



## **Inter RAO UES Group 1H2013 Consolidated Financial and Operating Results**

August, 30 2013



## Key Factors affecting the Group Financial Performance

### GENERATION

Acquisition of Bashkir Generation and Trakya Elektrik at end of 2012 positively impacted 1H2013 results

Over 1 GW of new generating capacity commissioned under capacity delivery agreements in 2012 (Ivanovskie CCGT, Kharanorskaya GRES, Urengoykaya GRES, and Tomskaya CHPP-1)

Favorable domestic pricing environment in 1H2013: prices increased in the spot electricity market in the first price zone by 11.4% (yoy) and in the second price zone by 15.1% (yoy)

Gas prices for the Group's generation assets in Russia increased by 11.4% (yoy)

KOM's capacity prices in the wholesale market went up by 15.3% (yoy)

### SUPPLY

Abolishment of differentiation by hours of capacity utilization for customers from 1 April 2012

Tariff growth for purchased electricity, capacity and transmission fees exceeded the average electricity tariff growth of Group's supply companies

### TRADING

Unfavorable pricing dynamics in the Baltic and Scandinavian electricity markets: average electricity price growth in the domestic market outran Balt Pool (+5%) and Nord Pool (+9%) electricity price growth



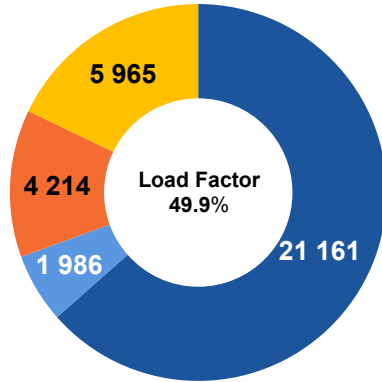
## 1. Operational Performance Results



# Electricity and Heat Production

## Installed Electric Capacity

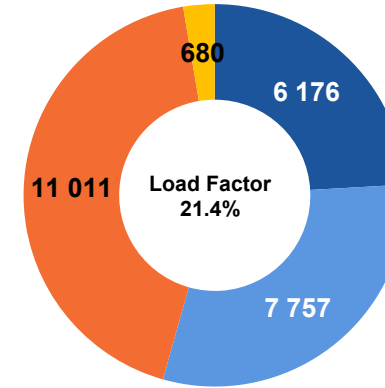
Total: 33 326 MW



■ IRAO – Electricity Generation ■ TGK-11 ■ Bashkir Generation ■ Foreign Generation

## Installed Heat Capacity

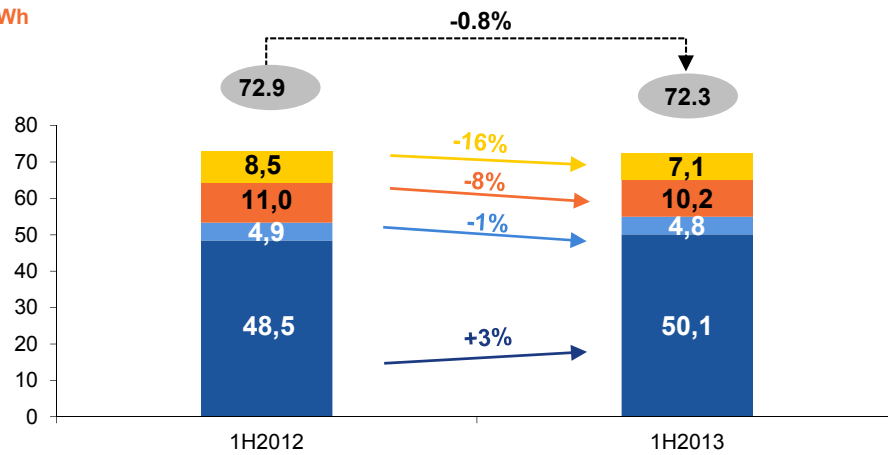
Total: 25 622 Gcal/h



■ IRAO – Electricity Generation ■ TGK-11 ■ Bashkir Generation ■ Foreign Generation

## Electricity Production

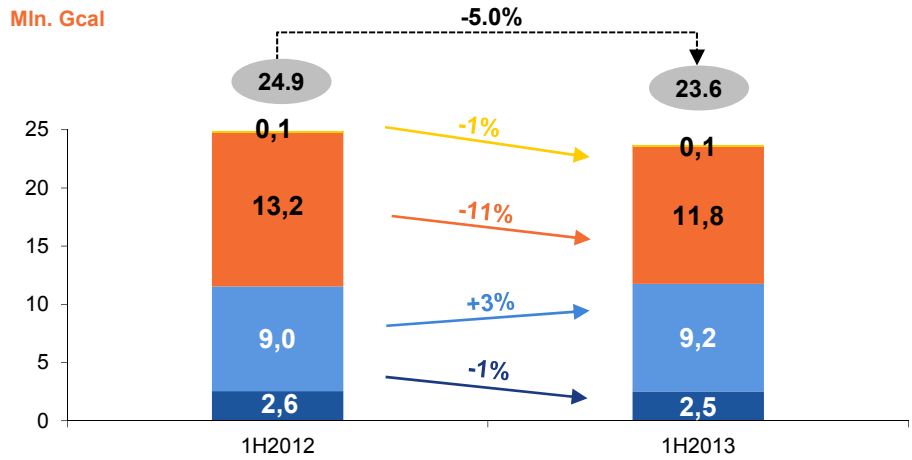
TWh



■ IRAO – Electricity Generation ■ TGK-11 ■ Bashkir Generation ■ Foreign generation

## Heat Production

Mln. Gcal

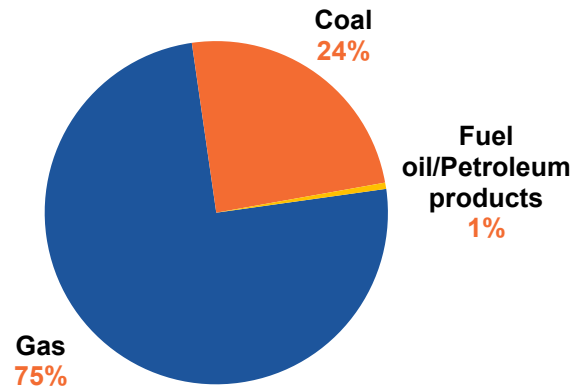


■ IRAO – Electricity Generation ■ TGK-11 ■ Bashkir Generation ■ Foreign generation



# Fuel Consumption

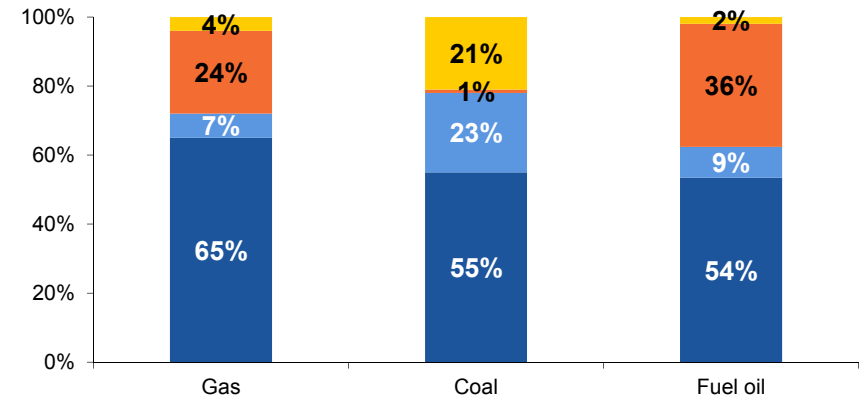
## Fuel Mix



Total gas consumption for Inter RAO Group reached: **16,281 mcm**

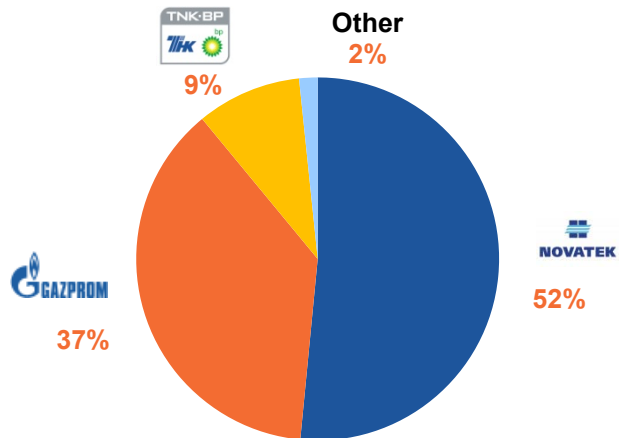
Total coal consumption for Inter RAO Group reached **10,334 ths. tons**

