

March 4, 2019, Moscow

Inter RAO Group Publishes IFRS Consolidated Financial Statements for 2018

Inter RAO Group published financial information under international standards for 2018.

Indicator, billion rubles*	2018	2017	+/-
Revenue ¹	962,6	869,2	10,7%
OPEX	885,8	821,8	7,8%
Operating income	87,3	56,2	55,2%
Net income	71,7	54,7	31,1%
EBITDA	121,3	97,6	24,2%
Capital expenditures	25,8	31,5	-18,2%

Indicator, billion rubles *	As of 31.12.2018	As of 31.12.2017	+/-
Total assets ²	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 ²	50,1	12,7	в 3,9 раза
Net debt ³	-166,7	-135,5	23,0%

* — 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 Since January 1, 2018, the Group has been applying IFRS 15 Revenue from Contracts with Customers, according to which revenue is accounted for as the reimbursement amount, the right to which the Group intends to gain in exchange for the transfer of the promised goods or services to the customer. Comparable data for a number of items in the financial statements have been recalculated retrospectively according to the standard.

² As IFRS 16 Leases took effect, the financial statements as of December 31, 2017 recognized assets in the form of the right to use with the residual value of 12.0 billion rubles, and lease liabilities in the amount of 12.3 billion rubles. The total lease liabilities, including liabilities in joint ventures as of December 31, 2017, is 12.7 billion rubles.

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

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

- Commissioning of the Power Unit 12 of Verkhnetagilskaya TPP with the installed capacity of 447 MW, and the Power Unit 4 of Permskaya TPP with the installed capacity of 903 MW in June and July 2017, as well as Zatonskaya CHPP 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: Mayakovskaya TPP with the installed capacity of 157 MW and Talakhovskaya TPP with the installed capacity of 159 MW and two Power Units of Pregolskaya TPP with the installed capacity of 227 MW;
- Increase of the average heat energy tariffs for end consumers, and the increase of the net supply of heat across the Group's Russian assets;
- Increase in average end consumer sales prices in the Supply Segment of the Group;
- Increase of the profit margin in the Group's Trading segment.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Group's revenue increased by 10.7% (93.4 billion rubles) to 962.6 billion rubles.

The increase in revenue in the **Supply Segment** by 51.4 billion rubles (8.9%) to 630.7 billion rubles is related to higher average sales prices of guaranteed suppliers for end consumers and the acquisition of new customers by guaranteed suppliers and independent retailers, and to the fact that a new guaranteed supplier began to operate in the Vladimir Region.

The increase in revenue in the **Electric Power Generation in the Russian Federation Segment** by 7.5 billion rubles (6.1%) to 131.3 billion rubles is mainly due to revenue from the sale of capacity of new power units of Verkhnetagilskaya TPP and Permskaya TPP under CSAs, as well as 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 impact. Along with this, the revenue from the sale of electricity slightly decreased against the previous reporting period due to

the reduced output caused by the current market situation and by the need for repairs and maintenance works.

Revenue in the ***Thermal Power Generation in the Russian Federation segment***, which comprises TKG-11 Group⁴ and Group Bashkir Generation Company, increased by 3.7 billion rubles (5.2%) to 74.9 billion rubles. The positive effect is related mainly to the higher average heat sales prices in Bashkortostan, the Omsk Region and the Tomsk Region, and increased heat output due to the longer heating season in 2018. Besides, the revenue from capacity sales increased as a result of Zatonskaya CHPP commissioning in March 2018.

Revenue of the ***Trading in the Russian Federation and Europe segment*** increased by 15.1 billion rubles (26.8%) in 2018 with respect to comparable reporting period and amounted to as much as 71.4 billion rubles. 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 12.2% against the euro. The halt in commercial supplies to Belarus had a negative impact on the revenue.

The ***Foreign Assets Segment*** saw a slight increase in the revenue by 0.1 billion rubles (0.2%) related to diverse changes. The revenue of the Georgian assets increased due to the increased consumption and higher disbursing tariffs. Moldavskaya TPP saw revenue growth as well due to a longer period of supplies to Moldova. Trakya Elektrik's reduced revenue was due to the lower electricity output in accordance with the order of the grid operator in the Republic of Turkey, and the lower disbursing tariff.

Operating expenses increased by 64.0 billion rubles (7.8%) to 885.8 billion rubles with respect to comparable reporting period, which is lower than the growth of revenue.

