



Inter RAO Group 1H2014 Consolidated Financial and Operating Results

27 August 2014



Key Factors Affecting The Group's Financial Performance



GENERATION IN RUSSIA :

- Commissioning of 1.4 GW of new and modernized power capacity under CDA since 2 half of 2013
- Electricity price on the spot market in the 1st price zone increased 13% YoY and decreased 12% in the 2nd price zone YoY
- KOM's capacity prices in the wholesale market went up by 7.2% YoY
- Regulated capacity tariffs went up 9.4% YoY
- Heat tariffs increased 21,2% YoY



SUPPLY IN RUSSIA:

- Tomskenergosbit becoming a part of Inter RAO Group since September 2013
- Guaranteed supplier status obtained in Orel and Omsk regions from February and March 2014 respectively;
- Regulated supply margin for Inter RAO Group's guaranteed supply companies went up on average by 37.4% YoY
- Regional expansion and client base increase in independent supply companies



TRADING:

- 15% electricity price decrease on Nord Pool in Finland zone with simultaneous price increase on Russian domestic market



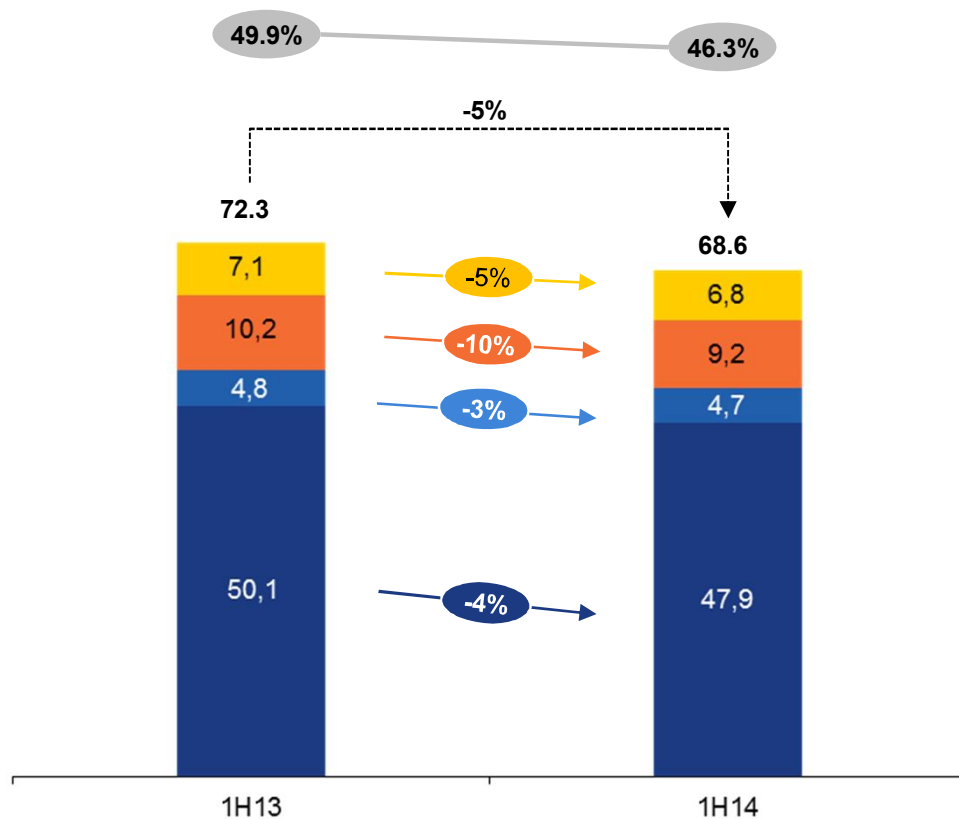
I. Operational Performance Results



Electricity And Heat Production

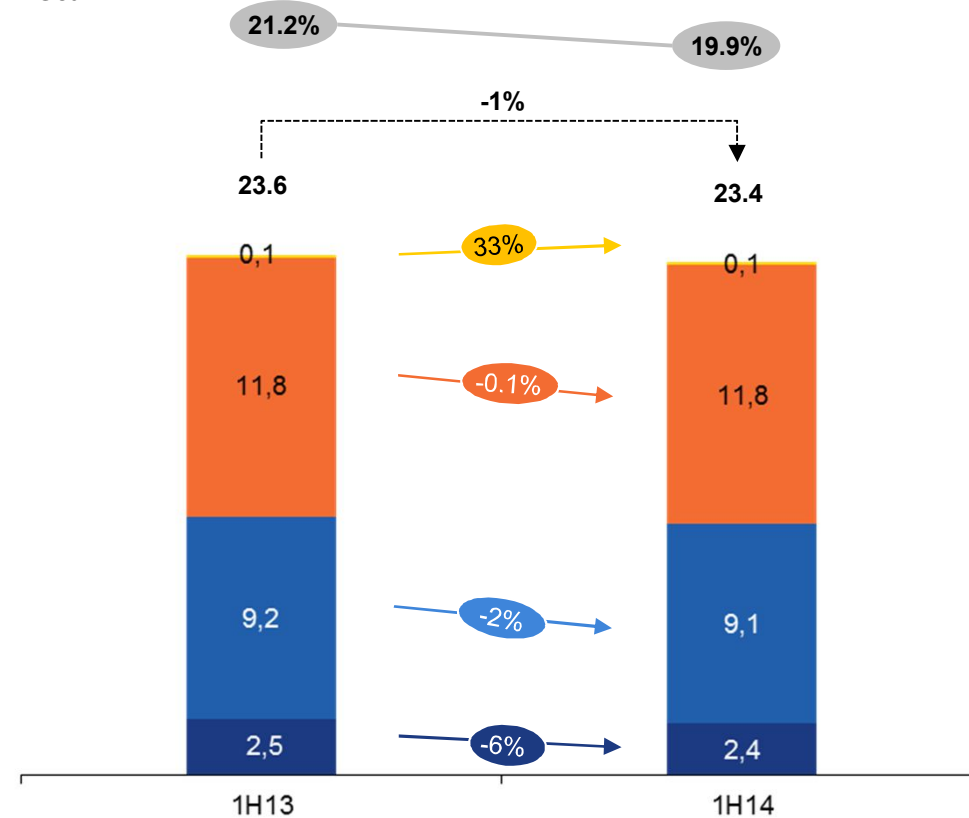
Electricity Production

TWh



Heat Production

Mln Gcal



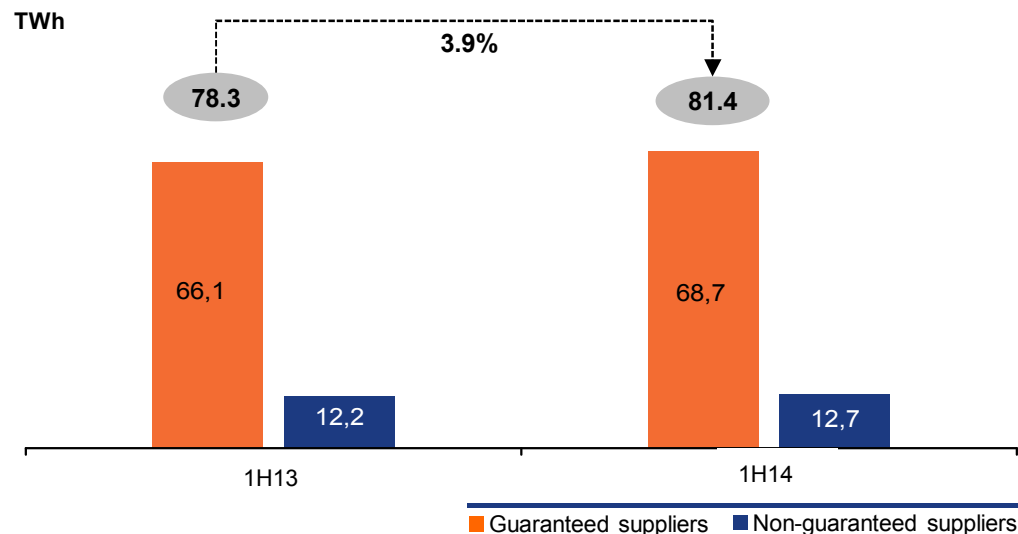
■ INTER RAO – Electricity Generation ■ TKG-11 ■ Bashkir Generation ■ Foreign Generation #% Load Factor #% Electricity/heat production dynamics

