

MOSENERGO

3M 2019 IFRS Results

May 8, 2019

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External Events:

1. Growing weighted average electricity price by 10.6% in the reporting period year-on-year.
2. Higher air temperature in 1Q 2019 resulting in heat output fall by 12.1%.
3. First «wave» of auction of thermal power plants modernization projects.

Internal Events:

1. Fuel rate on electricity declined by 1.4% (200.8 g/kWh) on the account of load optimization and primary technical and economic parameters improvement.
2. Permission was obtained from Ministry of Energy to decommission inefficient capacity at GRES-3, actions to substitute decommissioning at CHP-17 specified.
3. Actions were taken in order to switch heat loads from boiler houses to CHPs.
4. Primary technical and economic parameters improved at CHP-20, resulting from extended main inspection at CCGT-420 unit (marginal profit and payable electric capacity growth, lower maintenance costs)
5. CSA expiry on 30.06.2018 for two CSA units: at CHP-27 for 450 MW and at CHP-21 for 425 MW and one CSA project at CHP-27 for 450 MW from 31.12.2018.

Operational Highlights¹

	3M 2018	3M 2019	Change
Electricity Output, mn kWh	19,108	19,157	+0.3%
Electricity Sales, mn kWh	19,645	19,646	0.0%
Heat Output, th.Gcal	37,514	32,965	-12.1%
Fuel Rate on Electricity, g/kWh	203.7	200.8	-1.4%
Fuel Rate on Heat, kg/Gcal	162.1	162.1	0.0%

Financial Highlights, mn RUR

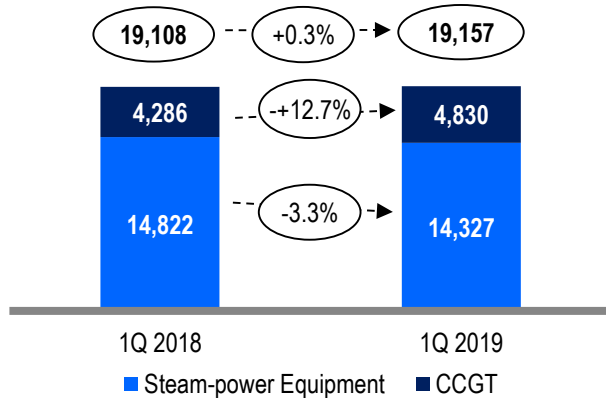
	3M 2018	3M 2019	Change
Revenue (Electricity and Heat)	58,668	57,955	-1.2%
Variable Costs	(46,908)	(44,972)	-4.1%
Marginal Profit	11,760	12,983	+10.4%
Revenue (Capacity)	12,907	8,538	-33.8%
Revenue (Other)	622	599	-3.7%
Fixed Costs ²	(5,608)	(5,544)	-1.1%
EBITDA³	19,681	16,576	-15.8%
Depreciation of PP&E	(3,641)	(3,816)	+4.8%
Operating Profit	15,545	12,485	-19.7%
Profit for the Period	12,742	10,662	-16.3%

