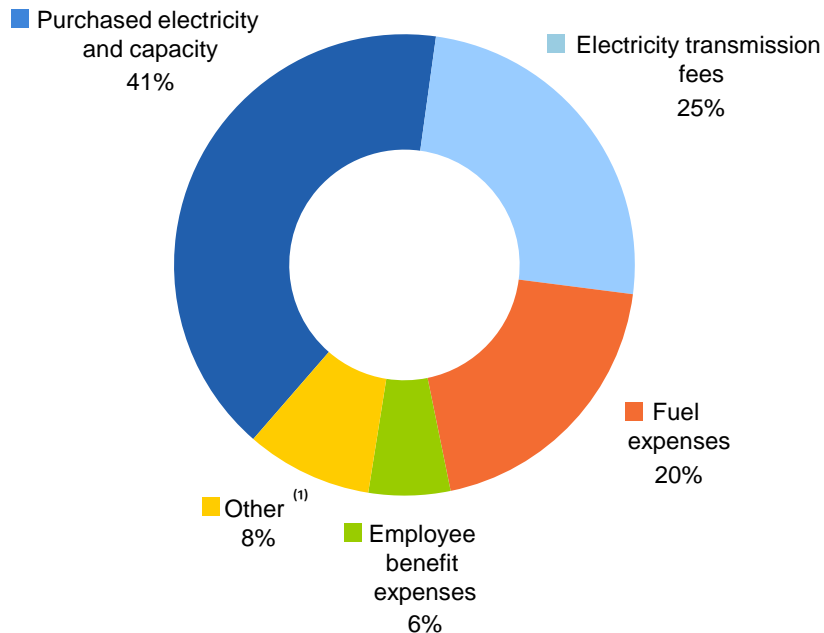
(2) Georgia, South Ossetia, Azerbaijan, Mongolia, Belarus, Norway, Latvia, Estonia and Poland;

(3) Electricity trading with Ukraine in 1Q14 took place in order to support the parallel operation of power systems of the two countries and amounted to RUB 17 mln