## Fuel Consumption Breakdown

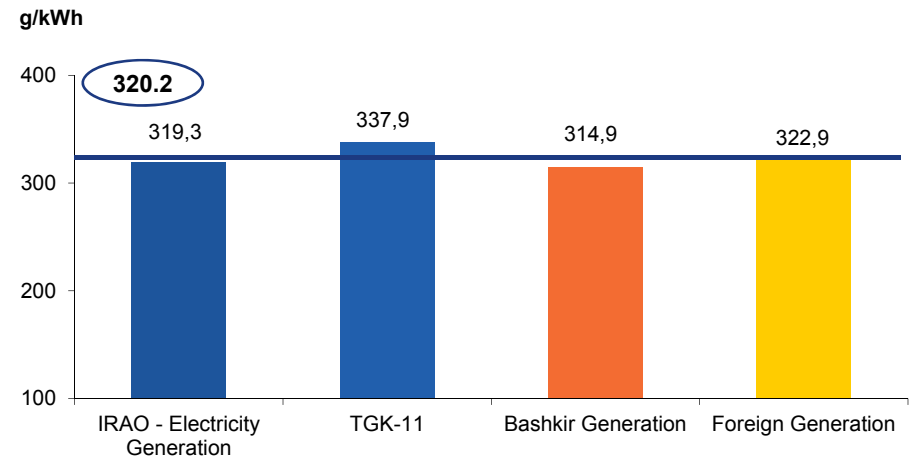


■ IRAQ - Electricity Generation ■ TGK-11 ■ Bashkir Generation ■ Foreign Generation

## Gas Suppliers<sup>(1)</sup>



## Fuel Efficiency

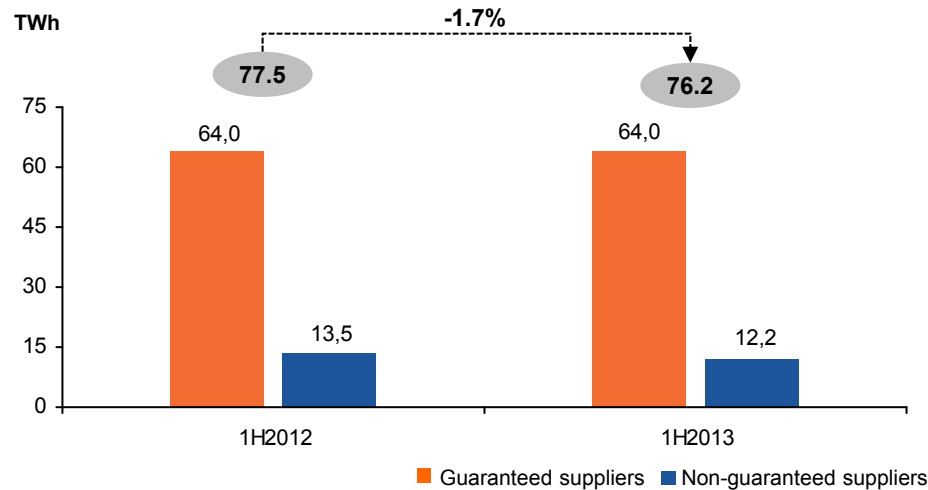


# - fuel efficiency for Inter RAO Group

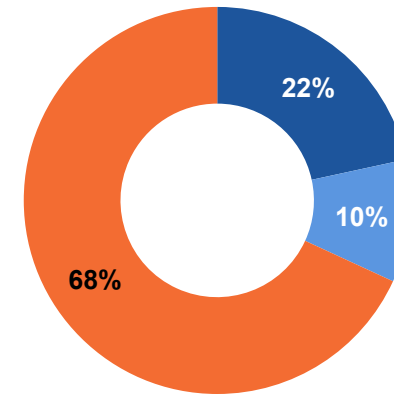


# Electricity Supply

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



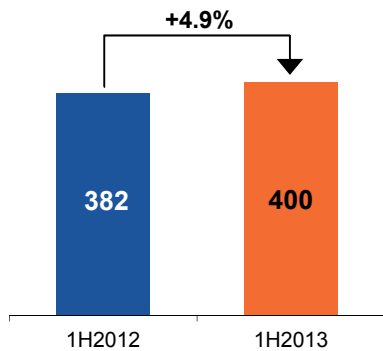
## Retail Electricity Sales Breakdown



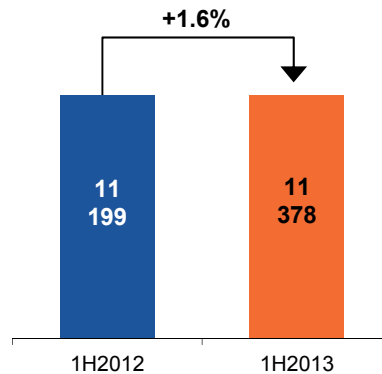
■ Households and equated groups of customers ■ Loss compensation ■ Other customers