¹ Management report data

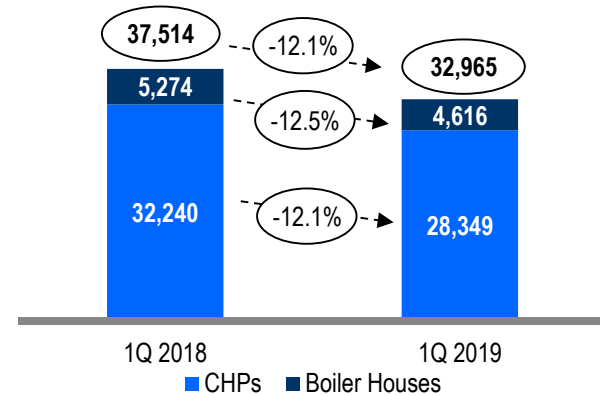
² Excluding Depreciation of PP&E

³ Adjusted to net charge for impairment and other provisions

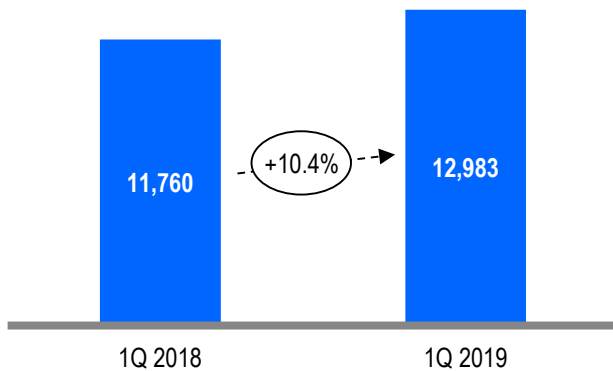
Electricity Output, mn kWh



Heat Output, thous. Gcal

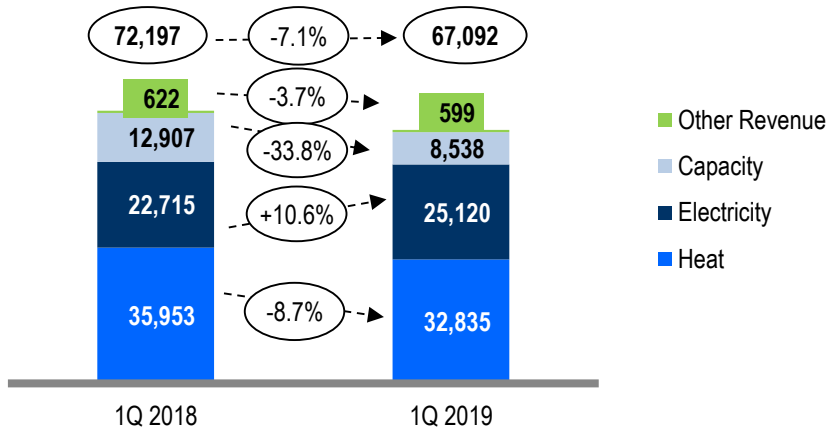


Marginal Profit, mn RUR

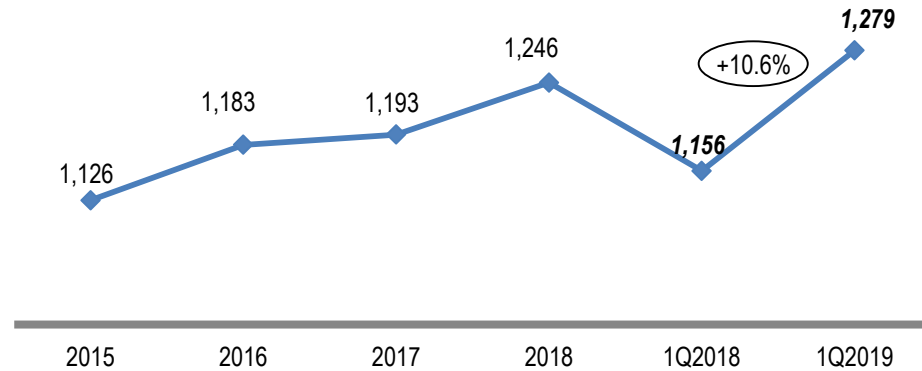


- Electricity production at CCGT-units grew considerably year-on-year, while steam-power equipment production decreased by 3.3%, on the account of load optimization and minimization of inefficient equipment load.
- Lower heat output, including output at boiler houses, resulted from warm weather in 1Q2019 (-2.5°C) in comparison with 1Q2018 (-6.2°C).
- Marginal profit grew by 10.4% on the account of electricity price growth and production regime optimization.