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

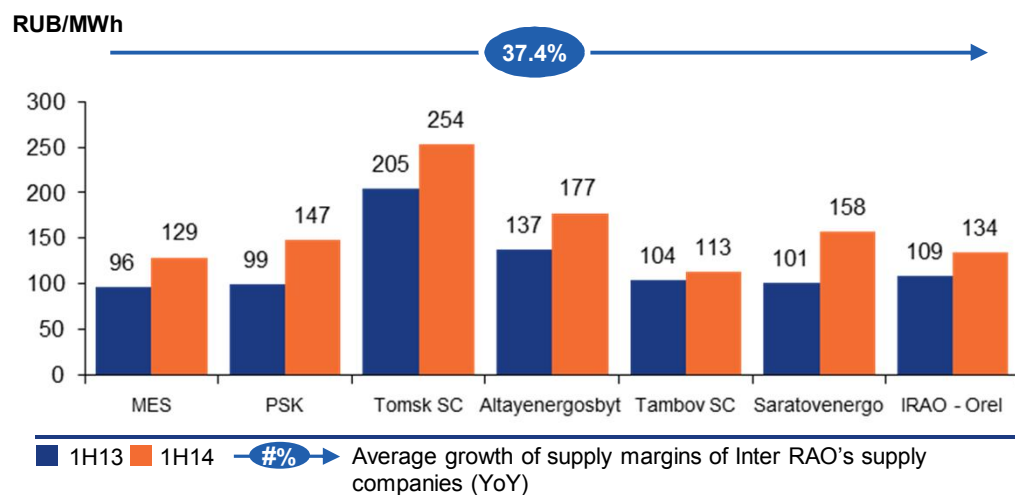


Electricity Supply And International Activity

Electricity Sales to Customers⁽¹⁾



Supply Margins of Guaranteed Suppliers⁽²⁾

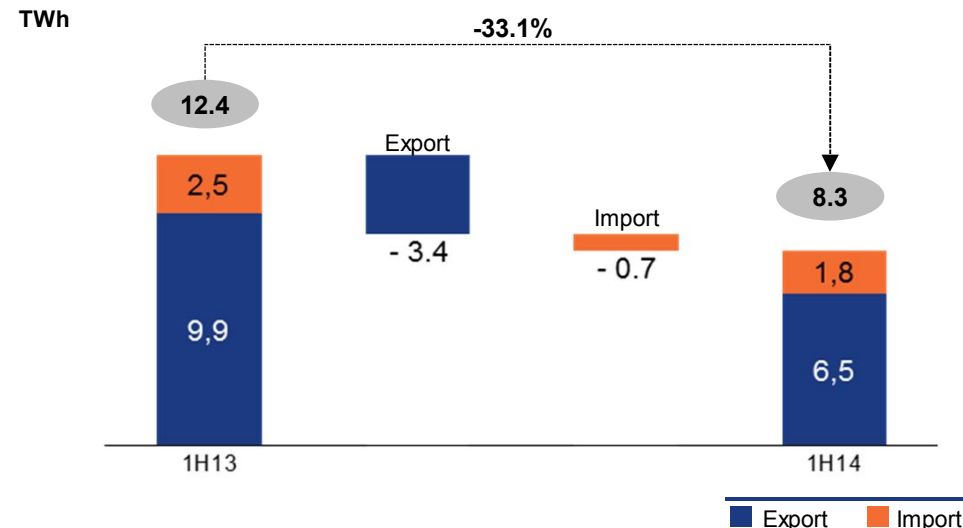


Note: Operational results of Tomsk energy supply company are presented from the beginning of 2012

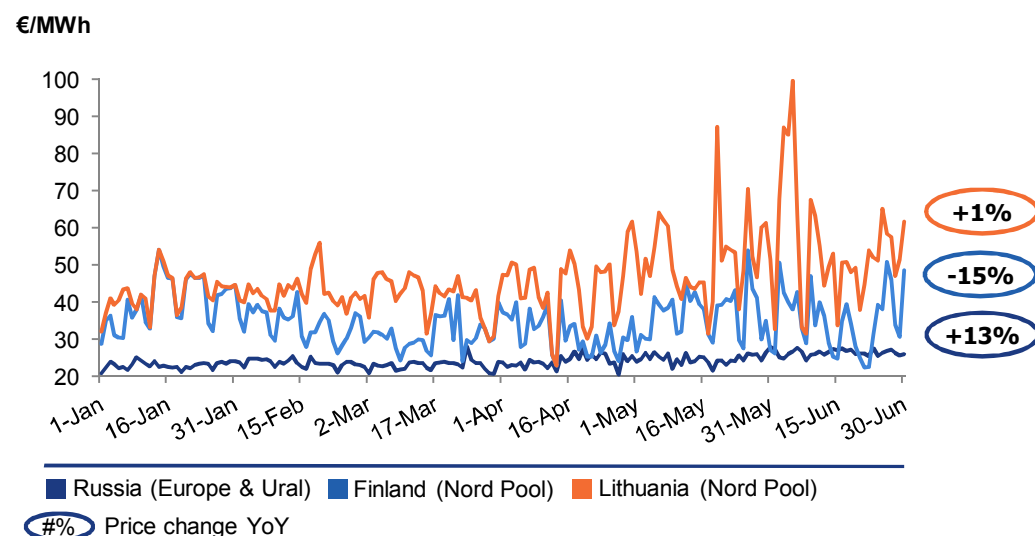
(1) Includes electricity sales in retail and wholesale markets

(2) Weighted average supply margin by group of customers, set by the relevant regional energy commission

Export/Import Volumes



Electricity Spot Prices





II. Operational efficiency increase



Commissioning of new efficient power capacity

Nizhnevartovskaya GRES (unit #3.1)



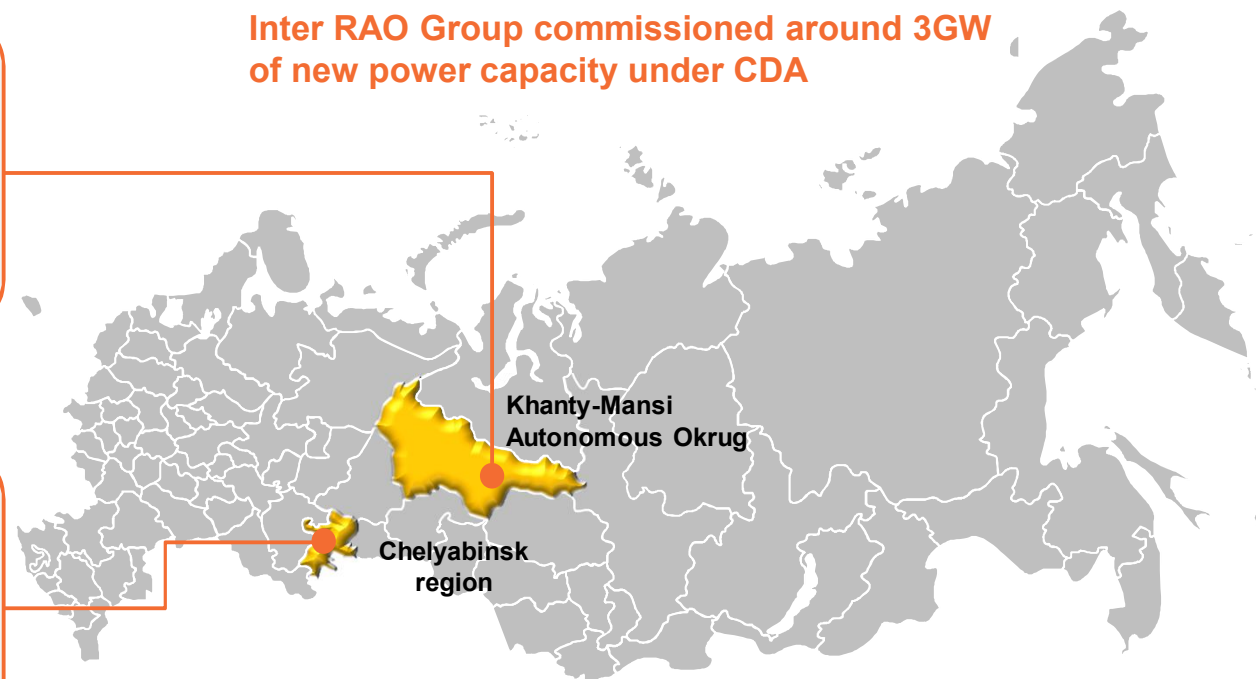
- Commissioning date – March 2014
- Free flow zone - Tumen
- Installed Capacity – 413 MW
- Fuel type – gas
- Capacity utilization rate⁽¹⁾ – 85%
- Fuel efficiency⁽¹⁾ – 197.2 г/кВт*ч
- Capacity payment – 558 thous. RUB/MW monthly

