

PJSC Inter RAO 2015 Annual Report

Informational translation

Preliminarily approved by the Board of Directors of PJSC Inter RAO on May 05, 2016 (Minutes No. 168 of the Board of Directors' Meeting dated May 06, 2016).

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Management Board

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1 About the Report

The 2015 Annual Report of PJSC Inter RAO covers the Group's performance in 2015. The purpose of the Report is a comprehensive provision of information on the Group's key performance indicators for the reporting period, effective approaches in governance that ensure achievement of results and improvement of efficiency in strategic areas and on the goals and outcomes of short-term and long-term plans. The concept of the Report was complemented and updated in accordance with Russian and international legislation and world's best practices.

Regulations and standards

PJSC Inter RAO Annual Report is prepared in accordance with the following regulatory requirements and recommendations:

- Federal Law No. 208-FZ dated December 26, 1995 On Joint-Stock Companies;
Decree of the Russian Government No. 1214 of December 31, 2010 On Improving the Management Procedure for Open Joint Stock Companies whose Shares are Held by the Russian Federation and Federal State Unitary Enterprises;
- Letter No. 11/2035 dated January 23, 2015 of the Federal Agency for State Property Management;
- Letter No. 11/2289 dated January 26, 2016 of the Federal Agency for State Property Management;
- Regulation on Information Disclosure by Issuers of Issue-Grade Securities approved by the Bank of Russia on December 30, 2014 under No. 454-P¹;
- Letter No. 06-52/2463 of the Bank of the Russia dated April 10, 2014 On the Code of Corporate Governance;
- Letter No. IN-06-52/8 of the Bank of Russia dated February 17, 2016 On Disclosure of Information of the Principles and Recommendations of the Corporate Governance Code in an Annual Report of a Public Joint Stock Company;
- Regulations governing business procedures for compiling the Company's Annual Report, approved by PJSC Inter RAO, Order No. IRAO/4 dated January 14, 2016;
- G4 Sustainability Reporting Guidelines (hereafter referred to as GRI Guidelines) and the corresponding Electric Utilities Sector Disclosures.

A number of corporate policies, rules of procedure and standards of the Company's functional units also regulates information disclosure in the Company's Annual Report. In particular, risk management information disclosure is governed by PJSC Inter RAO Corporate Risk Management Policy.²

At the same time, penalty rates for negative impact on the environment are affected by environmental conditions (floods, deviation from the mean temperature, precipitation, etc.) and will remain relatively high until the scheduled investment projects on modernization of water treatment process flow charts before reaching water bodies have been implemented.

¹ Registered in the Ministry of Justice of the Russian Federation No. 35989 dated February 12, 2015.

² Approved by PJSC Inter RAO's Board of Directors' Resolution dated October 28, 2015, Minutes No. 155 dated October 30, 2015.

Scope of the Report

The scope of information on subsidiaries included in the Report is in line with the scope of IFRS consolidated reporting. The Group's size, organisation, and property underwent the following significant changes in 2015:

- 82.84% shares of JSC Stend were contributed to the authorised capital of LLC EC – Gas Turbine Technologies;
- Restructuring of JSC TGK-11 as a divestiture from JSC Tomsk Generation, JSC OmskRTS, and JSC TomskRTS. Restructuring of CJSC Turbine – UTEM as a merger with LLC Energospetsobslyuzhivanie;
- Changes in participatory interests of PJSC Inter RAO in JSC Razdan TPP and CJSC Power Grids of Armenia;
- Termination of PJSC Inter RAO participation in LLC InterRAO – WorleyParsons;
- Liquidation of such companies as JSC RTS Aktiv, CJSC Tyumenenergonaladka, LLC Energosnabkomplekt, LLC Mosenergosbyt – Luhovitsy, JSC Stavenerogremont, Asia Energy BV, and Inter RAO Europe BV;
- Establishment of LLC MES-Razvitie (100% subsidiary of PJSC JSC Mosenergosbyt) and LLC Fishery Business (100% subsidiary of LLC Inter RAO – Procurement Management Center).

Report Development

PJSC Inter RAO Report was developed based on the new GRI G4 Guidelines ("Core" version) to ensure alignment, comparability, accuracy, timeliness, clarity, and reliability of disclosed information. Stakeholders are involved at all stages of the reporting process and their opinions are taken into account.

A permanent working group involved in Report development which includes representatives from PJSC Inter RAO's key subdivisions supports a sustainable system for reporting information collection and analysis³.

Disclaimer

This Annual Report is based on the information available from PJSC Inter RAO and its subsidiaries on the report date. Some statements in the Annual Report pertaining to the Group's operations, financials, and future plans, as well as expected project outcomes, market trends, development prospects, and other factors are forward-looking statements only.

Forward-looking statements are associated with inherent risk that none of the assumptions, forecasts, planned projects, and other similar statements in the Report ever come true. In view of these risks, uncertainty, and assumptions, PJSC Inter RAO notifies that a series of material events may result in the difference between the actual results and forecasts since the latter are valid as at the Annual Report date only.

³ You can access detailed information on the Report development process in Chapter 12.4 Principles of determination of the Report contents and stakeholder engagement.

2 General information on Inter RAO Group

2.1 About Inter RAO Group

Inter RAO Group is a diversified energy holding operating in various power industry segments in Russia and abroad. Inter RAO Group operates in several segments in the energy market. It holds leading positions in the area of electricity export and import and is dynamically expanding its activities in electricity and heat generation and supply, international energy trading, engineering, manufacturing and export of electrical equipment, as well as management of distributing electricity grids outside Russia.

Table 1. Operations of Inter RAO Group

Electricity and heat generation	<p>The Group's assets include:</p> <ul style="list-style-type: none"> • 40 thermal power plants; • 12 hydropower plants (including 7 small HPPs); • 7 low capacity power plants (gas-turbine and gas-piston units) • 2 wind farms. 	<p>The Group's assets are located in the Russian Federation, Kazakhstan, Georgia, Armenia, Lietuva, Moldova and Turkey.</p> <p>The total installed capacity of its generating assets as of the end of 2015 equalled 34,968 MW⁴, and installed heat capacity was 26,352 Gcal/h.</p>
Trading	The Group is the leading Russian electricity import-export operator.	The Group's supply chain comprises 14 countries, including Finland, Belarus, Norway, Ukraine, Lietuva, Latvia, Estonia, Poland, Georgia, Azerbaijan, Kazakhstan, South Ossetia, Mongolia, and China.
Supply	The Group's power supply companies operate in 60 regions of the Russian Federation, acting as a guaranteed supplier in 11 regions.	The Group's total share in the Russian retail market of electricity supply equals 16.2%.
Distribution	The Group's assets include: JSC Telasi and CJSC Power Grids of Armenia.	The total length of the Group's transmission and distribution lines is over 36,877 km.
Engineering	As one of its core business areas, the Group offers integrated engineering services ranging from design to construction of turnkey power facilities.	In 2015, LLC Inter RAO – Engineering implemented 15 projects with the total installed power of 4.3 GW.

The history of Inter RAO Group goes back to 1997, when it was founded as CJSC Inter RAO UES subsidiary of RAO Unified Energy System that specialised in international electricity trade (trading).

Since 2002, the company has been independently exporting electricity from Russia and has expanded into power generation, having leased a generating unit at Irikliinskaya TPP (JSC Orenburgenergo).

In 2007, the targeted model for the restructuring of CJSC Inter RAO UES into PJSC Inter RAO UES was approved by the Board of Directors and reorganisation was implemented as part of the reform of the Russian power industry. As a result of RAO UES restructuring, PJSC Inter RAO UES incorporated a number of energy companies, including JSC Sochinskaya TPP.

⁴ Taking into account the launch of modernized turbine No. 2 at Omskaya CHPP-5 in December 2015.

Having acquired a number of assets in the spheres of electric power and heat generation and electricity supply, Inter RAO Group has expanded areas of operation into the key segments of competitive power supply industry.

The period of active mergers and acquisitions ended in 2014, marking a new period in the Group's development. In 2015, after the approval by the Board of Directors of an updated development strategy for the period up to 2020, Inter RAO Group completed the majority of its investment programme and continued to enhance the efficiency of its assets.

Currently, Inter RAO Group is consistently implementing its Strategy/Long-Term Development Programme approved by its Board of Directors. It is one of the tools aimed at implementing the national energy policy and is based on the provisions of Russia's Energy Strategy, including improved operations and energy efficiency, as well as reliability and security of the company's production assets, maximised trading performance, development innovations, etc.

Table 2. Inter RAO Group Development Milestones, 1997–2014

International electricity trade	Electricity and Heat Generation Development	Rapid Growth	Assets Consolidation
1997–2002	2003–2006	2007–2011	2012–2014
<ul style="list-style-type: none"> - Launch of projects for produced outside of Russia electricity trade in international markets; - Establishment of first subsidiaries to ensure operation in foreign power markets; - Commencement of independent export of electricity from Russia 	<ul style="list-style-type: none"> - Commencement of electricity generation with the use of a leased generating unit at Irikliinskaya TPP; - Active purchase of power assets in Russia and abroad; - Consolidation of Russian and foreign assets, including JSC Ekibastuz TPP-2 (Kazakhstan), CJSC Moldova TPP (Moldova), Severo-Zapadnaya NPP (Russia), and TGR Enerji (Turkey) 	<ul style="list-style-type: none"> - Merger of the Group's generating assets: Severo-Zapadnaya NPP, Ivanovskiye CPP, Kaliningradskaya TPP, and Sochinskaya TPP; - Acquisition of majority shareholder status of JSC OGK-1, JSC OGK-3, JSC TGK-11, as well as five energy supply companies, including JSC Mosenergosbyt (Moscow Power Supply Company), JSC Petersburg Power Supply Company, and JSC Altai Energosbyt, etc.; - Reorganisation of Inter RAO into an Open Joint Stock Company; - Public share offering on MICEX and RTS stock exchanges; - Inter RAO's Global Depository Receipts are listed on the London Stock Exchange's International Order Book (IOB) platform. 	<ul style="list-style-type: none"> - Completion of the reorganisation, which results in transfer of Russian generated assets of JSC OGK-1 and JSC OGK-3 into 100% control of Inter RAO – Electric Power Plants Group; - New power plant construction: - Commissioning of two energy units of Yuzhnouralskaya TPP-2 with installed capacity of 417.4 MW and 420 MW respectively; - Approval by Inter RAO's Board of Directors of an updated company development strategy for the period through 2020; - Launch of a plant (joint venture) of Inter RAO Group, GE, and JSC United Engine Corporation in the city of Rybinsk in the Yaroslav Region for production, sales, and maintenance of 6FA-type (6F.03) gas turbines with a capacity of 77 MW.

Table 3. 2015 Milestones

January	April	June	July	September	October	December
<p>Bashneft, a Bashkir generating company, signed an agreement for mutual heat and gas supplies.</p> <p>Consolidation of the shares of Inter RAO was completed, and PJSC Inter RAO shares with a new par value were admitted for trading at MICEX.</p>	<p>Inter RAO Group completed divestiture of JSC Tomsk Generation from JSC TGK-11.</p> <p>The following companies were incorporated in the Omsk and Tomsk Regions as a result of the Group's heat business restructuring: JSC OmskRTS and JSC TomsRTS.</p> <p>Inter RAO Group signed a protocol on the implementation of a project involving the construction of Chuido-1 HPP with a power of 637 MW in Argentina.</p>	<p>A new coal energy unit with installed capacity of 225 MW was commissioned at Cherepetskaya TPP in the Tula Region.</p>	<p>Inter RAO Group started to implement its investment project after the complete construction of Zatonskaya CHPP in Ufa, branch of LLC Bashkir Generation Company. Its installed capacity is to be 440 MW.</p>	<p>Inter RAO Group and Tashir Group signed an agreement for the sale and purchase of electricity generating assets (CJSC Power Grids of Armenia and JSC Razdan TPP) in the Republic of Armenia.</p> <p>In 2015, after the approval by the Board of Directors of an updated development strategy for the period until 2020, Inter RAO Group completed the major part of its investment programme and continued to enhance the efficiency of its assets.</p>	<p>On October 22, 2015, at the meeting between the co-chairmen of the Russia and Cuba Intergovernment Commission held in Moscow an agreement was signed for the construction in Cuba of four new energy units with installed unit capacity of 200 MW (one unit is to be installed at Maxim Gomes TPP and three units, at East Gavana TPP).</p> <p>Price applications for capacity of Russian power plants Group "Inter RAO" successfully passed the capacity competitive auction (KOM) for 2016, conducted by the System operator of UES.</p>	<p>Inter RAO Group launched modernized turbine with power capacity of 100 MW at Omskaya CHPP-5.</p> <p>Inter RAO Group's generating facilities were successfully qualified at the competitive capacity auction for 2017–2019. A programme was developed to decommission inefficient generating equipment by 2020.</p>

Credit rating:

- Fitch Ratings: “BBB-” on global scale, negative outlook, and “AA+(rus)” on national scale, stable outlook.
- Moody’s Investors Service: “Ba2” on the global scale, stable outlook, and “Aa2.ru” on the national scale;

Inter RAO Group is a leader in the Russian electricity import and export market. Nowadays, the Group's supply chain comprises 26 regions in Russia, as well as Finland, Norway, Poland, Belarus, Lietuva, Latvia, Estonia, Ukraine, Georgia, Azerbaijan, South Ossetia, Kazakhstan, China, and Mongolia.



The Group is managed by its parent company PJSC Inter RAO. Since 2010, PJSC Inter RAO has been rated in the List of Strategic Enterprises and Strategic Joint Stock Companies of the Russian Federation⁵.

Table 4. Major Inter RAO Group's companies as at the end of 2015, by type of operations

Generation	Supply	Trading	Foreign assets
Electricity generation: <u>LLC Inter RAO – Management of Electric Power Plants (100%)</u> <u>JSC Inter RAO – Electric Power Plants (100%) (20,840 MW)</u>	<u>Guaranteed suppliers</u> PJSC Mosenergosbyt (Moscow Power Supply Company) (93.99%) JSC PSK (St. Petersburg Power Supply Company) (100%) LLC Omsk Power Supply	PJSC Inter RAO RAO Nordic Oy (Finland) (100%) AB INTER RAO Lietuva (Lithuania) (51%)	<u>Moldova</u> CJSC Moldova TPP (100%) – 2,520 MW <u>Armenia</u> CJSC RazTES (Razdan TPP) (50%) – 1,110 MW CJSC Power Grids of

⁵ In accordance with Decree of the President of the Russian Federation No. 1190 dated September 30, 2010 Inter RAO was included in the List of Strategic Enterprises and Strategic Joint-Stock Companies (Section 2 of the List of *Open Joint Stock Companies with its assets held in federal ownership and managed by the Russian Federation in order to ensure strategic interests of State defence and security, moral values, healthcare, rights and legitimate interests protection of the citizens of the Russian Federation*).

Generation	Supply	Trading	Foreign assets
Verkhnetagilskaya TPP – 1,321 MW Gusinoozyorskaya TPP – 1,130 MW Dzhubginskaya TPP – 198 MW Ivanovskiye CPP – 325 MW Irikhinskaya TPP – 2,430 MW Kaliningradskaya CHPP – 900 MB Kashirskaya TPP – 1,910 MB Kostromskaya TPP – 3,600 MW Permskaya TPP – 2,400 MW Pechorskaya TPP – 1,060 MW Severo-Zapadnaya CHPP – 900 MW Sochinskaya TPP – 158 MW Urengoyanskaya TPP – 484.4 MW Kharanorskaya TPP – 655 MW Cherepetskaya TPP – 1,735 MW Yuzhnouralskaya TPP – 782 MW Yuzhnouralskaya TPP – 837.4 MW <u>CJSC Nizhneartovskaya TPP (75%),</u> <u>2,013 MW</u>	Company PJSC Saratovenergo (56.97%) JSC Altayenergosbyt (Altay Power Supply Company) (100%) PJSC Tambov Power Supply Company (59.38%) LLC Inter RAO – Oryol Power Supply Company (100%) PJSC Tomskenergosbyt (89.42%) <u>Independent retail companies</u> LLC RN – Energo (100%) PJSC Promyshlennaya Energetika (51%) LLC RT – Energotrading (50%)	SIA INTER RAO Latvia (Latvia) (51%) INTER RAO Eesti OU (Estonia) (51%) IRL Polska Sp. z o.o. (Poland) (51%) JSC Eastern Energy Company (100%)	Armenia (50%) <u>Georgia</u> LLC Mtkvari Energy (100%) – 600 MW JSC Khrami HPP-1 (100%) – 112.8 MW JSC Khrami HPP-2 (100%) – 114.4 MW JSC Telasi (75.11%) <u>Kazakhstan</u> JSC Ekibastuz TPP-2 (50%) – 1,000 MW <u>Turkey</u> Trakya Elektrik A.S. (100%) – 478 MW
Heat generation: <u>TGK-11 Group:</u> <u>JSC TGK-11 (100%)</u> <u>(1,520 MW)</u> Omskaya CHPP-3 – 400 MW Omskaya CHPP-4 – 385 MW Omskaya CHPP-5 – 735 MW ⁶ <u>JSC Tomsk Generation (100%)</u> <u>(486 MW)</u> Tomskaya CHPP-1 – 14.7 MW Tomskaya CHPP-3 – 140 MW Tomskaya TPP-2 – 331 MW JSC OmskRTS (100%) JSC TosmkRTS (100%) <u>Generation in Bashkiria:</u> <u>LLC Bashkir Generation Company</u> <u>(100%)</u> <u>(4,120 MW)</u> Karmanovskaya TPP – 1,831.1 MW 10 TPP – 2,053.2 MW 3 Gas Turbine Generator Packages and Turbine-generator Units – 5 MW Sibai GTES – 16 MW 9 HPP (including 7 small HPPs) – 212.5 MW 1 Wind Farm – 2.2 MW <u>LLC BashRTS (100%)</u> <u>(24 MW)</u>	Engineering LLC Inter RAO – Engineering (100%) LLC Quartz – New Technologies (50.1%) LLC Inter RAO – Export (100%) LLC Quartz Group (100%) LLC Engineering Centre – Gas Turbine Technologies (53.95%) ⁷ LLC Russian Gas Turbines (25%)		
	Innovations and Energy Efficiency Non-for-Profit Fund Energy Beyond Borders (100%) LLC Inter RAO UES Power Efficiency Centre (50%)		

⁶ Taking into account the launch of modernized turbine No. 2 at Omskaya CHPP-5 in December 2015.

⁷ Segment values do not include the financial results of LLC Engineering Centre – Gas Turbine Technologies and LLC Russian Gas Turbines that are associated companies included in the Group's consolidated financial statements by equity principle.

2.2 Group's Key Indicators

Table 5. Inter RAO Group key indicators

Key indicators	UOM	2013	2014	2015	2015/2014
Revenue	RUB bn	662.3	741.1	805.3	+8.7%
EBITDA	RUB bn	39.2	56.3	71.1	+26.3%
EBITDA per 1 kWh	RUB/kWh	0.23	0.30	0.35	+14.2%
Net income / loss	RUB bn	-24.0	9.8	23.9	2.4 times
Adjusted net income	RUB bn	14.6	22.1	45.0	twice
Net assets	RUB bn	334.6	348.2	365.4	+4.9%
Intangible assets (book value as at December, 31)	RUB bn	9.8	12.5	12.9	+3.2%
Installed capacity, total	MW	33,587	35,035 ⁸	34,968 ⁹	-0.2%
including Installed capacity in Russia	MW	27,622	29,070 ¹⁰	29,003 ¹¹	-0.2%
Capacity commissioning	MW	544	1,505	294.5	
Electricity generation	kWh bn	147.468	146.047	140.796	-3.6%
Electricity sales	kWh bn	153.234	166.184	168.068	+1.1%
Average price of electricity sales	RUB/kWh	1.47	1.60	1.67	+4.6%
Employee headcount as of the end of the year ¹²	people	59,670	58,479	50,797	-13%
Average number of employees per 1 MW of installed capacity (Generation in Russia segment)	people/MW	1.03	0.97	0.89	-9.0%
Wages, benefits and payroll taxes	RUB bn	39.1	42.9	47.2	+10.0%
Employee average age	years	41	42	42	
Expenditures on employee training	RUB bn	0.21	0.21	0.19	-9.5%
Expenditures on implementation of social programmes	RUB bn	4.93	5.77	5.10	-11.6%
Occupational injury rate		0.33	0.29	0.32	+10.3%
Specific greenhouse gas emissions per unit of energy produced	t CO ₂ -eq./MWh	0.50	0.49	0.49	0%
Expenditures on environmental safety	RUB bn	2.41	2.98	3.08	+3%
Procurement costs excluding agency fees	RUB bn	315.6	191.0	161.3	-15.5%

⁸ In accordance with the Registry of power generation facilities of the Wholesale Energy Market as of January 01, 2015.

⁹ In accordance with the Registry of power generation facilities of the Wholesale Energy Market as of January 01, 2016.

¹⁰ Taking into account the launch of modernized turbine No. 1 at Omskaya CHPP-5 in December 2014.

¹¹ Taking into account the launch of modernized turbine No. 2 at Omskaya CHPP-5 in December 2015.

¹² Inter RAO Group's headcount was calculated based on Inter RAO's consolidated financial statements for the year ending December 31, 2015. Headcount reduction is due to changes in Inter RAO's participatory interests in RazTES and Power Grids of Armenia.

Key indicators	UOM	2013	2014	2015	2015/2014
and intra-group procurement					
Payments to the Government	RUB bn	34.5	25.8	43.3	+67%
Retained economic value ¹³	RUB bn	-63.8	-18.0	-34.6	-92.2%

2.3 Position of Inter RAO Group in the Energy Market

PJSC Inter RAO is the Russian leading electricity export-import operator involved in both cross-border supplies of electricity and related trading operations in the domestic wholesale energy market (WEM). The key goal of its energy trading business is to keep and reinforce its leading position in electricity export and import.

PJSC Inter RAO is the parent company of Inter RAO Group with its assets present in different energy segments such as electricity generation, heat generation, electricity supply, and engineering. The Group is involved at all key stages of value creation in the energy industry maximising asset performance and facilitating the Group's stable position in the markets where it operates. Having come all the way from export and import electricity operator to a large integrated energy company, Inter RAO Group ensures the stable income growth and considerable increase in business efficiency as its main task¹⁴.

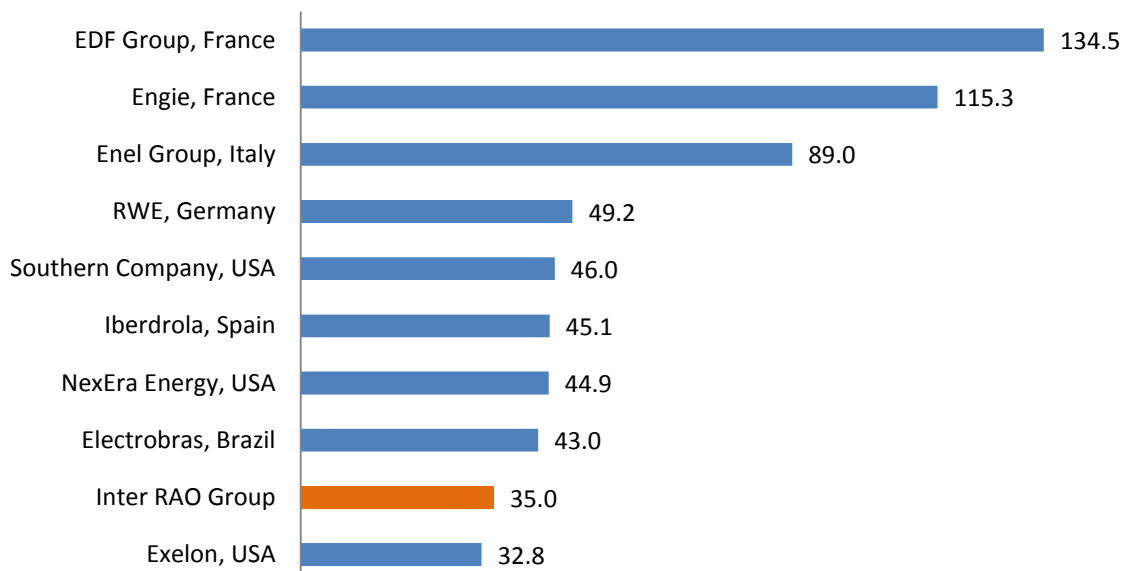
Inter RAO Group successfully implements its strategic goals in order to achieve leadership in electricity generation and demonstrates leadership among key international and Russian generation companies.

PJSC Inter RAO is one of Top 10 electricity generating companies globally, in terms of installed capacity and business size.

¹³ Retained economic value is a parameter provided by the GRI Sustainability Reporting Guidelines (EC1) and calculated as the difference between Group's generated and distributed economic value that shows the amount of funds after material value is generated for stakeholders. The data for 2013 and 2014 has been amended due to elaboration of calculating methods.

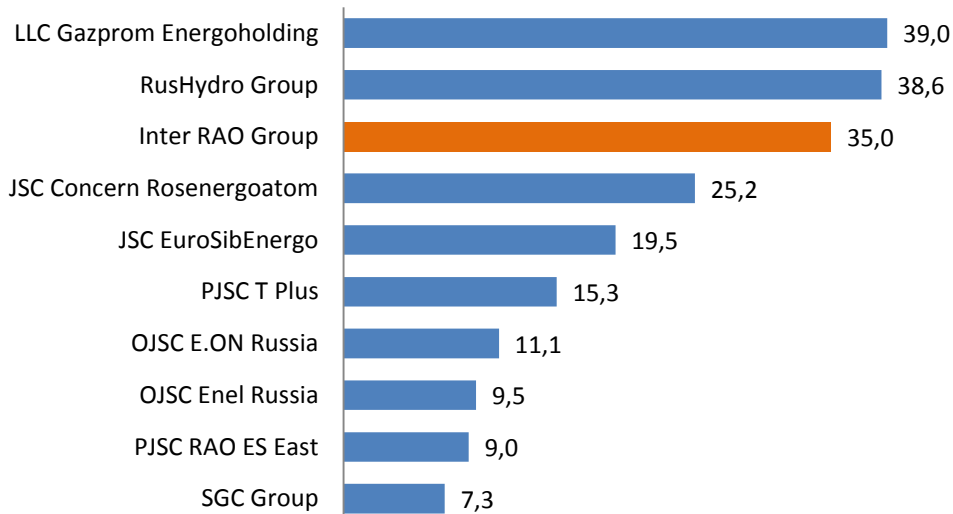
¹⁴ More information on the market position of the Group's business segments is available in Chapter 5, Group's Operations and Financial Performance.