# Consolidated Operating Expenses

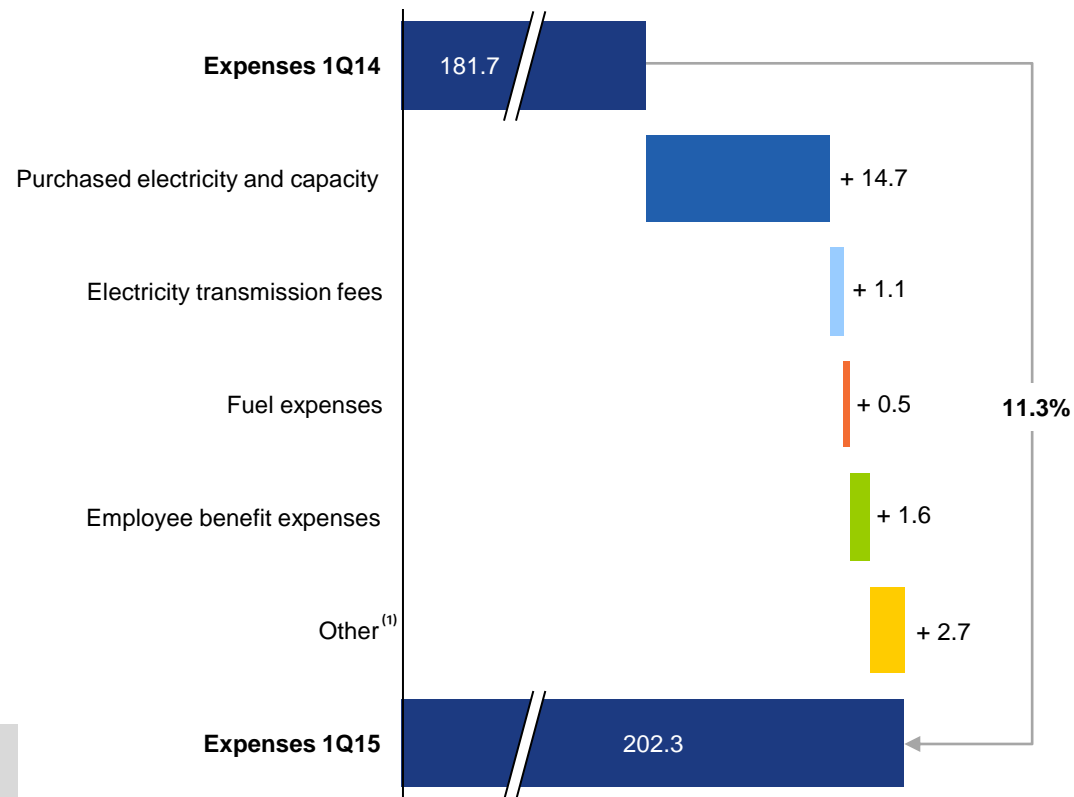
## OPEX breakdown



Consolidated operating expenses of Inter RAO Group for the 1Q 2015 amounted to RUB 202.3 bn

## OPEX dynamics

RUB bn



Consolidated revenue growth of Inter RAO Group for the 1Q 2015 (+14.2% YoY) is exceeding the growth of consolidated operating expenses (+11.3% YoY)

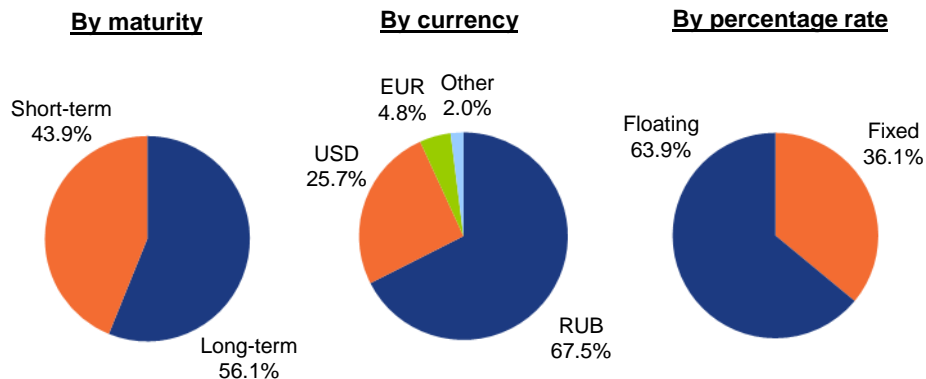
<sup>(1)</sup> Other expenses include depreciation and amortization, provision for impairment of accounts receivables, and other operating expenses