Yuzhnouralskaya GRES-2 (unit #1)



- Commissioning date – February 2014
- Free flow zone - Ural
- Installed capacity – 408 MW
- Fuel type – gas
- Capacity utilization rate⁽¹⁾ – 69%
- Fuel efficiency⁽¹⁾ – 199.3 г/кВт*ч
- Capacity payment – 525 thous. RUB./MW monthly

Inter RAO Group commissioned around 3GW of new power capacity under CDA



- In the 1 half 2014 Inter RAO Group commissioned **821 MW** of new power capacity under CDA
- In the 2 half of 2014 commissioning of **more than 1GW** of new power capacity is planned under CDA:
 - Cherepetskaya GRES (unit #8) – 225 MW
 - Cherepetskaya GRES (unit #9) – 225 MW
 - Yuzhnouralskaya GRES-2 (unit #2) – 410 MW
 - Omskaya CHPP-3 (Turbine #13) – 60 MW (modernization)
 - Omskaya CHPP-5 (Turbine #1) – 98 MW (modernization)

Commissioning of new efficient energy units under CDA is the key driver for EBITDA growth of the Inter RAO's generation segment



Generation assets load profile optimization

Load increase of efficient generation assets

In the 1H 2014 in order to achieve marginal profit maximization from electricity production for the wholesale market the load of the most efficient plants of Inter RAO-EG was optimized:

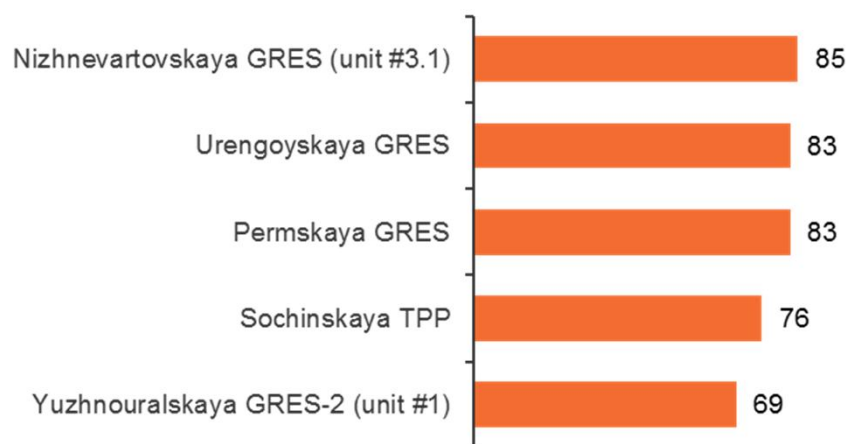
- Sochinskaya TPP – electricity production increased 48.9% YoY
- Urengoyanskaya GRES – electricity production increased 15.7% YoY
- Permskaya GRES – electricity production increased 12.0% YoY
- Capacity utilization of new CDA units on Nizhnevartovskaya GRES and Uzhnouralskaya GRES-2 scored 85% and 69% respectively

«Unload» of inefficient generation assets

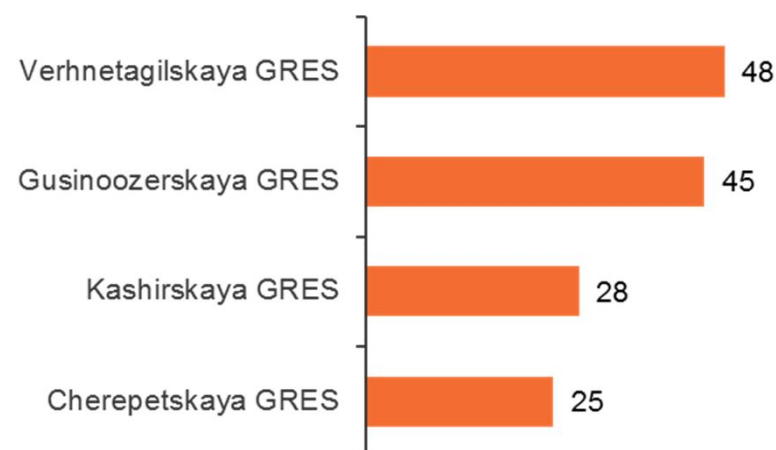
In the 1H 2014 in order to achieve loss minimization from electricity production for the wholesale market the load of the least efficient plants of Inter RAO-EG was optimized:

- Cherepetskaya GRES – electricity production decreased 18.8% YoY
- Kashirskaya GRES – electricity production decreased 17.0% YoY
- Verhnetagilskaya GRES – electricity production decreased 16.8% YoY
- Gusinozerskaya GRES - electricity production decreased 12.5% YoY
- Irikhinskaya GRES - electricity production decreased 12.2% YoY

Capacity utilization rate of high-margin generation assets in 1H 2014



Capacity utilization rate of low-margin generation assets in 1H 2014



Focus on further optimization of generation assets: electricity production increase by efficient plants and load decrease of unprofitable generation assets



Decommissioning of inefficient generation assets

Key reasons for decommissioning of generation assets

- High level of physical and moral wear and tear of main equipment
- Negative returns from electricity selling on the wholesale market
- Increase of financial loss as a result of emergency condition of old equipment
- Decreased competitiveness of electricity produced with inefficient generation equipment
- Risk of losing capacity payments

Decommissioning of inefficient generation assets, plants breakdown

2015:

- Verhnetagilskaya GRES (TG-2, TG-3) – 176 MW
- Yuzhnouralskaya GRES (TG-2, TG-3) – 100 MW

2016:

- Cherepetskaya GRES (unit #1,2,3) – 420 MW

2017:

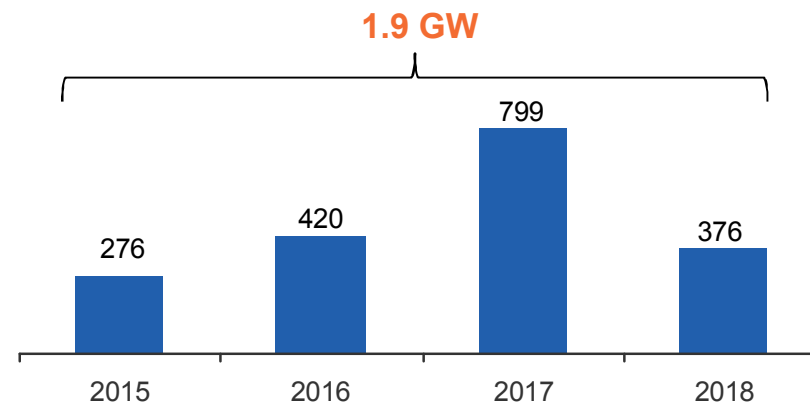
- Yuzhnouralskaya GRES (TG-4, TG-7, TG-8) – 199 MW
- Cherepetskaya GRES (unit #5,6) – 600 MW

2018:

- Verhnetagilskaya GRES (TG-4, TG-5, TG-6) – 376 MW

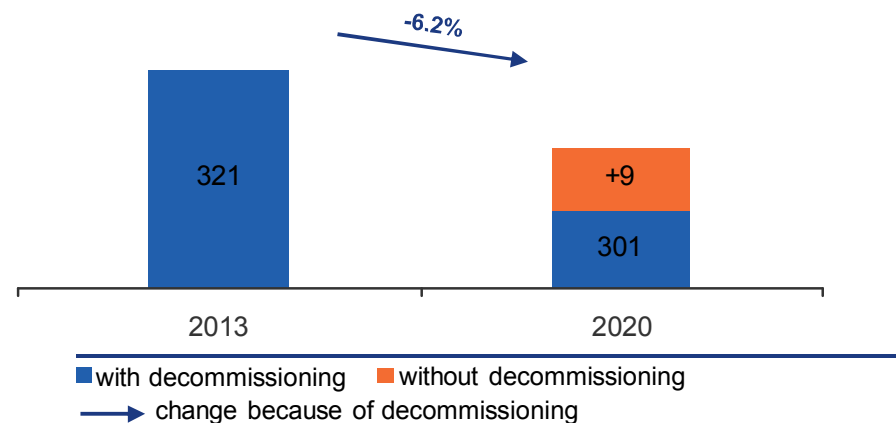
Decommissioning of inefficient generation assets, annual breakdown

MW



Fuel efficiency dynamics⁽¹⁾

g/KW*h



Decommissioning of inefficient generation assets would allow to increase utilization of Inter RAO Group's efficient units and decrease the fuel efficiency rates for electricity production

(1) Based on information from Inter RAO Electrogenation's plants

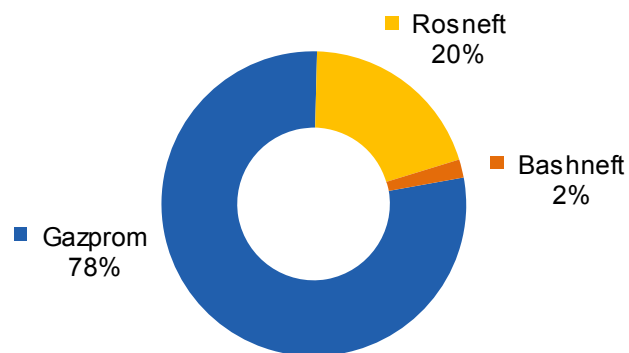


Fuel expenses optimization

I. Gas prices conservation

- In January 2014 Bashkir GenCo and «Rosneft» signed an annual gas contract with the latter agreeing to supply 2,4 bcm (≈40% of Bashkir GenCo total consumption)
- In the 1H14 «Rosneft» supplied to Karmanovskaya GRES, Ufinskaya CHPP-1 and Ufinskaya CHPP-4 **647 mcm** of gas
- Average gas price on the above stations increased **14% YoY**, with the FST gas tariff increase 16.5% for industrial consumers.