Fig. 1 Inter RAO Group is a full-fledged player in the global energy market among global generating companies and holdings¹⁵, GW



Inter RAO Group leads the Russian electricity generation market. Its main competitors are Russian independent energy companies incorporated as a result of RAO UES dissolution.

Fig. 2 Inter RAO Group is among the three largest Russian generating companies and holdings in terms of installed capacity¹⁶, GW

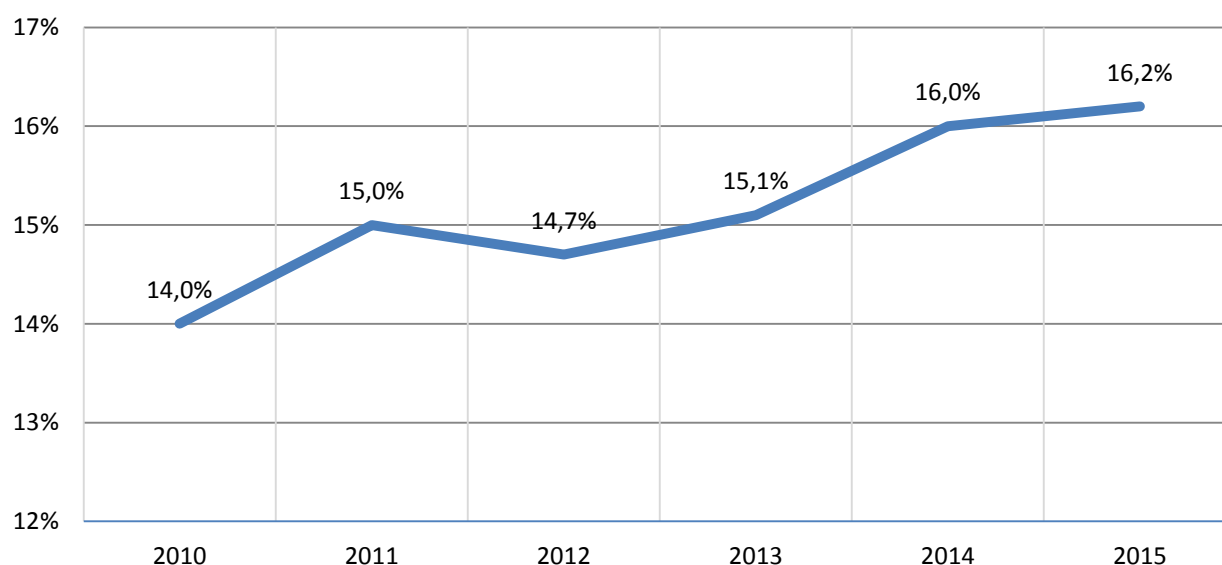


¹⁵ Data from 2015 quarterly reports published on the companies' websites.

¹⁶ Data from 2015 quarterly reports published on the companies' websites.

Inter RAO Group is successful in both maintaining its position and gradual increase of its presence in the Russian retail energy market, thanks to its organic growth and cooperation with the leading players in the business segment. The active development and expansion of the Group's business, sustainable growth rates, and gradual optimisation of business processes were behind the Group's share of 16% in the Russian retail market in 2015.

Fig. 3 Inter RAO Group's share in the Russian retail market has been steadily increasing over the last five years to 16.2% by the end of 2015.



2.4 Associations and Partnerships

Inter RAO Group, as one of the largest public energy companies in Russia, is actively engaged in the operation of manufacturing and business associations and ensures the development of transregional and international cooperation in the field of electric power sector by forming strategic partnerships both in Russia and abroad.

Table 6. Participation of Inter RAO Group in non-profit associations and partnerships in 2015

Organisation	Group Companies
Chamber of Commerce and Industry of the Russian Federation and its regional branches	PJSC Inter RAO; JSC Altai Energobyt (Altay Power Supply Company); LLC Bashkir Generation Company
Non-profit partnership (NP) Market Council for organizing an efficient system of trading at wholesale and retail electricity and capacity market	PJSC Inter RAO; JSC Inter RAO - Electric Power Plants; JSC TGK-11; LLC Bashkir Generation Company; LLC RN – Energo; PJSC Mosenergosbyt (Moscow Power Supply Company); JSC PSK (Petersburg Power Supply Company); LLC RT – Energotrading; PJSC Tomskenergosbyt (Tomsk Power Supply Company); JSC INTER RAO – Oryol Energy Sales Company; JSC Promyshlennaya Energetika; CJSC Petroelektrosbyt; JSC Tomsk Generation; PJSC Saratovenergo; JSC Altai

	Energosbyt
Non-profit partnership of Guaranteed Electricity Suppliers and Power Supply Companies (GS and PSC)	PJSC Mosenergosbyt (Moscow Power Supply Company); PJSC PSK (Petersburg Power Supply Company); PJSC Tambov Power Supply Company
Non-profit Partnership Centre of Innovative Energy Technologies (NP CIET)	PJSC Inter RAO; JSC TGK-11; CJSC Moldova TPP; JSC Eastern Energy Company; JSC Inter RAO – Electric Power Plants
The National Association for Energy and Environment of Georgia	JSC Khramhesi I; JSC Khramhesi II; LLC Mtkvari Energy
Self-Regulatory Organisation Non-profit partnership (NP) SRO Guild of Energy Auditors	LLC Inter RAO UES Power Efficiency Centre; PJSC Mosenergosbyt (Moscow Power Supply Company); PJSC PSK (Petersburg Power Supply Company); PJSC Altai Energosbyt (Altay Power Supply Company) LLC INTER RAO – Oryol Energy Sales Company; JSC Tambov Power Supply Company; PJSC Saratovenergo (Saratov Power Supply Company)
Self-Regulatory Organisation Non-profit Partnership (NP) SRO Union of General Contractors in Construction	LLC Inter RAO – Engineering LLC Quartz Group
Self-Regulatory Organisation Non-profit Partnership SRO ENERGOSTROY	LLC Inter RAO UES Power Efficiency Centre; JSC TGK-11; JSC TomskRTS
Self-Regulatory Organisation Non-profit Partnership SRO ENERGOPROEKT	LLC Inter RAO UES Power Efficiency Centre; JSC TomskRTS
Self-Regulatory Organisation Non-profit Partnership (NP) SRO Union for Town Planning and Design	LLC Quartz Group LLC Inter RAO – Engineering
Self-Regulatory Organisation Non-profit Partnership (NP) Expert Organisations of Electric Power	PJSC Mosenergosbyt (Moscow Power Supply Company); JSC St. Petersburg Power Supply Company; PJSC Saratovenergo
The Siberian Energy Association	JSC TGK-11
Self-Regulatory Organisation Non-profit Partnership (NP) SRO for Upgraded Construction Quality Improvement of Tomsk and Tomsk Region	JSC Tomskenergosbyt (Tomsk Power Supply Company) JSC Tomskenergobalance
Non-profit Partnership Russian-Chinese Business Council	PJSC Inter RAO
Self-Regulatory Organisation Non-profit Partnership for Support of Energy Conservation and Energy Efficiency in Siberia	JSC Tomskenergosbyt (Tomsk Power Supply Company)
Self-Regulatory Organisation Non-profit Partnership Tomsk Design Association for Improvement of Engineering Quality	JSC Tomskenergosbyt (Tomsk Power Supply Company)

Union for assistance with production, social, and legal issues, MPO of Tomsk Region Employers	JSC Tomskenergosbyt (Tomsk Power Supply Company)
Non-profit Partnership of Self-Regulatory Organisation Building Engineers' Association (NP SRO OBINZH STROY)	JSC Eastern Energy Company
Non-profit Partnership Dynamo Sports Club (Moscow)	LLC RN – Energo
Non-profit partnership for development of the trading and procurement industry, National Association of Procurement Institutions	LLC Inter RAO - Procurement Management Center
SRO NPP Altai Builders	JSC Altayenergosbyt (Altay Power Supply Company)
SRO NPP Union of Architects and Engineers of West Siberia	JSC Altayenergosbyt (Altay Power Supply Company)
NGO Industrialists' Union of the Regional Employers' Association	JSC Altayenergosbyt (Altay Power Supply Company)
Non-profit partnership RusHydro	LLC BGK
Non-profit partnership (NP) Self-Regulatory Organisation Bashkir Architects' and Engineers' Community	LLC BashRTS
LLC INTER RAO Invest	Self-Regulatory Organisation National Russian National Association of Securities Market Participants (NAUFOR)
SRO Association of General Construction Contractors	LLC Quartz Group
SRP NP Regional Association of Engineering Surveillance Specialists, OboronStroyIzyskania	LLC Quartz Group
Chamber of Commerce and Industry of Pridnestrovye	CJSC Moldova TPP
Union of Industrialists, Farmers, and Entrepreneurs of Pridnestrovye	CJSC Moldova TPP
European Federation of Energy Traders	RAO Nordic Oy (Finland)
Nordic Association of Electricity Tradere	RAO Nordic Oy (Finland)
Energy Managers Association, Energijaohatajat Ry	RAO Nordic Oy (Finland)
Helsinki Region Chamber of Commerce	RAO Nordic Oy (Finland)
Non-profit partnership of building companies Construction Resource	JSC St. Petersburg Power Supply Company

Public organisation, Union of Industrialists and Entrepreneurs (Employers) of St. Petersburg	JSC St. Petersburg Power Supply Company
Non-Government Pension Electricity Industry Fund	JSC St. Petersburg Power Supply Company
Non-profit Partnership Interregional Builders' Association (SRO) (NP IBA (SRO))	PJSC Saratovenergo
Non-government non-profit organisation Siberian Energy Association	JSC TGK-11
Non-profit organisation All-Russian Industry-Wide Association of Energy Industry Employers	JSC TGK-11
SRP NP Russian Heat Supply	JSC TGK-11
NP Union of Electricity Generating Companies and Strategic Investors in the Energy Industry	JSC Inter RAO – Electric Power Plants
Self-Regulatory Organisation Union of General Contractors in Construction	LLC Inter RAO – Engineering
Autonomous Non-profit Organisation Russian-Arab Business Council (ANO RABC)	LLC Inter RAO – Engineering
SRO Soyuzatomstroy	LLC Inter RAO – Engineering
SRO Soyuzaromprojekt	LLC Inter RAO – Engineering
SRO NP Soyuzatomgeo	LLC Inter RAO – Engineering
Regional Employers' Association Tambov Regional Association of Industrialists and Entrepreneurs	PJSC Tambov Power Supply Company
Non-profit Partnership – Self-Regulatory Organisation CENTERREGION	PJSC Tambov Power Supply Company
Fund Energy Beyond Borders	JSC Inter RAO Capital
NP Science and Innovations Director's Club	Fund Energy Beyond Borders
Engineering Alliance Monolith/NP EAM	LLC OEC
Construction Alliance Monolith/NP CAM	LLC OEC
Legal entities' association Kazakhstan Electricity Association	JSC Ekibastuz TPP-2
RK National Chamber of Entrepreneurs	JSC Ekibastuz TPP-2
Electric Power Reserves POOL (POOL EPR)	JSC Ekibastuz TPP-2

Kazakhstan Tax Payers' Association (KTPA)	JSC Ekibastuz TPP-2
Union of Energy Veterans of Georgia	JSC Telasi
National Chamber of Entrepreneurs of the Republic of Kazakhstan	TOO INTER RAO Central Asia
Non-profit partnership Baikal Association of Building Organisations	LLC Ugolny Razrez
Non-profit organisation National Committee for Economic Cooperation with Latin American Countries	PJSC Inter RAO
Non-profit partnership	PJSC Inter RAO
Russian Risk Management Society	

3 Statement for PJSC Inter RAO Shareholders and Other Stakeholders

3.1 Address of the Chairman of the Board of PJSC Inter RAO

Dear Shareholders:

In 2015, Inter RAO Group, despite challenging market conditions, achieved strong results while successfully remaining a leader in the Russian market and expanding our international portfolio.

Our operating and financial performance in the reporting period is yet another confirmation that our long-term development strategy serves the Group well. Continuous focus on efficiency in 2015 resulted in 2.4x increase in our IFRS net income year on year.

2015 saw the whole range of events negatively affecting the development of the Russian energy market. Reduction of capacity prices, growing accounts receivable in the retail market, lack of clarity on the district heating market model, and the overall slowdown of the Russian economy reduced the number of active projects and caused growing concerns about financial stability and shareholder value.

In this environment, Inter RAO Group kept focus on efficiency and successfully improved both financial performance and the resilience of our business against external negative factors.

Thanks to highly diversified business and consolidated effort to improve our efficiency, Inter RAO has become a very resilient organization. Key objectives of Inter RAO include sustainable business development through the implementation of our investment program focused on the construction of new and the rehabilitation of existing generation facilities, efficient cost management, improvement of payment discipline and development of new retail services, and improvement of profitability of electricity and capacity sales in domestic and international markets.

This approach will give us an opportunity to establish a solid foundation for future growth and development of every segment of our business in challenging economy—from generation and trading, our key segments that were the drivers of our growth in 2015, to retail sales and engineering, which are our highly promising lines of business as well.

Construction of new cogeneration plants in Kaliningrad Oblast is one of our medium-term priorities. This project will ensure complete regional energy security through the diversification of fuel mix and the improvement of energy system flexibility, while creating sufficient surplus capacity that will be required in near future to support integrated social and economic development of Kaliningrad Oblast.

In 2016, Inter RAO will keep working on our long-term strategy focused on ensuring our leadership in Russia and abroad by 2020. To achieve this objective, we will continue improving the efficiency and profitability of all our business segments while streamlining our investment activities and improving the financial resilience of our assets.

Chairman of the Board

Igor Sechin

3.2 Address of the Chairman of the Management Board of PSJC Inter RAO

Dear Shareholders:

2015 became a new source of growth for Inter RAO Group. Despite deteriorating macroeconomics, increased competition from new generation facilities and significant reduction of power consumption, we were able to improve our market share across all lines of business and increase our profits. We achieved this goal through clear and consistent focus on our long-term strategy centered first and foremost around our efficiency.

We were able to demonstrate our resilience against the crisis and managed to grow our business despite market slowdown, reporting positive operating and financial results for the full year 2015. Our IFRS EBITDA reached 71.1 billion rubles, a 27.6% improvement over 2014. Our net income for 2015 was 23.9 billion rubles, which is 2.4x more than in 2014.

These numbers are the direct result of the effort we put in improving our efficiency, and the proof of our strategy.

In 2015, Inter RAO Group has completed the core phase of the large-scale investment program covering the construction of new facilities under the Capacity Delivery Agreements. As a part of our generation asset development strategy, we have increased capacity sales from our new highly profitable facilities while reducing the use of our low efficiency facilities and closing down the least efficient units. We added 294.5 MW of highly profitable installed capacity through the addition of new facilities and recertification of existing units.

The completion and launch of new facilities remains our priority. In 2015, we have successfully negotiated the inclusion of Zatonkaya TPP development project in UFA in the CDA system, getting an opportunity to continue the construction of the power plant that will use the latest Russian combined cycle equipment. We will also build new high-efficiency power generation units under Capacity Delivery Agreements in Sverdlovsk Oblast and Perm Krai.

We will continue retiring low efficiency facilities to improve our profitability. By 2019, we would like to retire 3 GW of legacy equipment whose utilization brings no value to us or to the energy system.

Together with our primary shareholder, OJSC Rosneftegaz, we keep actively working on the implementation of the government decision to build four new thermal power plants in Kaliningrad Oblast. These facilities will ensure the energy independence of Kaliningrad Oblast. They will use state-of-the-art Russian equipment.

In the retail segment, our key priorities include the expansion of sales geography, including geographic expansion of our existing sales subsidiaries, and the addition of new consumers. In 2015, our consumer base was 2% larger than in 2014 and 13.7% larger than in 2013. Our Integrated Payment Center in Moscow Oblast, LLC MosObIEIRC, increased the number of municipal authorities it serves from 16 to 59 in 2015. Our Integrated Payment Centers across the group have successfully reduced overdue accounts while improving the transparency of financial transactions and the quality of their consumer services.

We keep developing our international engineering business, and in 2015, we signed power plant construction deals in Argentina and Cuba. In addition to Latin America, we focus our international business development in South-East Asia, Middle East and Africa.

In 2016, we will keep working on improving our operating and financial performance, and the efficiency of all our segments. Our goal is to maintain and reinforce our leadership for the benefit of our shareholders!

Chairman of the Management Board

Boris Kovalchuk

4 Development Strategy of Inter RAO Group and its implementation

4.1 Group Strategic review

The Strategy and Long-term Development Programme

In March 2014, for the period until 2020,¹⁷ Inter RAO Strategy (the Strategy) was endorsed by the Board of Directors of Inter RAO and approved without change by the Governmental Commission on Energy Development as Long-term Development Programme (LDP)¹⁸.

The Strategy/LDP includes a target vision, mission and strategic objectives, as well as consolidated results of Inter RAO Group up to 2020, including a list of priority development areas, key activities, and strategic target parameters broken down by the development areas described.

In 2015, the Strategy/LDP was supplemented with a list of measures aimed at gradual substitution of imported products by Russian products, used in the implementation of investment projects and operational activities, with equivalent technical characteristics and consumer properties. The updated Strategy/LTDP also includes a set of indicators of the said measures and their target values.¹⁹

In order to enforce the implementation of the Strategy/LDP, Strategic Development Priorities (SDP) are formed on an annual basis, including Inter RAO Group target values of strategic indicators and the list of strategic priority objectives/top level indicators for the planned calendar year. The current procedure for the formation of the SDP, as well as for the preparation of the Report on the Implementation of the SDP, has been endorsed by Order No IRAO/720 dated December 25, 2015.

The relationship between the remuneration of the Chairman of the Board and Members of the Management Board and the strategic management system is affected through the implementation of the SDP²⁰. The degree of implementation of the Strategy/LDP during the reporting period is assessed through the audit of the Report on the Implementation of the Company's Strategic Development Priorities by an independent auditor²¹.

The Strategic Development Priorities for 2015 include a list of quantitative and qualitative indicators that determine the targeted results of the implementation of the Strategy / LDP for the planning period in the following areas:

- Providing a reliable and safe operation, increasing operational and energy efficiency of existing production assets;
- Developing supply business;
- Enhancing efficiency of foreign trade activities;
- Developing international activities;

¹⁷ Endorsed by decision of the Board of Inter RAO dated March 13, 2014 (Minutes No.110 dated March 17, 2014).

¹⁸ The Strategy/Long-term Development Programme was approved without change by the Governmental Commission on Energy Development (Minutes No.18 dated December 27, 2014).

¹⁹ Minutes of the Meeting of the Board of Directors No.140 dated April 30, 2014.

²⁰ Pursuant to the Regulations on Payment of the Remuneration and Compensations to the Chairman of the Management Board and members of the Management Board of JSC Inter RAO, as endorsed by the Board of Directors (Minutes of the Meeting of the Board of Directors No.103 dated November 05, 2013). For more details of incentive scheme of the Chairman of the Management Board and members of the Management Board, please see Section 1.2 'Key Performance Indicators' further in this Chapter.

²¹ The audit shall be provided in accordance with the Standard for Audit of the Strategy/Long-term Development Programme of PJSC Inter RAO (Minutes No. 126 dated November 24, 2014).

- Increasing efficiency of engineering and distributed generation activities;
- Developing innovations;
- Enhancing labour efficiency and human resources management;
- Increasing investment attractiveness and ensuring financial stability;
- Developing corporate services and management systems.

In 2016, according to the results of the procurement procedure in the form of closed request for price, LLC “Ernst and Young” was chosen as an auditor of LDP progress report.

As a result of assurance procedure the Group was provided with an independent assurance report on Report on implementation of Strategic Development Priorities for the year ended 31.12.2015²², containing confirmation that no facts have been found which would allow to believe that information in the report does not reflect, in all material aspects:

- Actual values and degree of achievement of Group performance indicators for the year ended 31.12.2015;
- Reasons of deviations of the factually achieved values of Inter RAO Group performance indicators from those specified by the Strategic Development Priorities for the year ended 31.12.2015.

The current management system of PJSC Inter RAO integrates the strategic management system into medium-term planning, business planning, analysis and business operations control systems; the investment forecasting and analysis systems; the innovation management system, etc. through the specification of the Strategy/LDP as part of the relevant key programmes.

Thus, the Innovation Development Programme of PJSC Inter RAO until 2017 with outlook up to 2021²³ includes measures on such areas as improvement of energy performance, assimilation of new technologies at production sites, quality assurance system, cooperation with universities and research organisations, upgrade of operational capacities, R&D plans and more.

Inter RAO Group Investment Programme for 2015–2020²⁴ includes a set of projects/activities in the following areas: new construction, refurbishment and renovation, etc.

Breakdown of the Strategy/LDP measures, as related to cutting operating costs in the medium/short term is carried out within the Cost Management Programme. The Cost Management Programme for 2014–2016²⁵ as updated for the year 2015 contains a description of activities aimed at saving on semi-fixed costs: optimisation of payroll budget and decrease in other semi-fixed costs (repair costs, administrative and management costs, cost of operations services, and raw materials), as well as activities related to the savings in fuel and auxiliaries costs.

Mission and strategic objectives

The mission of PJSC Inter RAO is to promote sustainable economic development and improve the quality of life in all regions of the Company's operations by ensuring a reliable energy supply,

²² Independent assurance report dated April 22, 2016.

²³ The Innovation Development Programme was endorsed by the Board of Directors of the Company as of March 31, 2014 (Minutes No.111 dated April 03, 2014).

²⁴ The Inter RAO Group Investment Programme was endorsed by the Management Board of the Company (Minutes No.570 dated July 30, 2015).

²⁵ The Cost Management Programme was endorsed by the Board of Directors of the Company as of December 29, 2014 (Minutes No.132 dated December 30, 2014).

meeting the growing demand for electricity and using innovative technologies in the field of energy efficiency and conservation.

Group Strategic objectives are as follow:

- Maintaining leadership position in the Russian energy sector;
- Leadership among Russian electric utility companies in efficiency of energy asset management with a focus on innovation and improving the energy efficiency;
- Promoting energy security and serve the strategic interests of the Russian Federation;
- Increasing shareholder value;
- Increasing the presence in target international markets, and promote Russian practices and solutions in the energy sector in foreign markets.

4.2 Business Model

The external environment in which Inter RAO Group operates is the cooperation between competing organisations engaged in the generation and sale of electricity within the energy system of Russia and state-operated technological and commercial infrastructure organisations. Electricity produced by generating companies is sold in the wholesale or retail markets to sales companies or large end consumers and then the sales companies resell the purchased electricity to end consumers. The role of the support/service activities directly related to the operation of the generation companies — engineering, maintenance/repair, fuel supply and other organisations — should also be noted.

Inter RAO Group is a diversified energy holding company operating in various segments of the electric power industry in Russia, under the current laws in the field of electric power of the Russian Federation²⁶, and other countries. The current business model involves the continuous presence of Inter RAO Group at all levels of the value chain — from design and construction of power-generating facilities to distribution of electricity and heat to end consumers. In the context of uncertainty in the long-term development of the regulatory framework of the industry, including the Wholesale Electricity and Capacity Market rules, the chosen business diversification strategy is the Group's key factor of risk insurance in the energy sector.

The synergies arising between the different links of the value chain make the Group business model more resilient:

- The engineering operations provide greater control over the CDA projects in power and heat generation segments, helping to reduce the risk of failure to meet project schedule and cost budget requirements; it also allows using the engineering experience gained in the implementation of projects within the Group for the purposes of its capitalisation in the foreign market;
- development of own production of modern equipment is a tool of import substitution in case of the Group's projects related to construction and modernization of generating assets, which is especially important under the current political conditions, and it adds a competitive advantage to the engineering complex of Inter RAO in the foreign market;

²⁶ In accordance with applicable laws, it is prohibited to combine electricity transmission and dispatch management activities in the electric power industry with electricity generation and sale as from the end of transition period in the electric power industry restructuring (2011) for groups of individuals and affiliates within the boundaries of a single pricing zone in the wholesale market.

- the availability of fuel assets within the Group enables the continuous supply of fuel and ensures the reliable operation of power generation facilities, minimising the logistics and price risks, and serves as a tool to have an effect on third-party suppliers of fuel in the negotiating process;
- the presence of organisation with expertise in the field of energy saving and energy efficiency services contributes to a more effective performance of relevant types of work and services at the Group's facilities. Also, it creates conditions for making profit in the foreign market, including cooperation with power supply assets to search for third-party customers.

Figure 4 Business model of Inter RAO Group



The business model shown is the basis for the transition to a target vision of Inter RAO Group recorded in the framework of the Strategy/Long-term Development Programme

By 2020, the Inter RAO Group is to become a global player in the world energy market and the leader in the Russia's energy industry, providing the most effective management of assets, which will be characterised by, inter alia, the following:

- Inter RAO Group delivering sustainable growth in shareholder value in the long term;
- Inter RAO Group managing a diversified portfolio of assets, to accomplish the goals of shareholders and the Russian energy policy:
 - Inter RAO Group operating in different segments of the value chain — from design and construction of power-generating facilities to distribution and sale of electricity and heat to end consumers, by achieving multiplicative synergetic effects;
 - Inter RAO Group having a balanced portfolio of efficient generating assets, committed to protection of environment;
 - Inter RAO Group playing an important role in the integration of national energy systems and strengthening links between energy markets, and being one of the

largest global energy traders in terms of volume of trade operations;

- Projects implemented by Inter RAO Group and its engineering, energy saving and energy efficiency solutions contributing significantly to the upgrade of Russian power energy and innovation development.
- Inter RAO Group is one of the key players in the global energy market and a reliable partner of the largest energy companies in the world.

