

# MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

**DEAR SHAREHOLDERS,**

We are pleased to present the Inter RAO Group's results for 2018. This last reporting period marked an important and crucial stage in the Company's evolution during which we managed to complete major investment projects, adjust our activities based on the requirements of the times, and achieve solid production and financial indicators. The Company was essentially able to maintain and strengthen a platform for further sustainable development.

**Igor Sechin**

*Chairman of the Board of Directors*

A handwritten signature in black ink, appearing to be "Igor Sechin".

In 2018, the Inter RAO Group successfully completed a multi-year state-sponsored for the construction of new facilities under Capacity Delivery Agreements (CDA) as part of which the Company built 6.1 GW of new generating facilities. In March 2018, the last facility of this program was put into operation – the Zatonetskaya CHPP in Bashkortostan with installed capacity of 440 MW.

In addition, as far as the construction of new power plants is concerned, Inter RAO continues to implement a large-scale project in partnership with ROSNEFTEGAZ to ensure the energy security of our country's westernmost territory – the Kaliningrad Region. This work resulted in the Mayakovskaya and Talakhovskaya TPPs with total capacity of 316 MW being put into operation in 2018 and the start of the commissioning of the largest gas plant within this project – the Pregolskaya TPP with capacity of 455.2 MW. Going forward, we will complete construction on the Primorskaya TPP – a backup coal-fired power plant. All construction work is proceeding ahead of schedule.

For the year, the installed capacity of power plants that are part of and managed by the companies of the Inter RAO Group increased by 1,000 MW and reached 33,714 MW.

The completion of the program for the construction of new facilities under the CDA and the launch of the new plants in the Kaliningrad Region have become drivers for the economy and the Company's activities as a whole. PJSC Inter RAO has managed to considerably improve its financial and operating performance and strengthen its position in the industry. The best indicator – EBITDA – increased by 24.2% in 2018 and amounted to RUB 121.3 billion. IFRS net profit grew by 31.1% to RUB 71.7 billion.

Another milestone was the assignment of guaranteed supplier status in the Vladimir and Vologda Regions to power supply companies that are part of the Inter RAO Group. Given the changes in the state tariff policy on the retail electricity market, securing this status will enable Inter RAO to significantly enhance the efficiency of the supply segment in the Group's business. As of the end of 2018, the Inter RAO Group's share of the retail electricity market was up by 0.5 p.p. to 17.7%.

The strong financial, economic, and production results are the result of the Company's proper strategic, operational, and corporate management.

Today, the Russian electric power industry faces new major challenges – the modernization of aging facilities and the digitalization of the industry. I am confident that Inter RAO is appropriately implementing all the projects that have been developed to take part in this modernization and will also achieve strong results in localizing equipment production for the purposes of modernization and providing engineering services on the market. The Board of Directors and management of PJSC Inter RAO are focused on the active stage of digitalizing production and management processes. In the context of the state policy for creating a digital economy, these solutions will be key to the Company's successful development and a major advantage going forward.

Inter RAO's strategic goal is to maintain its leading positions on the Russian and international markets in the coming years. To achieve this objective, the Company will work to further improve the efficiency and profitability of all business segments, optimize investment activities, and enhance the value and financial stability of its assets.