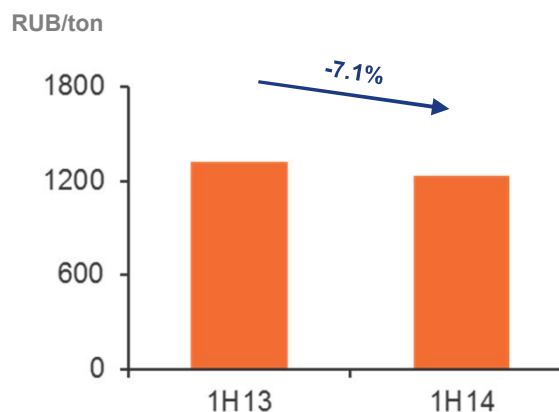
Bashkir GenCo's gas suppliers structure in the 1H14



II. Coal expenses decrease

- In the 1H14 burnt coal price on the Inter RAO – EG's plants decreased on average **7.1% YoY**
- This effect happened due to the **contract prices decrease for coal supply and transportation alongside with an increase in consumption of less expensive coal.**
- The biggest burnt coal price decrease was achieved on **Kashirskaya GRES (-11% YoY) and Cherepetskaya GRES (-14% YoY).**

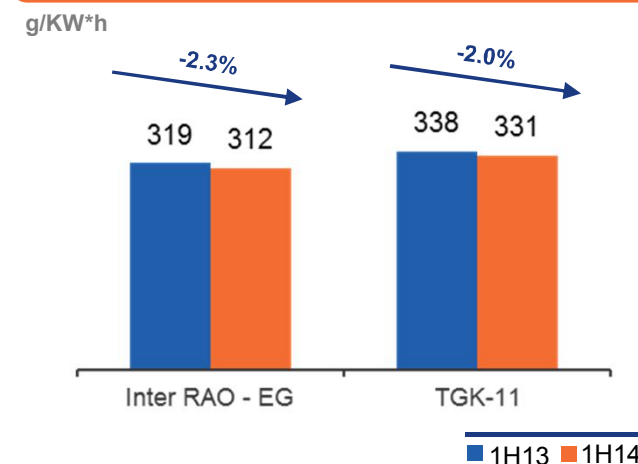
Weighted average coal price dynamics⁽¹⁾



III. Fuel efficiency decrease

- In 1H14 Fuel efficiency for electricity production on Inter RAO – EG's and TGK-11's generation assets **decreased on average 2.3% and 2.0%** respectively
- Fuel efficiency decrease occurred due to the **commission of new capacity under CDA and power plants load profile optimization**
- The biggest Fuel efficiency decrease for electricity production was achieved on **Yuzhnouralskaya GRES (-16.3% YoY), Nizhnevartovskaya GRES (-6.1% YoY) and Sochinskaya TPP (-3.6% YoY)**

Fuel Efficiency dynamics



Focus on further fuel price contracts improvements for Inter RAO Group's Russian generation assets in order to optimize variable costs

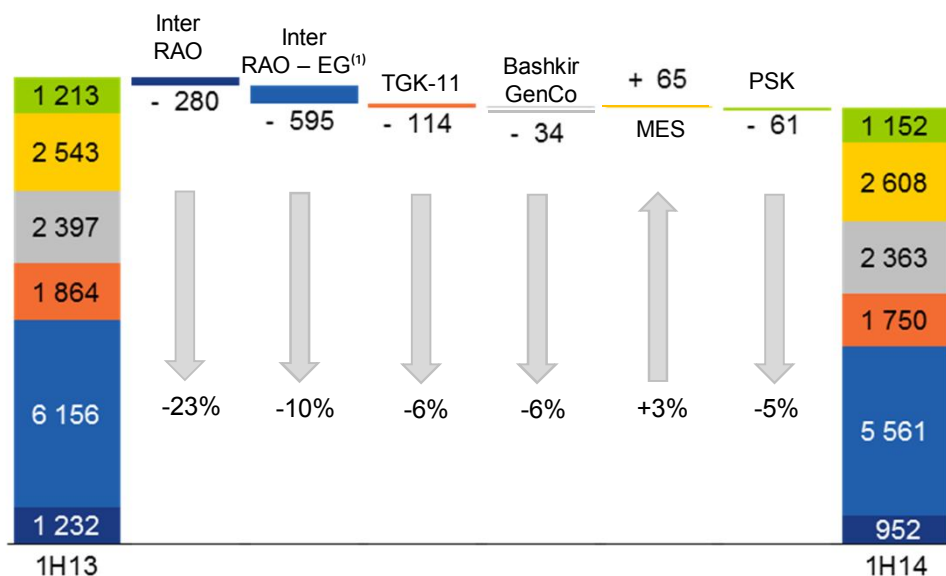
(1) Weighted average coal price including transportation to power plants of Inter RAO – EG



Employees expenses optimization

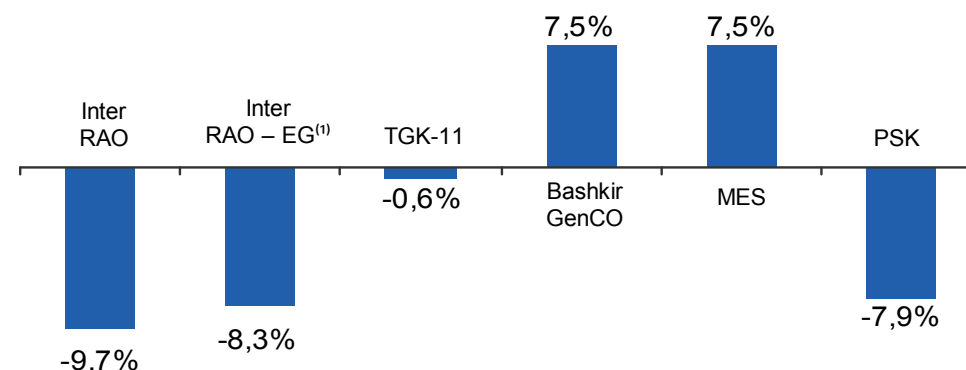
Employees expenses dynamics breakdown

RUB m



Employees number dynamics breakdown

% YoY



70% of Inter RAO Group's total employees expenses is divided between key business segments

Major employees expenses optimizations activities

- Employees number optimization of Inter RAO Group
- Motivation system and salaries optimization
- Management standard increase within Board of directors and subsidiaries directors
- Typical organizational structure of Group's subsidiaries
- Outsourcing of non-core business divisions

Inter RAO Group is focused on keeping fixed costs growth on the level of annual inflation minus 2%

(1) Excluding «Nizhnevarovskaya GRES»



III. IFRS Financial Results



Key Financials

<i>RUB m</i>	1H14	1H13	Change, %
Revenue	352 896	317 743	11.1%
Operating expenses	343 489	331 084	3.7%
Operating profit	12 559	-9 793	-
Adjusted EBITDA	28 132	21 643	30.0%
EBITDA margin	8.0%	6.8%	1.2%
Adjusted EBIT	17 457	9 220	89.3%
Net income/(loss)	6 856	-13 845	-
Adjusted net income⁽¹⁾	13 305	10 943	21.6%
Free Cash Flow (FCF)	8 510	-4 971	-
CAPEX	11 676	15 781	-26.0%
<i>RUB m</i>	30.06.2014	as of 31.12.2013	Change, %
Total assets	522 365	512 566	1.9%
Total Equity	340 885	334 589	1.9%
Adjusted Total Debt⁽²⁾	65 079	59 590	9.2%