The value creation results in 2015

As a result of functioning within the business model described, Inter RAO Group now occupies a leading position in the electricity market of the Russian Federation:

- the Group's share in volume of the electricity generation by the assets in the Russian Federation by the end of 2015 has occupied more than 12% of the market;
- the share of energy supply companies of the Group in the electricity retail market has exceeded 16%²⁷;
- Position of PJSC Inter RAO as Russian electricity export/import operator.

Table 7. Performance of the Group's declared strategy in 2010-2015 with a focus to 2020

Indicator	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Target 2020
EBITDA, RUB bln	26.6	39.2	56.3	71.1	>100 RUB bln
EBITDA margin, %	4.8%	5.9%	7.6%	8.8%	>8.7%
Installed electrical capacity, GW	33.5	33.6	35.0	35.0	>34.6 GW ²⁸
Share in the Russian retail market, %	14.7%	15.1%	16.0%	>16.2%	>16%

The increase of key indicators for the period 2012-2015 results from the commissioning of CDA facilities and improved performance of the "Generation" segment, obtaining economically justified supply margins, entering the perimeter of new companies, the expansion of the territory of operations and receiving guaranteed supplier status in supply segment, as well as from improved efficiency of trading activities due to favorable conditions and the drop of the Russian national currency against major currencies of export contracts for the supply of electricity²⁹.

²⁷ Sales volumes in the retail market of the total actual electricity consumption in Russia according to the System Operator of the Unified Energy System of Russia.

²⁸ The reduction of installed electrical capacity is associated, in particular, with the implementation of inefficient facility decommissioning programme until 2020, as provided for in the Strategy/LTDP of the Group.

²⁹ See Chapter 5 'Implementation of the Strategy by Business Areas' for more details about the strategy implementation results.

4.3 Group development priorities for 2016

In December 2015, the Board of Directors of PJSC Inter RAO endorsed Strategic Priorities for 2016³⁰, developed in the context of development priorities of the Company's Strategy/LDP:

- Electricity generation and heat generation;
- Repair and maintenance service;
- Supply business;
- Foreign trade activity;
- International activity;
- Engineering and distributed generation;
- Innovations;
- Human resources policy and labour efficiency;
- Appeal for investors and financial stability;
- Corporate services and management system.

The key changes in the Strategic Development Priorities for 2016 as compared to 2015 are as follows:

- The prioritisation of the development of repair and maintenance service aimed at further improving the performance of the Group's productive assets and ensuring reliable accident-free operation.
- Exclusion of energy efficiency services due to uncertainty related to sources of funding of key customers projects, including co-funding of regional energy efficiency programmes from the federal budget.

4.4 Key performance indicators

Principles of the key performance indicator system

In pursuance of the Russian Federation President's³¹ list of instructions the Ministry of Economic Development of the Russian Federation formulated requirements for the formation of a vertical system of strategic planning in joint stock companies included on the lists endorsed by the RF Government Executive Order No. 91-r dated January 23, 2003. This system involves the development of a long-term development programme and a key performance indicator system.

In accordance with the Regulations on Payment of the Remuneration and Compensations to the Executive Leadership of PJSC Inter RAO, the bonus for performance of Key Performance Indicators (KPI) and Target Indicators (TI) by the Company is one of the material incentives for the Company's management. This element of the incentive system is aimed at ensuring the material interest of the managers in their personal performance and the achievement of objectives set by the Strategy/LDP. The list of the Company's annual KPIs is approved by the Board of Directors.

³⁰ Minutes No.159 dated December 28, 2015.

³¹ The list of instructions of the President of the Russian Federation No. Pr-3086 dated December 27, 2013 In accordance with clause 34 of the list of instructions of the President of the Russian Federation (hereinafter — the "List of Instructions"), the Government of the Russian Federation was instructed to cause the adoption of long-term development programmes by joint-stock companies included in the lists as approved by the Russian Federation Government Executive Order No. 91-r of the Russian Federation as of January 23, 2003, and to ensure the audit of these programmes.

Thus, Key Performance Indicators and Target Indicators of the Chairman of the Management Board and members of the Management Board of PJSC Inter RAO for 2015 were set by the Board of Directors of PJSC Inter RAO as of December 25, 2014³².

The main purpose of the KPI system is to transform the Strategy/LTDP into the form of specific operational management indicators to assess their achievement in the long and medium term, and to provide a basis for management decisions.

The primary tasks of the KPI and TI system are to assess the achievement of the Company's strategic objectives, monitor and control Strategy, provide for adequate incentives for the Company management with a focus on achieving target strategic indicators.

When the list of KPI and TI of PJSC Inter RAO is prepared, special aspects of the Inter RAO Group operations are considered, as well as the principles of minimal sufficiency, transparency and measurability of indicators, consistency between them and a focus on the growth of financial and operating results of the Company.

Features of the key performance indicator system in 2015

The list of KPI and TI of PJSC Inter RAO was prepared taking into account the requirements of the Regulations on Key Performance Indicators of PJSC Inter RAO. These Regulations have been prepared in pursuance of the Directive of the Federal Agency for State Property Management (Rosimushchestvo) for representatives of the Russian Federation to participate in meetings of the Board of Directors (supervisory boards) of partially government-owned open stock companies³³, in pursuance of the Rosimushchestvo instruction³⁴ "On Approval of the KPI System" and in accordance with the "Methodological Guidelines on the Application of Key Performance Indicators by State Corporations, State Companies, State Unitary Enterprises and Business Entities with over 50 percent of a Total Governmental Share in their Equity Capital"³⁵, as set out in the Rosimushchestvo Letter.

Pursuant to the Methodological Guidelines, the list of KPI and TI contains financial and economic and industry-specific indicators, and bonus cancellation indicators (TI). In accordance with the Regulations, the total number of financial and economic indicators shall be limited to 7, while their total weight should be between 50% and 70% of the sum of all indicators. The Regulations have also defined a list of mandatory parameters, from which indicators with a total weight of not less than 30% of the sum of all weights of Company indicators may be selected. In turn, the total number of industry-specific indicators must be not more than 4, with the total weight of these indicators ranging from 30% to 50% of the sum of all weights of Company indicators. Pursuant to the Regulations, the list of industry-specific indicators is open.

One of the key elements of the remuneration system for the Chairman of the Management Board and members of the Management Board of PJSC Inter RAO, the bonus for performance of annual KPI is subject to the actual performance of annual KPI and TI by the Company. Pursuant to the Regulations on Payment of the Remuneration and Compensations to the Chairman of the Management Board and members of the Management Board of PJSC Inter RAO, endorsed by

³² Minutes No.131 dated December 29, 2014.

³³ May 20, 2014 No. OD-11/21032.

³⁴ May 30, 2014 No. OD-11/23024.

³⁵ April 29, 2014 No. OD-11/18576.

decision of the Board of Directors of the Company³⁶, the size of the annual bonus is calculated from basic payroll, the planned size of the annual bonus and the actual KPI values.

The list of annual KPIs, and target values thereof for the Chairman and members of the Management Board of the Company shall be based on approved Business Plan and Strategic Development Priorities, and shall be endorsed by the Board of Directors. At the end of the year, the Board of Directors is considering the performance of KPI and TI for the corresponding period based on recommendations of the Remuneration and Nomination Committee. In the event that the Company has performed all the TI and achieved the target value of "lower level" of the corresponding KPI, awarding of the respective managers for Company results will be considered.

The list of KPI and TI of PJSC Inter RAO for 2015 was amended as compared to the list of KPI and TI endorsed for 2014. The following indicators applied in 2014 have been deleted from the 2015 list: "Quick Liquidity Ratio for the Group" and "NOPLAT (net operating profits less adjusted taxes)". At the same time, the indicators of "ROE (return on equity)" and "Implementation of the Investment Programme" were applied in 2014 and have been set for 2015.

The difference between the lists of bonus cancellation indicators (TI) in 2014 and 2015 for the Chairman and members of the Management Board of PJSC Inter RAO is the deletion of TI "The lack of substantive comments on the results of scheduled and unscheduled inspections of the Internal Audit, Controlling and Risk Management Unit of PJSC" from the 2015 list and the inclusion of indicators "Debt/EBITDA" and "Implementation of the Cost Management Programme (CMP) as compared to the target value" in the 2015 list.

Based on results of the meeting of the Board of Directors of PJSC Inter RAO dated December 25, 2015,³⁷ it was decided to include the indicator "Total shareholder return" (TSR) which determines the Company's market return, on the list of KPI and TI for 2016 as an indicative, and to include this indicator in the draft list of KPI and TI for 2017 that is expected to be considered by the Board of Directors at the end of 2016.

³⁶ Minutes No.103 dated November 05, 2013.

³⁷ Minutes No.159 dated December 28, 2015.

Table 8. Financial and economic indicators of the KPI&TI system of PJSC Inter RAO in 2015

Financial and economic indicators				
1	KPI “Return on equity (ROE)” The indicator determines the efficiency at the use of equity, that is, the Company profit from 1 ruble of its own funds. This figure defines the efficiency at the use of not the entire equity (or assets) of the company, but only the part that belongs to the shareholders.			Weight: 30%
	Lower level 90%	Target level 100%	Upper level 110%	Mandatory indicator
2	KPI “Operating cash flow” The indicator describes the ability of maintaining a certain level of solvency and ensuring the ability to cover the existing debt obligations with the required liquidity. This indicator is not a part of the list of mandatory financial and economic indicators, and, pursuant to the Regulations, it falls under the category of “To the discretion of the Board of Directors”.			Weight: 15%
	Lower level 90%	Target level 100%	Upper level 110%	Non-mandatory indicator
3	KPI “EBITDA/person” This indicator describes the labour efficiency of Company workers, and characterises the efficiency of labour resources utilisation. Positive trend of this indicator is expected through the implementation of measures aimed at improving the staff performance and the organisational structure of the Group companies. Pursuant to the Regulations, this indicator falls under the category of “To the discretion of the Board of Directors”.			Weight: 15%
	Lower level 90%	Target level 100%	Upper level 110%	Non-mandatory indicator
The total weight of the financial and economic indicators is 60% of the sum of all weights of indicators of PJSC Inter RAO, which corresponds to the requirements of the Regulations.				

Table 9. Industry-specific indicators of the KPI&TI system of PJSC Inter RAO in 2015

Industry-specific indicators				
1	KPI “Implementation of the Investment Programme” This KPI is set to achieve the strategic objectives: <ul style="list-style-type: none"> ensuring the reliability and energy security; improving the operational efficiency of generating assets; providing modernization and technological development; increasing the installed capacity through the implementation of investment projects in accordance with time schedule and approved budgeted costs. This KPI is used to assess the implementation of the investment programme related to financing and assimilation of capital investments as well as commissioning of generating capacities.			Weight: 20%
	Lower level 80%	Target level 90%	Upper level 100%	Mandatory indicator
2	KPI “Performance of the integrated indicator of innovation” For the purposes of assessment of the innovative activities, integrated indicator of innovation provides for a combination of 4 indicators: “The number of intellectual property items obtained under the project”, “The share of completed projects recommended for the implementation at the Inter RAO group facilities”, “The share of co-funding of innovative projects by third parties”, “Quality of the Innovative Development Programme”.			Weight: 20%
	Lower level 90%	Target level 100%	Upper level 110%	Non-mandatory indicator
The total weight of the industry-specific indicators is 40% of the sum of all weights of indicators of PJSC Inter RAO, which corresponds to the requirements of the Regulations. The total weight of all key indicators of the Inter RAO performance, as set for 2015, is 100%.				

Table 10. Bonus cancellation indicators of the KPI&TI system of PJSC Inter RAO in 2015

Bonus cancellation indicators		
1	TI “Implementation of instructions of the Board of Directors of PJSC Inter RAO” The indicator defines the accuracy and timeliness of the implementation of instructions of the Board of Directors by Company management.	
	Weight for the purposes of remuneration to the Chairman of the Management Board	Up to 25%
2	TI “Implementation of (operating/prioritised) instructions of the Chairman of the Management Board of PJSC Inter RAO” The indicator defines the accuracy and timeliness of the implementation of instructions to the Chairman of the Management by the members of the Board of Directors.	
	Weight for the purposes of remuneration to members of the Management Board	Up to 100%
3	TI “Debt/EBITDA” This TI is a generally recognised indicator which characterises the company's level of debt and the ability to pay off existing liabilities.	
	Weight for the purposes of remuneration to the Chairman and members of the Management Board	25%
4	TI “Implementation of the Cost Management Programme (CMP) as compared to the target value” This TI aims at improving the company's business activity through the implementation of targeted cost optimisation parameters for the appropriate cost items.	
	Weight for the purposes of remuneration to the Chairman and members of the Management Board	20%
5	TI “The lack of fatal accidents or group accidents involving employees of Inter RAO Group” This TI is a Group management performance indicator for occupational health and safety activities.	
	Weight for the purposes of remuneration to the Chairman and members of the Management Board	Up to 15%

Results of implementation of the KPI and TI for 2015

The actual KPI values are approved by the Board of Directors³⁸ with regard to recommendations of Human Resources and Remuneration Committee³⁹ based on the indicators of the Company's annual financial statements for the year ended 31.12.2015 and the business plan execution reports approved by the Board of Directors⁴⁰, and in accordance with the methods of calculation and evaluation of the annual KPI and TI for 2015 approved by the Board of Directors of PJSC Inter RAO⁴¹.

Table 11. The level of achievement of KPIs in the reporting year, compared to the previous year

2014			2015			Comparison 2015/2014
№	KPI	Level of achievement in 2014	№	KPI	Level of achievement in 2015	
1	ROE (Return on Equity)	1,2	1	ROE (Return on Equity)	1,2	n/a due to methodological differences
2	Quick Liquidity Ratio for the Group	1,2	2	EBITDA/person	1,2	n/a due to methodological differences
3	NOPLAT (net operating profits less adjusted taxes)	1,2	3	Operating cash flow	1,2	n/a due to methodological differences
4	Implementation of the Investment Programme	1,11	4	Implementation of the Investment Programme	1,01	-9%
			5	Performance of the integrated indicator of innovation	1,2	n/a due to absence of KPI in 2014

As at the end of the reporting period all KPIs are accomplished.

³⁸ Minutes No.167 dated May 04, 2016.

³⁹ Minutes No.40 dated April 26, 2016.

⁴⁰ Minutes No. 165 dated April 07, 2016.

⁴¹ Minutes No. 131 dated Decemebr 29, 2014.

Table 12. KPI accomplishment in 2014

№	KPI	KPI values			Level of achievement in 2014	Performance evaluation
		Lower level	Target level	Upper level		
1	Quick Liquidity Ratio for the Group	1,08	1,2	1,26	1,2	accomplished
2	Implementation of the Investment Programme	80%	90%	100%	1,11	accomplished
3	NOPLAT (net operating income)	15 337 469	16 951 939	17 759 174	1,2	accomplished
4	ROE (Return on Equity)	0,00181	0,00200	0,00210	1,2	accomplished

Table 13. KPI accomplishment in 2015

№	KPI	KPI values			Level of achievement in 2015	Performance evaluation
		Lower level	Target level	Upper level		
1	(ROE) Return on Equity	90%	100%	110%	1,2	accomplished
2	EBITDA/person	90%	100%	110%	1,2	accomplished
3	Operating cash flow	90%	100%	110%	1,2	accomplished
4	Implementation of the Investment Programme	80%	90%	100%	1,01	accomplished
5	Performance of the integrated indicator of innovation	90%	100%	110%	1,2	accomplished

Accomplishment of financial indicators is associated with a profit margin increase conjoined with a semi-fixed cost decrease, as well as with:

- excess revenues from supply (sale) of electricity (capacity) in the “Supply” Segment relative to the planned values;
- reduction of charges under “Payment for raw materials fee”, “Payment for operational (production) job and services” expense items due to cost-efficiency of procurement procedures and optimization of Repair programme in the “Electricity Generation” Segment;
- increase in earnings due to the tax returns, penalties, interests and other Group revenues.

The level of accomplishment of KPI “Implementation of the Investment Programme” is determined by the following:

- achieved cost efficiency related to investment projects;
- deviations related to the execution of Group management bodies decisions and requirements of supervisory authorities.

Accomplishment of KPI “Performance of the integrated indicator of innovation” reflects special attention to the innovative development of the Company.

4.5 Investment activity

The investment programme of Inter RAO Group related to capital investments is aimed at achieving the strategic objectives to extend production facilities and to ensure the asset security and reliability.

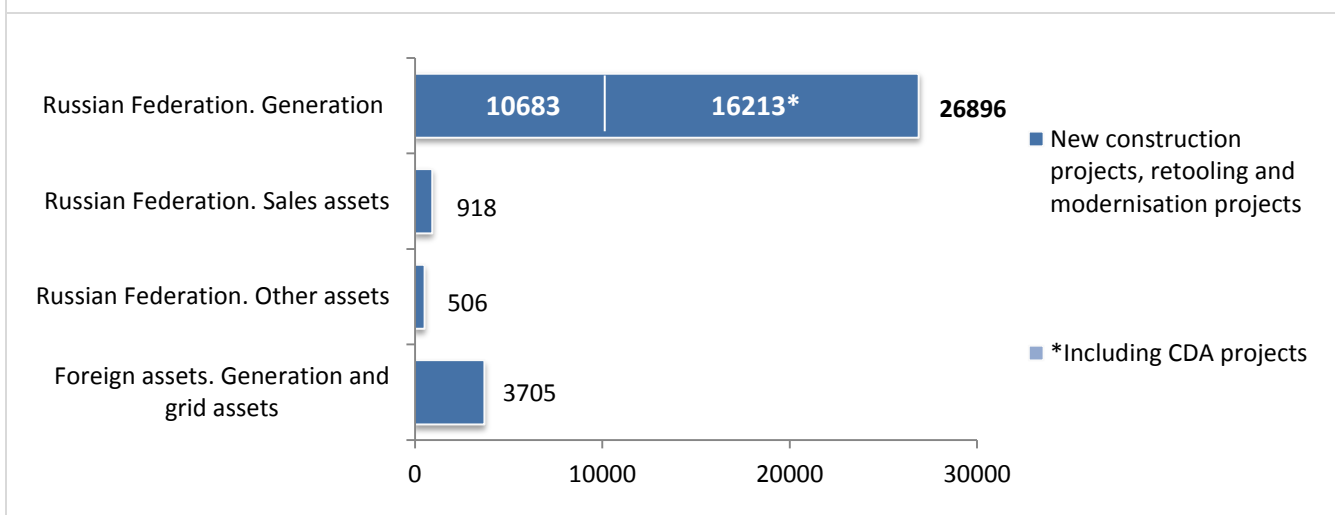
The main directions of the investment programme of the Group related to capital investment are as follows:

- investment projects in construction of new generating facilities;
- investment projects in retooling and modernization of power plant equipment.

In 2015, the total funding of the Inter RAO Group investment programme related to capital investment was RUB 32 025 mln, VAT included⁴². The investment programme was funded through internal and external resources, which in 2015 accounted to 91% and 9%, respectively. This is a significant accomplishment on the way to the declared objective of transition to full funding of the investment programme from internal resources by 2019.

⁴² These data exclude the purchase by JSC Inter RAO – Electric Power Plants of JSC Inter RAO property in 2015.

Figure 5 More than 50% funding of the Group investment programme was used for CDA projects, RUB mln, VAT included



In the implementation of the investment programme in 2015, the Group followed the principles of balance. The total funding was used in equal parts for the construction of new generating facilities, and the implementation of retooling and modernization projects.

In 2015 the share of investment projects in construction of new generating facilities in Generation segment amounted to 49.8% of the total funding of the investment programme, emphasising Group attention to the construction of facilities, which will deliver capacity under CDA⁴³.

The Group implementation plan of the investment programme for the period until 2020⁴⁴ is focused on commissioning of new capacities with the use of modern high technology, securing the reliability and functioning of existing equipment, improving the energy efficiency of equipment and reducing the environmental impact of production operations.

Table 14. Implementation of the Inter RAO Group investment projects in 2015 and plans until 2020

Project name	Specifications of new construction projects				
Brief description	Type	Fuel	MW ⁴⁵	Commissioning date	
CDA projects					
2015					
Construction of unit No. 9 at Cherepetskaya TPP	The project was completed in March 2015. The commissioning of a new generating unit enabled decommissioning of the 1st phase outdated coal equipment without reducing the total electricity output of the	New	Coal	225	Q1 2015

⁴³ The list of facilities is defined in the Russian Federation Government Executive Order No.1334-r dated August 11, 2010 (as amended by Government Executive Orders No.1637-r of the Russian Federation dated September 10, 2012, No. 2784-r dated December 30, 2014, and №132-r dated February 02, 2016).

⁴⁴ The Inter RAO Group Investment Programme for 2015-2020 was endorsed by the Management Board of PJSC Inter RAO (Minutes No.570 dated July 30, 2015).

⁴⁵ The capacities under the CDA projects under construction are given in accordance with the Capacity Delivery Agreement for the facilities actually commissioned — as per the capacity actually commissioned.

	aggregate installed capacity of the plant. This significantly increased its competitiveness in the IPS Centre by reducing specific consumption of fuel equivalent, improving the reliability of the equipment and increasing the economic performance.				
Modernization of steam turbine of Plant 2 at the Omskaya CHPP-5	The project was completed in quarter 4 of 2015. The PT-80/100-130/13 was renovated resulting in the installed capacity reaching 100 MW (the capacity increase was 20 MW).	Upgrade	Coal	100/20 ⁴⁶	Q4 2015
2016					
Installation of the turbine T-120 instead of PT-50-130 of Plant 10 at the Omskaya CHPP-3	In the first half of 2015, all main equipment was supplied. Detailed design drawings for the preparation stage were developed, and the preparation of detailed design drawings for the main stage was completed.	Upgrade	Gas	120	2016
Construction of CCGT generating units 1, 2 of CHPP-5 in Ufa, Bashkortostan	Construction operations on the Zatonskaya CHPP site were commenced in late 2008, and the project was suspended by the previous owner due to a lack of repayment scheme for money invested. Pursuant to the Government Executive Order No.2784-r of the Russian Federation dated December 30, 2014, two generating units of the Zatonskaya CHPP under construction were included in the revised list of CDA facilities. The new CHPP is supposed to reduce the electricity shortage in the Ufa generation system and increase the reliability of power supply to consumers.	New	Gas	420 ⁴⁷	2016
2017					
Construction of CCGT-800 at Permskaya TPP⁴⁸	The purpose and objective of the investment project "Construction of CCGT-800 MW at the Permskaya TPP" is the construction and commissioning of generating unit 4, on the basis of CCGT-800 MW at the Permskaya TPP located in Dobryanka, Perm Region. The result of commissioning of the new generating unit will be improved reliability and economical	New	Gas	800 ⁴⁹	2017

⁴⁶ 100/20 shall be read as follows: 100 MW – capacity commissioning, 20 MW – capacity gain as a result of turbine modernization. Other indicators in similar format are given in the table in accordance with this approach.

⁴⁷ Pursuant to Government Executive Order No. 2784 of the Russian Federation dated December 30, 2014, the capacity of 420 MW is given. The capacity under ISO is 425 MW.

⁴⁸ Pursuant to Government Executive Order No. 2784-r of the Russian Federation dated December 30, 2014, the list of CDA facilities is changed: With regard to the generating unit 4 at the Permskaya TPP, the commissioning date was postponed to June 30, 2017; the facility "Unit 12 at the Verkhnetagilskaya TPP (CCGT-420)" was replaced with the item "Construction of CCGT generating units 1, 2 of CHPP-5 in Ufa, Bashkortostan" with a commissioning date of December 31, 2016 (420 MW).

⁴⁹ Pursuant to Government Executive Order No. 2784 of the Russian Federation dated December 30, 2014, the capacity of 800 MW is given. The capacity under ISO is 849 MW.

	efficiency of the TPP, and increase in the installed capacity.				
Construction of CCGT-420 at Verkhnetagilskaya TPP (Unit No. 12)	The main equipment of combined cycle gas turbine (CCGT) unit has already been delivered to the Verkhnetagilskaya TPP. Currently, the installation work on gas turbine and steam turbine plants and electrical equipment is underway. The installation of the recovery boiler and auxiliary boiler equipment is nearing completion. Individual testing of equipment and functional testing of individual process systems.	New	Gas	420 ⁵⁰	2017 ⁵¹

The implementation of the investment project for expansion and renovation of the Ekibastuz TPP-2 with installation of unit 3 (Kazakhstan) was suspended until the receipt of guarantees of repayment of investment through the establishment of appropriate tariffs for electricity, which will lead to a further reduction in the investment programme scope.

Through the united efforts of Company top management, the project of construction of generating unit 12 at the Verkhnetagilskaya TPP was included on the list of generating facilities⁵² to be implemented within the CDA system. The Government decision provides for relocation of the CDA project from the Serovskaya TPP⁵³ to the Verkhnetagilskaya TPP which will not only reduce the load on electricity consumers located in pricing zone 1, but will also increase the economic effect of the project. Thus, the annual revenue from the sale of capacity under this project is much higher than the similar indicator obtained in the framework of Competitive Capacity Outtake.

In 2015, in the course of CDA project implementation, construction of Unit 9 at the Cherepetskaya TPP and renovation of the steam turbine of Plant 2 at the Omskaya CHPP-5 were completed. Thus, the increase in installed capacity upon the implementation of CDA projects and remarking of equipment at the Group generating assets amounted to 294.5 MW in 2015.