## Number of Customers

Legal entities,  
thousand accounts

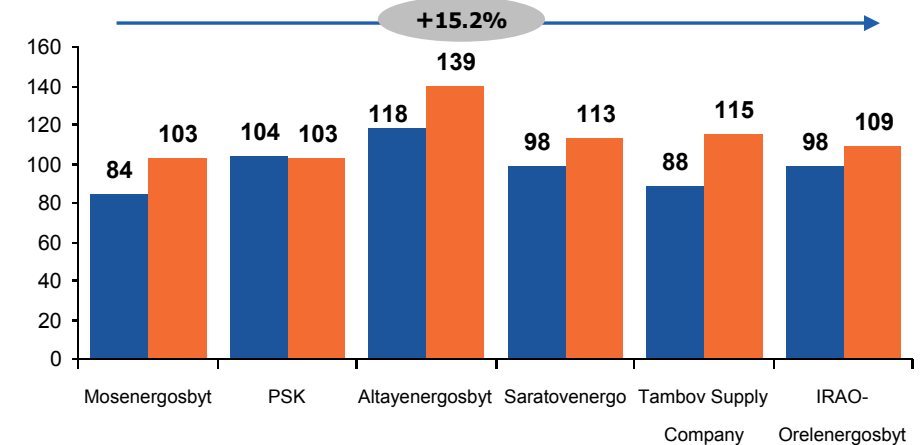


Households,  
thousands accounts



## Supply Margins of Guaranteed Suppliers<sup>(2)</sup>

RUB/MWh

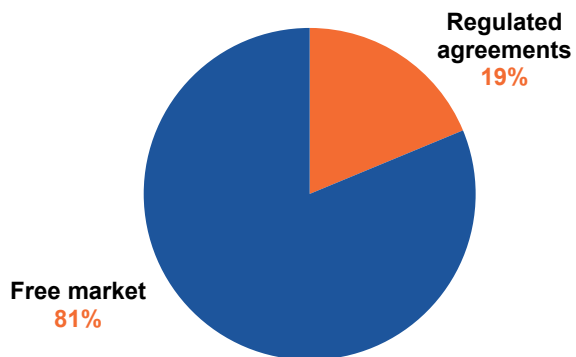


■ 1H2012 ■ 1H2013



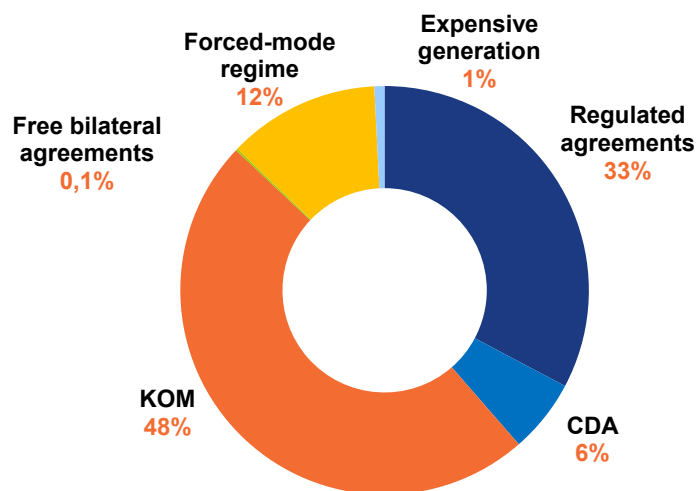
# Trading in The Russian Market

## Electricity Sales Breakdown, TWh



Total electricity sales in the wholesale market - 67.6 TWh

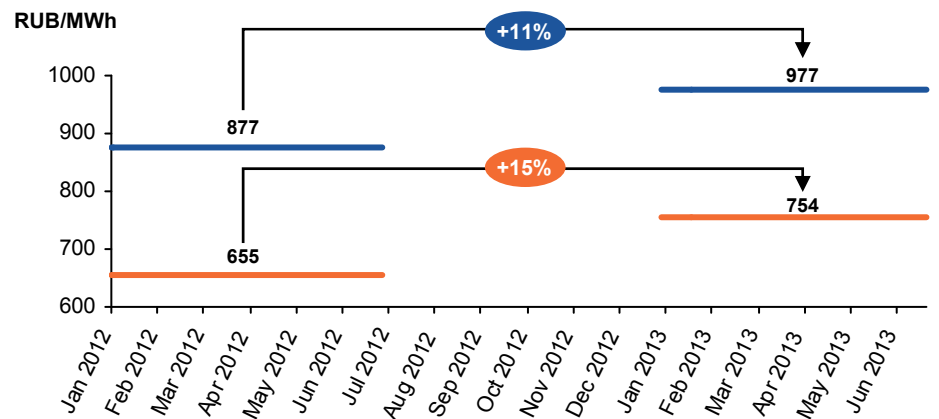
## Capacity Sales Breakdown<sup>(1)</sup>, MW



(1) The breakdown is only provided for electricity sold on the wholesale market

(2) Capacity prices dynamics is calculated on the base of nominal average price of 1MW of capacity sold in each market segment

## Electricity Price Dynamics on the Spot Market



■ Half-year average price for the 1<sup>st</sup> price zone ■ Half-year average price for the 2<sup>nd</sup> price zone

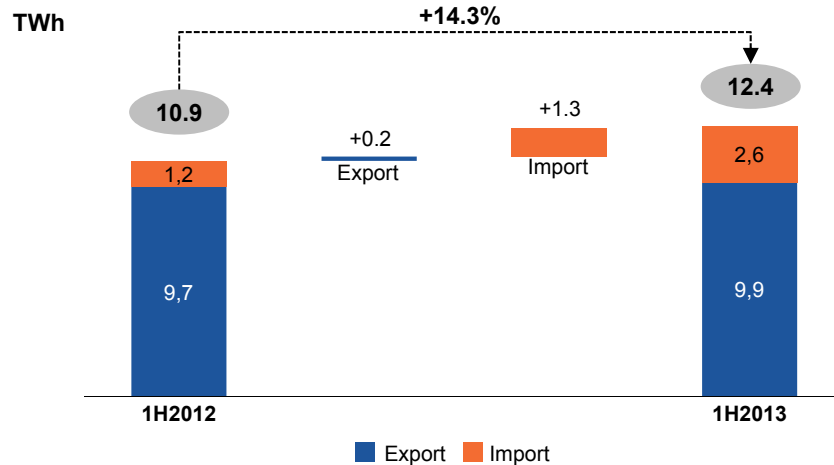
## Capacity Price Dynamics on the Wholesale Market<sup>(2)</sup>

RUB/MW/month	1H2012	1H2013	Change, %
Regulated agreements	120 260	118 694	-1,3%
CDA	462 442	713 065	+54,2%
KOM	120 024	138 379	+15,3%
Forced-mode regime	159 817	166 614	+4,3%
Expensive generation	134 594	154 497	+14,8%
Free bilateral agreements	130 117	116 313	-10,6%

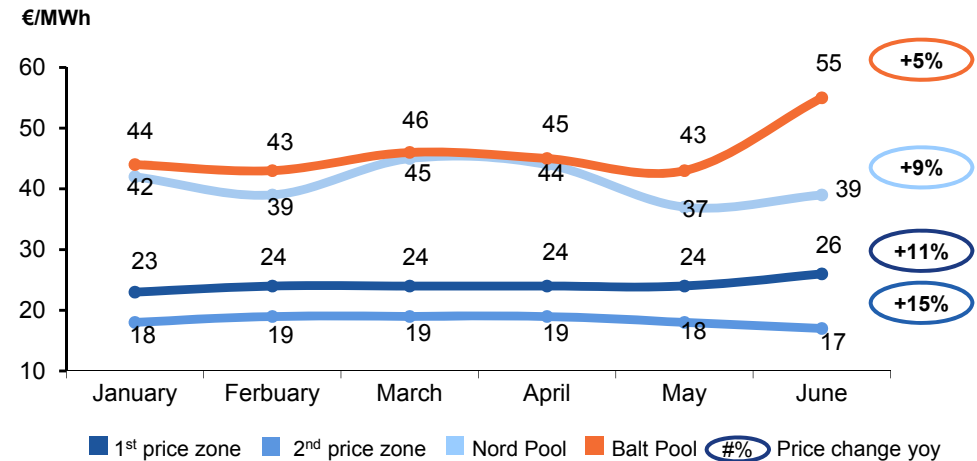


# International Activity

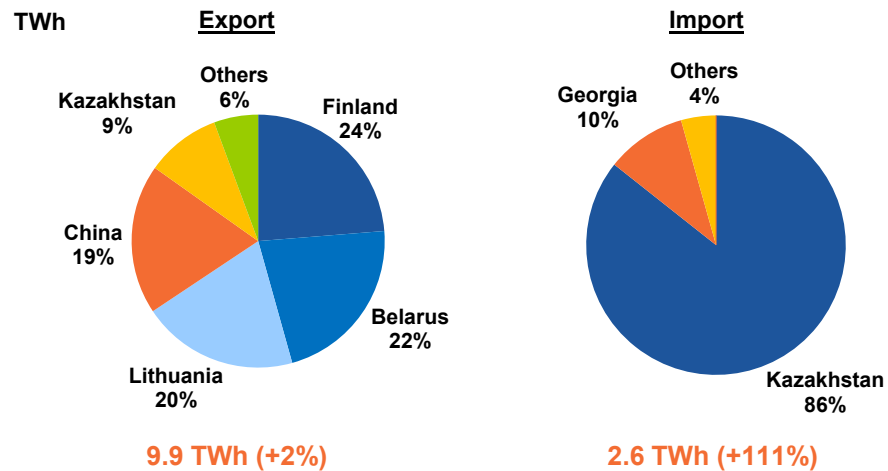
## Export/Import Volumes



## Electricity Spot Prices in 1H2013<sup>(1)</sup>



## Electricity Export Breakdown in 1H2013



## Comments

- In 1H2013 Inter RAO exported about 9.9 TWh of electricity. Finland, Lithuania, Belarus and China accounted for over 80% of electricity exported
- Electricity export to Kazakhstan reduced by 28% (yoy) due to lower fluctuations in concurrent operation of national energy systems, and also due to marginal slowdown of commercial sales
- Electricity export to Lithuania decreased by 20% (yoy) due to electricity price increase in the Russian Wholesale Electricity and Capacity Market
- Electricity export volumes to China in 1H2013 doubled as a result of demand growth in accordance with current long-term agreement
- Aggregate import of electricity for reported period reached 2.6 TWh due to threefold growth of electricity imports from Kazakhstan

(x%) Percentage change yoy





## 2. IFRS Financial Results 1H2013



## Key Financials

<i>Rub m</i>	1H2013	1H2012	Change
<b>Revenue</b>	317 743	262 799	20.9%
<b>Adjusted EBITDA</b>	21 643	17 065	26.8%
<b>EBITDA margin</b>	6.8%	6.5%	0.3%
<b>Adjusted EBIT</b>	9 220	9 423	-2.2%
<b>Net (loss)/income</b>	-13 845	-10 054	-
<b>Adjusted net profit<sup>(3)</sup></b>	10 943	9 010	21.5%
<b>FCF</b>	-4 971	-17 017	-

<i>Rub m</i>	As of 30.06.2013	As of 31.12.2012	Change
<b>Total Assets</b>	515 607	528 583	-2.5%
<b>Total Equity</b>	342 264	353 189	-3.1%
<b>Adjusted Total Debt<sup>(1)</sup></b>	66 915	64 716	3.4%
<b>Adjusted Net Debt<sup>(2)</sup></b>	21 003	10 557	98.9%

Note: Includes financial results of Bashkir Generation from the date of acquisition – November 2012 and Trakya Elektrik – December 2012.