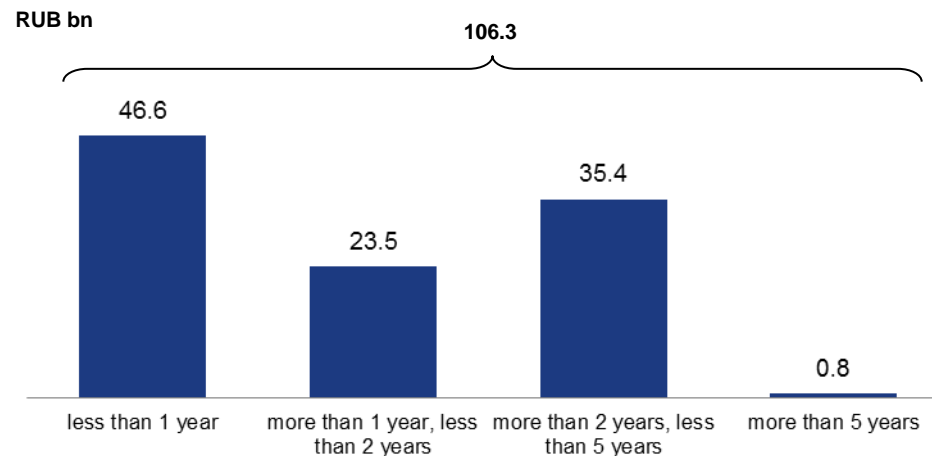


# Debt and Liquidity Analysis<sup>(1)</sup>

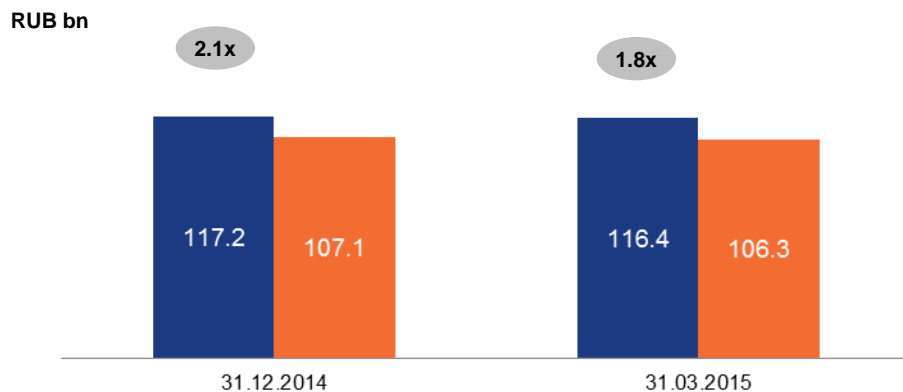
## Debt Composition



## Debt Maturity Profile



## Total Debt Statistics<sup>(2)</sup>



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

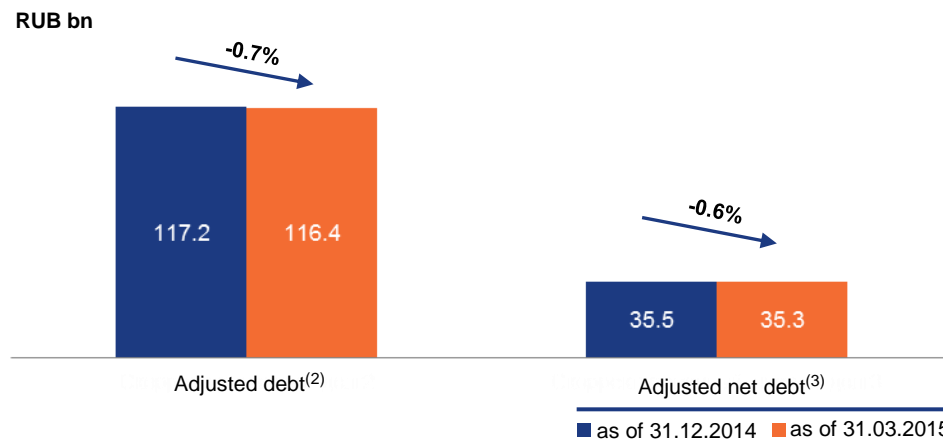
● Total Debt-to-EBITDA ratio

(1) Includes financial lease

(2) Includes share in debt of joint ventures in the amount of RUB 10.1 bn as of 31.03.2015. (RUB 10.1 bn as of 31.12.2014)

(3) Includes cash deposits (3-12 months) in amount of RUB 5.6 bn as of 31.03.2015. (as of 31.12.2014 – RUB 6.1 bn) and share in debt of joint ventures in amount of RUB 10.1 bn as of 31.03.2015. (as of 31.03.2014 – RUB 10.1 bn)