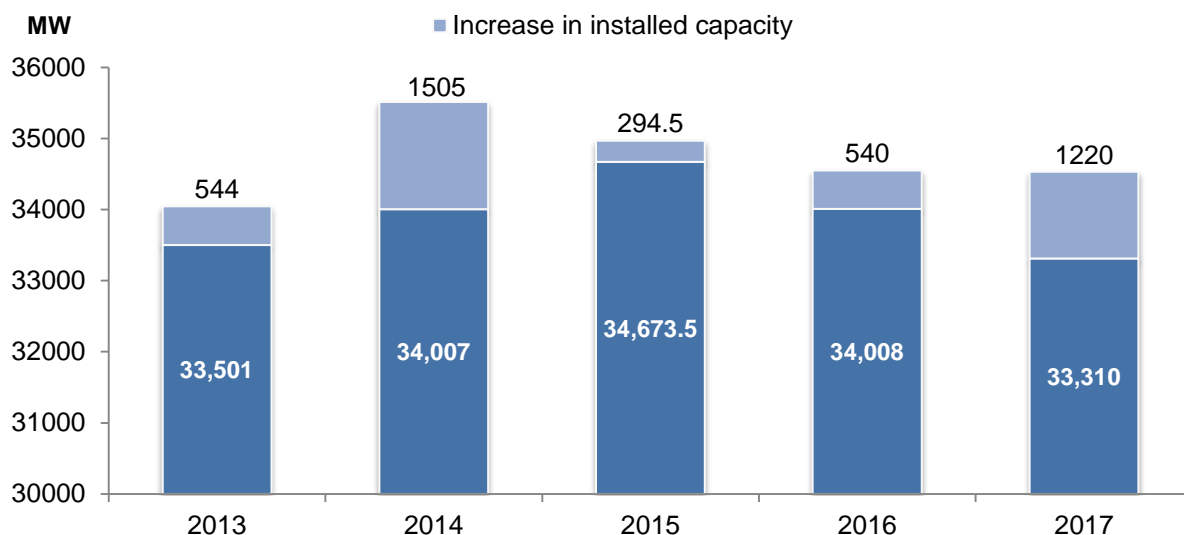
⁵⁰ Pursuant to Government Executive Order No.132-r of the Russian Federation dated February 02, 2016, the capacity of 420 MW is given. The capacity under ISO is 439 MW.

⁵¹ In accordance with Government Executive Order No.132-r of the Russian Federation dated February 02, 2016.

⁵² In accordance with Government Executive Order No.132-r of the Russian Federation dated February 02, 2016.

⁵³ Serovskaya TPP is a part of JSC OGC-2, Gazprom Energoholding.

Figure 3. Change in the installed capacity of generating equipment of the Group, including the commissioning as a result of implementation of the investment programme of PJSC Inter RAO and remarking of equipment*, MW, 2013-2017



*2014 – 1,505 MW including remarking of equipment at the Nizhneartovskaya TPP (+25 MW), and the Yuzhnouralskaya TPP (-3 MW);

*2015 – 294.5 MW including remarking of equipment at the Urengoysskaya TPP (+14.4 MW), the Yuzhnouralskaya TPP-2 No.1 (+9.4 MW), the Yuzhnouralskaya TPP-2 No.2 (+3.4 MW), the Kaliningradskaya TPP-2 (+25 MW), and the Dzhubginskaya TPP (-2.7 MW).

5 Implementation of the Strategy by Business Areas

5.1 Operating and financial results of the Group

Management of PJSC Inter RAO analyses the Group's operations by both geography (by countries in which the companies are registered) and business areas (types of activities). Each business area (operating segment) is a type of activity or enterprise in a particular country.

The year 2015 was characterised by gain in growth of key financial and economic, and operating results of Inter RAO Group⁵⁴, attributed to the effective operation of the production, distribution and trading assets.

⁵⁴ Assessment of performance of the business areas (operating segments) is provided in accordance with the consolidated financial statements of Inter RAO Group for 2015 prepared in accordance with International Financial Reporting Standards (IFRS).

Table 15. Main financial and economic results of the Group as of December 31, 2015⁵⁵

Indicator	Unit	Supply	Generation			Trading	Foreign assets					Engineering (The Russian Federation)	Other	Unallocated and eliminations	TOTAL
		The Russian Federation	The Russian Federation			The Russian Federation and Europe	Armenia	Georgia	Moldova	Kazakhstan	Turkey				
			Electricity generation		Heat generation										
			Inter RAO – Electric Power Plants Group ⁵⁶	TGK-11 ⁵⁷	Bashkir Generation ⁵⁸										
Total revenue	RUB mln	477,884	149,130	28,565	50,719	80,525	18,357	9,543	4,660	27	20,306	8,533	4,893	(47,798)	805,344
Revenue in Segment total	%	59	19	4	6	10	2	1	0	0	3	1	1	-6	100
Operating expenses, including:															
Purchased electricity and capacity	RUB mln	(255,680)	(7,725)	(2,700)	(3,553)	(63,847)	(9,308)	(1,436)	-	(16)	-	-	(28)	38,832	(305,461)
Fuel expenses	RUB mln	-	(79,481)	(13,644)	(28,901)	-	(1,715)	(3,065)	(84)	-	(16,622)	-	-	2,365	(141,147)
Electricity transmission costs	RUB mln	(190,923)	-	-	(13)	(5,387)	(851)	(827)	(16)	(11)	-	-	-	5	(198,023)
Share in profit/(loss) of joint ventures	RUB mln	93	2,339	-	-	-	459	-	-	(3,617)	-	46	(2)	-	(682)
EBITDA	RUB mln	12,662	36,052	3,188	6,481	9,635	3,698	1,881	2,692	(3,612)	2,631	(417)	1,603	(5,369)	71,125
Depreciation and amortisation	RUB mln	(1,579)	(11,707)	(1,778)	(3,334)	(60)	(708)	(554)	(389)	(3)	(1,488)	(189)	(771)	(418)	(22,978)
Interest income	RUB mln	3,140	1,515	5	346	321	40	44	-	2	27	233	483	1,299	7,455
Interest expenses	RUB mln	(892)	(6,119)	(1,403)	(216)	(291)	(660)	(140)	(280)	-	(505)	(80)	(6,828)	7,172	(10,242)
Share in EBITDA of Segment	%	18	51	4	9	14	5	3	4	-5	4	-1	2	-8	100
EBITDA margin ⁵⁹	%	3	30	13	14	12	20	20	-	-	13	-	244	-	9

Table 16. Main operating results of the Group as of December 31, 2015

⁵⁵ Starting from 1 January 2015, the Group changed the calculation of EBITDA of the operating segments as chief operating decision-maker (further “CODM”) decided to analyse the effectiveness of operating segments based on their main business activities excluding non-operating expenditures and income. Also the management of Company decided to change presentation of charge and release of other provision within Operating expenses in the consolidated statement of comprehensive income. In case of the negative outcome the initially accrued provision should be released through other provision within Operating expenses and the appropriate expenses within Operating expenses should be recorded. The comparative information for the year 2014 was revised accordingly.

⁵⁶ Represented by Inter RAO – Electric Power Plants Group, including Nizhnevartovskaya TPP (hereinafter in the Report).

⁵⁷ Represented by JSC Tomsk Generation, JSC TGK-1, JSC OmskRTS and JSC TomskRTS (hereinafter in the Report).

⁵⁸ Represented by Bashir Generation Company, including LLC BashRTS (hereinafter in the Report).

⁵⁹ The EBITDA margin is calculated with exclusion of the inter-segment revenue of Segment 'Supply in the Russian Federation' in the amount of 1,356 RUB mln, subsegment “Electric power generation” in the amount of 28,333 RUB mln, subsegment “Thermal power generation” in the amount of 7,880 RUB mln (including TGK-11 in the amount of 3,461 RUB mln and Bashkir Generation in the amount of 4,419 RUB mln), Segment 'Trading in the Russian Federation and Europe' in the amount of 1,367 RUB mln, Segment 'Engineering in the Russian Federation' in the amount of 4,627 RUB mln and Segment 'Other' in the amount of 4,235 RUB mln.

Indicator	Unit	Supply	Generation			Trading	Foreign assets					Engineering	Other	TOTAL
		The Russian Federation	Russian Federation		The Russian Federation and Europe	Armenia	Georgia	Moldova	Kazakhstan	Turkey				
			Electricity generation	Heat generation										
			Inter RAO – Electric Power Plants Group ⁶⁰	TGK-11 ⁶¹							Bashkir Generation ⁶²			
Installed capacity	MW	-	22,853	2,006	4,144	-	1,110	827	2,520	1,000	478	-	30	34,968
Construction of new capacity/decommissioning of inefficient capacity	MW	-	294,5 ⁶³ / 362	-	-	-	-	-	-	-	-	-	-	294.5/362
Electricity generation	mIn kWh	-	98,585	9,054	19,523	-	547	1,786	4,610	3,211	3,410	-	69	140,796
Electricity supply	mIn kWh	168,068	-	-	-	-	-	-	-	-	-	-	-	168,068
excluding intragroup turnover ⁶⁴	mIn kWh	161,397	-	-	-	-	-	-	-	-	-	-	-	161,397
heat sales ⁶⁵	thousand Gcal	-	4,070	23,661	25,932	-	-	-	87	40	-	-	-	53,790
excluding intragroup turnover	thousand Gcal	-	3,152	13,067	18,577	-	-	-	87	40	-	-	-	34,923
Installed capacity utilisation	%	-	49.4	51.5	53.7	-	5.6	24.7	20.9	36.7	81.4	-	26.2	46
Fuel consumption / % in the fuel mix ⁶⁶		-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	mIn m ³ / %	-	(20,396)/80.5	1,978/45.2	6,860/95.8	-	163/100	338/100	1,279/99.8	-	656/94.3	-	-	31,670/78.5
Coal	thousand tonnes/%	-	8,994/19.1	4,898/54.4	614/1.6	-	-	-	2/0.1	2,083/99.6	-	-	-	16,591/20.6
Fuel oil	thousand tonnes/%	-	81/0.4	14/0.4	57/0.9	-	-	-	2/0.1	4/0.4	34/5.7	-	-	191/0.6
Other	thousand tonnes/%	-	-	-	123/1.8	-	-	-	-	-		-	-	123/0.3

⁶⁰ Represented by Inter RAO Electric Power Plants Group, including Nizhnevartovskaya TPP (hereinafter in the Report).

⁶¹ Represented by JSC Tomsk Generation, JSC TGC-1, JSC OmskRTS and JSC TomskRTS (hereinafter in the Report).

⁶² Represented by Bashir Generation Company, including LLC BashRTS (hereinafter in the Report).

⁶³ Including remarking of equipment at the Urengoyskaya TPP (+14.4 MW), the Yuzhnouralskaya TPP-2 No.1 (+9.4 MW), the Yuzhnouralskaya TPP-2 No.2 (+3.4 MW), the Kaliningradskaya TPP-2 (+25 MW), and the Dzhubginskaya TPP (-2.7 MW).

⁶⁴ Intragroup turnover — allocating financial flows and financial performance resulting from the sale of material/goods/products/services by a Group company to the other Group company.

⁶⁵ Heat grid output of heat reduced by process losses (regulatory losses, actual losses) of heat in the heat grids.

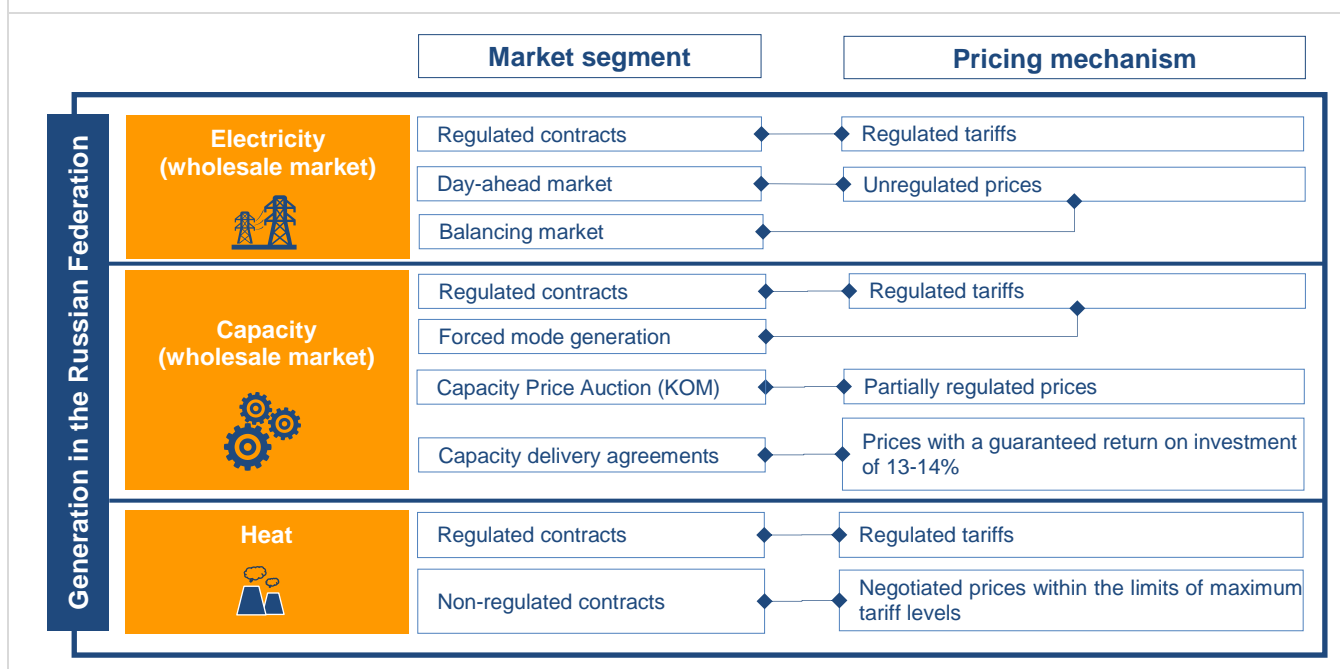
⁶⁶ In relation to conventional fuel.

5.2 Electricity and heat generation

Description of the business area

The business area “Electricity and heat generation” is the key area of Group activities, which accounts for 29% of the Group revenues.

Figure 6 Functioning of Segment “Generation in the Russian Federation” in the Russian energy market



Business area “Electricity generation and heat business” is represented by Segment “Generation in the Russian Federation” which includes two operating subsegment:

- Electricity generation** (generation stations of JSC Inter RAO – Electric Electric Power Plants and Nizhnevartovskaya TPP) is represented by large condensing TPPs and CHPs which mostly generate electricity for the Wholesale Electricity and Capacity Market (territories of regions united in pricing⁶⁷ and non-pricing⁶⁸ zones) in the centralised dispatch management activities of the UES of Russia. Subsegment functioning is regulated by the laws of the Russian Federation and the standards of industry infrastructure organisations. Subsegment facilities comprise 17 large thermal power plants. The capacity not covered by regulated contracts are sold in the Wholesale Electricity and Capacity Market under competitive procedure (provided by the system operator), capacity delivery agreements (CDA), allowing for funding for the new generation, as well as contracts of purchase and sale of generating facilities which deliver capacity in the forced mode (FM). Main portion of the subsegment EBITDA is formed through the commissioning of new generating facilities

⁶⁷ The first pricing zone includes the European part of Russia and the Urals, the second pricing zone is the territory of Siberia.

⁶⁸ The territories of the Russian Federation, where functioning of a competitive market is not yet possible for one reason or another, have been included in non-pricing areas with electricity and capacity sold in the wholesale market at regulated tariffs.

under CDA⁶⁹, with construction defined by the Company investment programme⁷⁰. The CDA mechanism provides a guarantee of the payment for capacity of the new (modernized) generating facilities for 10 years, which allows to have return on invested funds in the amount of 13-14% per annum and as a result — the return of capital expenses and operational expenses⁷¹.

- **Heat generation** (TGK-11 (represented by JSC TGK-11, JSC Tomsk Generation, JSC TomskRTS and JSC OmskRTS) and Bashkir Generation (represented by Bashkir Generation Company Group)) – represented by 17 large CHPPs producing heat and electricity in cogeneration mode, two large HPPs, small-scale generation facilities, as well as boiler facilities and heat grids. Generating companies of the subsegment (JSC Tomsk generation, JSC TGK-11, LLC Bashkir Generation Company) are participants of the wholesale electricity (capacity) market. Heat supply enterprises of the subsegment (JSC TomskRTS, JSC OmskRTS, LLC BashRTS) purchase heat from the generating companies of the subsegment and then transmit and supply heat to consumers. Subsegment functioning is regulated by, inter alia, electric power and heat laws. Subsegment companies occupy the overwhelming share of the heat market in the cities of operation.

Position in the market

Generating companies of the subsegments are located in 19 constituent entities of the Russian Federation, and are part of the five integrated energy systems of Russia.

As of January 01, 2016, the installed capacity of UES power stations in Russia has increased by 5,027 MW (2.2%) amounting to 235,306 MW. The increase in the installed capacity of UES power plants in Russia occurred due to the commissioning of new generating equipment (4,719 MW), and the increase in installed capacity in view of remarking and upgrade of the existing generating equipment of the power plants (317 MW). Generating equipment of UES of Russia with a total capacity of 2,357.3 MW was decommissioned.

⁶⁹ In accordance with the current agreements for delivery of capacity, the Company has committed to build and commission generating capacities of 4.2 GW (including the CDA with JSC TGK-11), representing approximately 14% of the total CDAs for Russia.

⁷⁰ The list of generating facilities within the CDAs was approved by Government Executive Order No.1334-r of the Russian Federation dated August 11, 2010 'On the approval of list of generating facilities to be used in the capacity delivery under capacity delivery agreements' (as amended February 02, 2016).

⁷¹ The size of capital expenses and operational expenses used in the calculation of the cost of capacity under CDA is defined in Government Resolution No.238 of the Russian Federation dated April 13, 2010 "On the determination of price parameters in capacity trading in the wholesale electricity and capacity market" (as amended August 27, 2015).

Table 17. The installed electric capacity in Segment “Generation in the Russian Federation” and its share in the total structure as broken down by integrated energy system of EUS.

Indicator	Unit	Total for RAO EUS of Russia	IPS Centre	IPS North-West	IPS South	IPS Urals	IPS Siberia
Installed electrical capacity of the IPS as of January 01, 2016 ⁷²	MW	235,306	53,307	23,143	20,117	50,708	51,808
including TPP	MW	160,233	38,684	14,427	11,357	47,327	26,517
Installed electrical capacity of Segment ⁷³	MW	29,003	7,570	2,860	356	14,426	3,791 ⁷³
including TPP	MW	28,758	7,570	2,860	356	14,181	3,791
Share of capacity in Segment in the installed electric capacity of the IPS	%	12.3%	14.2%	12.4%	1.8%	28.4%	7.3%
including TPP	%	17.9%	19.6%	19.8%	3.1%	30%	14.3%
Share of IPS in the capacity of Segment	%	100.0%	26.1%	9.9%	1.2%	49.7%	13.1%

In order to ensure the competitiveness and financial stability of Segment the Group improves gradually the operational efficiency of the existing generating assets, and provides decommissioning of inefficient capacity.

Operating results

In 2015, Inter RAO Group completed the process of spin-off of JSC Tomsk Generation from JSC TGK-11. As a result of the reorganisation of the Group's heat business in the Omsk and Tomsk Regions, the following companies were established: JSC OmskRTS and JSC TomskRTS, which started transportation and supply of heat to consumers as from January 01, 2015, and JSC Tomsk Generation (power stations located in the Tomsk Region) and JSC TGK-11 (based in Omsk, manages Omsk generating assets since April 01, 2015).

Table 18. Operational Information of Segment “Generation in the Russian Federation” for the year ended December 31, 2014/2015.

Indicator	Unit	2014	2015	2015/2014
Electricity generation in Russia ⁷⁴	mIn kWh	1,024,943	1,026,880	+0.2%
Electricity generation in Segment	mIn kWh	131,570	127,163	-3.3%
Electricity generation by Russian assets of Inter RAO in Russia	%	12.8	12.4	-0.4 pp
Subsegment “Electricity generation” (JSC Inter RAO – Electric Power Plants and Nizhnevartovskaya TPP)				
Installed electric capacity as of the end of the period	MW	22,854	22,853	0%
Fuel mix:				
• Gas	%	80.6	80.6	0.0 pp
• Coal	%	19.0	19.1	+0.5 pp

⁷² “Report on the functioning of the UES of Russia in 2015” published on the website of JSC SO EUS at www.so-ups.ru.

⁷³ Taking into account the launch of modernized turbine No. 2 at Omskaya CHPP-5 in December 2015.

⁷⁴ “Report on the functioning of the UES of Russia in 2015” published on the website of JSC SO EUS at www.so-ups.ru.

• Fuel oil	%	0.4	0.4	0.0 pp
• Other fuel	%	–	–	–
Electricity generation in the subsegment	mln kWh	102,740	98,585	-4.0%
Fuel equivalent consumption per unit of electricity sold	gfe/kWh	312.7	307.8	-1.6%
Installed capacity utilization rate	%	53.0	49.4	-6.8%
Heat output	thousand Gcal	3,770	3,512	-6.8
Fuel equivalent consumption per unit of heat sold	kgfe/Gcal	161.7	162.7	+0.6%

Subsegment “Heat generation” (Bashkir Generation, TGK-11)

Installed electric capacity as of the end of the period	MW	6,216 ⁷⁵	6,150 ⁷⁶	-1.1%
Fuel mix:				
• Gas	%	77.8	76.5	-1.7 pp
• Coal	%	20.8	21.7	+4.3 pp
• Fuel oil	%	0.4	0.7	+75 pp
• Other fuel	%	1.0	1.1	+10 pp
Electricity generation in the subsegment	mln kWh	28,830	28,577	-0.9%
Fuel equivalent consumption per unit of electricity sold	gfe/kWh	327.3	334.8	+2.3%
Installed capacity utilization rate	%	53.2	53	-0.4%
Heat output	thousand Gcal	37,307	35,624	-4.5%
Fuel equivalent consumption per unit of heat sold	kgfe/Gcal	143.5	143.2	-0.2%

During the reporting period, the total installed electric capacity of energy facilities in Segment decreased by 0.2%, reaching 29,003 MW; the value of total heat capacity decreased by 1.9% and amounted to 25,672 Gcal/h⁷⁶:

- the total installed electric and heat capacities of plants in the subsegment “Electricity Generation” are 22,853 MW and 6,087 Gcal/h, respectively.
- the total installed electric and heat capacities of plants in the subsegment “Heat Generation” are 61,510 MW and 19,584.7 Gcal/h, respectively.

The dynamics of these indicators is driven by a higher rate of decommissioning of outdated inefficient equipment than the rate of commissioning and modernization of existing generating capacities. In particular, 176 MW at the Verkhnetagilskaya TPP, 100 MW at the Yuzhnouralskaya TPP, 36 MW at power plants in Bashkiria, 50 MW at Omskaya CHPP-4 were decommissioned, while installed capacity of the unit 1 at the Dzhubginskaya TPP was reduced by 2.7 MW due to the remarking.

Mostly for the same reasons, as of year-end 2015, the installed heat capacity was reduced by 492.2 Gcal/h.

Gross electricity output of generating assets of Segment in 2015 decreased by 3.3% and amounted to 127,163 mln kWh. The decrease in output is mainly due to the optimisation of load of unprofitable and marginally profitable equipment during the periods of low prices in the day-ahead market, and a more extensive repair work in summer 2015 as compared to the summer 2014. As a

⁷⁵ Taking into account the launch of modernized turbine No. 1 at Omskaya CHPP-5 in December 2014.

⁷⁶ Taking into account the launch of modernized turbine No. 2 at Omskaya CHPP-5 in December 2015.

result, the fuel equivalent consumption per unit of electricity sold decreased by 2.2 gfe/kWh, and per unit of heat power supply — by 0.2 kgfe/kWh. The average (installed) capacity factor of Segment power plants decreased by 2.9 pp.

Decrease in the supply of heat from headers by 4.7% is due to a decrease in demand because of a higher average ambient air temperature in autumn and winter in 2015 as compared to 2014 in the regions where the Group's generating assets operate.

Table 19. Key results in the field of implementation of the strategic business area initiatives for 2015

Key strategic initiatives	Main achievements in 2015 based on the results of implemented activities
Generation and heat business	
Ensuring the reliability, security and technological development of the existing production assets	The necessary retooling/modernisation, repair and maintenance measures for 2015 aimed at ensuring the reliability and security of the productive assets were implemented.
Implementing construction and upgrade projects, including under CDA	<ul style="list-style-type: none"> The total increase in the installed capacity of the generating assets was 297.2 MW: under CDA77 — generating unit 9 at the Cherepetskaya TPP with capacity of 225 MW was commissioned, upgrade of turbo generator 2 at the Omskaya CHPP-5 was completed (the capacity commissioned was 100 MW (gain of 20 MW)), and due to the remarking of generating equipment, capacity of Kaliningradskaya TPP-2 was increased by 25 MW, as well as of the operating CDA facilities — Urengoyskaya TPP by 14.4 MW and Yuzhnouralskaya TPP-2 by 9.4 MW (unit 1) and 3.4 MW (unit 2). Inter RAO Group started the implementation of investment project to complete the construction of Zatonskaya CHPP — the branch of LLC Bashkir Generation Company with installed capacity of 440 MW. Pursuant to the RF Government Executive Order No. 2784-r dated December 30, 2014, two generating units of Zatonskaya CHPP were included in the revised list of generating facilities to be used in the capacity delivery under CDA.
Increasing the operating efficiency of generating assets	Measures under the approved cost management, Energy Efficiency and Energy Savings Programmes were approved as well as measures under the generating assets operating efficiency programmes.
Promoting the market model proposals	<ul style="list-style-type: none"> Proposals to the regulatory framework of the wholesale electricity and capacity market and heat market were prepared. For this matter, cooperation with the Ministry of Energy of the Russian Federation, the non-profit partnership Market Council, Association Council of Power Producers, the Ministry of Construction, Housing and Utilities of the Russian Federation, etc. has been implemented. The developed initiatives are discussed as part of the relevant projects; they were partially described in the regulations and other industry-specific instruments adopted in 2015.⁷⁸

As part of the repair campaign in 2015, re-laying of 107 km of heating grids was provided (57 km increase as compared to 2014). The actual power plant availability factor in the reporting period

⁷⁷ See Section 4.3 'Investment activities' for more detailed information about the status of CDA projects.

was: for facilities of JSC Inter RAO – Electric Power Plants — 83.7%, for facilities of LLC Bashkir Generation Company — 87.2%, for facilities of JSC TSK-11 — 87.6%, for facilities of JSC Tomsk Generation — 90.6%, and for CJSC Nizhnevartovskaya TPP facilities — 89.8%.

