



## 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.<sup>1</sup> 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.<sup>2</sup> 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).<sup>3</sup> 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.

<sup>1</sup> Minutes No. 110 dated March 17, 2014.

<sup>2</sup> Minutes No. 18 dated December 27, 2014.

<sup>3</sup> 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).

## Long-term priorities by segment

### Electric Power Generation and Thermal Power Business

- drafting and promoting proposals to develop a model for the functioning of the wholesale electricity and capacity market as well as the thermal power market, which aims to improve the operating efficiency of generating assets
- implementing investment projects for the construction/modernization of thermal power assets
- decommissioning inefficient generating capacity
- implementing integrated programs to improve the operational efficiency of the Inter RAO Group's production assets
- implementing long-term integrated programs for the retooling and reconstruction of the Inter RAO Group's assets

### International Activities

- studying options for the disposal of existing assets on foreign markets should it be determined that retaining them within the Inter RAO Group is not economically viable or in the event of asset swaps
- implementing projects on foreign markets as an EPC (M) contractor

### Retail Business

- promoting proposals for the regulatory framework on the target model of retail markets
- securing the status of a Guaranteed Supplier (GS) in the event of regular/extraordinary tenders and/or the withdrawal of the status of existing GSs
- acquiring economically appealing PSCs (guaranteed suppliers and independent PSCs) that have the greatest synergy with Inter RAO facilities and integrating them into the Group

### Foreign Trade Operations

- promoting proposals for the regulatory framework to optimize the electric power modes of power systems and improve trade regimes
- involvement in creating a regulatory framework within the Common Economic Space (CES), particularly in the creation of a common electricity market for the Eurasian Economic Union

### Modernization, Construction, and R&D

- developing and introducing domestic technologies for the design, construction, and modernization of energy assets
- developing an in-house scientific base of highly skilled professionals for all necessary areas of the electric power industry
- entering the gas turbine market
- participating in the implementation of strategic state projects, including the Kaliningrad Region Electric Power Industry Development Program, in order to ensure the Kaliningrad Region has the ability to function independently

**IN ACCORDANCE WITH THE STRATEGY, PJSC INTER RAO IS THE LEADER IN THE RUSSIAN ENERGY SECTOR AND ENSURES THE MOST EFFICIENT ASSET MANAGEMENT.**

	2016	2017	2018	Goal 2020
EBITDA, RUB bln	96.3	97.6	121.3	>100
EBITDA margin, %	11.1	11.2	12.6	>8.7
Installed electricity capacity, GW	32.4	32.7	33.7	>34.6
Share of the Russian retail market, %	17.3	17.4	17.7	>16.0
Foreign trade operations, bln kWh	20.1	22.9	21.8	>10.7
Efficiency of projects implemented	≥WACC	≥WACC	≥WACC	≥WACC
Dividends	50% of net profit per Russian Accounting Standards (RAS)	25% of net profit per RAS	25% of net profit per IFRS	≥25% of net profit per IFRS

**THE COMPANY AIMS TO CONSTANTLY IMPROVE THE MANAGEMENT SYSTEM OF A DIVERSIFIED PORTFOLIO OF ASSETS WHILE MEETING THE FOLLOWING GOALS OF THE COMPANY'S SHAREHOLDERS AND THE ENERGY POLICY OF RUSSIA**

have a presence in various segments of the value chain in the energy sector – from the design and construction of energy facilities to distribution and supply to end users – while achieving multiplier synergistic effects

form a balanced portfolio of efficient generating assets while taking a responsible position in environmental protection

integrate national energy systems and strengthening ties between energy markets

retain a significant place among the largest global energy traders in terms of the volume of trading operations

make a significant contribution to the modernization of the electric power industry and Russia's innovative development through the implementation of engineering, energy conservation, and energy efficiency projects

**ENSURE STEADY LONG-TERM GROWTH IN SHAREHOLDER VALUE**