(1) Includes share in debt of joint ventures RUB 6 093 m as of 30.06.2013 e. (RUB 5 305 m as of 31.12.2012)

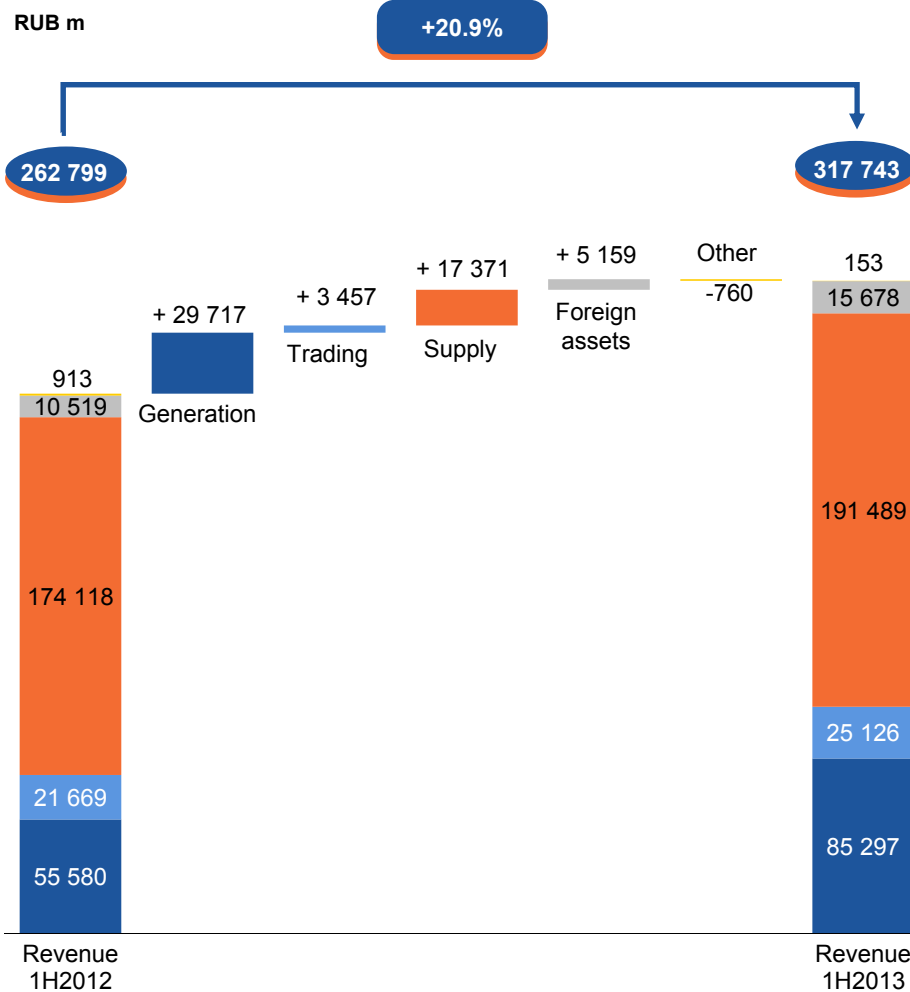
(2) Includes cash deposits (3-12 months) RUB 2 537 m as of 30.06.2013 (RUB 6 110 m as of 31.12.2012) and share in debt of joint ventures of RUB 6 093 m as of 30.06.2013 (RUB 5 305 m as of 31.12.2012)

(3) Adjusted net income – excludes provision and impairment (RUB 17 163 m for the 1H2013, RUB 14 342 for the 1H2012) and effect of recognition of "Put" and "Call" option (RUB 7 625 m for the 1H2013 and RUB 4 722 m for the 1H2012)

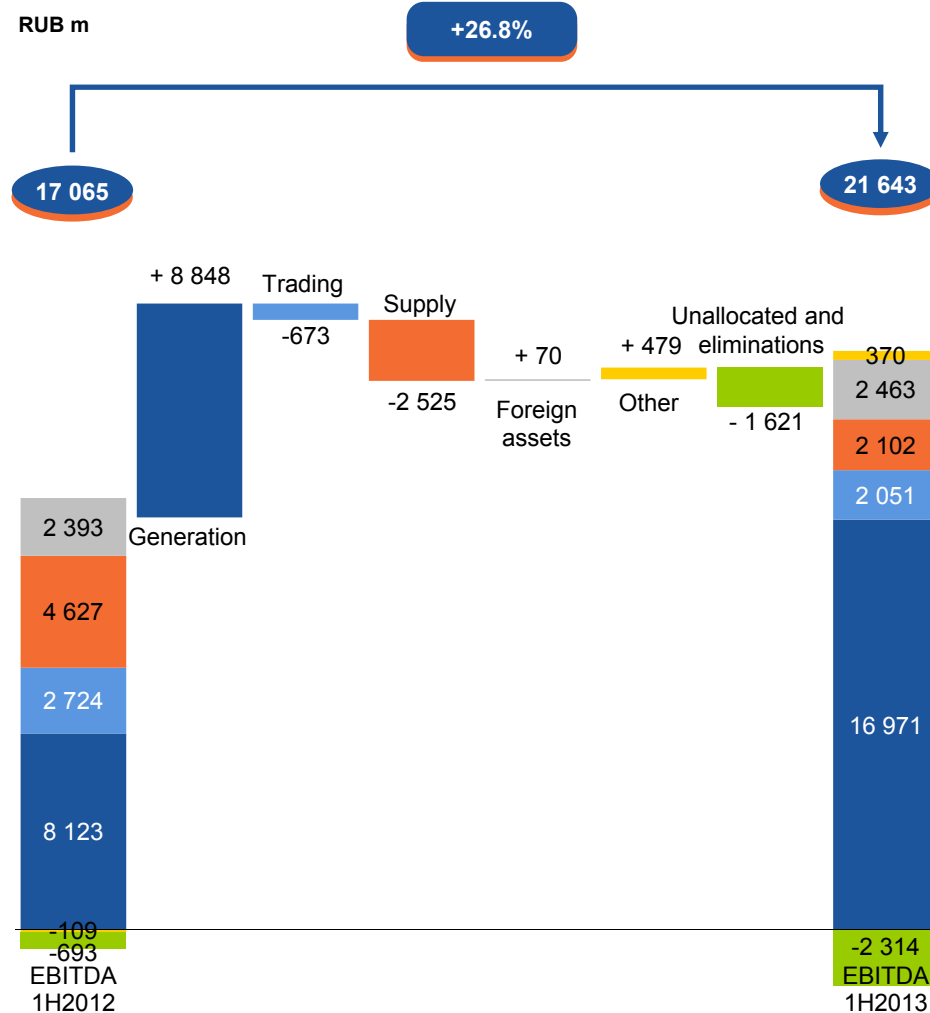


# Evolution of Key Financials – 1H2012/1H2013

## Revenue Bridge



## EBITDA Bridge

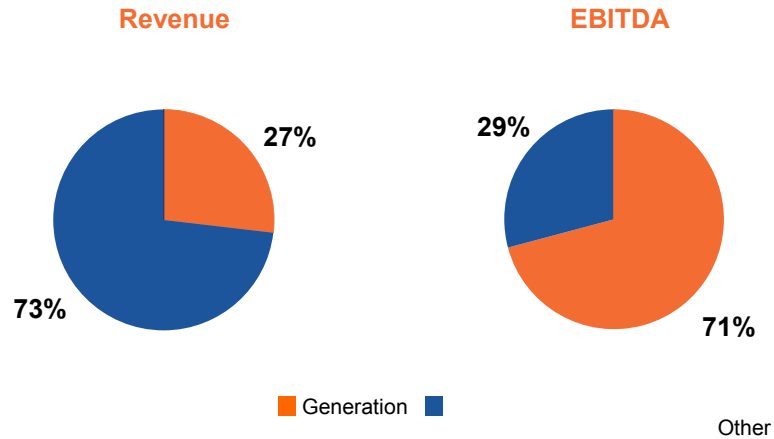


EBITDA increase mainly in Generation due to new capacity commissioning and acquisition of Bashkir Generation