In autumn and winter 2014-2015, energy facilities of the generating companies of Inter RAO Group secured the power supply of consumers in accordance with the dispatching load schedules. The increased load on thermal power plants of generating companies of Inter RAO Group caused no reduction in their reliability. In autumn and winter 2014-2015, decrease in the total number of malfunctions as compared to the previous period was registered.

Increasing the operational efficiency

In the development of its business, Inter RAO Group pays special attention to the use of new technologies to improve the technical and economic performance of the operating activities, and to use natural resources more efficiently and rationally. The Group also aims at improving the energy efficiency of both individual energy-intensive production assets and the Group as a whole in the optimisation of operating costs and reduction of negative impact on the environment.

As part of increasing the operational efficiency of generating assets in 2015, the Cost Management Programme in Inter RAO Group in the business area of “Electricity generation and heat business” was completed successfully. The implementation of the Programme includes a set of economic and production and technological measures. The economic effects are achieved through the saving of administrative and management costs, optimising personnel costs of the companies through the improvement of incentive system, optimisation of headcount and maintenance programmes and other operating costs. In the reporting period, measures for optimisation of fuel costs and other own needs of the plants were implemented. The level of the cost optimisation economic effect involves the slowdown in the growth rate of operating costs, as established by Directive of the Federal Agency for State Property Management (Rosimushchestvo)⁷⁹ (cost reduction of not less than 2-3 percentage points each year).

With the reduction in the number of high-performance generating facilities commissioned under CDA, the role of measures aimed at improving the efficient use of the existing capacity of equipment and reducing the energy losses increased. As a result of implementing the Energy Efficiency and Energy Savings Programmes in 2015, two of four target values were successfully achieved. The reason for failure to meet the target values of fuel consumption per unit of electricity sold and auxiliary electricity consumption in electricity generation was significant reduction of volumes of the electricity generation. At the same time, the actual values of these indicators have not exceeded any statutory or actual values of 2014.

Table 20. Results of implementation of the Energy Efficiency and Energy Savings Programmes in 2015.

Target value	Actual 2015	Regulatory standard ⁸⁰	Actual 2014
Fuel equivalent consumption			

⁷⁹ See Section 4.3 “Investment activities” for more detailed information about the status of CDA projects. Rosimushchestvo Directive No. OD-11/16866 dated April 28, 2015.

⁸⁰ Regulatory standard means a standard value established by the state or official documents (building codes, technical requirements, industry-specific codes and standards, etc)

per unit of electricity sold, g/kWh	316.47	316.51	317.82
per unit of heat sold, kg/Gcal	143.62	143.73	144.41
Auxiliary electricity consumption			
in the electricity generation, %	4.30	4.40	4.34
in the heat generation, kWh/Gcal	33.12	34.02	33.61

As part of decommissioning programmes for inefficient generating equipment, decommissioning of outdated inefficient equipment with installed capacity of 362 MW was provided.

In 2015, measures aimed at diversifying fuel suppliers and optimising the fuel expenses for the Russian assets were taken:

- LLC Bashkir Generation Company which is a part of Inter RAO Group, and PJSC Bashneft extended the term of the Agreement for Obligations on Mutual Supply of Associated Petroleum Gas and Heat as of December 31, 2014 until 2021;
- The term of the agreement for supply of associated petroleum gas from Bashneft fields in the Republic of Bashkortostan as fuel for the Bashkir Generation Company branches — Ufimskaya CHPP-4, Kumertauskaya CHPP and Karmanovskaya TPP was extended. Guaranteed volume of gas consumption shall be 42.5 mln m³ to 85.5 mln m³ per year.

Financial activities results

In the reporting period, an increase in revenue of Segment by RUB 4,282 mln (2%) was mainly due to growth in revenues from sales of electricity and capacity as a result of commissioning of new generation capacities and upgrade of the existing generating capacities under CDA, as well as the increase in tariffs for heat.

The process fuel expenses decreased by RUB 3,494 mln (3%) due to the decrease in electricity generation.

The electricity and capacity expenses remained at the level of 2014.

EBITDA growth in Segment was RUB 6,216 mln (16%), which was due to the improved performance of Inter RAO – Electric Power Plants Group through the commissioning of new and modernized generating capacities under CDA, the optimisation of load of unprofitable and marginally profitable equipment during the periods of low prices in the day-ahead market and the optimisation of semi-fixed and other costs.

Table 21. Electricity generation. Results of financial activities in the year ended December 31, 2014/2015

Indicator	Unit	Inter RAO – Electric Power Plants Group		
		2014	2015	2015 /2014
Revenue	RUB mln	147,492	149,130	+1%
Share in the revenue of Inter RAO Group	%	20	19	-1 pp
Operating costs, including:				
• Purchased electricity and capacity	RUB mln	(7,837)	(7,725)	-1%
• Fuel expenses	RUB mln	(83,908)	(79,481)	-5%
• Share in profit/(loss) of joint ventures	RUB mln	2,325	2,339	+1%

Indicator	Unit	Inter RAO – Electric Power Plants Group		
		2014	2015	2015 /2014
EBITDA	RUB mln	29,052	36,052	+24%
EBITDA margin ⁸¹	%	24	30	+6 pp
Share in EBITDA of Inter RAO Group	%	52	51	-1 pp

Table 22. Heat generation Results of financial activities in the year ended December 31, 2014/2015

Indicator	Unit	TGK-11			Bashkir Generation		
		2014	2015	2015 /2014	2014	2015	2015 /2014
Revenue	RUB mln	27,240	28,565	+5%	49,400	50,719	+3%
Share in the revenue of Inter RAO Group	%	4	4	0 pp	7	6	-1 pp
Operating costs, including:							
• Purchased electricity and capacity	RUB mln	(2,493)	(2,700)	+8%	(3,635)	(3,553)	-2%
• Fuel expenses	RUB mln	(12,743)	(13,644)	+7%	(28,869)	(28,901)	0%
• Share in profit/(loss) of joint ventures	RUB mln	-	-	0%	-	-	0%
EBITDA	RUB mln	3,230	3,188	-1%	7,223	6,481	-10%
EBITDA margin ⁸²	%	13	13	0 pp	16	14	-2 pp
Share in EBITDA of Inter RAO Group	%	6	4	-2 pp	13	9	-4 pp

Development prospects

Subsegment “Electricity Generation”

Priorities of development for the subsegment “Electricity Generation” in the business area “Electricity generation and heat business” are to achieve a number of targets in the field of improving the asset reliability, energy and economic efficiency and security, in particular:

- Optimisation of load of the power-generating equipment, remarking and increase in the installed capacity of the existing equipment, and decommissioning of outdated and inefficient equipment;
- The use of innovative technologies and solutions in the field of energy saving and improving energy efficiency;
- Reduction in fuel consumption per unit of electricity sold;
- Increase in technical readiness coefficient;
- Prevention of negative environmental and social impacts of production operations.

Achieving these objectives should improve the efficiency of JSC Inter RAO - Electric Power Plants among Russian energy companies in the field of energy assets management with a focus on innovation and energy efficiency. Also, the main area to achieve these objectives shall be the commissioning of new generating capacities under CDA.

⁸¹ The EBITDA margin is calculated with exclusion of the inter-segment revenue of subsegment 'Electricity generation' in the amount of 28,333 RUB mln in 2015 and 26,548 RUB mln in 2014.

⁸² The EBITDA margin is calculated with exclusion of the inter-segment revenue of subsegment “Heat generation” as relates to TGK-11 values in the amount of RUB 3,461 mln in 2015 (RUB 2,832 mln in 2014), as relates to the values of Bashkir Generation in the amount of RUB 4,419 mln in 2015 (RUB 4,758 mln in 2014).

Subsegment “Heat Generation”

As development priorities for subsegment of “Heat Generation” of the business area “Electricity Generation and Heat Business”, the following can be distinguished:

- Expansion of the geographic footprint;
- Transfer of heat load from boiler facilities to the CHPPs, maximum loading of the high-performance new and renovated equipment;
- Increasing in the competitiveness of Company products through the slowdown of the fuel cost increase, reduction of specific fuel consumption by implementing low-cost measures;
- Technological renewal of fixed production assets demanded in the heat market, decommissioning of power plants with inefficient equipment;
- Maintaining of a high level of reliable supply of energy to consumers through the timely replacement of equipment and increase in the level of process automation;
- Development and implementation of measures aimed at reducing the process losses in the heat transfer;
- Establishing and maintaining of long-term guarantees of heat supply;
- Improving of the environmental safety of CHPPs, first of all coal-fired plants, introduction of best available flue gas treatment technologies and reducing of waste water volumes;
- Solving of problems of ash and slag waste treatment, mainly through the increase of their sales to outside customers.

The main area of development of the subsegment will be the increase in the number of customers, in particular, the return of large consumers who previously cancelled the consumption of heat, as well as the development and implementation of measures aimed at reducing the level of accounts receivable.

5.3 Supply

Business Area Description

The business area (the operating segment) is represented by Segment “Supply in the Russian Federation”, which includes Group companies that function in the territory of the Russian Federation whose main activity is the supply (sale) of electricity (capacity). Companies of Segment, purchase electricity from producers and sell it to consumers within their operations territory (usually defined by the administrative boundaries of the relevant constituent entity of the Russian Federation). These companies are participants in the Wholesale and Retail Electricity and Capacity Markets whose functioning is strictly regulated by applicable laws of the Russian Federation.

The business area is represented by 7 energy supply companies (ESC) – Guarantee Suppliers (GS)⁸³ of electricity operating in the 11 constituent entities of the Russian Federation, and 3 non-

⁸³ Guarantee Supplier (GS) is a supply company that is obliged to enter into energy supply contract with any individual or entity located in its area of operations and requesting to do so. GS operates within particular area of operations. GS sells electricity (capacity) in the retail market after it purchases it in the wholesale market with the use of the grid supply points corresponding to its area of operations, or in the retail markets from energy supply companies and electricity (capacity) producers in the retail market.

regulated energy supply companies (NRESC)⁸⁴, which supply electricity to large industrial companies.

Table 23. Operations territory of energy supply Inter RAO Group companies as of year-end 2015

Company name	Status	Service territory
JSC Altayenergosbyt	Guarantee Supplier	Altai Territory, the Republic of Altai
JSC Mosenergosbyt		Moscow, the Moscow region
	Guarantee Supplier	Republic of Adygea, Altai Territory, Astrakhan Region, Republic of Bashkortostan, Belgorod Region, Bryansk Region, Vladimir Region, Volgograd Region, Vologda Region, Voronezh Region, Ivanovo Region, Irkutsk Region, Kaliningrad Region, Kaluga Region, Kemerovo Region, Kirov Region, Kostroma Region, Krasnodar Territory, Krasnoyarsk Territory, Kursk Region, Leningrad Region, Lipetsk Region, Nizhny Novgorod Region, Novosibirsk Region, Omsk Region, Orenburg Region, Oryol Region, Perm Territory, Rostov Region, Ryazan Region, Samara Region, St. Petersburg, Saratov Region, Sverdlovsk Region, Smolensk Region, Stavropol Territory, Republic of Tatarstan, Tver Region, Tomsk Region, Tula Region, the Udmurt Republic, Ulyanovsk Region, Chelyabinsk Region, the Chuvash Republic, Yaroslavl Region.
	Independent energy supply company	
JSC PSK (St. Petersburg Power Supply Company)	Guarantee Supplier	St. Petersburg, Leningrad Region, Omsk Region
PJSC Saratovenergo (Saratov Power Supply Company)	Guarantee Supplier	Saratov Region
PJSC Tambov Power Supply Company	Guarantee Supplier	Tambov Region
JSC Tomskenergosbyt (Tomsk Power Supply Company)	Guarantee Supplier	Tomsk Region
LLC Inter RAO – Oryol Energy Sales Company	Guarantee Supplier	Oryol Region
LLC RN – Energo	Independent energy supply company	Altai Territory, Astrakhan Region, Belgorod Region, Bryansk Region, Vladimir Region, Volgograd Region, Vologda Region, Voronezh Region, Ivanovo Region, Irkutsk Region, Kaluga Region, Kemerovo Region, Kirov Region, Kostroma Region, Krasnodar Territory, Krasnoyarsk Territory, Kursk Region, Leningrad Region, Lipetsk Region, Moscow, Moscow Region, Nizhny Novgorod Region, Omsk Region, Orenburg Region, Oryol Region, Penza Region, Primorsky Territory, Pskov Region, Republic of Altai, Republic of Bashkortostan, Mari El Republic, Republic of Mordovia, Republic of Tatarstan, Republic of Khakassia, Rostov Region, Ryazan Region, Samara Region, St. Petersburg, Saratov Region, Sverdlovsk

⁸⁴ Non-regulated (independent) energy supply company (NRESC) is an energy supply company which enters into energy supply contract with entity requesting to do so. NRESC will purchase electricity (capacity) for the consumer using its own resources from GS in the Retail Electricity and Capacity Market or bring the consumer to the Wholesale Electricity and Capacity Market, by purchasing electricity (capacity) for the consumer at the Wholesale Electricity and Capacity Market.

Company name	Status	Service territory
		Region, Smolensk Region, Stavropol Territory, Tambov Region, Tver Region, Tomsk Region, Tula Region, Udmurt Republic, Ulyanovsk Region, Khabarovsk Territory, KhMAD - Yugra, Chelyabinsk Region, Chuvash Republic, YNAO, Yaroslavl Region.
JSC Promishlennaya Energetika	Independent energy supply company	Sverdlovsk Region
LLC RT – Energotrade	Independent energy supply company	Republic of Bashkortostan, Bryansk Region, Leningrad Region, Republic of Mordovia, Moscow Region, Nizhny Novgorod Region, Novosibirsk Region, Samara Region, Saratov Region, Sverdlovsk Region, Republic of Tatarstan, Udmurt Republic, Ulyanovsk Region, Chita Region.

Position in the market

The energy supply companies of Inter RAO Group are participants in the Wholesale Electricity and Capacity Market and Retail Electricity Market of the Russian Federation.

In 2015, important changes in the electric power regulatory framework were adopted to strengthen the payment discipline in the Retail Electricity Market (REM).

Table 24. Major changes in the electric power regulatory framework, which impacted the financial results of energy supply companies of Inter RAO Group in 2015, and expected changes in 2016

Regulatory act	Key provisions	Consequences of the adoption
Changes adopted in 2015		
Federal Law dated November 03, 2015 No 307-FZ 'On introduction of amendments to the Russian Federation legislation regarding the strengthening of payment discipline of energy consumers'	<ul style="list-style-type: none"> Tougher sanctions in the form of fines and increase in their size in respect to utilities consumers who violate payment terms stipulated by law for residential spaces and utilities. Tougher sanctions in the form of fines in respect to consumers who do not meet limitations of the electricity use conditions. Creation of liabilities to provide security for obligations to pay for the electricity supplied under the contracts with the GS (for electricity consumers, whose electricity use limitations may lead to economic, environmental or social consequences). The introduction of bank guarantees provided to grid companies by electricity consumers, the limitation of electricity use, conditions of which may lead to economic, environmental or social consequences, as well as energy supply companies and GS. 	<ul style="list-style-type: none"> Increasing the payment discipline of consumers in the REM. Strengthening GS responsibility for delay in payment for power transmission services
Government Resolution No.132 of the Russian Federation "On introduction of amendments to certain regulatory acts of the Government of the Russian Federation in respect to approval of investment programmes	<ul style="list-style-type: none"> Changes in the criteria for classifying electric power entities among entities whose investment programmes (including the identification of funding sources) are approved by the authorised federal executive body and/or executive branch authorities of constituent entities of the Russian Federation. Changes to the Rules for monitoring of the implementation of investment programmes of 	<ul style="list-style-type: none"> GS may finance the Investment Programmes at the expense of investment resources accounted in the GRG⁸⁵

⁸⁵ Gross revenue requirement of a grid company — economically feasible costs of implementing the GS functions identified by the RF executive branch authority in the field of state regulation of tariffs.

Regulatory act	Key provisions	Consequences of the adoption
of electric power entities and monitoring of their performance”	electric power entities	
The expected changes in 2016		
Regulations in the power energy industry	<ul style="list-style-type: none"> Adoption of a new system for the determination of GRG of the GS using the standard costs Changes to the Housing Code of the Russian Federation, which provide for a "direct relations" transition between consumers and resource providers in the presence of management company 	<ul style="list-style-type: none"> Increase in the GRG and the marginal profit Improving the payment discipline of consumers in the REM

The main competitors of GS of Inter RAO Group in the operations territory in 2015 were NESK (Independent Power Supply Company of Krasnoyarsk Territory), LLC UES Garant, JSC Atomenergobyty, and local independent energy supply companies affiliated with large companies.

Operating results

In 2015, electricity sales in the Segment slightly exceeded the 2014 level (by 1.1%) and amounted to 168.07 bln kWh. The behaviour of this index among the companies in Segment was varied:

- The electricity sales of PSK Group increased by 812 mln kWh in connection with assigning PJSC St. Petersburg Power Supply Company the status of Guarantee Supplier in the territory of Omsk Region.
- The electricity sales of LLC RN – Energo increased by 1,747 mln kWh basically due to the contract campaign, the increase in the number of consumers of PJSC NC Rosneft, and the implementation of customer retention measures.
- Segment showed a cumulative decline in the volume of electricity sales in the amount of - 675 mln kWh, which is mainly due to a significant decline in electricity consumption by large industrial and other consumers in the Group's sales companies regions.

In the reporting period, the main share of electricity sales in Segment is distributed among Mosenergosbyt Group (52.2%), PSK Group (21.6%) and RN-Energo (14.1%). The number of electricity supply companies (Guarantee Suppliers) increased to 12,311 thousand individuals, 418 thousand corporate entities and other organisations. The number of grid companies decreased to 362. In 2015, the share of Segment in the territory of the Russian Federation accounted to 16.2%⁸⁶.

Table 25. Segment “Supply Operational Information in the Russian Federation” for year ending December 31, 2014/2015.

Indicator	Unit	2014	2015	2015/2014
Electricity output in Russia ⁸⁷	bln kWh	1,040.6	1,036.4	-0.4%
Electricity output in Segment	bln kWh	166.2	168.1	+1.1%
Share of electricity output in Russia	%	16.1%	16.2%	+0.2 pp
The number of electricity supply companies (Guarantee Suppliers), including:	pcs.	12,501,240	12,729,174	+1.8%
• individuals	pcs.	12,093,612	12,311,053	+1.8%
• legal entities	pcs.	407,252	417,759	+2.6%

⁸⁶ The market share of Inter RAO Group among the Guaranteeing Electricity Suppliers was 24%.

⁸⁷ JSC SO UES data for electricity consumption in Russia as a whole.

Indicator	Unit	2014	2015	2015/2014
• grid companies	pcs.	376	362	-3.7%
The number of electricity supply companies (independent suppliers), including:	pcs.	1,163	1,923	+65.4%
• individuals	pcs.	186	176	-5.4%
• legal entities	pcs.	971	1,741	+79.3%
• grid companies	pcs.	6	6	0%

In order to ensure the availability and reliability of electricity, the Group energy supply companies are actively working on building cooperation with the grid companies which will enable future consumers to enter into agreements for grid connection and power supply services at the same time (electricity purchase and sale) and significantly reduce the time.

PJSC Mosenergosbyt and JSC PSK were the first companies in Inter RAO Group which performed this work. These arrangements allowed to reach an agreement with representatives of the territorial grid companies and sign cooperation contracts.

“Unified billing of entities” project was initiated for the purposes of unification of settlements with consumers of energy supply companies of Inter RAO Group, creation of opportunity to prepare packaged offers to consumers, and reduction of the total cost of billing operation services. As part of the project, a single billing methodology for corporate entities and other organisations was developed as a set of business processes that regulate the core activities of energy supply companies of Inter RAO Group. A single billing IT solution has been implemented and operated commercially at LLC Omsk Energy Supply Company, JSC St. Petersburg Power Supply Company, LLC Inter RAO – Oryol Energy Sales Company, and is in the pilot operation stage in PJSC Tomskenergosbyt. The implementation of the IT solution in PJSC Saratovenergo and at the pilot site of PJSC Mosenergosbyt.

As part of the “Unified billing of individuals” project, PJSC Tambov Energy Supply Company launched a pilot project aimed at centralisation of settlements with consumers, including individuals, on the basis of the PJSC Mosenergosbyt Processing Center.

During the reporting period, a positive trend was seen in demand for paid services, also provided under energy service contracts.

In 2015, a unified methodological and practical platform for replication and dissemination of best practices of paid services on the basis of Additional Paid Services Development Centre. In the Additional Paid Services Development Centre, measures to increase revenue and additional service sales which improve profitability of the core business and ancillary services that can be developed with relatively small resources, as part of the operation of Inter RAO Group energy supply companies. As a result, revenues in some areas of services in 2015 increased significantly. Thus, revenue from the installation of metering devices increased by 60% as compared to 2014, while revenue from the sale of electrical products increased by 70%.

In 2015, PJSC Mosenergosbyt was selected as the launch site for the new services, having the largest number of financially reliable consumers. In the Moscow offices of PJSC Mosenergosbyt, a TELE 2 connection project was launched for consumers. The plans for 2016 - 2017 include an increase in the number of points of sale of TELE 2 mobile telecommunications services through the provision of connection services in the offices of LLC Moscow Region United Information

Computing Centre, expansion of the range of the telecommunications services, and conclusion of new dealership agreements with the Big Three operators in the Moscow region. Also, in 2015, PJSC Mosenergosbyt offices started sales of property insurance products with predefined terms (including rural properties) under agency arrangements with VSK company. Further development of the service requires the involvement of new partners for insurance, expansion in the operation territories of other energy supply companies.

Customer satisfaction assessment

In order to improve the quality of service, the energy supply companies of Inter RAO Group assess the level of satisfaction among consumers on a regular basis. Customer surveys conducted in the offices, via telephone, and through the online Personal Account enabled consumers to assess the level of satisfaction with quality of electricity supply services and gain access to the paid services.

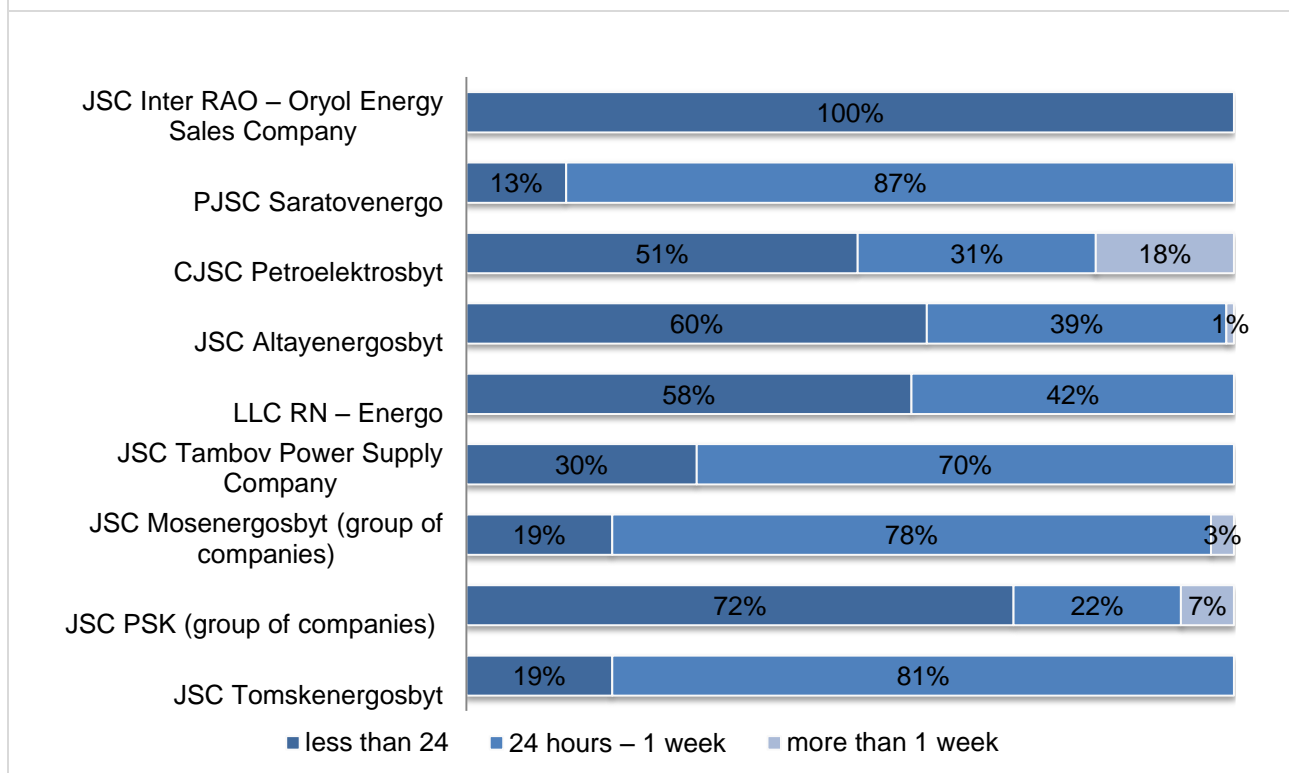
Results of the survey of Mosenergosbyt customers are representative for Segment. As of 2015, more than half of consumers of Inter RAO Group energy supply companies are customers of PJSC Mosenergosbyt. The mean level of satisfaction with Mosenergosbyt services is 76%, and satisfaction with competency level of staff in the offices, and consistency of its work is assessed at 77%. The quality of service by the Contact Centre as a whole for 2015 was 82.76% satisfied customers.