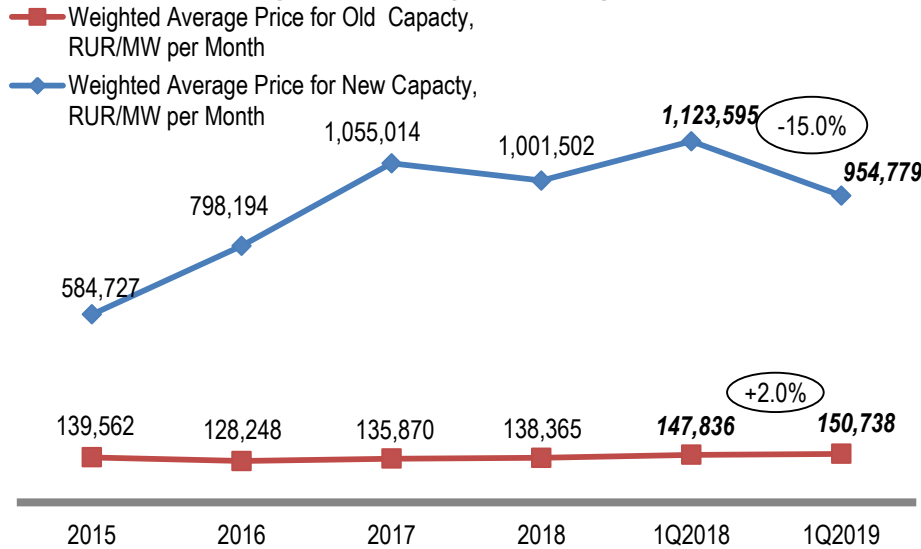
Revenue, mn RUR



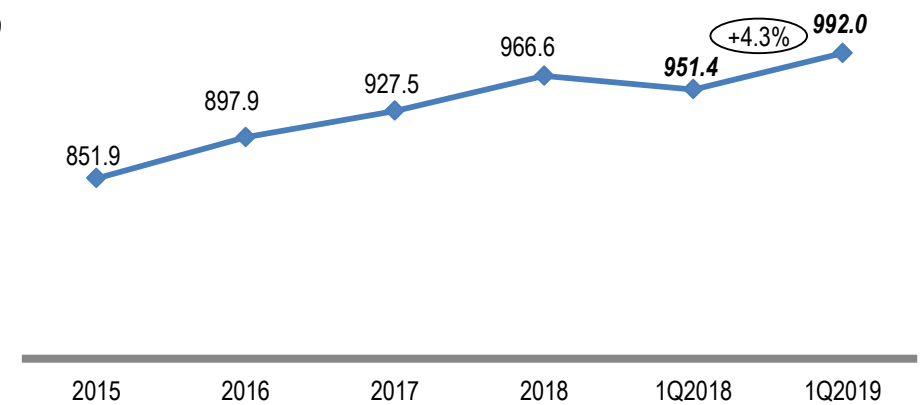
Weighted Average Price for Electricity at the Wholesale Market, RUR/MWh