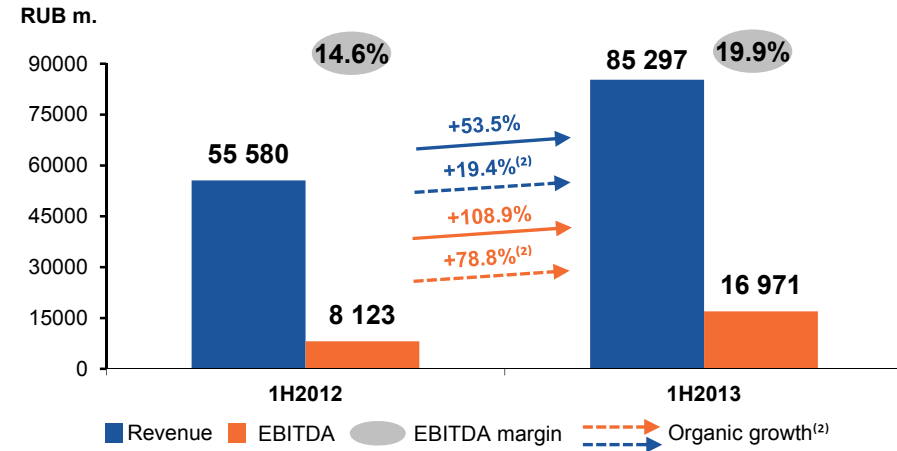


# Key Segments: Generation

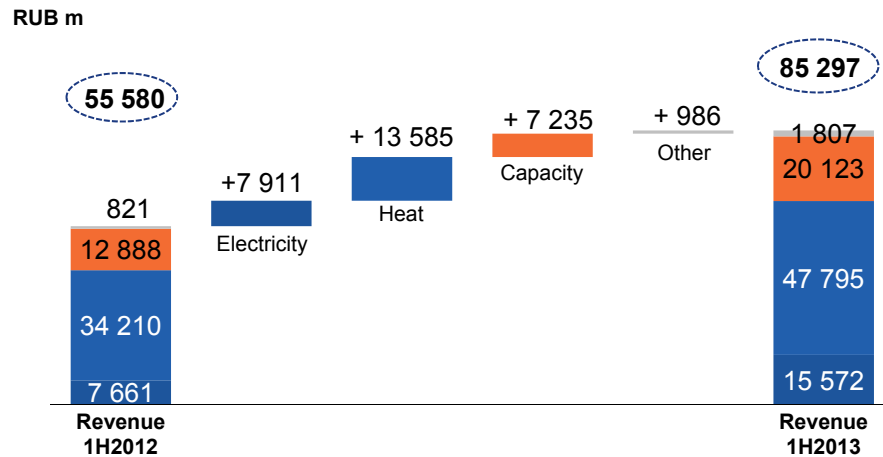
## Contribution to Group for 1H2013



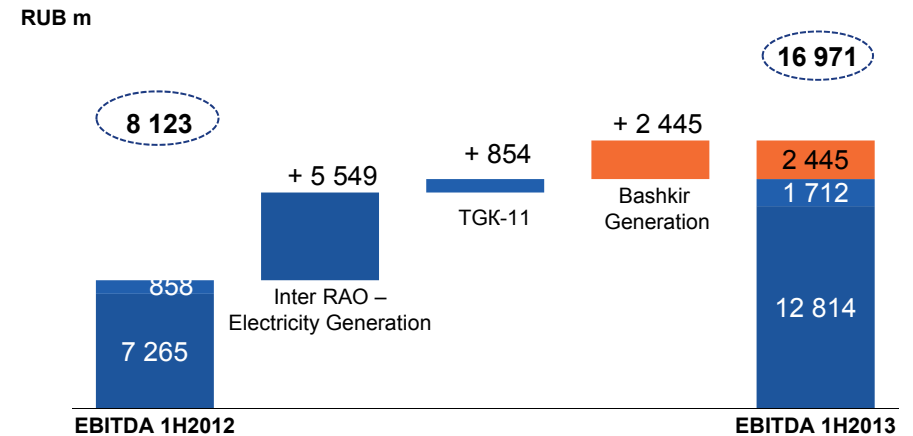
## Revenue and EBITDA



## Revenue Contribution by Product<sup>(1)</sup>



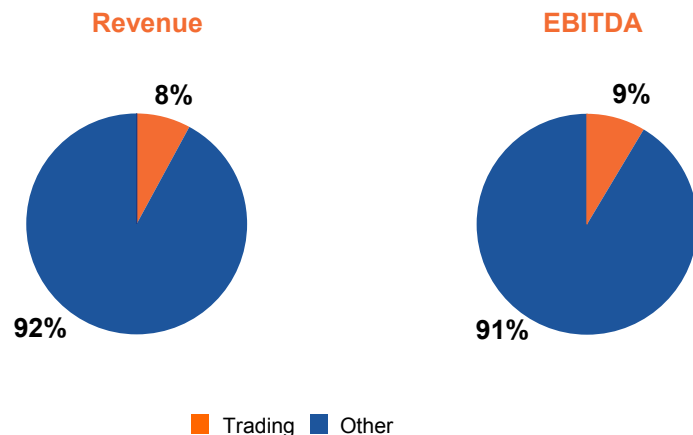
## EBITDA Contribution by Company



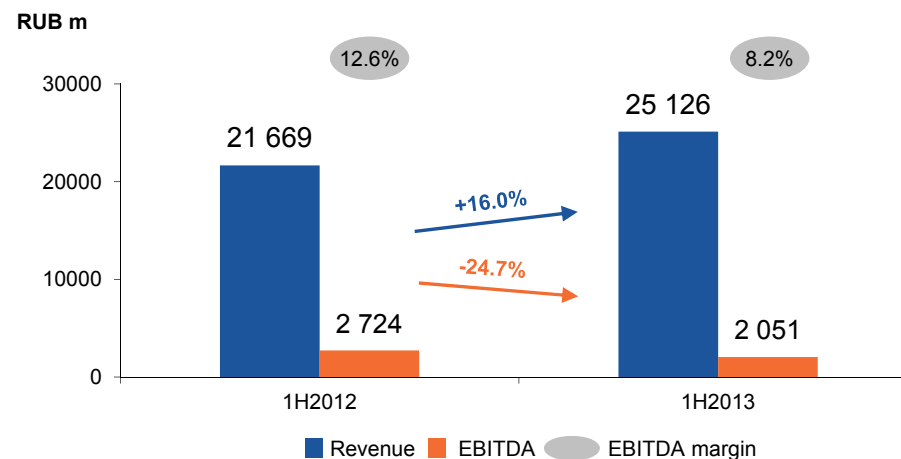


# Key Segments: Trading

## Contribution to Group Results for 1H2013

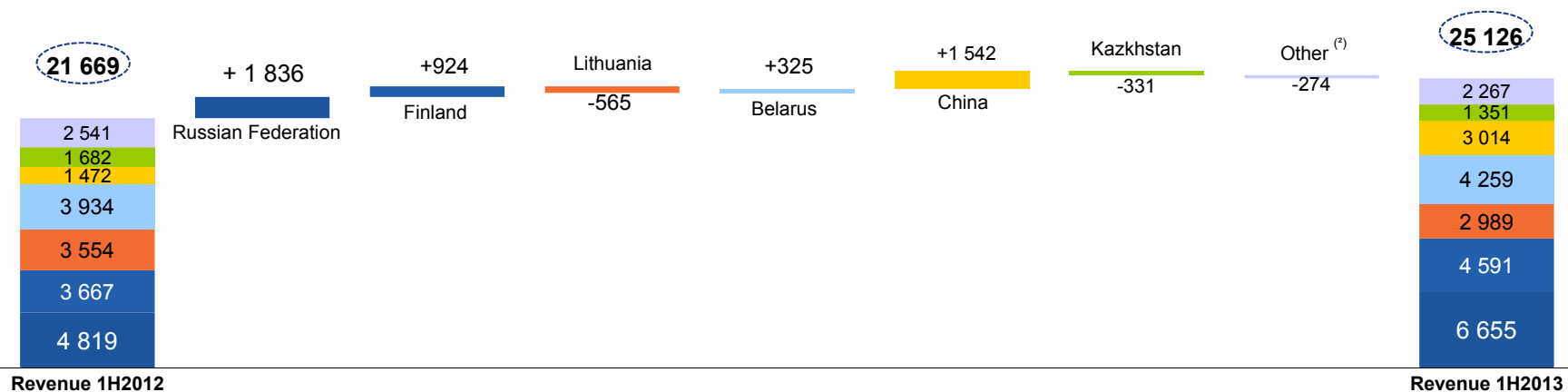


## Revenue and EBITDA



## Revenue Contribution by Geography<sup>(1)</sup>

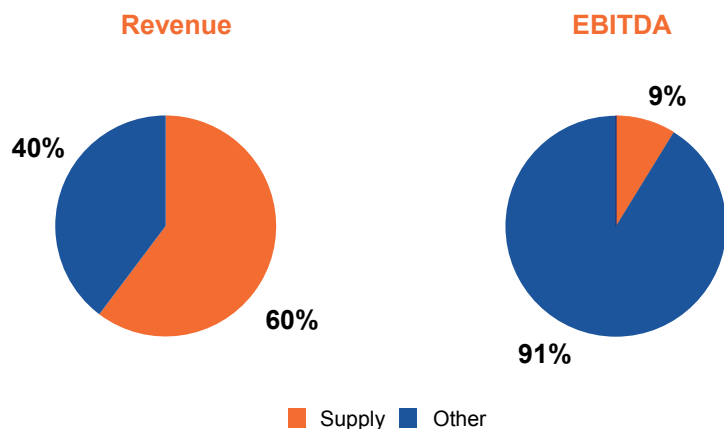
RUB m