According to results of test purchase inspections conducted in Mosenergosbyt customer-related offices in 2015, the mean subjective value of the quality of services assessed by mystery shoppers was 81%.

As of year-end 2015, the rate of collection of payments in the retail market for Inter RAO Group GS was 99.4%, which is 1% more than the nationwide figure.

In accordance with requirements of applicable laws of the Russian Federation, one of the measures for influencing the consumer in the event of breach of payment terms is disconnection of power supply services.

Figure 7 Resumption of power supply after the payment of debt by consumers was provided for several days in 2015



In order to strengthen partnership relations with consumers, in 2015, Inter RAO Group energy supply companies took comprehensive measures for the functioning of electricity (capacity) markets, and to promote saving of energy and resources, including:

- Accounting, pricing and optimisation workshops in the sphere of electricity (capacity) consumption;
- Energy saving round tables and events for individuals and corporate entities and other organisations, including homeowner associations, building co-operatives and apartment building management committees;
- Promotion events to promote energy saving technologies;
- Energy surveys were taken in apartment buildings and state-funded organisations;
- Energy service contracts were concluded for the implementation of energy saving and resource saving measures.

Inter RAO Group energy supply companies also implemented measures aimed at implementing energy saving measures according to the principles of energy service at water supply and heat supply facilities.

In 2015, JSC Altaienergosbyt entered into a cooperation agreement with the Territorial Autonomous Institution Regional Institute for Development of Energy Efficiency of Alternative Energy, in the subject of energy saving cooperation and increase in energy efficiency of the Altai territory economy. As part of performance of the agreement, based on the Energy Saving Centre with the territorial municipalities, workshops on energy contracts were held. Upon completion of the

workshops, joint efforts to identify projects of high energy saving promises and further conclusion of energy contracts were started and are underway.

In 2015, business transformation of the PJSC Mosenergosbyt contact centre in Oryol for energy supply companies of Inter RAO Group in the European Zone was completed: The contact centre provides services to PJSC Mosenergosbyt and LLC Inter RAO – Oryol Energy Sales Company. Commercial operation of the Tomsk contact centre for energy supply companies in the Siberia Zone was launched: The contact centre serves consumers of PJSC Tomskenergosbyt. Cost saving by transmission of the Mosenergosbyt contact centre to Oryol in 2015 was RUB 35 mln. In 2016, transfer of all consumers of Inter RAO Group GS into single contact centres of the European Zone and Siberia Zone is planned.

For individuals' Personal Account features, PJSC Mosenergosbyt implemented the following:

- Preparation of SEA (single electronic payment), that enables the user to pay for utilities in one sum from Personal Account;
- Development of a remote benefit registration mechanism; A customer would be able to apply for and submit documents for registration or cancellation of the benefit.

Features planned for individuals' Personal Account of PJSC Mosenergosbyt for 2016:

- Q&A section enablement in Personal Account;
- Integration with the virtual advisor;
- Enhancement and improvement of services enabled;
- Design and development of Personal Account of LLC Moscow Region United Information Computing Centre.

Increasing operational efficiency

In 2015, the following key results of operational efficiency increase in the energy supply business can be identified: increasing the share of the Group in the Russian market (by 0.2%), as well as the growth of supply margin of 21.9% for the Guarantee Suppliers.

The main measures for improvement of the operating efficiency in this area of business included:

- **Proposals to the regulatory framework:** Proposals to the regulatory framework in the area of electric power and utilities. In this matter, the cooperation with the Ministry of Energy of the Russian Federation, the non-profit partnership Market Council, Association Guarantee Suppliers and Power Suppliers, the State Duma Committee on Energy, etc. has been implemented. In particular, proposals to introduce amendments into Federal Law “On introduction of amendments to the Russian Federation legislation regarding the strengthening of energy consumers” payment discipline were developed. Currently, the initiatives developed are under discussion and consideration by the competent authorities.
- **Extending the list of paid services:**
 - Inter RAO Group Energy supply companies ensured the implementation of measures of the medium-term of paid service development and promotion programmes relating to 2015.
 - PJSC Inter RAO together with the Governments of the Moscow and Leningrad Regions established working payment processing centres which serve most utility consumers in these areas.

- **Unification of management system for energy supply companies of the Group:** Measures to transit to the targeted energy supply asset management system and to develop the target model energy supply company, including typical organisational structure, staffing, business processes and automation.

Financial activities results

In 2015, the following changes in financial indicators of the Group supply activities occurred (as compared to 2014):

- Increase in Segment revenue by 6% (RUB 27,020 mln);
- Increase in electricity purchase cost by 4% (RUB 8,865 mln);
- Increase in electricity transmission cost by 7% (RUB 12,012 mln);
- Increase in Segment EBITDA by 34% (RUB 3,239 mln).

The main factors influencing the growth of indicators were the increase in the average selling prices of energy supply companies of the Group, the increase in market prices for purchased electricity (capacity), increase in prices for grid company services and the expansion of the service area LLC Inter RAO – Oryol Energy Sales Company and PJSC PSK were assigned the status of Guarantee Suppliers in the Oryol and Omsk Regions).

Table 26. Results of financial activities in the year ending December 31, 2014/2015

Indicator	Unit	2014	2015	2015/2014
Revenue	RUB mln	450,864	477,884	+6%
Share in the revenue of Inter RAO Group	%	61	59	-2 pp
Operating costs, including:				
• Electricity purchase costs	RUB mln	(246,815)	(255,680)	+4%
• Electricity transmission costs	RUB mln	(178,911)	(190,923)	+7%
EBITDA	RUB mln	9,423	12,662	+34%
EBITDA margin⁸⁸	%	2	3	+1 pp
Share in EBITDA of Inter RAO Group	%	17	18	+1 pp

Development prospects

In accordance with the Supply Business Development Strategy, PJSC Inter RAO identified four directions for the development of the supply segment:

- **Participating in the development of electric power and utilities regulations** in order to eliminate existing statutory conflicts and inconsistencies between market participants.
- **Increasing operational efficiency:** Development and implementation of the target model energy supply company, taking into account expected changes in the procedure for determination of gross revenue requirement of Guarantee Suppliers using standard costs, increase efficiency in reducing the level of accounts receivable, and automation of supply business processes.
- **Developing the customer base:** Building an effective system of quality satisfaction assessment in order to maintain the existing customer base, and developing a set of measures to increase the presence of PJSC Inter RAO in the retail market, including the

⁸⁸ The EBITDA margin is calculated with exclusion of the inter-segment revenue of Segment "Supply in the Russian Federation" in the amount of RUB 1,356 mln in 2015 and RUB 834 mln in 2014.

purchase of new supply assets and competitive efforts of NESK to attract large industrial and holding companies as customers and, as a consequence, value creation of the supply segment of PJSC Inter RAO.

- **Developing paid services:** Dissemination of best practices of paid services, design and implementation of paid service development and promotion programmes in Group energy supply companies, taking into account their regional characteristics, training of personnel engaged in the provision of paid services, as well as the development of an effective incentive system.

5.4 Trading

Description of the business area

The business area (the operating segment) is represented by Segment “Trading in the Russian Federation”, which includes Group companies that perform trade operations for export/import of electricity and for sale/purchase of electricity (capacity) in the territory of countries where they operate. Electricity supplies are carried out under commercial contracts, and as part of parallel operation with foreign energy systems and provision of emergency mutual aid. Depending on the region of operation, each company is a participant in the respective energy market.

Trade operations in Segment of “Trading in the Russian Federation and Europe” in 2015 were carried out in the following countries: Lietuva, Finland, Norway, Belarus, Ukraine, Latvia, Estonia, Poland, Georgia, Azerbaijan, Kazakhstan, South Ossetia, Mongolia and China. The operations are performed by the companies of Inter RAO Group: PJSC Inter RAO, RAO Nordic Oy, AB INTER RAO Lietuva, SIA INTER RAO Latvia, INTER RAO Eesti OU, IRL Polska Sp. z o.o. and JSC EEC.

PJSC Inter RAO (Trading)

In this Segment, PJSC Inter RAO acts as an export and import operator of electricity in the territory of the Russian Federation. During 2015, electricity supplies were carried out under commercial contracts, and as part of parallel operation with foreign energy systems and provision of emergency mutual aid.

RAO Nordic Oy

This company is registered in Finland and is a subsidiary of the Group —assets of the company are 100% owned by PJSC Inter RAO. The core activity of the company is the purchase of electricity from PJSC Inter RAO for its subsequent sale in the electricity market Nord Pool in the Nordic countries.

AB INTER RAO Lietuva

The company was founded in 2002, and is an independent electricity supplier in Lietuva and the leading player of the electricity market of the Baltic states. The company trades in the European energy market NordPool. Today Inter RAO Lietuva includes subsidiary trading companies SIA INTER RAO Latvia, INTER RAO Eesti OU, IRL Polska Sp. z o.o and wind energy subsidiary UAB Vydmantai wind park. 51% stake of AB INTER RAO Lietuva is held by RAO Nordic Oy, 29% stake is held by the Lithuanian investment company, UAB Scaent Baltic, 20% shares are in circulation in the market.

SIA INTER RAO Latvia

The company was registered in January 2010, and it is one of the largest independent electricity suppliers in the Latvian energy market.

INTER RAO Eesti OU

The company was registered in January 2010, licensed to sell electricity; license issued by the Estonian Competition Board and Elering AS, independent electricity system operator in Estonia.

IRL Polska Sp. z o.o.

The company was registered in October 2012; it trades in electricity in the Day-Ahead and Intraday Market (RDNiB) and Derivatives Market (RTT).

JSC Eastern Energy Company (JSC EEC)

The company was founded in 2007 with a view to implementation of joint Russian-Chinese investment projects aimed at the development of Russian electricity exports to China, as well as energy cooperation with other Asian and Asia Pacific countries. The core business of JSC Eastern Energy Company is the supply of electricity to China and Mongolia.

Position in the market

Group Trading companies in the Russian Federation carry out trading operations for purchase and sale of electricity in the Wholesale Electricity and Capacity Market in the Nordic and Baltic states — a single stock market Nord Pool and Nasdaq OMX Commodities.

In general, changes in Russian legislation occurring during the reporting period contribute to the development of Segment in the international energy market.

Table 27. Main changes in the energy regulatory framework in 2015 that affect the activities of Segment

Regulatory act	Key provisions
Federal Law No.35 “On the Electric Power Industry” dated March 26, 2003 (as amended December 30, 2015)	Changes regarding the extension period for concluding regulated contracts for the individual constituent entities of the Russian Federation until December 31, 2022. For PJSC Inter RAO, the tariff for parallel operation was cancelled as of January 01, 2015, and therefore the need to make appropriate amendments in the RF Wholesale Electricity and Capacity Market Trading System Accession Contract arose, pursuant to which parallel operation is calculated based on the weighted average price in the day-ahead market.
Government Resolution No 1116 of the Russian Federation dated October 10, 2015⁸⁹	Introduced amendments to the Wholesale Electricity and Capacity Market Rules (approved by the Resolution of the Government No.1172 dated December 27, 2010) as relates to calculation of the capacity purchased by the organisation engaged in export and import operations in the Kaliningrad Region; established the application of allowances in determining the price of capacity for generating facilities of the relevant participants of the wholesale market; introduced a scheme for limiting the capacity prices for end consumers in the Kaliningrad Region.
Law of the Republic of Kazakhstan No. 394-V	The law provides for the establishment of a national operator is a legal entity carrying out centralised import and export of electricity, with the exception of

⁸⁹ Government Resolution No.1116 of the Russian Federation “Concerning the Introduction of amendments to certain instruments of the Government of the Russian Federation regarding the regulation of electricity and capacity prices in the constituent entity of the Russian Federation which has no administrative borders with other constituent entities of the Russian Federation and is not in the territory of island, the Kaliningrad Region, as well as the definition and application of surcharges to the price of capacity in order to partially offset the cost of electricity and capacity of participants of the wholesale market, electricity and capacity producers whose generating equipment is located in the Kaliningrad Region.”

dated November 12, 2015⁹⁰ the purchase and sale of electricity carried out by the system operator. At the same time, the Law entitles the system operator to undertake the sale and purchase of electric energy in cases of mutual emergency aid with energy systems of neighboring countries under the concluded contracts.

In foreign energy markets, the Company operates in a competitive environment with export/import operators of mainly neighboring countries, while maintaining the leading position. The HVDC transmission systems Estonia-Finland (submarine power cables EstLink-1 and EstLink-2) enable the Nordic suppliers to compete with the Group trading companies. In the Republic of Kazakhstan, the Company competes with local electricity producers and energy systems in Central Asia, which produce surplus energy in summer.

Table 28. Key competitors of the Company in 2015

Competitor company name	Competitive field	Territorial allegiance	Competitor strengths
Russian generating companies	Electricity imported to the Russian national market	Russia	Payment in the Russian capacity market to domestic generators and non-payment for imported power
Nordic and Baltic suppliers of electricity and traders	Supply of electricity to the Nordic countries and the Baltic states	Finland, the Baltic states	Seasonal (annual breakdown) electricity generation capacity with low cost, recurring favorable pricing environment at the energy exchange NordPool (in particular, in wet periods in Norway and Latvia)
JSC Azerenerji	Supply of electricity to Georgia	Transcaucasia	Surplus generating capacities
Turkish generating companies and traders	Supply of electricity to Georgia	Transcaucasia	Favorable pricing environment in the Turkish electricity market resulted from the devaluation of national currency
Turkish traders	Supply of electricity from Georgia	Transcaucasia	Favorable pricing environment in the Turkish electricity market resulted from, inter alia, the lack of payment for imported capacity in the Russian Wholesale Electricity and Capacity Market
Electricity suppliers from Central Asian region (Kyrgyzstan)	Supply of electricity to Kazakhstan	Kazakhstan	Waterpower potential in spring and summer

The strengths of the Segment companies include the following: experience in foreign economic activity, a well-organised system of interaction with Russian and foreign partners, the optimal structuring of proposals for contracts, taking account of customer needs.

Operating results

On June 7, 2015, in the context of decline in electricity prices in the market Nord Pool Spot, PJSC Inter RAO carried out a commercial import of electricity of about 140 MW from the Finland grid to the EUS of Russia for the first time. The electricity import was economically feasible, the total volume of electricity supplied from Finland in 2015 amounted to about 23 mln kWh.

⁹⁰ Law of the Republic of Kazakhstan No. 394-V dated November 12, 2015 "Concerning the introduction of amendments and additions to certain legislative acts of the Republic of Kazakhstan on power energy."

Within the reporting period, the volume of electricity sales in Segment increased as compared to 2014 by 13.6% (3,046 mln kWh), due to the increase in supply to Belarus (1.39 mln kWh) and Ukraine (2,284 mln kWh).

The volume of electricity sales in Finland increased by 8.7% (299 mln kWh) in 2015, which is due to the fact that the supply was expedient in economic terms. Reduction in the volume of electricity supplies to China was 2.3% (76 mln kWh), to Mongolia, 27% (106 mln kWh), to Lietuva, 13.4% (526 mln kWh), to Latvia, 53.3% (283 mln kWh), which was caused mainly by changes in conditions of the external and internal markets. Volume of supply to Estonia increased by 84% (124 mln kWh), to Poland by 393% (203 mln kWh). Volume of supply to Georgia and South Ossetia in the aggregate, decreased by 14% (111 mln kWh), and to Azerbaijan increased by 3% (2 mln kWh). In Kazakhstan, the volume of supply decreased by 6% (102 mln kWh).

Table 29. Operational Information of Segment “Trading in the Russian Federation” (including agency agreements) for the year ending December 31, 2014/2015.

	Unit	2014	2015	2015/2014
Electricity supplied, including:	mln kWh	22,478	25,524	+13.6%
• Russia	mln kWh	6,442	6,403	-0.6 %
• Lietuva	mln kWh	3,910	3,385	-13.4 %
• Finland	mln kWh	3,454	3,753	+8.7 %
• China	mln kWh	3,376	3,299	-2.3 %
• Belarus	mln kWh	1,425	2,815	+97.6%
• Ukraine	mln kWh	178	2,462	+1,283.1%
• Other countries	mln kWh	3,693	3,406	-7.8%

The main export destinations of Inter RAO Group without agency agreements for the supply across the border of the Russian Federation in 2015 were Finland (19%), China (19%), Lietuva (17%), Belarus (16%) and Ukraine (14%). Electricity was also supplied to Kazakhstan, Georgia, Mongolia, Azerbaijan and South Ossetia.

Table 30. Inter RAO Group electricity exports excluding agency agreements across the border of the Russian Federation

	Unit	2014	2015	2015/2014
Volume of exports, including by destination⁹¹:	mln kWh	14,043	17,492	+24.6%
• Finland	mln kWh	2,995	3,383	+13%
• China	mln kWh	3,376	3,299	-2.3%
• Lietuva	mln kWh	3,216	2,995	-6.9%
• Belarus	mln kWh	1,425	2,815	+97.6%
• Ukraine	mln kWh	178	2,462	+1,283%

⁹¹ The allowable discrepancy in accuracy of final results, with rounding to one decimal place shall not exceed 1 integer.

	Unit	2014	2015	2015/2014
• Kazakhstan	mln kWh	1,644	1,542	-6.2%
• Other countries	mln kWh	1,211	996	-17.8%

Table 31. PJSC Inter RAO electricity imports including agency agreements across the border of the Russian Federation

	Unit	2014	2015	2015/2014
Volume of imports, including by destination:	mln kWh	3,453	1,464	-57.6%
• Kazakhstan	mln kWh	3,084	990	-67.9%
• Georgia	mln kWh	160	170	+5.9%
• Other countries	mln kWh	208	304	+46.2%

The implementation of key activities in this area resulted in the fact that the total of trade operations of PJSC Inter RAO, including agency agreements with JSC EEC (100% subsidiary of PJSC Inter RAO), was approximately 19 bln kWh.

Financial activities results

The revenue growth in Segment in 2015 by 42% was mainly due to the decline of the ruble against foreign currencies. Also, a significant positive effect was due to the increase in electricity supplies to Belarus and Ukraine.

The increase in electricity transmission costs in Segment by 35% was associated with the increase in the volume of trade operations. Significant growth in EBITDA in Segment (111%) was achieved mainly due to the trading activities of PJSC Inter RAO.

Table 32. Results of financial activities in the year ending December 31, 2014/2015

Indicator	Unit	2014	2015	2015/2014
Revenue, including:	RUB mln	56,679	80,525	+42%
• Russian Federation	RUB mln	22,628	29,571	+31%
• China	RUB mln	6,705	10,409	+55%
• Lietuva	RUB mln	9,251	9,660	+4%
• Finland	RUB mln	6,332	7,379	+17%
• Belarus	RUB mln	2,871	7,320	+155%
• Ukraine	RUB mln	426	5,606	+1,216%
• Latvia	RUB mln	1,532	819	-47%
• Other countries	RUB mln	6,934	9,761	+41%
Share in the revenue of Inter RAO Group	%	8	10	+2 pp
Operating costs, including:				
• Purchased electricity and capacity	RUB mln	(46,434)	(63,847)	+38%
• Electricity transmission costs	RUB mln	(3,991)	(5,387)	+35%

Indicator	Unit	2014	2015	2015/2014
EBITDA	RUB mln	4,575	9,635	+111%
EBITDA margin ⁹²	%	8	12	+4 pp
Share in EBITDA of Inter RAO Group	%	8	14	+6 pp

Development prospects

In the short term, the foreign trade activities will be influenced by both strengthening of the electric connections between European countries and the ruble exchange rate against foreign currencies (US Dollar and Euro) which now has a positive effect on the competitiveness of Russian electricity in foreign markets. In the current environment, the aggregate volumes of supplies in 2016 are expected to be close to those in 2015 (this may be adjusted as appropriate).

The main strategic goal for the Segment companies in 2016 shall be the most effective implementation of foreign trade operations involving electricity produced in Russia and foreign countries. For the purposes of this goal, a main set of KPIs has been provided for management and employees; these KPIs are related to the achievement of the electricity sales volumes and marginal profit as approved by business plans of the companies.

5.5 Engineering

Description of the business area

The business area (the operating segment) is represented by Group companies focused on the implementation of construction, upgrade and renovation of power engineering facilities, including turn-key solutions. Engineering companies of Inter RAO Group provide a full range of services in the field of energy construction, including project management under EPC/EPCM contracts, design of power engineering facilities, construction and installation and commissioning operations, supply of main and auxiliary equipment, etc. The companies operate in a highly competitive market in Russia and abroad. The main customers of engineering services are electricity producers and other entities involved in electric power investment projects. The following Group assets are included in the operating Segment 'Engineering':

- LLC Inter RAO – Engineering; an engineering company providing management of all Group's engineering assets that implement energy construction projects in Russia and abroad. LLC Inter RAO – Engineering represents the Group in a joint venture with GE and Rostec Corporation which was established to produce gas turbine systems 6FA in Russia — LLC Russian Gas Turbines.
- LLC Quartz – New Technologies (considered under equity method) and LLC Quartz Group, companies specialising in the construction, modernization and renovation of power engineering facilities with the use of modern technologies.
- LLC Inter RAO – Export, an engineering company focused on the supply of power engineering equipment, implementation of energy construction and modernization projects abroad.

⁹² The EBITDA margin is calculated with exclusion of the inter-segment revenue of Segment "Trading in the Russian Federation and Europe" in the amount of RUB 1,367 mln in 2015 and RUB 1,501 mln in 2014.

- LLC Inter RAO UES Power Efficiency Centre (considered under equity method), a joint venture of State Atomic Energy Corporation Rosatom and Inter RAO Group engaged in energy saving projects.
- Energy beyond borders Fund⁹³ is a nonprofit organisation that provides financing for applied research, research and technological development aimed at solving government challenges of innovative development in the electric power industry.

Position in the market

The current lack of statutory schemes to attract investment in the Russian electric power industry and heat supply after CDA expiry against the background of the difficult economic situation has resulted in a significant reduction in investment programmes of generating companies. As a consequence, a decrease in the volume of the general contracting market in the electric power industry of the Russian Federation and a shortage of new major orders for engineering companies can be seen.

LLC Inter RAO – Engineering and LLC Quartz – New Technologies are among the leading companies in the market of engineering services in the electric power sector in Russia along with the major players in this segment: NIAEP – ASE United Company, JSC HPC Mosenergo, JSC VO Technopromexport.

Significant forecast investments for the construction of power plants and grids to meet the growing demand for energy consumption in the developing countries of Asia, Africa and Latin America by 2035 create the potential to increase the Segment operations in foreign markets. To achieve the goal specified, LLC Inter RAO – Engineering and LLC Inter RAO – Export actively promote Russian engineering services and power equipment made in Russia to the external markets (in relation to Inter RAO Group).

Operating results

The key objective of the Group as part of this business area, is to expand its operations in international markets.

In 2015, there were changes in the distribution of shares in the portfolio of contracts of LLC Inter RAO – Engineering in terms of customer structure: The share of external projects (in relation to Inter RAO Group) has increased; these project include:

- Major repair of unit 5 with capacity of 210 MW at the Gorazal heat and power plant (Bangladesh): major repair of the steam turbine, boiler unit and generator, including the supply of main and auxiliary equipment, and the commissioning operations.
- Renovation of the Voronezhskaya CHPP-1 with the construction of steam-gas generating unit of 223 MW.
- Construction of four power plants in the Kalinigrad region:
 - Pergolskaya TPP with capacity of 440 MW running on gas fuel;
 - Mayakovskaya TPP with capacity of 160 MW running on gas fuel;
 - Talakhovskaya TPP with capacity of 160 MW running on gas fuel;
 - Primorskaya TPP with capacity of 195 MW running on gas fuel.

⁹³ See Section 5.7 “Innovations” for more detailed information about activities of Fund Energy beyond borders.

Also, LLC Inter RAO – Engineering carried out the work under contracts with the Group companies on the following projects:

- Construction of a steam-gas generating unit at the Permskaya TPP with installed electric capacity of not less than 800 MW;
- Construction of a steam-gas generating unit at the Verkhnetagilskaya TPP with installed electric capacity of not less than 420 MW;
- Construction of two generating units of 225 MW each at the Cherepetskaya TPP (Unit No. 8, Unit No. 9), and construction of facilities outside the EPC contract);
- Completion of construction of CCGT generating unit of 440 MW at the CHPP-5 in Zaton District, Ufa, Bashkortostan.

In the mid-term, implementation of a number of projects is planned for LLC Kaliningrad Generation, JSC Wimm-Bill-Dann, JSC UEC - Gas Turbines, as well as projects for the Group companies. Also, LLC Inter RAO – Engineering won the contract for renovation of the unit No. 1 and repair of the unit No. 3 with the capacity of 25 MW each at the HPP Naglu in the Islamic Republic of Afghanistan.

As part of development and promotion of the business area at distributed generation projects, LLC Inter RAO – Engineering signed a cooperation agreement with the Republic of Ingushetia with the purpose of creating small generation facilities in the Republic. LLC Quartz – New Technologies implemented the construction project of coal-based generating unit with the installed capacity of 660 MW at the Troitskaya HPP.

The main activities of LLC Inter RAO - Export in 2015 were the implementation of the existing contracts, including EPC projects, supply and installation, as well as disparate supply of power equipment. Geography of the company's business now encompasses a number of countries in Latin America, where the portfolio of contracts worth more than \$680 mln. In particular, the portfolio includes involvement in the construction of chain on Toachi-Pilaton HPP with a capacity of 254 MW, project on expansion of Termogas-Machala TPP from 130 MW to 308 MW and supply of 13 gas turbines with total capacity of 423.8 MW to Venezuela. Additionally, LLC Inter RAO – Export continued to supply Republic of Cuba with miscellaneous power equipment. Overall, Inter RAO Group executed 26 contracts in this area in 2009-2015.