(1) Adjusted net income excludes provisions and impairments (RUB 4 850m in 1H14 and RUB 17 163m in 1H13) and revaluation of put and call options under the agreement with Vnesheconombank (RUB 1 599m in 1H14 and RUB 7 625m in 1H13)

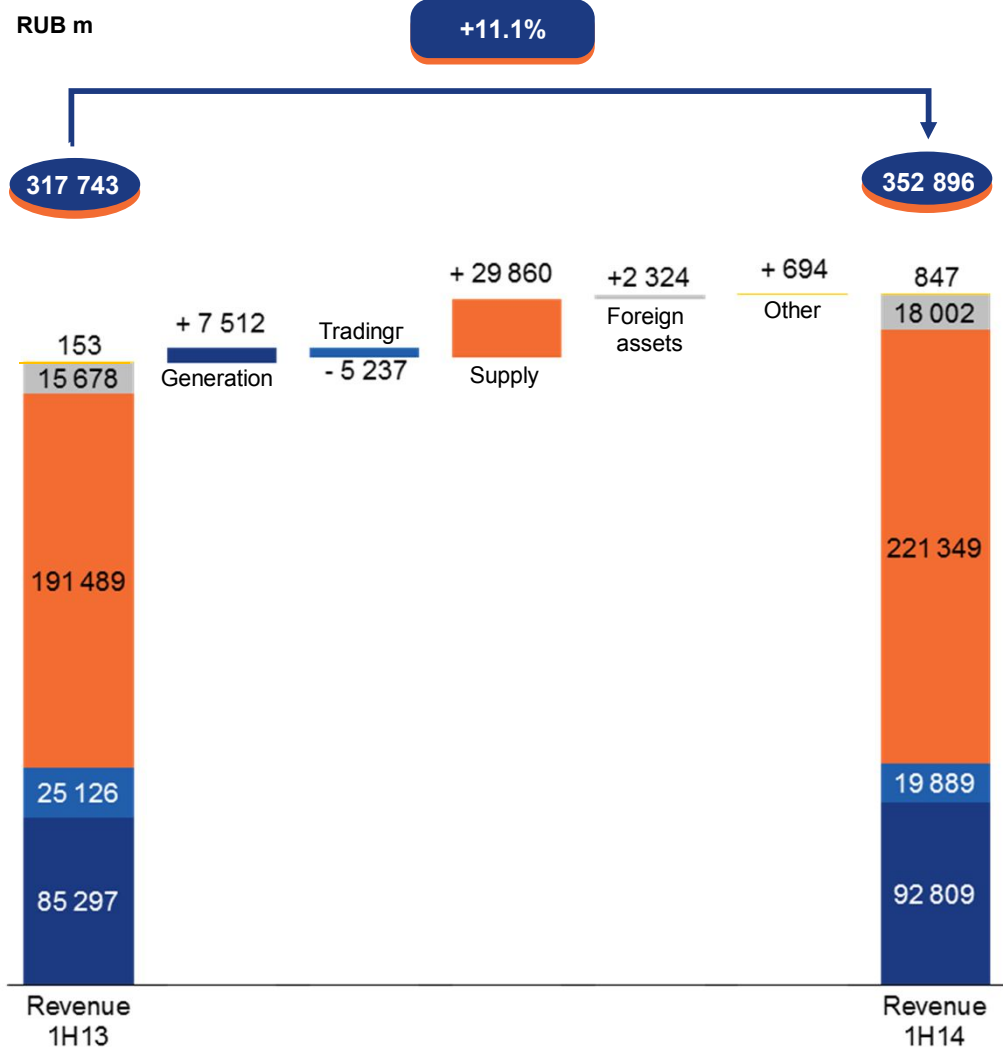
(2) Includes share in debt of joint ventures RUB 7 177m as of 30.06.2014 (RUB 6 839m as of 31.12.2013).

(3) Includes cash deposits (3-12 months) RUB 2 522m as of 30.06.2014 (RUB 1 545 m as of 31.12.2013) and share in debt of joint ventures RUB 7 177m as of 30.06.2014 (RUB 6 839m as of 31.12.2013).