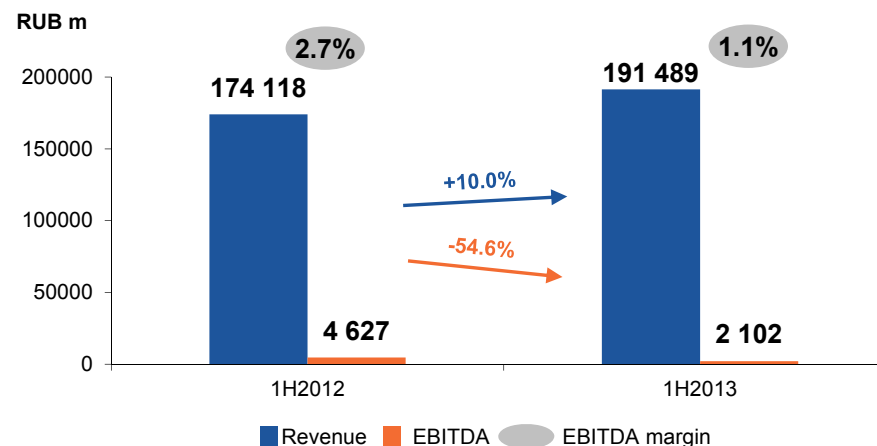


# Key Segments: Supply

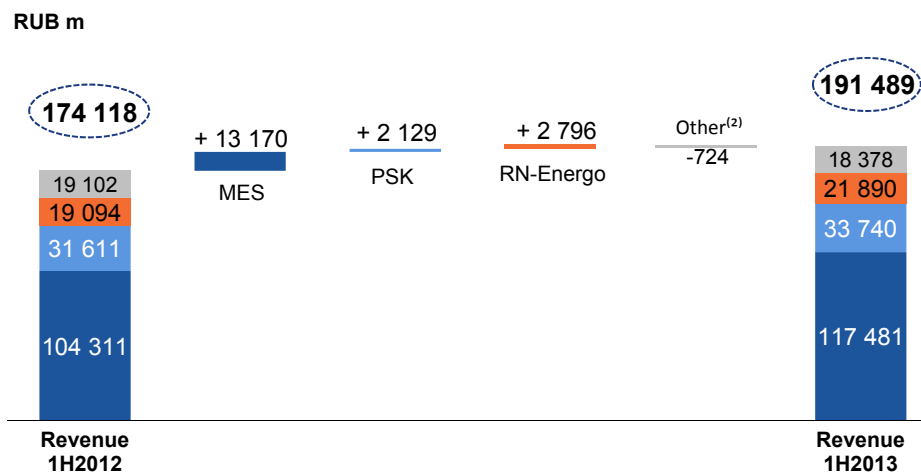
## Contribution to Group results for 1H2013



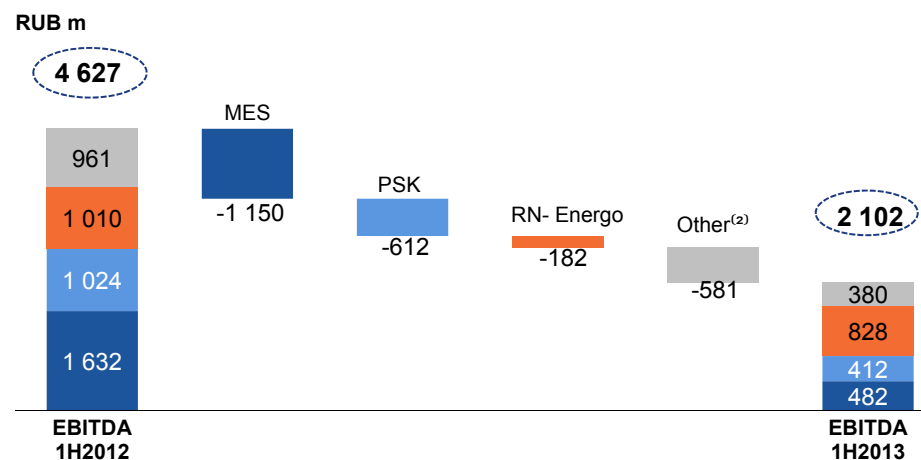
## Revenue and EBITDA



## Revenue Contribution by Company <sup>(1)</sup>



## EBITDA Contribution by Company



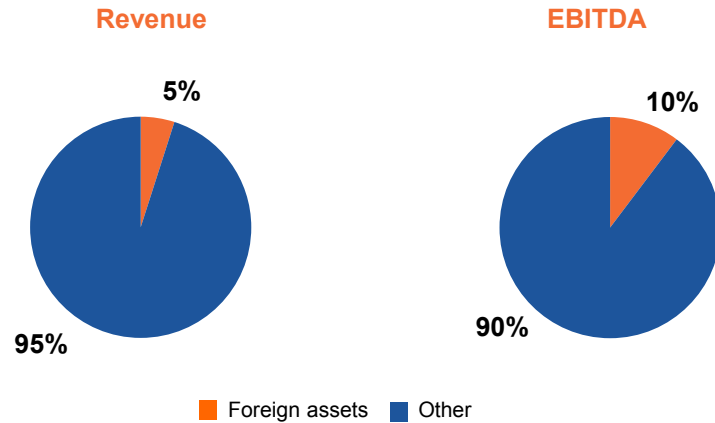
(1) Excludes inter-segmente revenue RUB 75 m for the 1H2012 and RUB 88 m for the 1H2013

(2) Includes Tambov Energy Retail Company, Saratovenergo, Altayenergosbyt, Inter RAO – Orlovskiy energosbyt, Industrial Energetics and RT-Energotrading (jointly controlled entity)

