

STRATEGY

Competitive advantages of the Inter RAO Group in key segments



Generation

- Completion of the investment program cycle in terms of new construction based on CDA: 6.1 GW of new high efficiency capacity has been built (the last 440 MW facility was commissioned at the Zatonkaya CHPP in Ufa).
- Completion of the construction and commissioning of the Mayakovskaya, Pregolskaya, and Talakhovskaya TPPs in the Kaliningrad Region with total capacity of 543 MW.
- Decommissioning of approximately 4.7 GW of old inefficient capacity by 2020.
- Availability of roughly 18% of new high efficiency capacity with a low fuel component.
- Availability of expertise and effective work experience on the electricity and capacity market, including the effective use of existing mechanisms to optimize the load profile of existing generating equipment to maximize profit.
- Effective long-term contract for the purchase of natural gas that provides a discount to the gas price relative to the regulated price approved by the Russian Federal Antimonopoly Service.
- Availability of highly maneuverable equipment in the asset structure.
- Availability of high-demand and competitive generating capacity with a broad geography.
- ISO 14001 certification of most of the Group's enterprises; the Group constantly works to monitor the implementation of target environmental program measures, their deadlines, and the numerical values/indicators of the goals. The program is updated when necessary.



Supply

- Leading position on the Russian electricity market.
- The company LLC Energosbyt Volga, a member of the Inter RAO Group, secured the status of a Guaranteed Supplier in the Vladimir Region.
- The presence of the Group's companies in the largest regions of the Russian Federation: Moscow, the Moscow Region, St. Petersburg, and the Leningrad Region.
- High market share in the regions where the Supply segment is located.
- Existence of a large customer base.
- A unified management system at power supply companies of the Inter RAO Group (PSCs of the Inter RAO Group).
- Unified billing methodology for the billing of legal entities in the form of a set of business processes that regulate the core activities of PSCs.
- The presence in the Segment of unregulated supply companies that have contracts with major industrial consumers.
- The availability of unique expertise to actively develop additional services that aim to meet customer needs.
- The existence of a synergistic effect for power supply companies in the regions where the Group has generating assets.
- Customer focus – building an effective system to assess satisfaction with the quality of services provided.
- High collection level of payments on the retail market.
- A unified model of a group brand for power supply companies and guaranteed suppliers of the Inter RAO Group.



Trading

- A leading Russian electricity export-import operator and the only company involved in export-import operations on the Russian wholesale electricity and capacity market (WECM).
- The Group's supply geography covers 14 countries.
- Unique expertise and extensive experience in foreign economic activities.
- A well-established system of interaction with Russian and foreign partners.
- Optimal structuring of proposals for contracts that take into account the demands of customers to the fullest extent.



Engineering

- An experienced management team with a broad portfolio of completed projects.
- The presence of highly skilled professionals in all required areas in the electric power industry.
- The availability of an in-house design center.
- An in-house offering on the gas turbine market.
- A promising portfolio of ongoing projects and cooperation with major regional energy companies.
- Well-established relations with the authorities of Russia and key partner countries.
- Experience in raising project funding and utilizing state support.
- Use of the world's best management practices consistent with the ISO 9001 quality management standard.
- Import substitution work (involvement in the development and production of Russia's first high-capacity gas turbine GTD-110M and the localization of the production of the gas turbine unit GTU 6FA). An import substitution program for power engineering equipment with respect to gas turbine technologies, which prioritizes building Russian-produced prototypes of advanced gas turbine units and expanding the localization of the production of medium- and high-capacity gas turbine units under licenses from foreign companies.

Strategic priorities

The Strategy of PJSC Inter RAO for the Period until 2020 was approved by a resolution of the Board of Directors dated March 13, 2014.¹ In December 2014, the Inter RAO Group Strategy for the Period until 2020 was submitted to the Government Commission for the Development of the Electric Power Industry for consideration as a Long-Term Development Program and approved without changes.² This decision made it possible to unify the Group's strategic planning procedures. The Strategy/Long-Term Development Program includes a target vision, mission, strategic goals, a list of priority areas for development, and the consolidated indicators of the Inter RAO Group for the period until 2020.

In order to monitor the implementation of the Strategy/Long-Term Development Program, each year the Company prepares Strategic Development Priorities that are approved by the Board of Directors and consist of a set of top-level priorities, including quantitative indicators and policy measures. The Strategic Development Priorities also make it possible to establish a correlation between incentives for the Chairman of the Management Board and members of the Management Board and the strategic management system (in accordance with the Regulation on Financial Incentives for the Chairman of the Management Board and Members of the PJSC Inter RAO Management Board).³ The Board of Directors assesses the extent to which the Strategy/Long-Term Development Program is implemented for a given reporting period through an audit of the Report on the Implementation of the Company's Strategic Development Priorities.

¹ Minutes No. 110 dated March 17, 2014.

² Minutes No. 18 dated December 27, 2014.

³ Minutes No. 103 dated November 11, 2013 with amendments and additions dated December 9, 2014 (Minutes No. 129 dated December 12, 2014) and December 29, 2016 (Minutes No. 189 dated December 30, 2016).