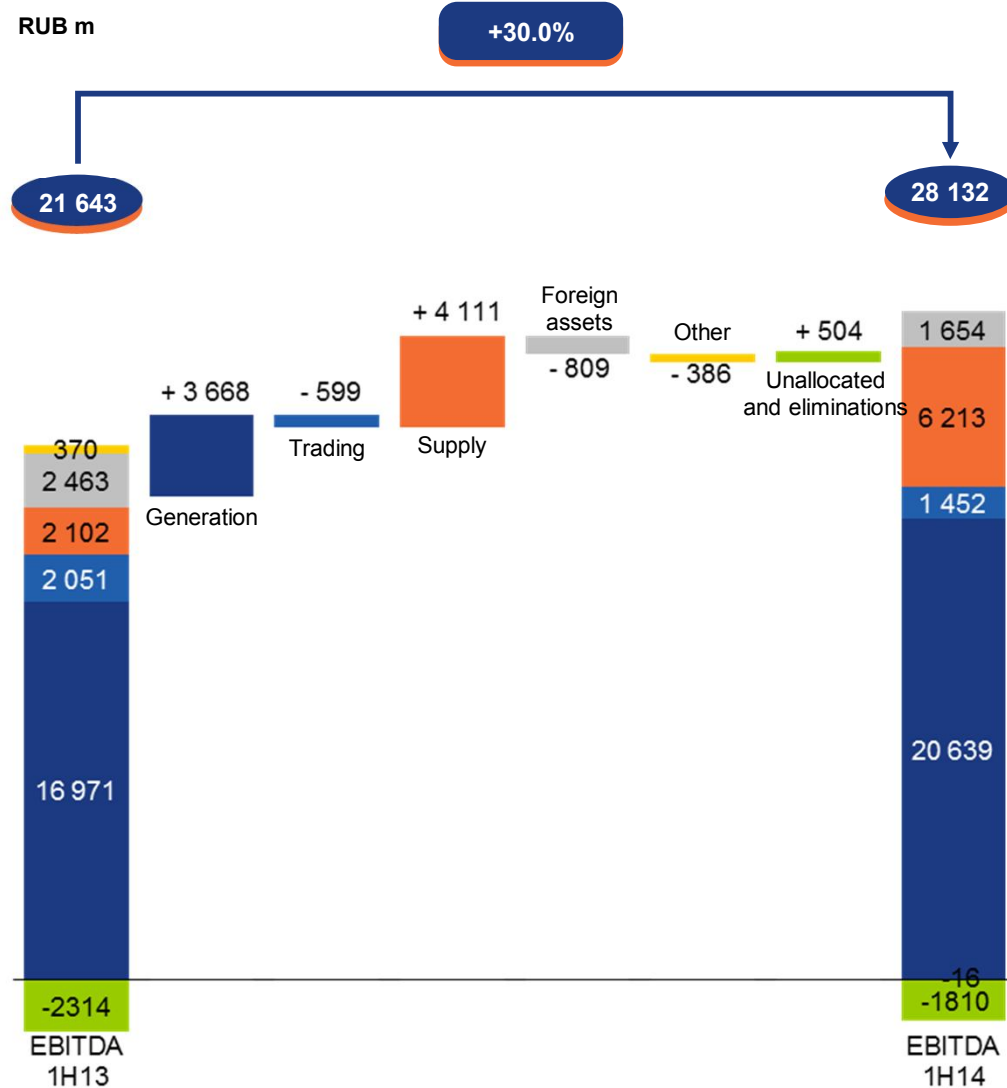


Evolution of Key Financials

Revenue Bridge



EBITDA Bridge

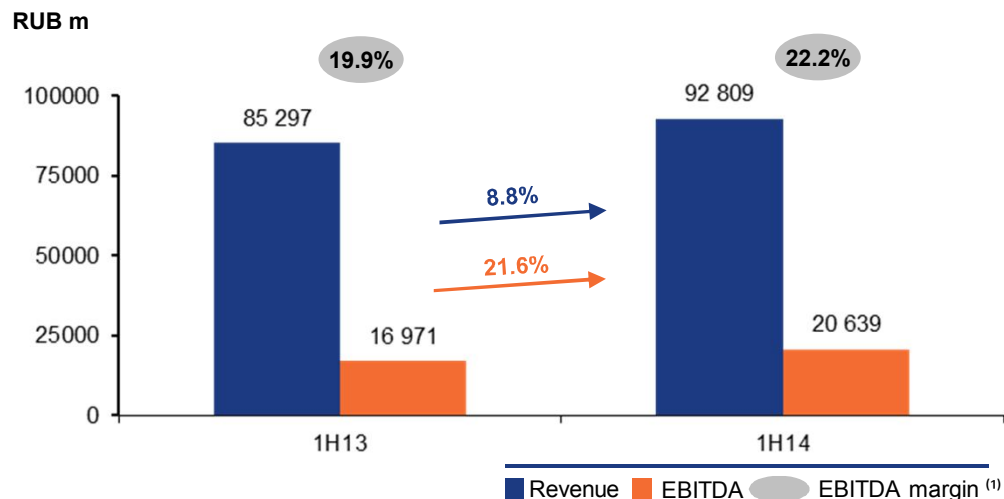


EBITDA increased mainly in Generation and Supply segments

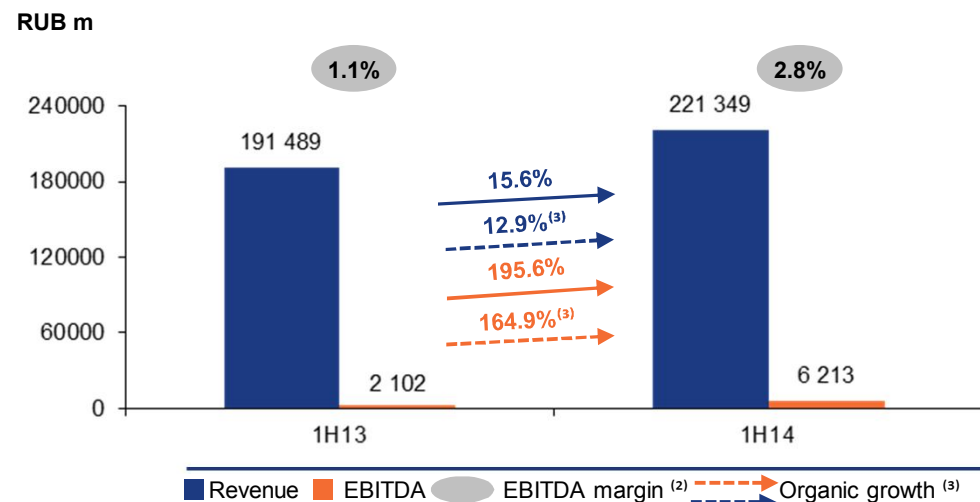


Key Segments: Generation and Supply

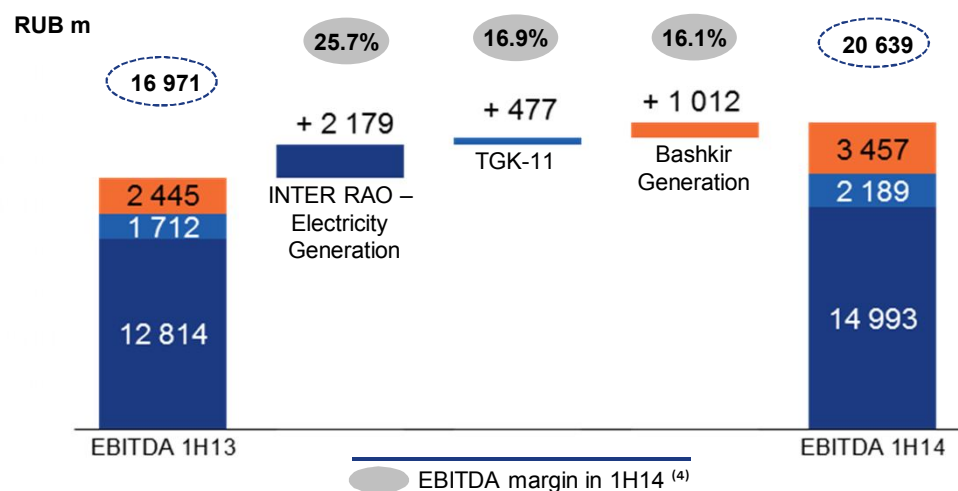
Generation: Revenue and EBITDA



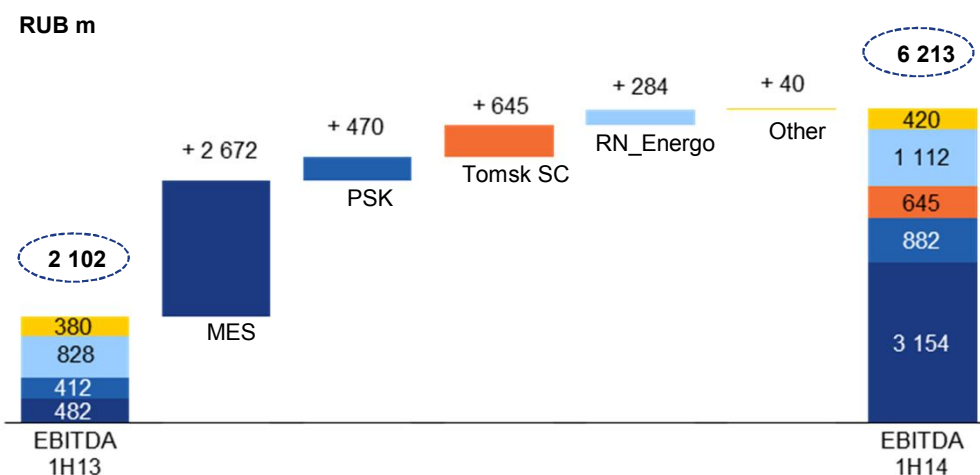
Supply: Revenue and EBITDA



Generation: EBITDA Contribution by Company



Supply: EBITDA Contribution by Company



(1) EBITDA margin calculation excludes inter-segment revenue (RUB 13 980m in 1H13 and RUB 15 774m in 1H14)

(2) EBITDA margin calculation excludes inter-segment revenue (RUB 88m in 1H13 and RUB 312m in 1H14)

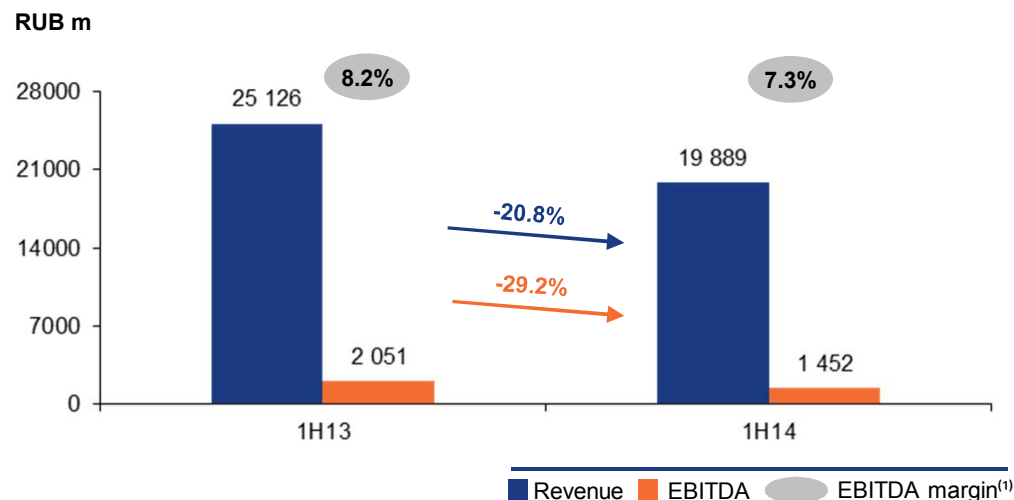
(3) Excludes financial results of Tomsk Supply Company, that is recognized from the date of acquisition – September 2013

(4) EBITDA margin calculation excludes inter-segment revenue in 1H14 (INTER RAO – Electricity Generation – RUB 12 565m; TGK-11 – RUB 1 074m; Bashkir Generation – RUB 2 135m)