Also, in October 2015 LLC Inter RAO – Export and Cuban company, Energoimport,⁹⁴ signed contract for construction of four 800 MW units at two operating Cuban power plants: one unit – at Maximo Gomez TPP (Mariel) and three units – at Este Habana TPP (Santa Cruz del Norte). This is the largest contract in the history of LLC Inter RAO – Export. This contract is an important milestone in the development of the Group's engineering business in Latin America in line with the Strategic Development Priorities of international activities. At the new energy facilities, the installation of equipment made in Russia is planned; Taking into account the scale of the project, this will contribute to a long-term work load for Russian machine building enterprises and, as a consequence, the multiplicative economic effect throughout the production chain.

Furthermore, in April 2015 a multilateral protocol was signed, defining the primary areas and the procedure for further cooperation between the parties to implement the Chihuido-1 HPP construction project with a total capacity of 637 MW in the Argentine province of Neuquén. This

⁹⁴ A part of the national Cuban energy company Union Electrica.

project will be financed by the Argentine partner through a loan from Russian State Corporation Vnesheconombank.

As part of the management process of modern power equipment production in Russia, in 2015, LLC Russian Gas Turbines produced and shipped the first two gas turbines 6FA (6F.03) of 77 MW for Rosneft enterprises, and signed a contract for supply of eight gas turbines 6F.03 for projects in the Kaliningrad Region.

Financial activities results

Because of the active development of general activities of LLC Inter RAO – Engineering during the reporting period; revenue from agency services, as opposed to 2012-2014, is no longer a major source of Company income. As of year-end 2015, revenue from sales was generated in accordance with the signed agreements for contractor services, supply of equipment, energy audit, examination of the rate setting field, as well as for technical agent and owner/developer functions.

As compared to 2014, the Segment revenue increased by 26% and amounted to RUB 8,533 mln. Revenue of LLC Inter RAO – Engineering from external orders (in relation to Inter RAO Group) increased by RUB 1,661 mln (377%). This growth is mainly due to the increase in revenue under a contract with PJSC Quadra for renovation of the Voronezhskaya CHPP-1 in connection with activation of the project. A significant contribution to the increase in revenues was entering into agency agreements with LLC Kaliningrad Generation in 2015.

The contract portfolio of LLC Quartz – New Technologies during the reporting period was represented by external orders in full: 95% of revenue was received under contract with JSC OGC-2 for the Troitskaya HPP construction project.

The Segment EBITDA during the reporting period decreased by RUB 130 mln (45%). The negative value of EBITDA was due to the special nature of business, namely, the long duration of project cycles.

Table 33. Financial activities results⁹⁵ of Inter RAO – Engineering, Inter RAO Export, Energy beyond borders Fund, LLC CCT Energy beyond borders, Quartz Group for the year ending December 31, 2014/2015.

Indicator	Unit	2014	2015	2015/2014
Revenue	RUB mln	6,746	8,533	+26%
Share in the revenue of Inter RAO Group	%	1	1	0 pp
Costs	RUB mln	-	-	-
EBITDA	RUB mln	(287)	(417)	-45%
Share in profit/loss in the aggregate of controlled companies	RUB mln	(10)	46	+560%

Development prospects

Currently, the Engineering Development Strategy of Inter RAO Group to 2020 is being updated; it is to be supplemented with provisions on business area development in the external market (in relation to Inter RAO Group).

⁹⁵ The calculation Segment indicators does not include the financial results of activities of the companies LLC Russian Gas Turbines and LLC Engineering Centre — Gas Turbine Technologies which are associated companies accounted in the consolidated financial statements of the Group using the equity method.

The strategic areas of development of Segment “Engineering” are as follows:

- Increase in the portfolio of external (in relation to Inter RAO Group) engineering projects in Russia and abroad;
- Improving the quality of services provided, taking into account best international practices in quality management, environmental safety and occupational safety;
- Development of product supply (equipment, work, services) for the construction of energy projects, including innovative/energy-efficient products of Inter RAO Group companies;
- Strengthening of cooperation with public authorities for development of export support mechanisms.

For LLC Inter RAO – Engineering, the main task for 2016-2017 is to ensure the implementation of all new construction and upgrade of Group projects (including CDA projects), as well as projects implemented with the participation of the Group (for example, projects of construction of generating facilities in the Kaliningrad Region).

LLC Inter RAO – Export in the near future plans to work further on geographical diversification of business, in both the Latin American market and other regions: in particular, projects in Argentina, Ethiopia, Iraq, Vietnam and other countries are currently at the in-depth research stage. At the same time, the rate of increase of the contract portfolio will depend on several factors, including financing options, the macroeconomic situation and political stability in the priority regions and countries.

LLC Russian Gas Turbines aims at further developing and increasing the degree of the localisation of manufacturing of gas turbine equipment with characteristics equivalent to the best world analogues.

In the mid-term, the development of Segment 'Engineering' in the foreign market is expected to focus on capital construction and renovation projects of energy facilities abroad implemented, under both competitive tenders and intergovernmental agreements.

5.6 Foreign Assets

Development of international activity is represented by Segment “Foreign assets” which includes operating subsegments in the following countries:

- **Georgia:** the most modern thermal power plant and two hydropower plants, as well as the largest electric grid and supply company;
- **Moldova:** Moldova TPP is one of the largest thermal power plant stations in Eastern Europe;
- **Armenia:** Razdan TPP and CJSC Power Grids of Armenia;
- **Kazakhstan:** Ekibastuz TPP-2 is one of the three largest power plants located in the northern part of Kazakhstan;
- **Turkey:** thermal power plant Trakya Elektrik operated under a concession agreement (Build – Operate – Transfer).

The electricity generated in Georgia, Armenia, Turkey and Kazakhstan is mainly sold in the domestic market (in 2015 — 100%). Moldova TPP with installed capacity of 96.2% of the installed capacity of Transnistria, which is a surplus energy region; in this regard, electricity is exported to

the Republic of Moldova intensively. In addition, the business area is represented by JSC Telasi, the largest electric grid and supply company, supplying Tbilisi and its suburbs, and CJSC Power Grids of Armenia, which is a monopolist in the distribution sector of the Armenian market. Both in Georgia and Armenia, the activities of grid companies are regulated by (in Georgia — by Georgian National Energy and Water Supply Regulatory Commission (GNERC), in Armenia — Public Services Regulatory Commission of the Republic of Armenia (PSRC)).

Georgia

Subsegment description

The generating assets of the Georgia subsegment in the development of international activity are represented by generating companies LLC Mtkvari Energy, JSC Khrami HPP-1, JSC Khrami HPP-2. The subsegment also includes the grid company JSC Telasi.

LLC Mtkvari Energy today is the most modern thermal power plant in Georgia; it generates up to 10% of all electricity produced in Georgia. LLC Mtkvari Energy includes two generating units with a total installed capacity of 600 MW. 100% of the authorised capital of LLC Mtkvari Energy is owned by the Group.

JSC Khrami HPP-1 and JSC Khrami HPP-2 form a cascade of hydropower plants on the Khrami river; they produce more than 5% of all electricity produced in Georgia. The aggregate installed capacity of the two hydropower plants is 227.2 MW. Currently, 100% of stake of JSC Khrami HPP-1 and JSC Khrami HPP-2 are held by Gardabani Holdings B.V., a subsidiary of PJSC Inter RAO.

JSC Telasi is the largest electric grid and supply company in Tbilisi and its suburbs, which purchases and sells electricity, and provides grid services. The company has 10 branches serving more than 550 thousand consumers. The company owns 0.4-110 kV grids with a total length of overhead lines of 2,058.5 km, cable lines of 2,767.2 km, and 1,862 transformer substations. The Group owns a 75.1% stake of JSC Telasi, while 24.5% of stake is owned by the state.

Subsegment position in the market

The electric energy system of Georgia generates surplus energy in spring and summer, with an energy shortfall in winter. In the total generation of Georgian electricity, hydropower plants are prevailing. However, in winter, with reduced river flows and a significant decrease in hydropower generation, the peak grid demand is met by gas power plants and imported electricity. Also, there are two peaking TPPs working during the winter work load on the grid in Georgia.

The high hydropotential of Georgia determines the country's energy industry development through the construction of hydropower plants to produce cheap electricity for the needs of the population and industrial facilities in autumn and winter, and also for export in summer.

The share of JSC Telasi in the energy market of Georgia in 2015 increased by 1.7% and amounted to 22.7%. The main competitor of JSC Telasi in Tbilisi is a Georgian-Czech company Energo-Pro Georgia (a subsidiary of Energo Pro, Czech Republic).

Operating results

The installed electric capacity of the generating assets in the subsegment during the reporting period was at the same level as 2014 and amounted to 827.2 MW. The total electricity output as of

year-end 2015 increased by 3.2% which was due the increase in its consumption because of lower average annual temperature as compared to 2014.

The main influence over the growing electricity generation in 2015 was asserted by the hydro assets of JSC Khrami HPP-1 and JSC Khrami HPP-2, with the total production of 574 mln kWh. The increase in electricity generation by the power plants as compared to 2014 was 11.3% and 9.3%, respectively, due to a higher water balance level in 2015.

At LLC Mtkvari Energy, electricity generation was almost at the same level as 2014 (+0.2%). In generation activities, LLC Mtkvari Energy uses natural gas. Electricity delivered by LLC Mtkvari Energy is sold under contracts signed with JSC Telasi and JSC Electricity System Commercial Operator ESCO.

In 2015, the volume of power distribution, taking into account the losses of JSC Telasi, exceeded the 2014 level by 7.5%, through the increase in consumption. The organisational, technical and repair activities performed allowed reduction of line electricity losses by 6.0% (-0.1%). The total length of transmission and distribution lines was increased by 5.1% to 4,826 km as a result of development of the grids and connection of new consumers, and renovation and upgrade of the grids.

Figure 8 In 2015, the increase in the number of consumers of JSC Telasi was 3%

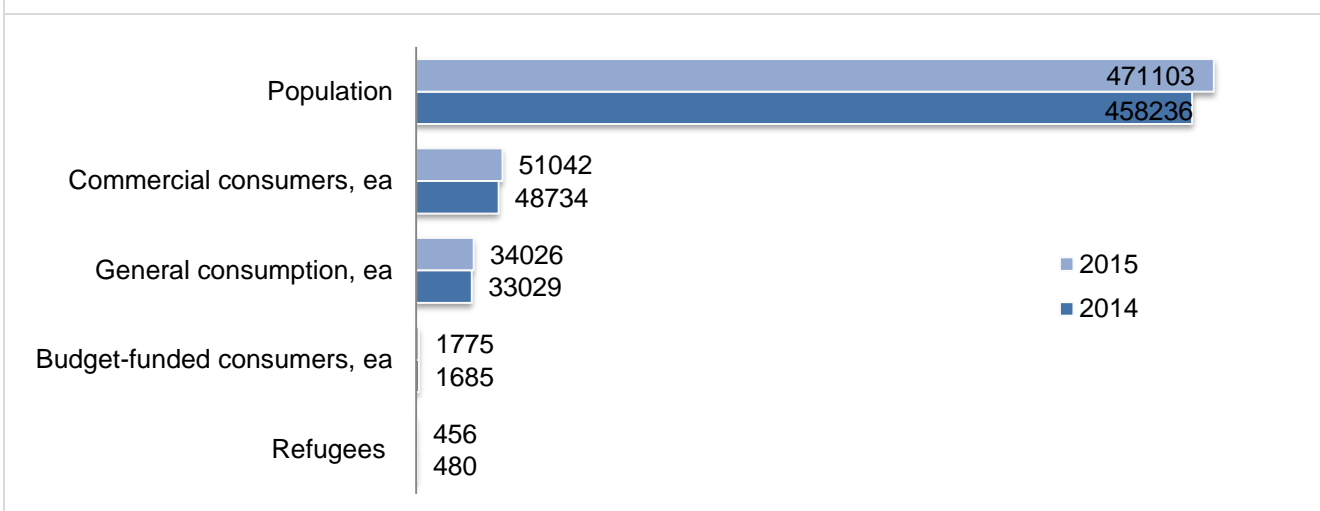


Table 34. Equipment performance in 2014/2015

Indicator	2014	2015
Transmission loss coefficient, %	2.1	2.2
Distribution loss coefficient, %	6.09	6.03
System average interruption frequency index, % cases ⁹⁶	0.0136	0.011
Average electricity interruption duration per consumer, min	1.6	1.2

In 2015, 3,349 applications were received from Telasi consumers; the main subjects were requests for correction of the accumulated debt on consumer cards (2,876 applications) and requests to compensate for material damage caused by the supply of irregular electricity (56 applications). Also, 417 applications of other natures were filed are requests for restoring cancelled consumers, requests for information, requests for restoring electricity supply, etc.)

⁹⁶ The calculation of the indicator includes the number of active consumers. The calculation of values for years ended 2014 and 2015 are based on this approach.

547 decisions on debt adjustment were made in favour of consumers; 2,385 applications were rejected, including 56 applications for compensation for material damage.

Relations between JSC Telasi and the consumer are regulated by GNERC Resolution No.20 dated September 18, 2008 "The rules for supply and consumption of electricity (capacity)".

Table 35. Operational Information of subsegment "Georgia" for the year ended December 31, 2014/2015.

Indicator	Unit	2014	2015	2015/2014
Installed capacity	MW	827.2	827.2	0%
Fuel mix				
• Gas	%	100	100	0%
National Electricity generation	mln kWh	10,371	10,832	+4.5%
Electricity generation in the subsegment	mln kWh	1,732	1,786	+3.2%
Share of electricity generation by national subsegment	%	16.7%	16.5%	-0.2 pp
Fuel equivalent consumption per unit of electricity	gfe/kWh	332.1	335.7	+1.1 %
Coefficient of usage of installed capacity	%	23.9	24.7	+0.75 pp
Total length of transmission and distribution lines in the subsegment	km	4,593	4,826	+5.1%
Grid output including losses in the subsegment⁹⁷	mln kWh	2,115	2,273	+7.5%
Grid output including national losses	mln kWh	10,154	10,592	+4.3%
The total installed capacity in Georgia	MW	3,475	3,709	+6.7%

Financial activities results

During the reporting period, revenue in the subsegment increased by RUB 2,740 mln due to the increase in selling rates and upward trends in electricity consumption in Georgia. For generating assets, the increase was 49% due to the growth of electricity generation by hydro assets, while electricity sales tariff remained at the 2014 level, and increase in electricity generation and increase in the electricity tariff by LLC Mtkvari Energy as of September 01, 2015. Revenue from grid company JSC Telasi increased by 42% due to growth in electricity sales by increasing the level of consumption and the increase of sales tariffs as of September 05, 2015.

The increase in expenses is mainly due to increased costs for the purchase of electricity of JSC Telasi resulting from the increase in the volume of consumption and tariff rates, and the increase in the cost of gas by LLC Mtkvari Energy as a result of the decline of lari against the US dollar.

The growth of EBITDA in the subsegment "Georgia" by RUB 211 mln was mainly due to the increase in the profit margin because of higher volume of electricity generation by JSC Khrami HPP-1 and JSC Khrami HPP-2, while semi-fixed costs in local currency were reduced.

Table 36. Results of financial activities in the year ended December 31, 2014/2015

Indicator	Unit	Generation			Grids		
		2014	2015	2015 /2014	2014	2015	2015 /2014
Revenue*	RUB mln	3,158	4,693	+49%	6,126	8,704	+42%
Share in the revenue of Inter RAO Group	%	0.4	0.6	+0.2 pp	0.8	1.1	+0.3 pp
Operating costs, including:							

⁹⁷ Grid output including losses in the subsegment intragroup turnover - no.

Indicator	Unit	Generation			Grids		
		2014	2015	2015 /2014	2014	2015	2015 /2014
• Purchased electricity and capacity*	RUB mln	(8)	(13)	+63%	(3,193)	(5,277)	+65%
• Electricity transmission costs	RUB mln	(1)	(1)	0%	(554)	(826)	+49%
• Fuel expenses	RUB mln	(1,930)	(3,065)	+59%	-	-	-
EBITDA	RUB mln	799	1,060	+33%	871	821	-6%
Share in EBITDA of Inter RAO Group	%	1.4	1.5	+0.1 pp	1.5	1.2	-0.3 pp
*Including intrasegment turnover:							
• Revenue	RUB mln	2,481	3,854		-	-	
• Purchased electricity and capacity	RUB mln	-	-		(2,481)	(3,854)	

To improve the supply activity, as from Q1 2015, JSC Telasi implemented a mechanism for accrual and withdrawal of deposits from consumers⁹⁸, pursuant to which the company issues reconciliation statements to corporate entities and other organisations. JSC Telasi made efforts to clarify the identity of consumers; for 150 consumers, a pilot project on installation of meters with remote switch and data transfer functions was implemented.

Development prospects

The sharp devaluation of the national currency can be a major negative factor affecting the financial results of the subsegment companies. To minimise the possible impact of this factor, generating companies perform systematic work, jointly with the regulatory authorities of Georgia, for the timely compensation for shortfall in profits under the new tariffs.

Also, the main task for generating companies in the subsegment in 2016 will be to maintain the operating capacity to the extent necessary to obtain the relevant profits, and to take measures to reduce the level of accounts receivable.

Development prospects for JSC Telasi revolve around the reliable uninterrupted supply of electricity as Guarantee Supplier to all Tbilisi districts.

Armenia

Subsegment description

Subsegment “Armenia” of the international activity development area includes JSC Hrazdan Energy Company and CJSC Power Grids of Armenia.

On September 30, 2015, Tashir Group and Inter RAO Group signed agreement for purchase and sale of electricity assets in Armenia, and management obligations of JSC Hrazdan Energy Company and CJSC Power Grids of Armenia were devoluted to Tashir Group.

CJSC Power Grids of Armenia is the energy supply and distribution company of the Republic of Armenia. As of December 31, 2015, a 50.0002% stake in Power Grids of Armenia is owned by

⁹⁸ GNERC Resolution No.20 dated September 18, 2008 “The rules for supply and consumption of electricity (capacity)”.

PJSC Inter RAO UES. JSC Hrazdan Energy Company is the largest power station in Armenia with an aggregate electric capacity of 1,110 MW, and heat capacity of 560 Gcal/h. JSC Hrazdan Energy Company is the peaking plant of the Republic which generates electricity in case of shortfalls in the Armenian energy system. As of December 31, 2015, a 50% stake in Hrazdan Energy Company is owned by PJSC Inter RAO UES.

Subsegment position in the market

The aggregate installed capacity of the plants in the Republic of Armenia in 2015 amounted to 3,500 MW. The main competitors of Hrazdan Energy Company are Armenian Nuclear Power Plant, Yerevan Thermal Power Plant, JSC ContourGlobal Hidrocaskade, small HPPs, Hrazdan unit 5 of Gazprom Armenia and JSC International Energy Company — 93% of the electricity in the Republic in 2015 was generated by these producers.

CJSC Power Grids of Armenia sells 100% of the electricity consumed in the country, being a monopolist in the Armenian market distribution sector.

The functioning of the electricity market in Armenia is regulated by the Law of the Republic of Armenia “On Energy”. To perform operations in the energy market, it is mandatory to obtain the relevant licenses from the Public Services Regulatory Commission of the Republic of Armenia, which also set the tariffs for purchase and sale of electricity in the domestic market and tariffs for transit and dispatching services. Prices for exported electricity are set on the basis of contractual obligations and not subject to regulation.

Operating results

The installed electric capacity of the generating assets in the subsegment during the reporting period remained unchanged (1,110 MW). The total volume of electricity generated by Hrazdan Energy Company in 2015, decreased by 42.9% and amounted to 547 mln kWh, which is equivalent to 7% of the total electricity generated in the Republic of Armenia. This is due to the reduced number of unscheduled outages at the Armenian Nuclear Power Plant, and the increase in production of the Yerevanskaya CHPP and small HPPs.

The total volume of electricity sold by CJSC Power Grids of Armenia in 2015 was 5,468 mln kWh.

The main fuel for electricity generation by Hrazdan Energy Company is Russian natural gas supplied by Gazprom Armenia. In 2015, specific fuel consumption increased due to unbalanced loading of equipment, maximum loading during the day, and minimum load parameters at night.

In 2015, pursuant to the approved power equipment approval schedule, current and medium repairs of the basic and auxiliary equipment of the plant were provided, along with preventive maintenance and servicing operations.

Table 37. Equipment performance in 2014/2015

Indicator	2014	2015
Transmission loss coefficient, %	1.9	1.7
Distribution loss coefficient, %	12.8	11.5
System average interruption frequency index, % cases	0.00443	0.00450
Average electricity interruption duration per consumer, min	2.5	2.3

During the reporting period, the total length of transmission and distribution lines was 32,051 km, including overhead lines with a length of 26,257 km, cable lines with a length of 5,794 km.

In order to ensure the security and reliability of energy supply, Power Grids of Armenia performed inspections and current repairs of equipment at 5,384 transformer substations and 207 distribution stations, inspection and defect removal of overhead lines with a length of 9,278 km, and cable lines with a length of 59 km.

Figure 9 During the reporting period, the number of consumers of Power Grids of Armenia exceeded 1 mln

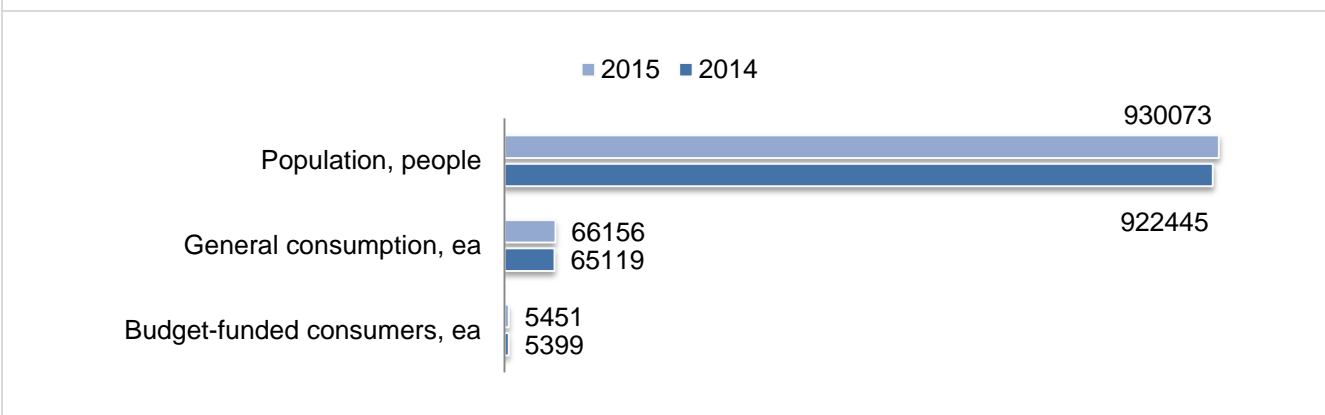


Table 38. Operational information of Hrazdan Energy Company for year ending December 31, 2014/2015

Indicator	Unit	2014	2015	2015/2014
Installed capacity	MW	1,110	1,110	0%
Fuel mix				
• Gas	%	100	100	0 pp
National electricity generation	mln kWh	7,750	7,798	+0.6%
Electricity generation in the subsegment	mln kWh	957	547	-42.9%
Share of electricity generation by national subsegment	%	12.3	7	-5.3 pp
Fuel equivalent consumption per unit of electricity	gfe/kWh	356.4	371.3	+4.2%
Coefficient of usage of installed capacity	%	9.8	5.6	-4.2 pp
Total length of transmission and distribution in the subsegment lines	km	31,737	32,051	+1%
Grid output including losses in the subsegment	mln kWh	5,382	5,468	+1.6%
excluding intragroup turnover	mln kWh	5,360	5,455	+1.8%
Grid output including national losses	mln kWh	5,382	5,468	+1.6%

Financial activities results

During the reporting period, there was an increase in total revenue of the subsegment “Armenia” of RUB 3,670 mln.

Increase in revenue of Power Grids of Armenia during the reporting period was 25%, due to an increase in the tariff for electricity sold by PGA (as from August 01, 2015) by 6.93 AMD/kWh, as well as a change in the value of national currency (AMD) against the Russian ruble.

Revenue of Hrazdan Energy Company during the reporting period was reduced by 30%, due to a decrease in total electricity generation by the plant.

Expenses for the purchase of electricity and capacity of Power Grids of Armenia increased by 9% due to growth of the mean electricity transmission tariff, while the growth of electricity transmission costs by 35%, was due to the increase in cost of services provided by the Republican electricity market infrastructure organisations.

Fuel expenses of Hrazdan Energy Company decreased by 29% due to reduction in volumes of gas purchases by 41%, mainly due to the decrease in total electricity generation.

EBITDA growth in the subsegment amounted to RUB 2,604 mln, which is the result of savings on purchase of electricity in the procurement reallocation from Hrazdan Energy Company to cheaper electricity suppliers, as well as the indexation of selling tariffs in August 2014 and 2015.

Decrease in EBITDA of Hrazdan Energy Company by RUB 144 mln, was due to a significant fall in demand for electricity generated by the plant, and the concurrent decline in the generation, as well as due to the increase in gas prices because of currency differences.

Reporting figures for 2015 include the results of the activities of Armenian assets in full, during the period of January-October 2015, and since November 2015, the net income share of these companies (equity method).