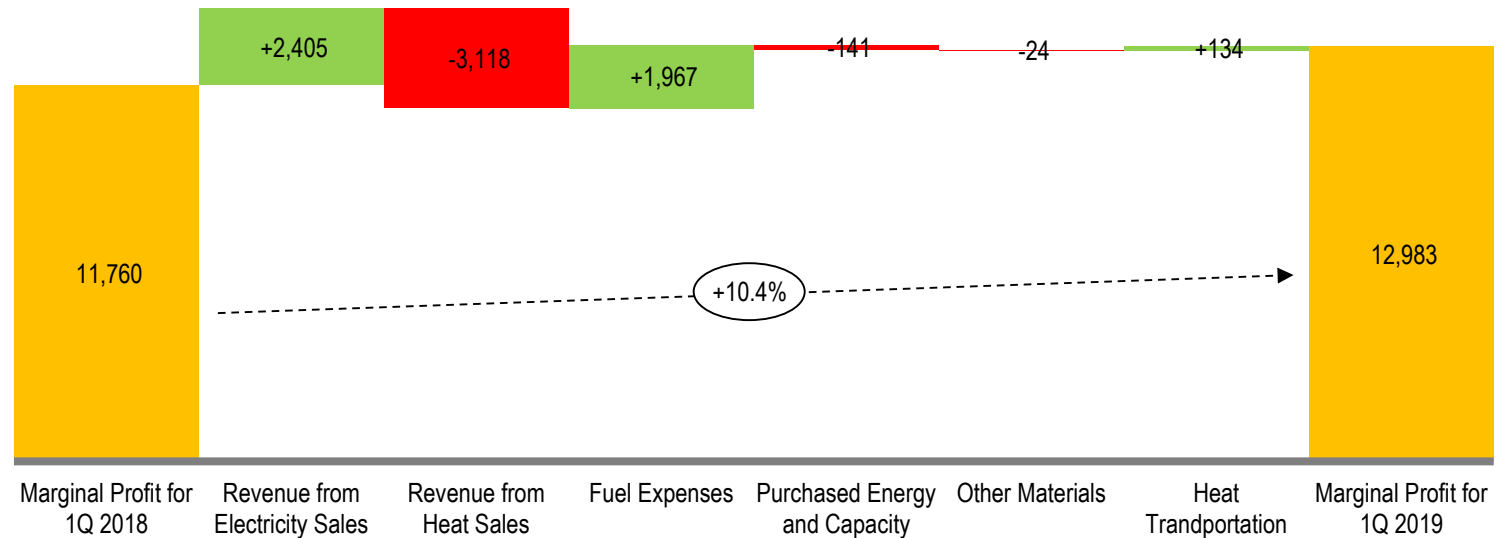


Weighted Average Capacity Price



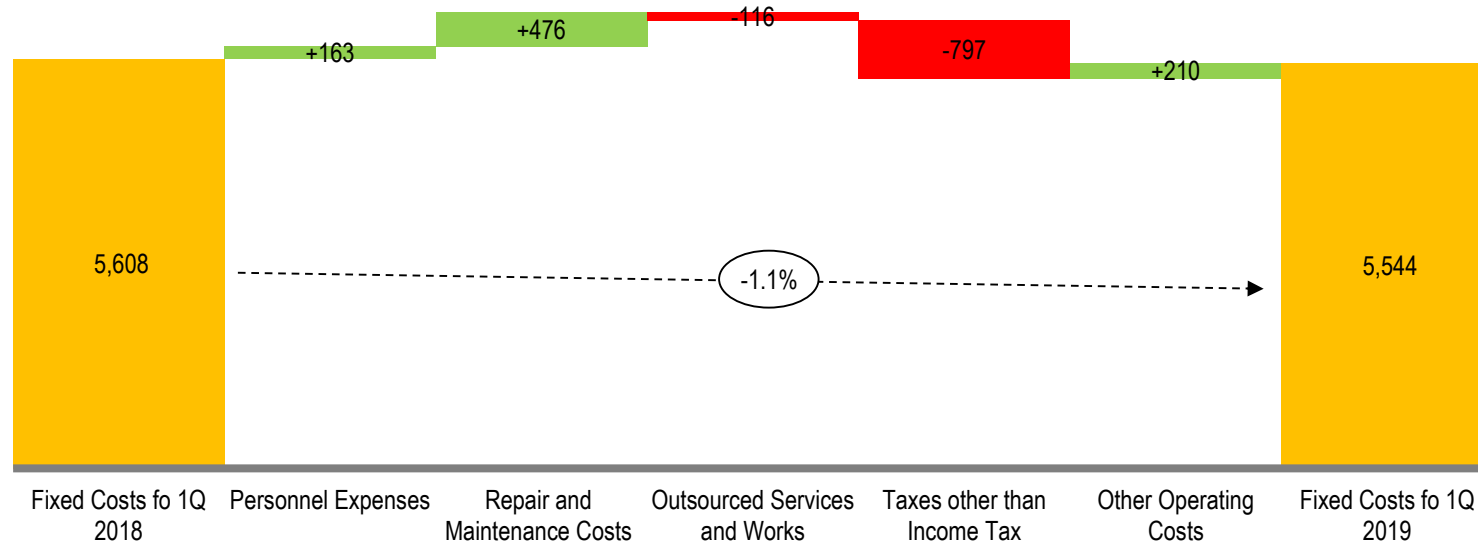
Weighted Average Tariff for Heat Generation, RUR/Gcal