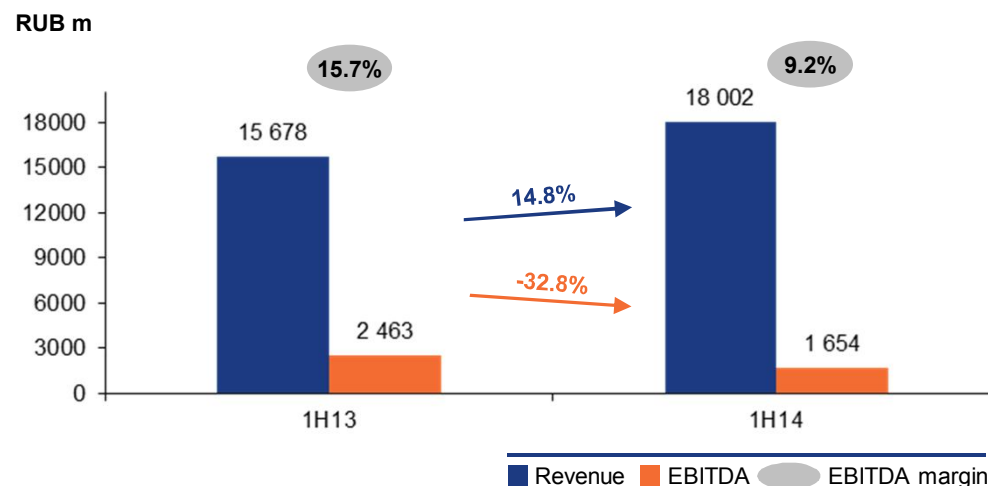


Key Segments: Trading and Foreign Assets

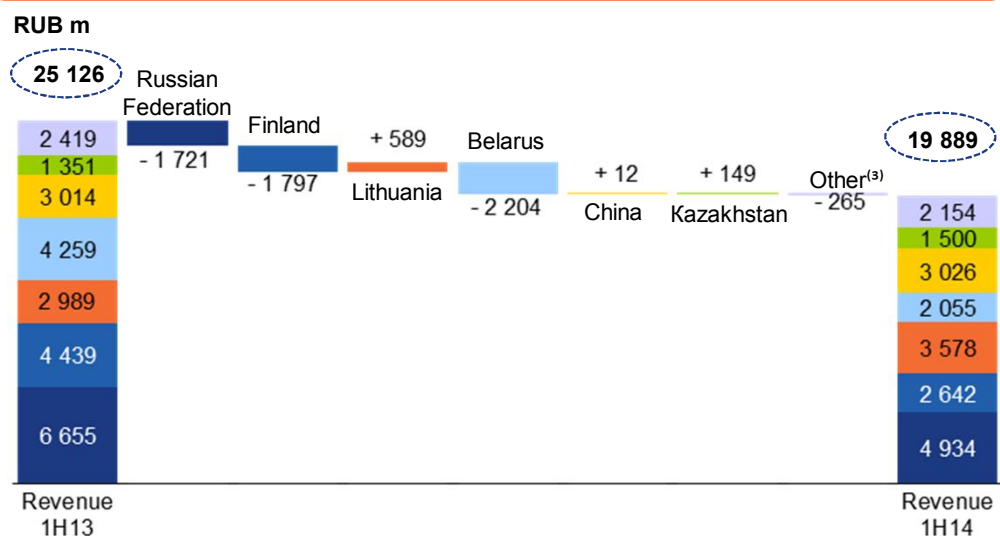
Trading: Revenue and EBITDA



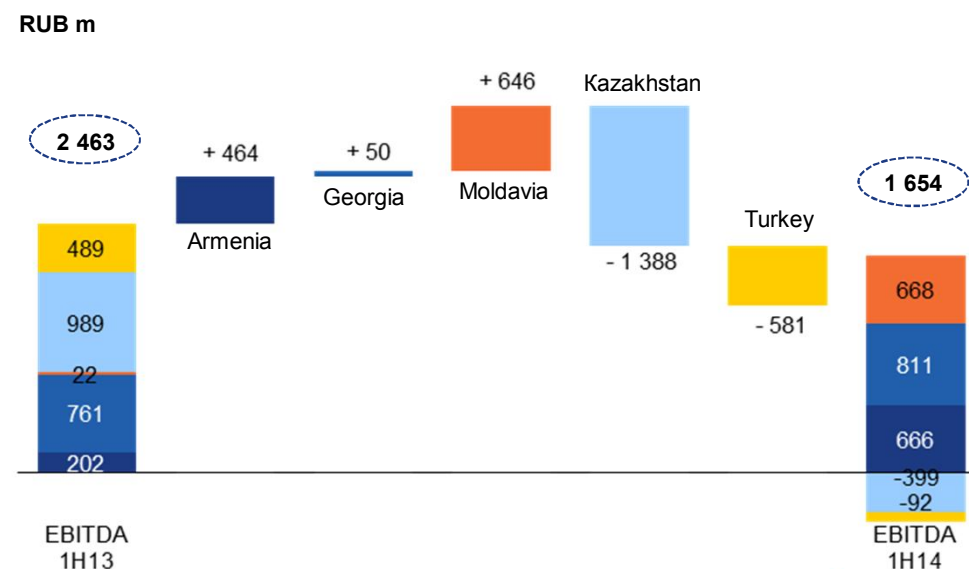
Foreign Assets: Revenue and EBITDA



Trading: Revenue Contribution by Geography⁽²⁾



Foreign Assets: EBITDA Contribution by Geography



(1) EBITDA margin calculation excludes inter-segment revenue (RUB 604m in 1H14 and RUB 658m in 1H13).

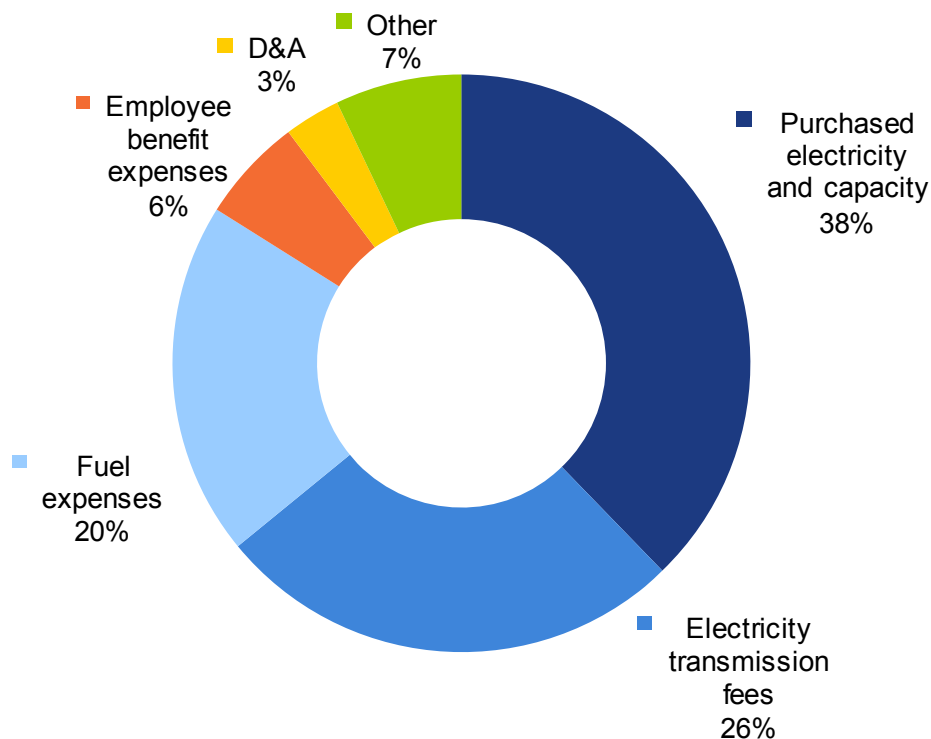
(2) Excludes inter-segment revenue RUB 604m in 1H14 and RUB 658m in 1H13

(3) Georgia, South Ossetia, Azerbaijan, Mongolia, Ukraine, Norway, Latvia and Estonia;



