

SUPPLY

The 'Supply in the Russian Federation' segment unites companies of the Inter RAO Group whose main business involves the supply (sale) of electric power. In 2018, the Group's power supply companies had a 17.7% share of the retail electric power market, while the customer base expanded to 15.3 million customers. A higher level of market penetration, expansion in specialized services, and the enlargement of the product portfolio all combined to have a positive impact on the profit margins of this segment. Inter RAO sees great potential for business diversification in the segment through the development of additional customer services.

The segment is comprised of:

- 9 power supply companies (PSCs) that are guaranteed suppliers (GS) operating within 13 regions of the Russian Federation
- 3 Unified Information and Payment Centers (UICPs) that provide face-to-face customer service for individuals
- 3 independent (unregulated) power supply companies (IPSCs) that supply electric power to major industrial consumers in 62 regions of the Russian Federation

The quality management systems of the companies working in the segment are certified according to ISO 9001:2008.

Management faces the following key challenges in terms of developing the 'Supply in the Russian Federation' segment within the context of the Group's strategic priorities:

- Improving the operating efficiency of power supply companies and maintaining leading positions in the Group's market share of the Russian electric power industry
- Involvement in establishing and improving the long-term rules of the retail market
- Diversifying business through the development of additional paid services
- Maintaining the customer base and improving the quality of customer service

KEY INDICATORS IN THE SUPPLY SEGMENT

| Indicator | 2016 | 2017 | 2018 | Change vs. 2017 |
|---|------------|------------|--------------------|-----------------|
| Net electricity output in Russia ¹ , mln kWh | 1,054.4 | 1,059.5 | 1,076.1 | 1.6% |
| Net electricity output by segment, mln kWh | 182,645 | 184,069 | 191,908 | 4.3% |
| Share of segment's electricity output in Russia | 17.3% | 17.4% | 17.7% ² | 0.3,p.p. |
| Number of power supply company customers at year-end (guaranteed suppliers) ³ , including: | | | | |
| individuals | 13,884,696 | 14,291,962 | 15,185,412 | 6.3% |
| legal entities | 330,025 | 338,491 | 325,030 | -4.0% |
| grid organizations | 314 | 290 | 306 | 5.5% |
| Number of power supply company customers (independent suppliers), including: | | | | |
| individuals | 201 | 162 | 193 | 19.1% |
| legal entities | 3,802 | 5,923 | 7,844 | 32.4% |
| grid organizations | 13 | 12 | 11 | -8.3% |

¹ Consumption in the Russian Federation – 1.076 trn kWh, according to SO UES data as of January 11, 2019 [http://so-ups.ru/index.php?id=press_release_view&tx_ttnews\[tt_news\]=13767&cHash=459c686e7a](http://so-ups.ru/index.php?id=press_release_view&tx_ttnews[tt_news]=13767&cHash=459c686e7a). This indicator is not planned. Data provided based on SO UES reports.

² Excluding electricity sales on the wholesale market.

³ Data provided based on information from ESCs as of December 31 of the corresponding year. Data cannot be verified with the ACPS due to differences in methods for calculating the number of consumers.