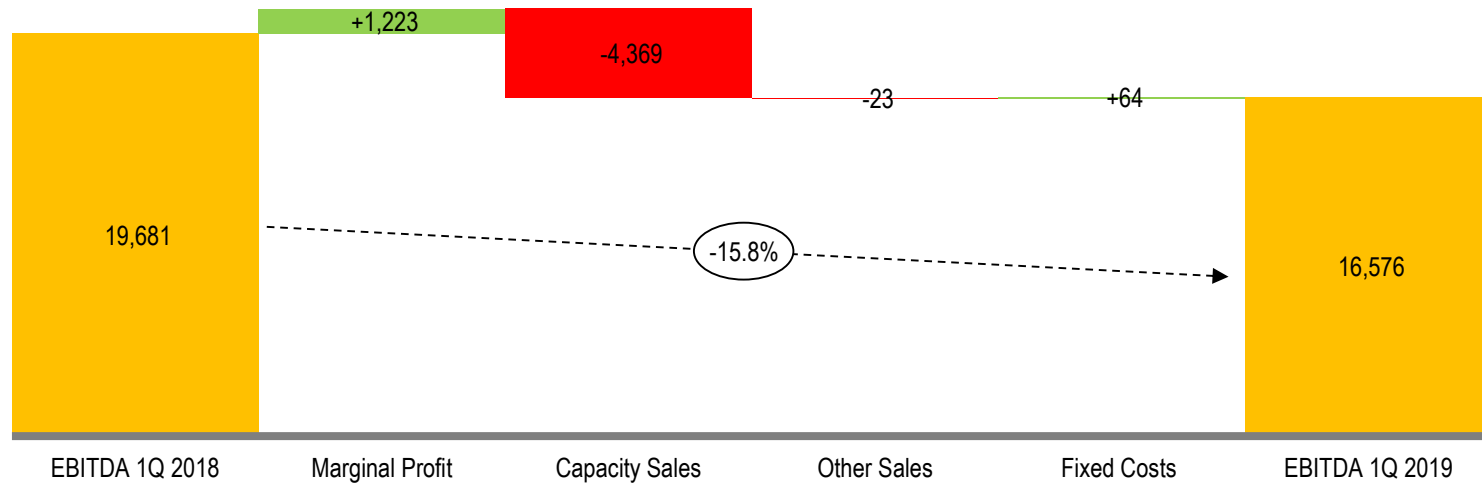
Marginal Profit Factors

- Increased revenue from electricity sales on the back of growing weighted average price at the wholesale market by 10.6%.
- Decreasing revenue from heat sales on the back of output drop by 12.1% (because of warmer weather in 2019).
- Fuel expenses declined due to lower heat output and production regimes optimization.
- Lower heat transportation costs resulted from less heat output, subject to transportation (via heating grid), on the back of increased share of heat output from power plants collectors (boiler houses).



Fixed Costs Changer Factors

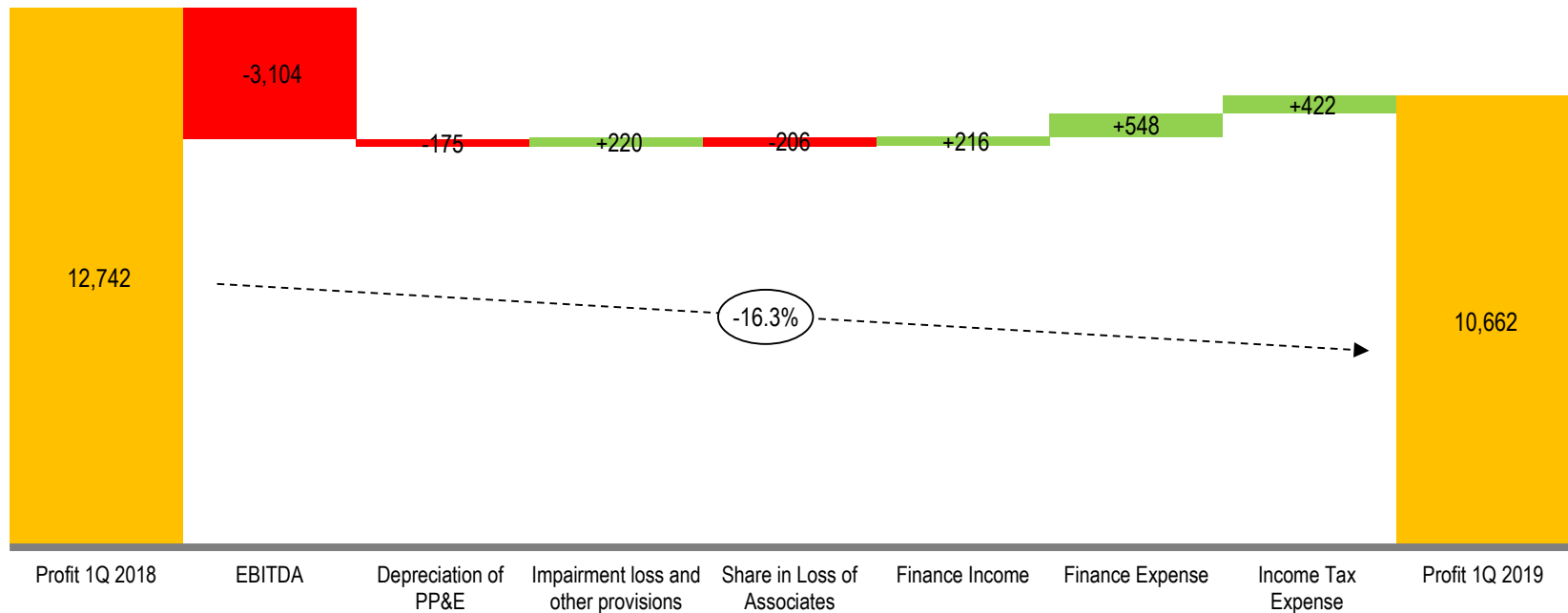
- Repair and maintenance costs grew mainly on the account of growing maintenance costs for CCGT units under service contracts.
- Decreasing of taxes other than income tax happened after Mosenergo filed a revised declaration on property tax for the previous periods.