Electricity transmission fees increased by 18.9 billion rubles (9.1%) to 227.2 billion rubles due to the performance of enterprises in the Supply Segment, which is related to the increased electricity consumption and its transmission fees.

The ***cost of purchased electricity and capacity*** increased by 26.8 billion rubles (7.8%) to 371.8 billion rubles compared to the same reporting period, mainly due to the higher market prices for capacity, and higher volumes and market prices for purchased electricity in the Supply Segment, as well as the start of operation of a guaranteed supplier in the Vladimir Region.

Fuel expenses declined by 2.6 billion rubles (2.1%) and amounted to 122.0 billion rubles. Foreign assets saw the most considerable changes: the effect of reduced electricity output by Trakya Elektrik to comply with the order of the grid operator was partially offset by a longer period of supplying electricity to Moldova in 2018

The Group recognized impairment and reversal of previously recognized impairment of fixed assets at several plants for the total amount of 1.1 billion rubles.

EBITDA increased by 24.2% to 121.3 billion rubles.

In the **Supply in the Russian Federation Segment**, EBITDA increased by 5.9 billion rubles (30.8%) and amounted to as much as 25.0 billion rubles. This improvement was related to higher average sales prices of guaranteed suppliers and independent retailers, and to an increase in productive supply.

In the **Electric Power Generation in the Russian Federation Segment**, EBITDA increased by 2.9 billion rubles (5.2%) to 60.0 billion rubles. The most considerable positive impact was in the CSA sector, related to commissioning of power units of Verkhnetagilskaya TPP and Permskaya TPP in 2017, as well as commissioning of Talakhovskaya TPP and Mayakovskaya TPP leased by the Group in the Kaliningrad Region in March 2018 and the start of power and capacity supply.

In the **Thermal Power Generation in the Russian Federation Segment**, EBITDA increased by 3.8 billion rubles (27.2%) to 17.7 billion rubles. The considerable increase was related to commissioning of Zatonskaya TPP in March 2018. Higher prices for heat and an increase in its productive supply in Bashkortostan, the Tomsk Region and the Omsk Region had a positive impact as well.

In the **Trading in the Russian Federation and Europe Segment**, EBITDA increased by 8.9 billion rubles or by a factor of 2.2, and amounted to 16.3 billion rubles in 2018. The increase in EBITDA is related mainly to the growth of supply to Finland and Lithuania, and the increase in the Nord Pool prices with the weakening of the ruble against the euro.

The **Foreign Assets Segment** saw EBITDA increase by 1.4 billion rubles (23.2%) to 7.5 billion rubles. There was a positive effect in all assets of the Group.

The net income for the 2018 totaled 71.7 billion rubles, having increased by 17.0 billion rubles with respect to comparable reporting period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total assets increased by 89.5 billion rubles (14.0%), amounting to 728.6 billion rubles.

Total assets of the Group increased due to the fact that the contract for leasing movable and immovable assets at Talakhovskaya, Mayakovskaya and Pregolskaya TPPs took effect. In the Statement of Financial Position of the Inter RAO Group the value of the assets at these power plants is recognized as right-of-use assets. Besides, the amount of cash and deposits increased due to accumulated cash from operating activities and repayment of accounts receivable for a stake of JSC Irkutskenergo sold in 2016.

Equity increased by 24.0 billion rubles (5.2%), amounting to 485.5 billion rubles.

The increase in equity was related to diverse changes, including the recognition of net income for the reporting period, distribution of dividends and acquisition of treasury shares.

Loans and borrowings decreased by 39.7% to 9.7 billion rubles. Lease liabilities (including the share in the joint ventures) increased by 37.4 billion rubles and amounted to 50.1 billion rubles.

Total loans and borrowings of the Group decreased by 6.4 billion rubles (39.7%) to 9.7 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 December 31, 2018 amounted to 14.2% versus 85.8% (as of December 31, 2017, it was 28.9% versus 71.1%).

As a result of IFRS 16 Leases taking effect, the right-of-use assets and leasing obligations are recognized retrospectively in the Statement of Financial Position. An increase in obligations in the reporting period is related primarily to signing a long-term lease contract for Mayakovskaya, Talakhovskaya and Pregolskaya TPPs and recognizing the corresponding lease liabilities in the Statement of Financial Position.

⁴ *TGK-11 Group is represented by heat producers such as JSC TGK-11 (Omsk) and JSC Tomsk Generation, and heat distribution network operators such as JSC Tomsk RTS and JSC OmskRTS*

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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 33.7 GW of installed power generation capacity. www.interrao.ru