## Debt Evolution



■ as of 31.12.2014 ■ as of 31.03.2015



### III. CAPEX Programme



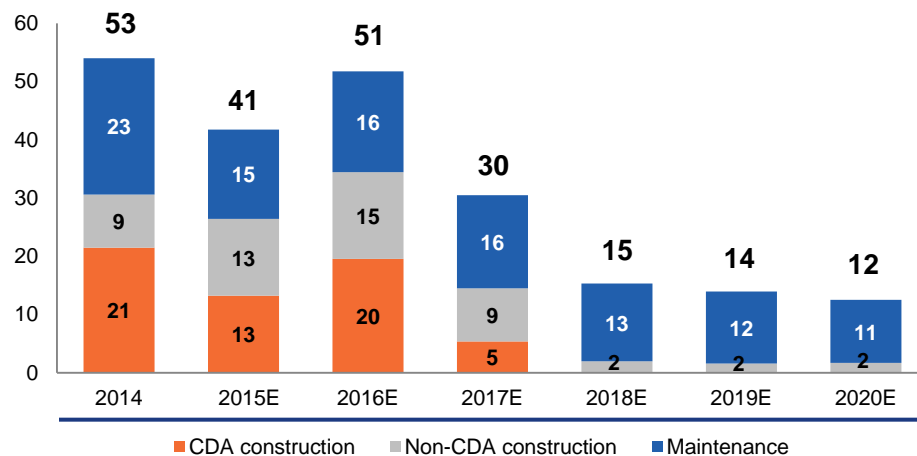
# Capex programme of Inter RAO Group for 2014-2020

## Commissioning of new generation capacity as of 31.03.2015

	Project	Return on investment	Project type	Fuel	Total capacity, MW	% financed	Expected commissioning date	Total capacity commissioned, MW
<b>New capacity commissioned by Inter RAO Group</b>							<b>2009 – 1Q 2015</b>	<b>4 009</b>
<b>2015</b>	Modernization of turbine #2 at Omskaya CHPP-5	CDA	modernization	coal	98/18	32%	4Q 2015	98/18
<b>2016</b>	Construction of CCGT-420 at Verkhnetagilskaya GRES	non-CDA	new	gas	420	34%	3Q 2016	996
	Modernization of turbine #10 at Omskaya CHPP-3	CDA	modernization	gas	120	30%	4Q 2016	
	Construction of units #1, 2 CCGT CHPP-5 in Ufa	CDA	new	gas	456	49%	4Q 2016	
<b>2017</b>	Construction of CCGT-800 at Permskaya GRES	CDA	new	gas	800	39%	2Q 2017	1436
	Construction of unit #3 at Ekibastuzskaya GRES-2 (Kazakhstan)*	non-CDA	new	coal	636	34%	4Q 2017	
<b>New capacity to be commissioned by Inter RAO Group</b>							<b>2Q 2015 - 2020</b>	<b>2 530</b>

## CAPEX programme financing\*

RUB bn (including VAT)

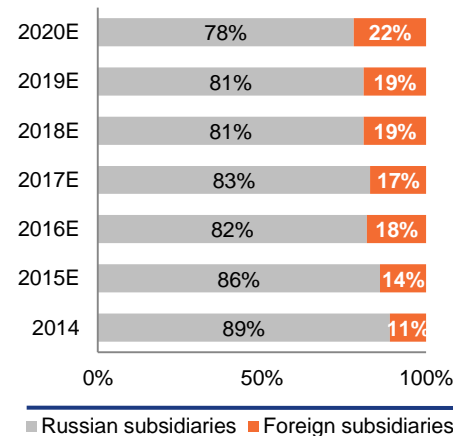


Based on Inter RAO Group's project of CAPEX Programme for 2015-2020

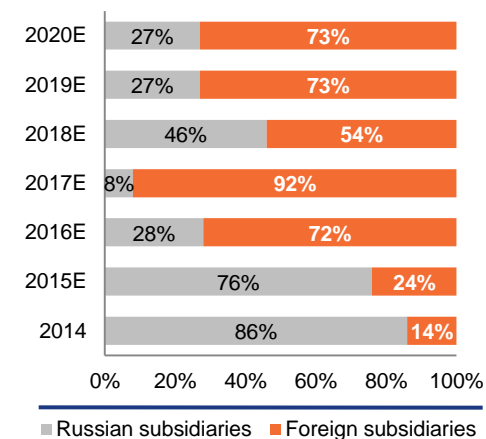
\* Financing of Ekibastuzskaya GRES-2 is arranged accordingly to the Group's share in the project (50%)

## Financing structure

### Maintenance



### Non-CDA construction





## IV. Q&A session



**Thank you for your attention!**