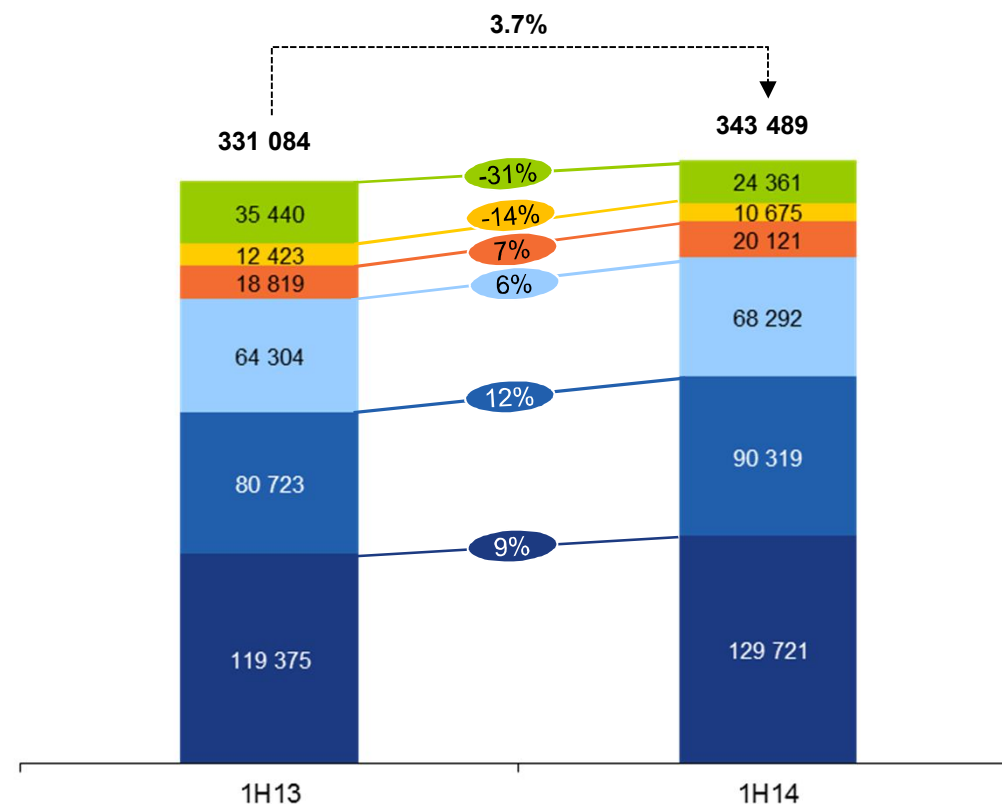
Consolidated Operating Expenses

OPEX Breakdown



Consolidated operating expenses of Inter RAO Group in 1H14 - RUB 489m

OPEX Dynamics by the Main Items



■ Purchased electricity and capacity ■ Electricity transmission fees ■ Fuel expenses
■ Employee benefit expenses ■ D&A ■ Other — #% — Change YoY, %

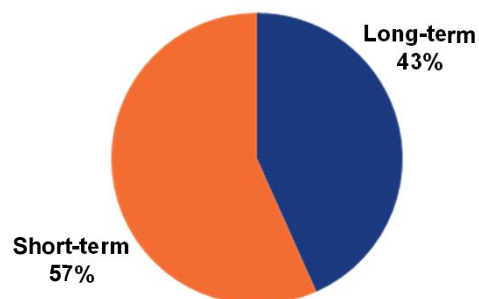
Inter RAO Group's operating expenses in 1H14 increased by 3.7% YoY while consolidated revenue for the same period went up by 11.1% YoY



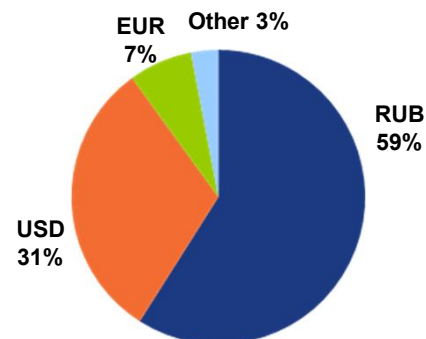
Debt and Liquidity Analysis⁽¹⁾

Debt Composition

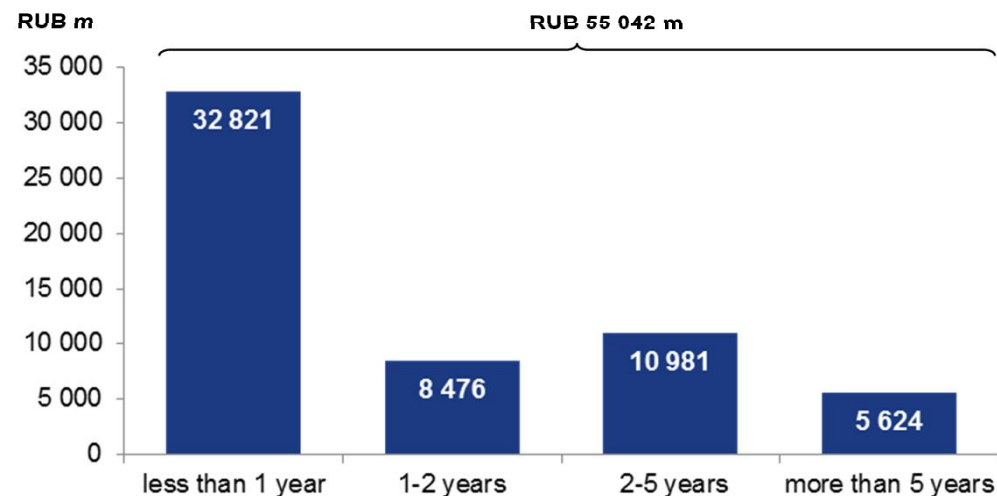
By maturity



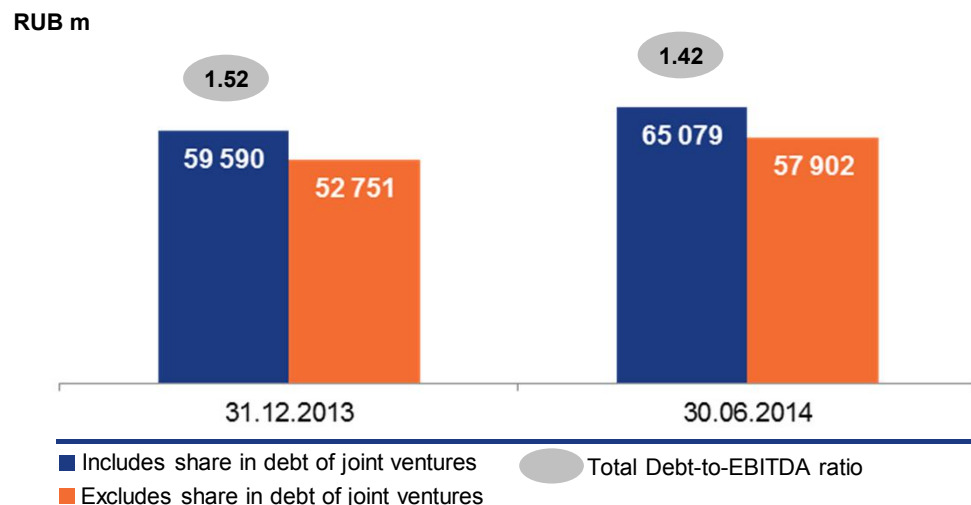
By currency



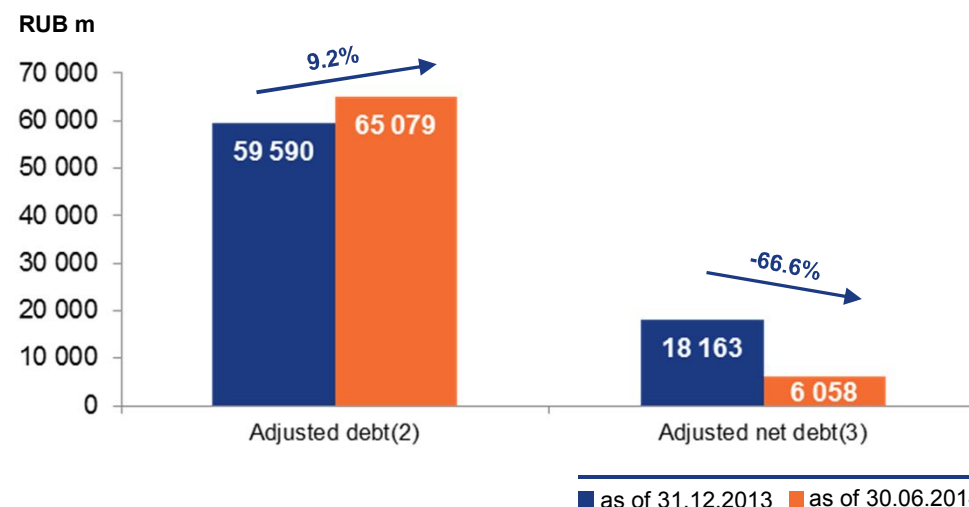
Debt Maturity Profile



Total Debt Statistics⁽²⁾



Debt Evolution



(1) Includes financial lease

(2) Includes share in debt of joint ventures in the amount of RUB 7 177m as of 30.06.2014. (RUB 6 839m as of 31.12.2013)

(3) Includes cash deposits (3-12 months) in amount of RUB 2 522m as of 30.06.2014. (as of 31.12.2013 – RUB 1 545m) and share in debt of joint ventures in amount of RUB 7 177m as of 30.06.2014. (as of 31.12.2013 – RUB 6 839m)



IV. Q&A session