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Inter RAO Group Publishes IFRS Interim Consolidated Financial Statements for Q1 2019

Indicator, billion rubles*	Q1 2019	Q1 2018	+/-
Revenue	28.4	247.5	13.7%
OPEX	246.5	223.2	10.4%
Operating income	38.4	27.0	42.2%
Net income	31.2	22.6	37.8%
EBITDA	47.6	34.8	36.9%
Capital expenditures	7.9	3.6	2.2 times

Indicator, billion rubles*	As of March 31, 2019	As of December 31, 2018	+/-
Total assets	754.4	728.6	3.5%
Total equity	516.7	485.5	6.4%
Loans and borrowings	7.3	9.7	-24.6%
Lease liabilities	53.9	50.1	7.7%
Net debt [1]	-179.0	-166.7	7.4%

** — Financial indicators are provided based on these IFRS financial statements in billion rubles rounded to one decimal. Percentage ratios are calculated based on the data from the IFRS financial statements expressed in million rubles.*

[1] *Including deposits for a period from 3 to 12 months and lease liabilities (including the share of lease liabilities in joint ventures).*

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The changes in the Group's financial performance were significantly influenced by the following key factors and events:

- Commissioning of Zatonskaya TPP with the installed capacity of 440 MW in Bashkortostan in March 2018 under capacity supply agreements (CSAs);
- Commissioning of leased power plants in the Kaliningrad Region in 2018 and in Q1 2019: Mayakovskaya TPP with the installed capacity of 157 MW and Talakhovskaya TPP with the installed capacity of 159 MW and three Power Units of Pregolskaya TPP with the installed capacity of 340 MW;
- An increase in payment for capacity under capacity supply agreements (CSA) due to a CSA delta payment in the cost of capacity for a number of generating facilities;
- The pricing environment on the market (one day ahead): growth in the first and second price zones;
- Increase in average end consumer sales prices in the Supply Segment of the Group;
- Increase of sales volume and profit margin in the Group's Trading segment.

CONSOLIDATED STATEMENT ON TOTAL INCOME

The Group's revenue increased by 13.7% (33.9 billion rubles) to 281.4 billion rubles.

The increase in revenue in the ***Supply Segment*** by 20.6 billion rubles (12.5%) to 185.4 billion rubles is related to higher average sales prices of guaranteeing suppliers for end consumers and engagement of new customers by guaranteeing suppliers and independent retailers, and to the fact that new guaranteeing suppliers began to operate in the Vladimir Region and in the Vologda Region.

The increase in revenue in the ***Electric Power Generation in the Russian Federation Segment*** by 5.7 billion rubles (16.6%) to 39.9 billion rubles is mainly due to the commissioning of Mayakovskaya TPP, Talakhovskaya TPP and Pregolskaya TPP leased by the Group in the Kaliningrad Region. Higher capacity sale prices in the CSA segment generated an additional positive impact. Besides, revenue from electricity sales increased due to a considerable growth of prices for electricity in the first price zone and load optimization of new energy efficient equipment to maximize contribution margin from selling electricity when there is cheap generation surplus.

Revenue in the ***Thermal Power Generation in the Russian Federation Segment***, which comprises TGK-11[2] Group and Group Bashkir Generation Company, increased by 1.6 billion rubles (6.5%) to 25.9 billion rubles. Changes in the indicator were positively impacted by commissioning of Zatonskaya TPP under CSA in March 2018, an increase in electricity output at Karmanovskaya TPP, and the growth of selling prices at JSC TGK-11 and JSC Tomsk Generation on the market (one day ahead).

Revenue of the ***Trading in the Russian Federation and Europe Segment*** increased by 6.1 billion rubles (43.1%) with respect to comparable reporting period and amounted to as much as 20.3 billion rubles in Q1 2019. The revenue increased due to higher prices on Nord Pool in Lithuania and Finland, and due to the increase in supply to these regions and the fact that the average ruble exchange rate decreased by 7.6% against the euro.

A slight decrease in revenue in the ***Foreign Assets Segment*** amounting to 0.1 billion rubles (1.4%) is related to diverse changes including conditions of Trakya Elektrik plant operation (a considerable decline in power generation in the current period on the order of the Turkish system operator), and an increase in the average ruble/dollar exchange rate by 16.3%.

Operating expenses increased by 23.3 billion rubles (10.4%) as compared to the corresponding period of 2018 and amounted to 246.5 billion rubles, which is lower than the growth of revenue.

The ***cost of purchased electricity and capacity*** increased by 15.8 billion rubles (16.0%) as compared to the same period of the previous year and amounted to 114.6 billion rubles, due to the higher market prices for capacity mainly in CSA segment, and higher volumes and market prices for purchased electricity in the Supply Segment, as well as the start of operation of guaranteeing suppliers in the Vladimir Region and in the Vologda Region.