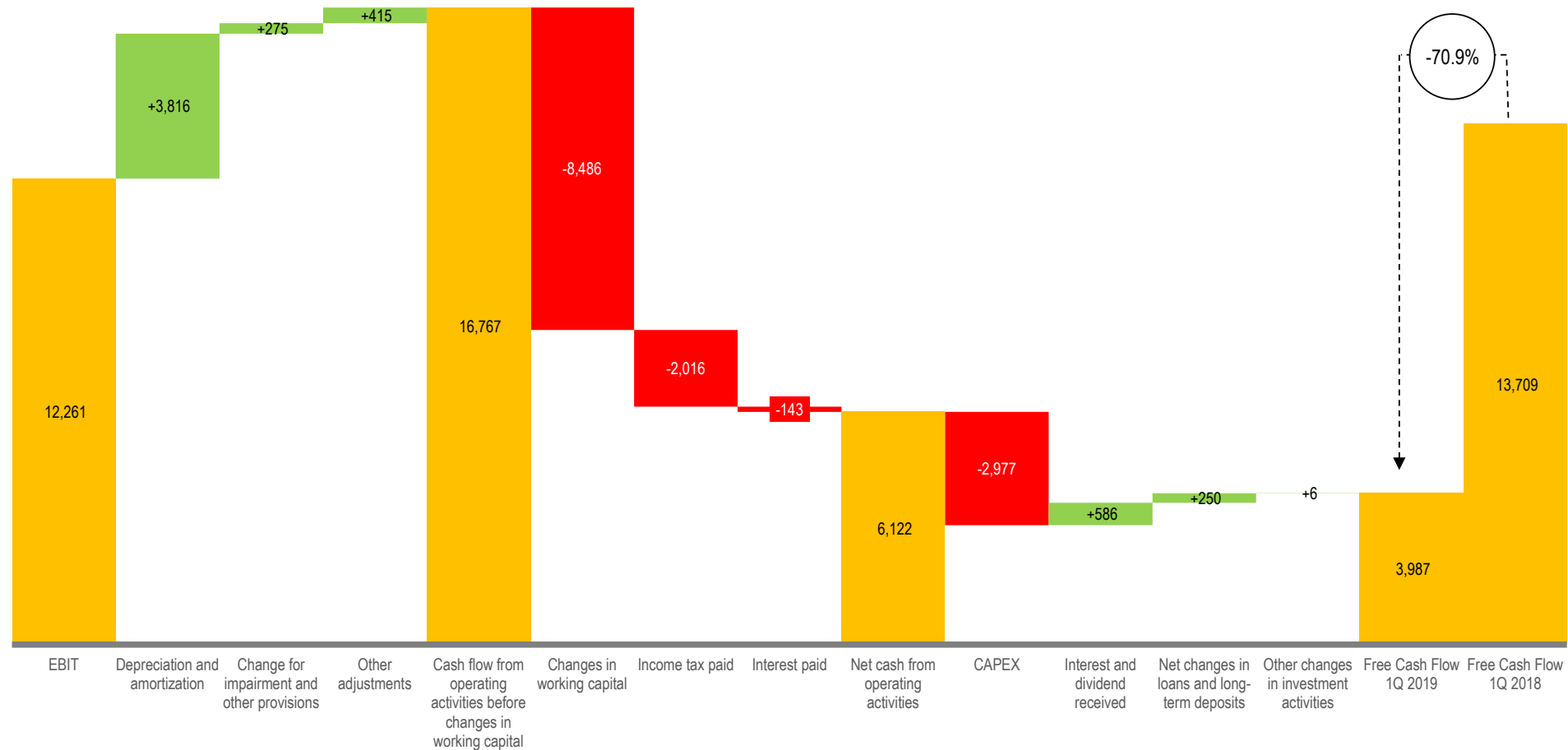
¹ Adjusted to net charge for impairment and other provisions

Profit Composition

Parameter	3M 2018	3M 2019	Change
EBITDA	19,681	16,576	-15.8%
Depreciation of PP&E	(3,641)	(3,816)	+4.8%
Net Charge for Impairment and Other Provisions	(495)	(275)	-44.4%
Operating profit	15,545	12,485	-19.7%
Share in Loss of Associates	(18)	(224)	-
Finance Income	1,168	1,384	+18.5%
Finance Expense	(750)	(202)	-73.1%
Income Tax Expense	(3,203)	(2,781)	-13.2%
Profit for the Period	12,742	10,662	-16.3%