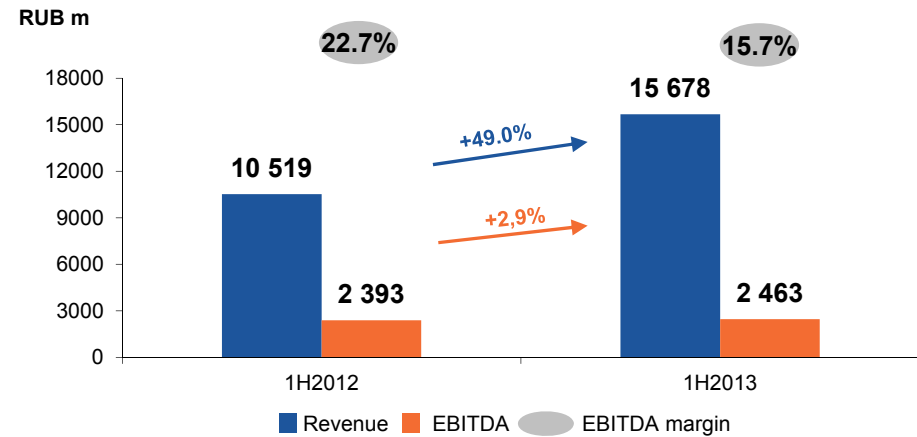


# Key Segments: Foreign Assets

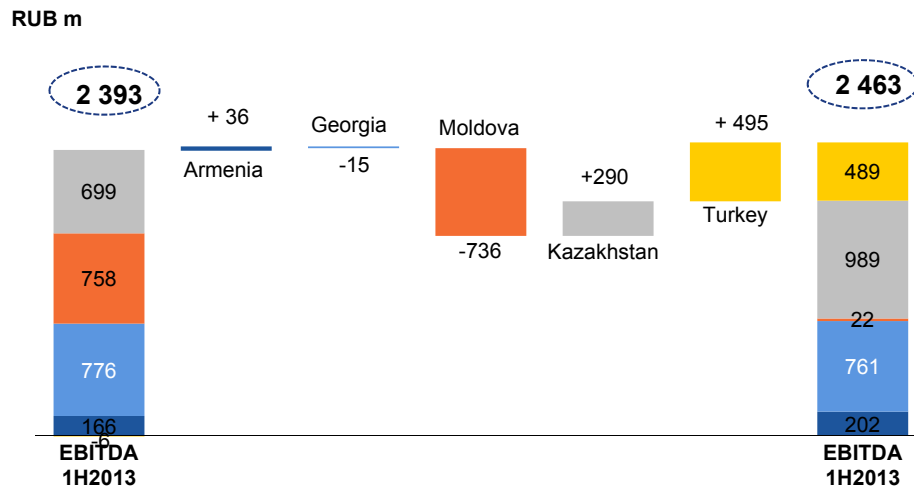
## Contribution to Group for 1H2013



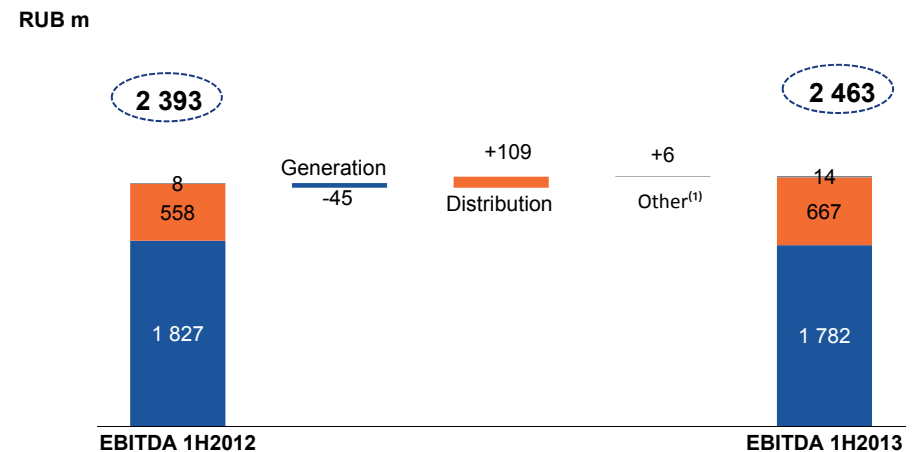
## Revenue and EBITDA



## EBITDA Contribution by Geography



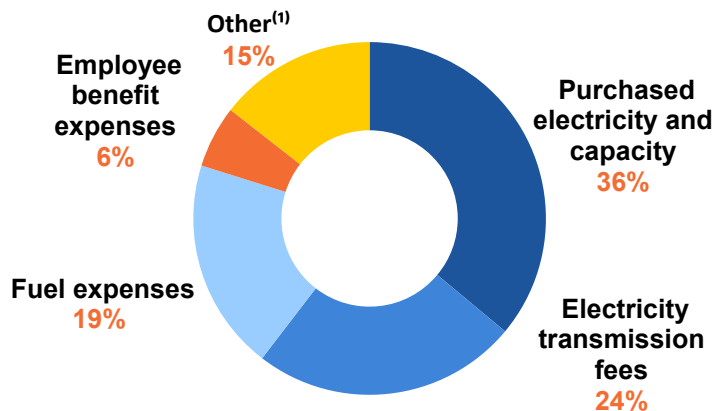
## EBITDA Contribution by Business





# Consolidated Operating Expenses

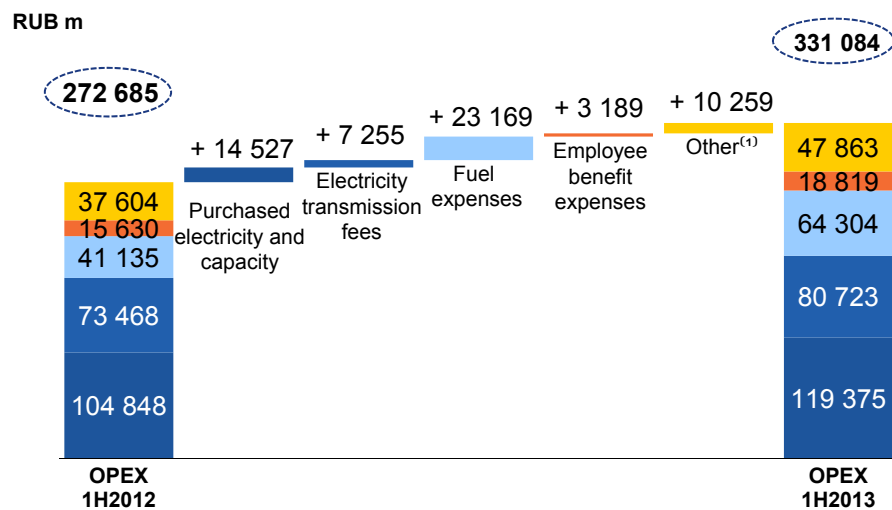
## OPEX Breakdown



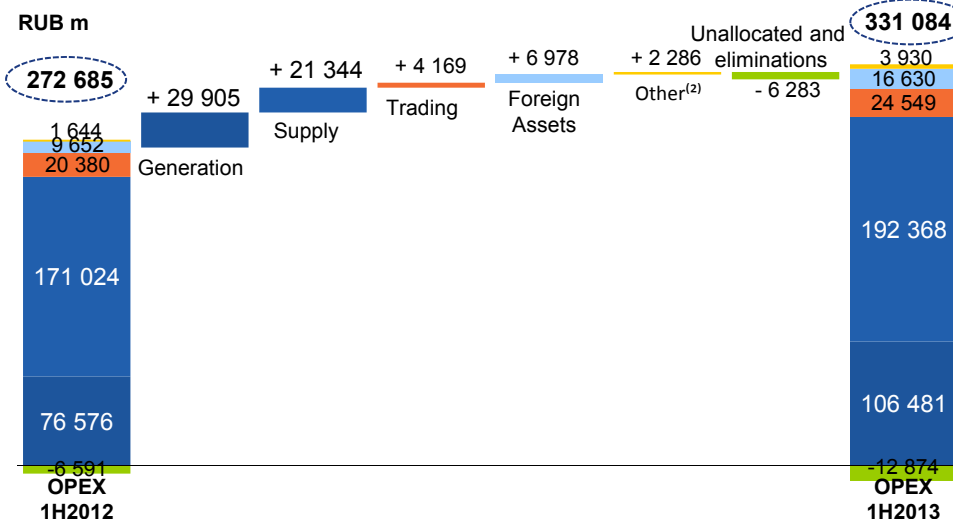
## Comments

- In 1H2013 Inter RAO Group's operating expenses increased by RUB 58 399 m (+21%) in comparison with 1H2012
- Key OPEX change drivers:
  - Fuel expenses increased by RUB 23 169 m (+56%) due to acquisition of Bashkir generation and Trakya Elektrik gas-fired power plant in Turkey at the end of 2012;
  - Purchased electricity and capacity costs increased by RUB 14 527 m (+14%) as a consequence of electricity consumption growth in the retail market and rise of export-import operations;
  - Electricity transmission costs increased by RUB 7 255 m (+10%) as a result of grid tariffs growth from 01.01.2013 and increase of electricity export to Finland and China