Electricity transmission fees increased by 4.1 billion rubles (7.3%) to 61.2 billion rubles due to the performance of enterprises in the Supply Segment, which is related to the increased electricity consumption and its transmission fees.

Process fuel costs increased by 2.5 billion rubles (7.8%) to 34.6 billion rubles. The growth at JSC Inter RAO — Electric Power Plants was related mainly to an increase in power generation combined with indexation of gas price and an increase in coal price.

This was partially offset by a decrease in costs at Trakya Elektrik plant, as there was no output in the reporting period due to excessive supply on the Turkish market.

EBITDA increased by 36.9% amounting to 47.6 billion rubles.

In the **Electric Power Generation in the Russian Federation Segment**, EBITDA increased by 6.7 billion rubles (36.5%) to 25.1 billion rubles. This was related to commissioning of three TPPs in the Kaliningrad Region. Besides, a positive impact was related to a markup on CSA for Cherepetskaya TPP, Yuzhnouralskaya TPP and Urengoyskaya TPP, and increased output at Kostromskaya TPP.

In **Domestic Heat Generation Segment,** EBITDA was up by 1.0 billion rubles (12.1%) to 9.0 billion rubles, driven by the commissioning of Zatonskaya TPP in March 2018 and by a production increase at Karmanovskaya TPP (GRES). Higher sales prices delivered by the TGC-11 Group in sectors such as competitive capacity auctions (CCA), capacity supply agreements (CSA) and one day ahead (ODA) acted as an additional driver.

In the ***Trading in the Russian Federation and Europe Segment***, EBITDA increased by 4.1 billion rubles (2.7 times) and amounted to 6.5 billion rubles in Q1 2019. This change can be mostly attributed to the increased supply to Finland and Lithuania in the context of rising Nord Pool prices and lower ruble-to-euro exchange rate.

In the ***Supply Segment***, EBITDA increased by 1.0 billion rubles (16.9%) to 7.0 billion rubles. This change was driven by higher average sale prices of guaranteeing suppliers and independent retailers and increased productive electricity supply.

In ***Foreign Assets Segment***, EBITDA was up by RUB 0.1 billion (11.4%) to 1.3 billion rubles. The positive effect, supported by performance results of Trakya Elektrik plant operating on take-or-pay and by the average appreciation of the US dollar against the rouble, was partially offset by a decline in electricity generation in Moldova and also by the fact that the average electricity buy price was growing faster than the sell price in Georgia.

Net income for the first quarter of 2019 amounted to 31.2 billion rubles, having increased by 8.6 billion rubles as compared to the corresponding period of 2018.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets increased by 25.8 billion rubles (3.5%), amounting to 754.4 billion rubles.

In Q1 2019 the Group grew its total assets by accumulating cash flow from operations. Additionally, given that a lease agreement for Pregolskaya TPP's mixed property entered into effect, the Group was able to recognize its value as a right-of-use asset in its statement of financial position.

Equity increased by 31.2 billion rubles (6.4%), amounting to 516.7 billion rubles.

An increase in equity was mostly driven by acknowledging net income for the reported period.

Total loans and borrowings decreased by 24.6% to 7.3 billion rubles. Leasing obligations (including the share in the joint ventures) increased by 3.8 billion rubles and amounted to 53.9 billion rubles.

Total loans and borrowings of the Group decreased by 2.4 billion rubles (24.6%) to 7.3 billion rubles as a result of scheduled repayment of loans and repayment ahead of schedule.

The ratio of long-term debt to short-term debt as of March 31, 2019 amounted to 16.6% versus 83.4% (on December 31, 2018 – 14.2% versus 85.8%).

Growth in lease-related obligations (by 3.8 billion rubles, or 7.7%), with regard to the size of holdings in JVs, was mainly associated with the commissioning of Unit 3 at Pregolskaya TPP in Q1 2019.

[2] *TGK-11 Group is represented by heat producers JSC TGK-11 (Omsk) and JSC Tomsk Generation, and heat distribution network operators JSC Tomsk RTS and JSC Omsk RTS.*

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Inter RAO Group is a diversified energy holding serving various segments of Russian and international electric power industry. The Group is the leading exporter and importer of electricity in Russia actively increasing electricity generation and sales, and developing new lines of business. The corporate strategy of Inter RAO is focused on making Inter RAO a global energy enterprise, a key player in the global energy market, and the leading Russian energy company by energy efficiency. Inter RAO Group owns and operates 33.2 GW of installed power generation capacity. www.interrao.ru