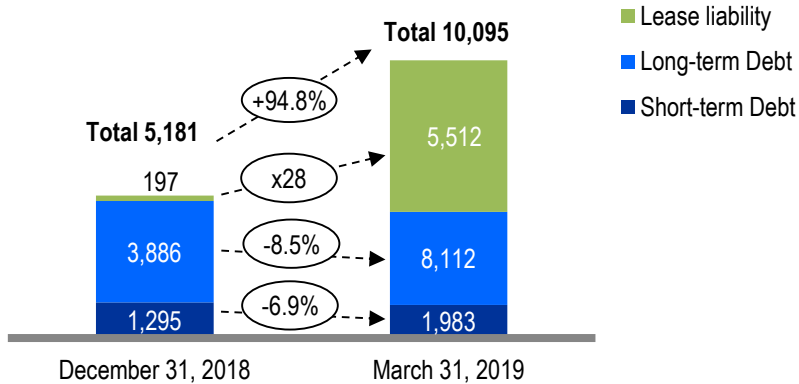


Free Cash Flow

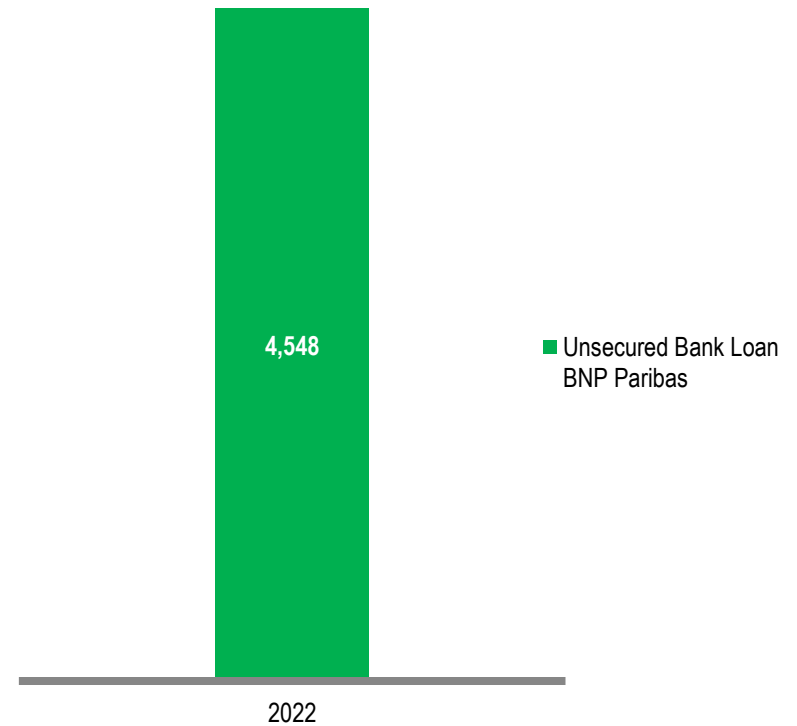


- FCF visually significant dropped in 1Q 2019 due to refund to Mosenergo 10 bln RUR loan in 1Q 2018.