## OPEX Dynamics By The Main Items



## OPEX Dynamics By Business Segments



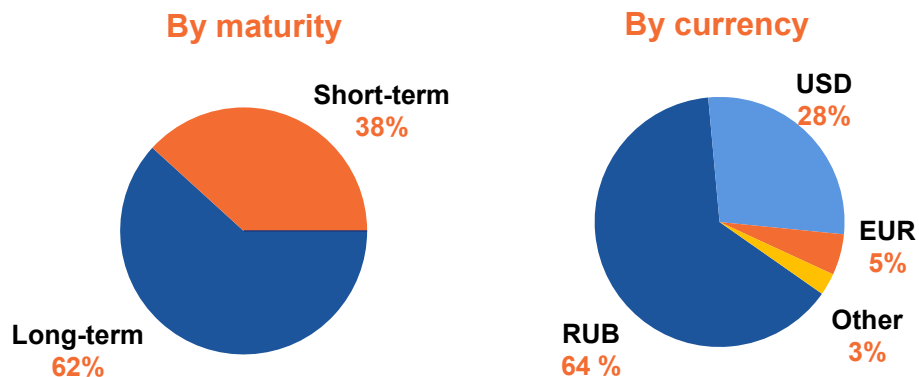
Operating expenses of Inter RAO Group in 1H2012 demonstrated the same growth rate (+21% yoy) as consolidated revenue



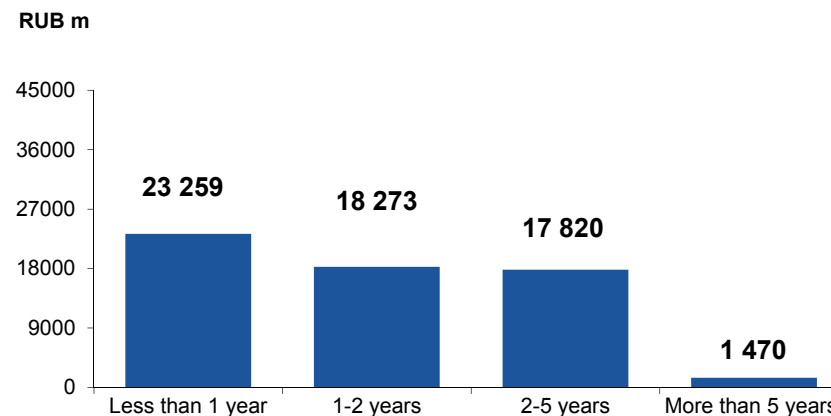


# Debt and Liquidity Analysis

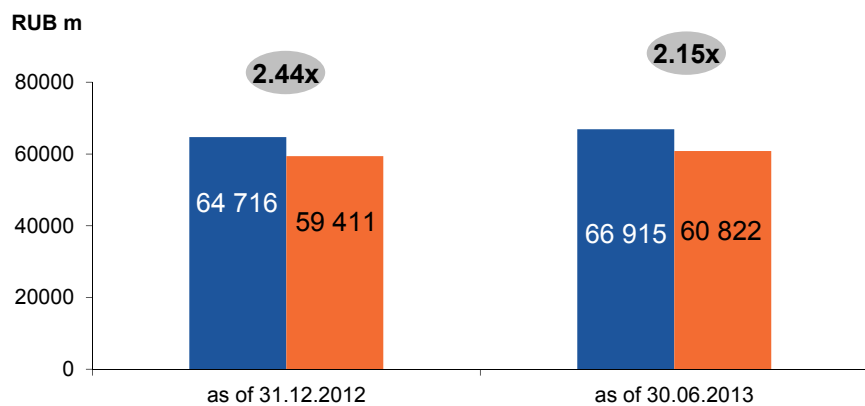
## Debt Composition (as of 30.06.2013)



## Debt Maturity Profile<sup>(1)</sup>

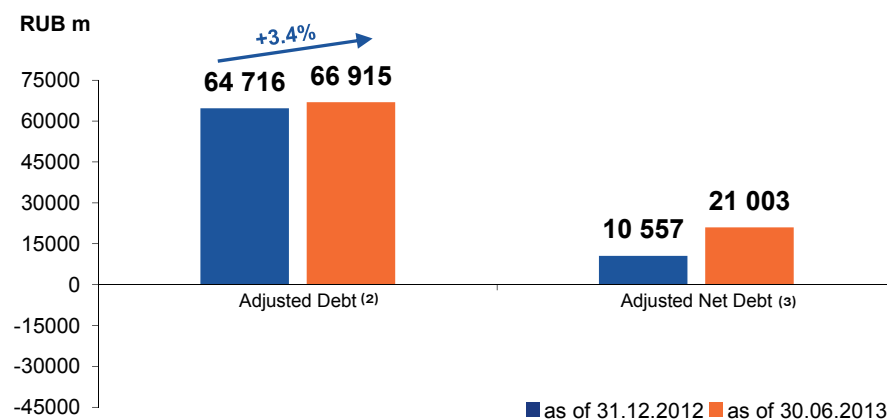


## Total Debt Evolution<sup>(2)</sup>



■ Includes share in debt of joint ventures ■ Excludes share in debt of joint ventures #x Total debt-to-EBITDA ratio<sup>(4)</sup>

## Net Debt Evolution



(1) Includes financial lease  
 (2) Includes share in debt of joint ventures in the amount of RUB 6 093 m as of 30.06.2013 (RUB 5 305 m as of 31.12.2012)  
 (3) Includes cash deposits (3-12 months) in amount of RUB 2 537 m as of 30.06.2013. (as of 31.12.2012 – RUB 6 110 m) and share in debt of joint ventures in amount of RUB 6 093 m as of 30.06.2013 (as of 31.12.2012 – RUB 5 305 m)  
 (4) Calculation of total debt-to-EBITDA ratio as of 30.06.2013 based on LTM EBITDA



### 3. Operational Efficiency Improvement



# Gradual Operational Improvement

1

## GENERATION

### Optimize fuel costs

- Optimize coal consumption, switch to alternative types of coal
- Negotiate better terms with coal suppliers

### Optimize loading factor

- Reduce loading of inefficient plants and increase loading of efficient plants
- Decommission inefficient generation (around 1 GW within next 3 years)
- Cost optimisation self-usage electricity consumption by 5% (in 2014 )

### Optimize reconstruction and repairs costs

- Keep costs at the level of 2013 but implement all the necessary repairs to provide security

### Staff reduction

- Cut personnel up to 22%, incl. outsourcing of services (could yield around 1 bln rub of savings annually)

2

## HEAT

- **Optimize number of personnel** integration of management of Bashkir generation and TGK-11 on the basis of “Heat” Division of Inter RAO UES will lead to 20% personnel reduction
- **Work with regional energy commission on economically justified heat tariffs** (from 01.07.2013 heat tariffs for Bashkir Generation increased by 9%, for Bashkir Heat Grids by 35%. It will increase EBITDA by 700 mln rub in 2013)
- **Decommission inefficient boiler plants** and include investment component into tariff to build new units or for modernization
- **Spin off loss-making heat grids from TGK-11** to get economically justified tariffs for heat transportation

3

## SUPPLY

- **Optimize semi-fixed costs** (annually 1 cop/kWt, that will reduce the costs by 15% by 2015)
- **Optimize number of personnel** – by 2014 the planned reduction will reach 9% (could bring around 1 bln rub of savings annually)
- **Work with regional energy commission on increasing regulated supply margins** (from the 01.07.2013 supply margins for IRAO supply companies increased by 35%)
- **Bring to the market new products, provide additional services with higher margins** - (by 2015 income should increase almost twice, to 280 mln rub)
- **Improve liquidity of receivables** – management intend to decrease turn over of receivables up to 15 days by 2014



**ИИТ'ЕР  
РАОЕЭС**

**THANKS FOR YOUR TIME**