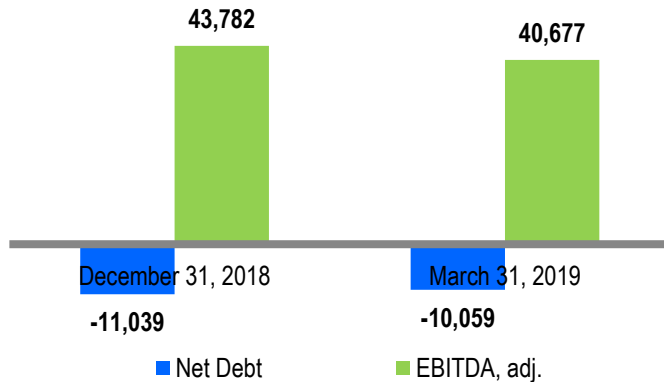
Debt Structure, mn RUR



Maturity Profile as of March 31, 2019, mn RUR (carrying amount)²

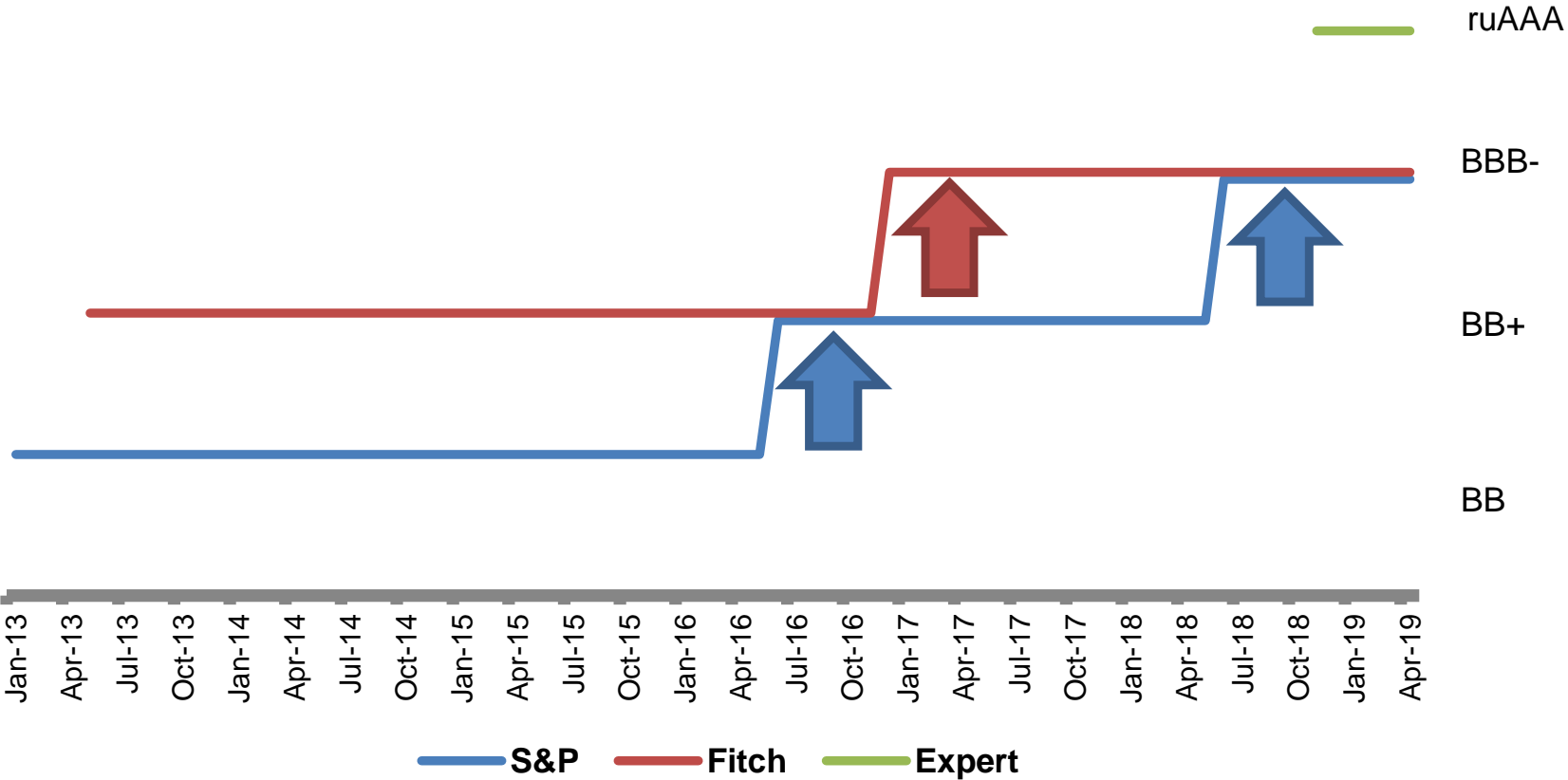


Debt/ EBITDA, adj. for 12 months



Debt increasing from 5.2 bln RUR to 10.1 bln RUR is connected to newly obligations of including lease liability to the total amount of debt in terms of new IFRS standard 16 «Lease» forced January 1, 2019. Before that, lease liability has accounted as operational lease beyond the balance.

² Not including debt for interest payable of 35 mn RUR and lease liability of 5,512 mn RUR



**Governmental decree №43
«About CHP Modernization Projects
Selection» issued 25.01.2019**

- Transfer to long-term competitive power selection with period of capacity supply 5 years after selection.
- Price parameters of competitive power selection (points at demand curve) indexation: +15% for 2022-2023, +20% for 2024-2025
- Competitive selection of thermal power plants modernization projects. Capacity payments for the chosen projects provides for 14% annual return on investments

Operational Effectiveness Growth

- First production unit commissioning of the most powerful Russian cogeneration turbine 295 MW at CHP-22 (unit 9)
- Increase of payable capacity of CCGT units, increase of period between services and operational lifetime
- Realization of a program in order to upgrade primary technical and economic parameters
- Termination of coal usage at CHP-22
- Optimization of chemical water treatment at CHP-21, CHP-23 and CHP-25

Business Expansion

- Finalization of MOEK boiler houses switch to Mosenergo sources within Old Moscow borders
- Actions in order to boost heat sales on the account of new territories, perspective real estate development areas connection

Thank You for Your Attention!

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