Table 39. Results of financial activities in year ending December 31, 2014/2015

Indicator	Unit	Generation			Grids		
		2014	2015	2015 /2014	2014	2015	2015 /2014
Revenue*	RUB mln	2,948	2,063	-30%	14,731	18,400	+25%
Revenue Share in the Inter RAO Group	%	0.4	0.3	-0.1 pp	2.0	2.3	+0.3 pp
Operating costs, including:							
• Purchased electricity and capacity*	RUB mln	(48)	(43)	-10%	(10,409)	(11,371)	+9%
• Electricity transmission costs	RUB mln	–	–	-	(629)	(851)	+35%
• Fuel expenses	RUB mln	(2,418)	(1,715)	-29%	–	–	-
Share in profit/loss of joint ventures			65	+100%		394	+100%
EBITDA	RUB mln	251	107	-57%	843	3,591	+326%
Share in EBITDA of Inter RAO Group	%	0.4	0.2	-0.2 pp	1.5	5	+3.5 pp
*Including intrasegment turnover:							
• Revenue	RUB mln	2,944	2,063		48	43	
• Purchased electricity and capacity	RUB mln	(48)	(43)		(2,944)	(2,063)	

Development prospects

Throughout the period of ownership of the electricity assets in the Republic of Armenia, Inter RAO Group has implemented best practices, invested in power energy sector of Armenia, and optimised

costs, which resulted in improved production results of the asset operations. In accordance with terms of the deal, all the assets will be transferred to Tashir Group by 2017. The parties have also agreed that Power Grids of Armenia and Hrazdan Energy Company should continue performing the assumed obligations in full.

Moldova

Subsegment description

Subsegment “Moldova” of the international activity development area, includes CJSC Moldova TPP located in the southeast of the Pridnestrovian Moldavian Republic (PMR). The power plant is the most important Moldavian power system generating asset which can fully meet the electricity needs of the PMR. A 100% stake in the power plant is owned by PJSC Inter RAO.

The Moldova TPP is a thermal power plant with 12 generating units, with a total installed electric capacity of 2,520 MW and heat capacity of 166 Gcal/h. The company also owns open distribution devices and ultra-high voltage class power transmission lines (400 kV) with a length of 11.6 km.

Subsegment position in the market

The Electric power industry is a key sector of the PMR economy; in 2015, it accounted for 49.9% of the industrial production of the Republic. The installed capacity of the Moldova TPP Station was 96.2% of the installed capacity of all Transnistrian generating companies.

Electricity generated by the Moldova TPP is sold, realised in the wholesale and retail market segments. Purchase and sale of electricity in the domestic market is provided at state-regulated tariffs. PMR is energy-surplus region, so electricity is largely exported to the Republic of Moldova.

Operating results

During the reporting period, the installed electric capacity of CJSC Moldova TPP remained unchanged. The total volume of electricity generated in 2015 increased by 18.4% compared to the previous year and amounted to 4,610 mln kWh (90.3% of the total electricity generation in the country), which is due to an increase in electricity delivery in the domestic market to an electricity supplier who exports it to Moldova. The installed capacity-use efficiency ratio for the reporting period increased by 3.3 pp as compared to 2014. The specific fuel equivalent consumption in electricity delivery decreased by 1.1% due to higher average electrical load and optimised equipment load. Natural gas remained the main type of fuel used in 2015, amounting to 99.8% (+0.1 pp) in the fuel balance of the plant.

Table 40. Operating results of subsegment “Moldova” for year ending December 31, 2014/2015.

Indicator	Unit	2014	2015	2015/2014
Installed capacity	MW	2,520	2,520	0%
Fuel mix				
• Gas	%	99.7	99.8	+0.1 pp
• Coal	%	0.2	0.1	-0.1 pp
• Fuel oil	%	0.1	0.1	0 pp
National Electricity generation	mln kWh	4,387	5,107	+16.4%
Electricity generation in the subsegment	mln kWh	3,893	4,610	+18.4%
Share of electricity generation by the national subsegment	%	88.7	90.3	+1.6 pp
Fuel equivalent consumption per unit of electricity	kgfe/kWh	348.4	344.6	-1.1%

Indicator	Unit	2014	2015	2015/2014
Coefficient of usage of installed capacity	%	17.6	20.9	+3.3 pp
Delivery of heat in the country	thousand Gcal	1,555	1,478	-4.95%
Heat output in subsegment	thousand Gcal	91	87	-4.4%
Share of heat delivery by national subsegment	%	5.86	5.89	+0.03 pp

In 2015, the Repair Programme at CJSC Moldova TPP was performed in full: current repair (Unit 9) and major repair (Unit 7) activities were performed. The actual costs of current repairs at the Moldova TPP were lower than the target costs because the work was implemented as necessary depending on the actual state of power equipment.

Financial activities results

Revenue reduction of RUB 2,269 mln (33%) was due to the changeover to a give-and-take basis and the lack of electricity supply for export, which was partially offset by the increase of the US dollar against the Russian ruble. In electricity generation on give-and-take basis, the electricity delivery tariff includes only the cost of fuel processing, with no fuel cost. Savings on electricity transmission is mainly due to the lack of electricity exports. Fuel purchase costs were 98% lower due to the fact that during the reporting period, natural gas was purchased only for the production of heat in connection with the company's transition to the give-and-take basis of electricity supply to consumers as of December 01, 2014.

EBITDA growth of RUB 1,000 mln (59%) was due to the increase of the mean US dollar exchange rate against Russian ruble in 2015, as compared to the mean value in 2014.

Table 41. Results of financial activities in year ending December 31, 2014/2015

	Unit	2014	2015	2015/2014
Revenue	RUB mln	6,929	4,660	-33%
revenue Share of Inter RAO Group	%	1	0	-1 pp
Operating costs, including:	RUB mln	-	-	-
Purchased electricity and capacity	RUB mln	-	-	-
Electricity transmission costs	RUB mln	(45)	(16)	-64%
Fuel expenses	RUB mln	(4,074)	(84)	-98%
EBITDA	RUB mln	1,692	2,692	+59%
Share in EBITDA of Inter RAO Group	%	3	4	+1 pp

Development prospects

In the long term, the key objective in this subsegment is the increase in plant operational energy efficiency, its reliable operation, and the development of export potential.

The strategic location of the plant and the existing transmission line allow for electricity exporting to neighboring countries, while Transnistria in the mid-term will remain energy surplus region.

In order to achieve these strategic objectives for 2016, relevant key performance indicators for the company management were approved.

Turkey

Subsegment description

Subsegment “Turkey” of the international activity development area includes Trakya Elektrik Uretim Ve Ticaret A.S., which operates thermal power plant Trakya Elektrik under concession agreement (Build – Operate – Transfer) to be effective until 2019, with an option for extension until 2046. The stake of PJSC Inter RAO in the authorised capital of the plant is 100%.

The plant is located in the rapidly developing region of Turkey - Marmara Ereğlisi, 100 km west of Istanbul. The installed capacity of the power plant is 478 MW; the equipment consists of 2 turbines Siemens V 94.2 (154 MW each) and steam turbine Siemens (170 MW). Natural gas is the main fuel of the plant, and diesel is the back-up fuel.

Subsegment position in the market

The total volume of electricity generated by Turkish power plants of all types in 2015 was 254.1 TWh, which is by 1.5% more than the 2014 value. The installed capacity of Turkish power plants increased by 5.2% and reached 73.1 GW by the end of 2015, with a peak load of 42 GW.

The largest producer of electricity is still the state-owned company EUAS, which accounts for about 30% of the country's energy market. Approximately 55% of electricity is generated by independent producers. The segment of independent power producers in Turkey is not consolidated and is represented by more than 800 small and medium-sized power plants, together constituting 75% of the total number of the country's power plants.

Plants operated under concession agreements of all types (BOO, BOT, TOR), including Trakya Elektrik Uretim Ve Ticaret A.S., have occupied 12% of the installed capacity market.

The share of the plant, in terms of volume of electricity generated during the reporting period, remained at the 2014 level, and accounted for 1.3% of the total volume of production in the country. In subsequent years, the trend of reduction of the plant's share in both the installed capacity and electricity generation will increase due to Turkey's plans to achieve 120 GW of installed capacity by 2023.

Also, in 2016 and beyond, the Republic of Turkey Ministry of Energy and Natural Resources plans to further increase the generation from renewable energy sources (RES). The target for use of RES to 2023 is not less than 30% of the power system balance, including the value of installed capacity of wind power plants, should be at least 20 GW, i.e. it should increase 3.5 times as compared to 2015.

However, these circumstances do not imply risks for the plant until mid-2019, as the volumes of electricity generation and fuel mix have been set by the contract terms.

The company signed a contract for purchase of gas from the Turkish crude oil and natural gas pipelines and trading company BOTAŞ and a contract for supply of electricity to the Turkish state-owned company TETAŞ, which sells the entire volume of energy generated by Trakya Elektrik. The contractual obligations are guaranteed by the Government of Turkey.

Table 42. Main contracts of Trakya Elektrik Uretim Ve Ticaret A.S.

Partners	Contract	Term	Benefits
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BOTAŞ	Natural gas purchase	Extended until 2019	<ul style="list-style-type: none"> Guaranteed volume of purchased fuel and energy sales Fixed tariffs of electricity supply for each year of the contract
TETAŞ	Electricity supply	2019, with a possible extension until 2046	<ul style="list-style-type: none"> Sale of the total electricity output

Operating results

In 2015, the power plant Trakya Elektrik A.S. generated energy 3,410 mln kWh, which is more than the total output in 2014 by 10.6%. The increase in generation during the reporting period was due to a major repair at the plant undertaken in 2014, as well as the commissioning of new generation facilities in the country.

During the reporting period, the fuel mix of Trakya Elektrik did not change significantly. Natural gas is the main fuel in use (94.3%), while diesel is the back-up fuel. In 2015, the average cost of gas in US dollars decreased by 25.4% as compared to the level of 2014, but the price change had no significant effect on the economic efficiency of the plant, since in accordance with existing contracts, the fuel component is included in the tariff for generated electricity. The specific fuel consumption behaviour is defined by the plant mode of operation in 2015.

Repair programme of Trakya Elektrik A.S. is implemented under long-term agreements with the consortium of Siemens SanayiveTicaret A.Ş. and Siemens Aktiengesellschaft (Siemens) as in effect until 2020. During the reporting period, current repair of main and auxiliary equipment was performed: during the current repair of the gas turbine system, steam turbines and generators, the typical scope of work was applied.

Table 43. Operational Information of subsegment “Turkey” for the year ended December 31, 2014/2015.

Indicator	Unit	2014	2015	2015/2014
Installed capacity	MW	478	478	0%
Fuel mix:				
• Gas	%	96.5	94.3	-2.2 pp
• Fuel oil	%	3.5	5.7	+2.2 pp
National Electricity generation	mln kWh	250,381	254,100	+1.5%
Electricity generation in the subsegment	mln kWh	3,084	3,410	+10.6%
Share of electricity generation by national subsegment	%	1.23	1.34	+0.11 pp
Fuel equivalent consumption per unit of electricity	gfe/kWh	278.6	271.1	-2.7%
Coefficient of usage of installed capacity	%	73.6	81.4	+7.8 pp

Financial activities results

In 2015, there was an upward trend seen in the subsegment key financial indicators against a background of increasing power generation. Increase in sales of RUB 5,598 mln and the EBITDA of RUB 1,830 mln was mainly due to increase in profit margin as a result of lowered gas prices (with a decrease of semi-fixed costs), as well as the effect of decline of the Russian ruble against the US dollar.

Table 44. Results of financial activities in the year ended December 31, 2014/2015

Indicator	Unit	2014	2015	2015/2014
Revenue	RUB mln	14,708	20,306	+38%
Share in the revenue of Inter RAO Group	%	2	3	+1 pp

Indicator	Unit	2014	2015	2015/2014
Operating costs, including:	RUB mln			
• Fuel expenses	RUB mln	(12,796)	(16,622)	+30%
EBITDA	RUB mln	801	2,631	+228%
EBITDA margin	%	5	13	+8 pp
Share in EBITDA of Inter RAO Group	%	1	4	+3 pp

Development prospects

Main development priorities of Trakya Elektrik Uretim Ve Ticaret A.S. for 2016 include:

- Improve operational and financial performance;
- Continue cooperation with the Turkish Ministry of Energy and Natural Resources for the extension of existing contracts for the period after 2019.

Kazakhstan

Subsegment description

Subsegment “Kazakhstan” of the international activity development area, includes thermal power plant JSC Ekibastuz TPP-2 (JSC ETPP-2) situated on the eastern shore of Shandoksor Lake, 42 km of Ekibastuz. JSC ETPP-2, a joint venture controlled by PJSC Inter RAO and JSC Samruk Energo⁹⁹, both companies having an equal stake (50%) in the plant authorised capital.

The installed electric capacity of the plant is 1,000 MW (two generating units 500 MW each), the installed heat capacity is 513.5 Gcal.

Subsegment position in the market

UES RK operates in parallel to UES Russia and the Unified Energy System of Central Asia. UES Kazakhstan is comprised of three geographical energy zones: the north, south and west. The main sources of electricity are thermal, gas turbine and hydropower plants, where thermal power plants accounted for more than 80% of electricity produced by generating companies of Kazakhstan. In addition, Kazakhstan has large reserves of renewable energy sources; solar, wind, hydro and geothermal energy. In accordance with the statutory provisions on the use and support of RES, the new scheme of state support is applied, which is based on fixed tariffs in view of the planned construction of new RES facilities.

In 2015, energy consumption in the Republic reduced by 0.89%, and the volume of electricity generation also reduced by 3.34%, mainly in the north and in the west.

The main competitors of JSC ETPP-2 in the northern energy zone are the following large generating companies: Aksu TPP (JSC EEK) with installed capacity of 2,450 MW and LLC Ekibastuz TPP-1 n.a. Bulat Nurzhanov with installed capacity of 4,000 MW.

Operating results

In 2015, electricity generation by JSC ETPP-2 decreased by 32.5% and amounted to 3,211 mln kWh due to a decrease in demand for electricity due to lowered electricity consumption in the Republic of Kazakhstan and load of electricity suppliers smaller tariff. Heat delivery reduced by 8%

⁹⁹ JSC Samruk Energo is a state-owned holding company. It owns energy and coal companies in the Republic of Kazakhstan.

which is due to a higher annual average outdoor air temperature during the reporting period and the actual need of consumers.

The main fuel type of JSC ETPP-2 is coal 4,400 kCal/kg from Bogatyr and Severny mines. Fuel oil is used in commissioning operations at generating units 1 and 2.

The specific fuel equivalent consumption for electricity generation amounted to 394.3 kgfe/kWh (increased by 4.8%), and for heat generation – to 217.7 kgfe/kWh (increased by 3.2%), which was due to the lower load operation at the generating units.

In 2015, current and emergency repairs of equipment at generating units 1 and 2 at the plant were done, and maintenance was provided. The total expenditure for work performed was reduced because its scope, the amount of materials and spare parts were revised.

Table 45. Operating results of subsegment 'Kazakhstan' for the year ended December 31, 2014/2015.

Indicator	Unit	2014	2015	2015/2014
Installed capacity	MW	1,000	1,000	0%
Fuel mix::				
• Coal	%	99.7	99.6	-0.1 pp
• Fuel oil	%	0.3	0.4	+1 pp
National Electricity generation	mln kWh	93,941.6	90,796.6	-3.3%
Electricity generation in the subsegment	mln kWh	4,755	3,211	-32.5%
Share of electricity generation bynational subsegment	%	5.1	3.5	-1.5 pp
Fuel equivalent consumption per unit of electricity	kgfe/kWh	376.2	394.3	+4.8%
Coefficient of usage of installed capacity	%	54.3	36.7	-17.6 pp
National Delivery of heat	thousand Gcal	97,600	78,747	-2.7%
Heat output in subsegment	thousand Gcal	44	40	-8%
Share of heat delivery by national subsegment	%	0.045	0.05	0%
Fuel equivalent consumption per unit of heat	kgfe/Gcal	210.8	217.7	+3.2%

Financial activities results

The Segment revenue declined by RUB 82 (75%) mln during the reporting period in connection with the cancellation of the supply of electricity to direct consumers by INTER RAO Central Asia as of February 01, 2015, because of the high cost of electricity supplied. The main factor in the EBITDA behaviour in the subsegment indicator is the change in the interest in profit/loss of joint ventures: decline in revenues from the interest in JSC ETPP-2 was RUB 4,718 mln (429%) due to company losses attributed to different factors:

- Decrease in electricity sales volumes due to the lower electricity demand in the market;
- Exchange rate losses on company's foreign currency borrowings in US dollars (increase of the US dollar in relation to Kazakhstan tenge);
- The growth of electricity sales tariff from 8.0 to 8.7 KZT/kWh (+ 8.3%);
- Increase in the mean price for the purchase of coal (KZT/), taking into account transport by 7.2%.

Table 46. Results of financial activities in year ending December 31, 2014/2015

Indicator	Unit	2014	2015	2015/2014
Revenue	RUB mln	109	27	-75%
revenue Share of Inter RAO Group	%	0	0	0 pp

Indicator	Unit	2014	2015	2015/2014
Operating costs, including:				
• Purchased electricity and capacity		(64)	(16)	-75%
• Electricity transmission costs	RUB mln	(40)	(11)	-73%
Share in profit/loss of joint ventures	RUB mln	1,101	(3,617)	-429%
EBITDA	RUB mln	1,108	(3,612)	-426%
Share in EBITDA of Inter RAO Group	%	2	-5	-7 pp

Development prospects

Today, there are no regulations on the approval of electricity prices pursuant to the completion of the state policy on maximum tariffs, which complicates further forecasting of sales and payback prospects for the “Expansion and renovation of JSC Ekibastuz TPP-2 investment project, with installation of generating unit No. 3.” In this regard, the implementation of the investment project has been suspended pending the receipt of guarantees of repayment of investment through the establishment of appropriate tariffs for electricity.

In order to guarantee the repayment of investment, Shareholders agreed on a decision made on the need to introduce amendments to the Intergovernmental Agreement on Construction and Operation of the unit No. 3 of JSC ETPP-2 signed between the Republic of Kazakhstan and the Russian Federation as of September 11, 2009.

With respect to the operable generating units, the key objective is cooperation with Kazakhstan (KEGOK) to ensure the required load for the plant in order to maintain its cost-effective operation.

5.7 Innovations

The Group's innovation activities are performed under the Innovative development programme of PJSC Inter RAO until 2017 with outlook to 2021¹⁰⁰ (the Programme) and aimed at achieving the following targets:

- Ensure the reliability, safety and efficiency of operations of the generating assets of the Group;
- Increase the technical level of the Group's assets to the level of the world's best equivalent companies;
- Increase environmental and industrial safety of production activities;
- Reduce production costs of electricity and heat;
- Save energy resources;
- Establish a research, engineering and production basis for the innovative development of the Group and Russia's electric power industry.



Please click the link below for more details of the Innovative development programme of PJSC Inter RAO:
http://www.interrao.ru/upload/docs/PIR_do_2017_s_perspektivoj_do_2021.pdf

¹⁰⁰ Endorsed by the Board of Directors of PJSC Inter RAO (Minutes No.110 dated March 31, 2014).

In 2015, the Innovative development programme was accessed by LLC UEC, JSC Tomsk Generation, PJSC Tomskenergosbyt, JSC TomskRTS and JSC OmskRTS. The key perspective of expanding the area of Innovative development programme is to create conditions for maximum effect of research and development and innovational Group activities, both through the implementation of results of intellectual property from successful R&D operations at the Group's facilities and the transfer of open access innovative solutions with a high level of commoditization.

Monitoring the achievement of the objectives is based on target indicators derived from the Group strategic benchmarks and the results of the comparative analysis of the Group with leading foreign and Russian energy companies. Performance of one indicator can contribute to the achievement of several objectives of the Programme.

Table 47. Target indicators of the Innovative development programme

Indicators	Unit	2015	2016	2017	2021
		actual	target	target	target
Fuel equivalent consumption per unit of electricity sold	g/kWh	313.53	305.97	303.00	294.00
Fuel equivalent consumption per unit of heat sold	kg/Gcal	143.18	143.34	142.94	142.94
CO ₂ emissions per unit of generated electric power	gCO ₂ /kWh	594.68	598.33	591.93	553.22
Share of completed projects recommended for the implementation at the Group facilities	% not less	75	75	75	80
Number of intellectual property rights registered based on the discoveries (including international) made during the implementation of innovation projects	pcs, not less	29	10	8	6
Number of applications submitted by outside contractors for R&D projects	pcs	266	220	230	400
Number of employees per 1 MW of installed capacity	people/MW	0.77	0.78	0.77	0.74
Profit from sales of paid services in the retail market	RUB thousand /year	380,062	376,000	437,800	685,000
Percentage of R&D expenditures in total revenue of the Group's generating assets	%	0.08	1.4	1.4	1.4
Group revenues per employee	RUB thousand /year	19,801	21,993	24,111	27,200
Average operating efficiency	%	39.19	40.15	40.54	41.79
Percentage of new advanced technologies in total TPP capacity of the Group	%	12.99	13.84	19.23	23.54

To achieve the target indicators, the Group has prepared a Programme Implementation Plan. The Plan should be updated annually and shall include activities of the Group investment programme, R&D Programme, and the Energy Efficiency and Energy Savings Programme.

Results of implementation of the Innovative development programme for 2015.

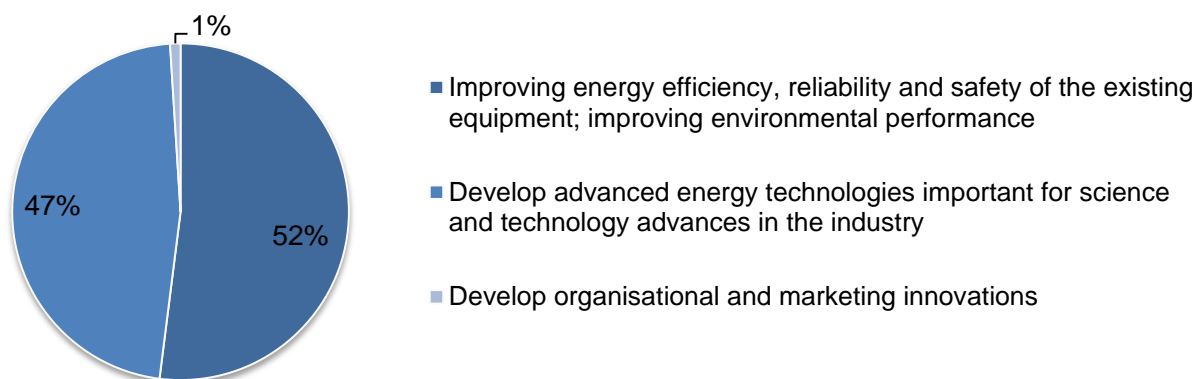
Research and development activities (R&D)

R&D activities are managed by the Fund Energy beyond borders (the Fund), established in 2011 to support research and development and innovation activities of the Group. In 2015, the Fund continued implementation of activities in the R&D Programme; these activities are consistent with the main trends in the development of scientific knowledge in the field of electricity and meet needs in studies of functions and subsidiaries of Inter RAO Group.

In 2015, R&D funding was RUB 187.4 mln. A major part of funding was utilised to improve the efficiency and reliability of the existing power-generating equipment of the Group (52%), and to develop advanced energy technologies important for science and technology advances in the industry (47%).

As part of the Innovative development programme and R&D Programme, the Group implemented 2015 activities in the following areas: improving energy efficiency and environmental compatibility, developing new technologies in production, introducing quality control systems, improving innovation management, developing cooperation with the subjects of the innovation environment, etc.

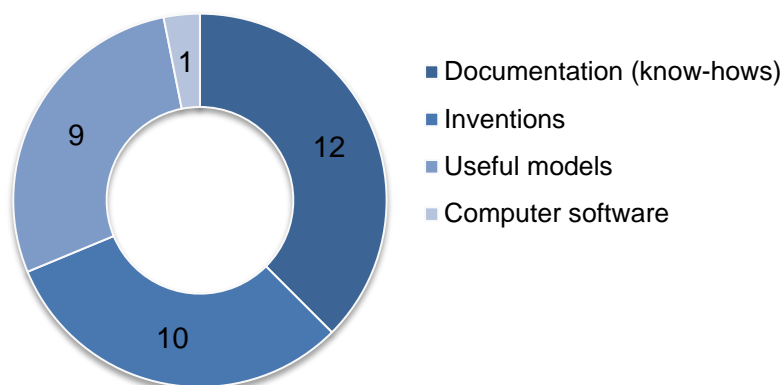
Figure 10 Improving the energy efficiency of existing equipment, its reliability and safety, and improving environmental performance is the main focus of R&D Programme funding in 2015



During 2015, funding through the relevant Federal Target Programmes (FTP) and State Programmes (SP) was largely utilised in the area of responsibility of the Russian Ministry of Energy, Ministry of Industrial Trade and Ministry of Education and Science of Russia. This allowed for improvement of the efficiency of spending allocated to the implementation of projects intended to create R&D deliverables.

The Fund paid much attention to development, design and use of intellectual property items (IPI), which are important indicators of innovation.

Figure 11 In 2015, the Fund obtained 32 IPIs, including, pcs:



Cooperation with small and medium-sized enterprises

Inter RAO Group cooperates with small and medium-sized enterprises in the following areas:

- Development and implementation of automated production control systems and automated information systems;
- Development and manufacture of new types of instruments and other power equipment;
- Introduction of specialised software systems and system integration services.

The Fund's collaboration with public and private development institutions directly working with innovative SMEs is an effective mechanism for systematic work with small and medium-sized companies. These development institutions at the federal level include:

- Skolkovo Foundation for Development of the Centre of Research and Commercialising of New Technologies (the Skolkovo Foundation);
- JSC Russian Venture Company;
- Agency for Strategic Initiatives;
- Russian Foundation for Technological Development;
- RUSNANO;
- Vnesheconombank and others.

In cooperation with the Fund for Infrastructure and Educational Programmes (Rusnano), the Centre for Innovative Energy Technologies, and NPO Saturn, PJSC Inter RAO implemented the project for creation of production technology for GTD-110M and GTE-110M with the use of nanotechnology in 2015.

In order for implementation as part of the Group's activities, the intellectual property items developed by the Fund, and to implement joint R&D projects, during the reporting period the Fund signed agreements on cooperation and strategic partnership with 16 organisations, including The Tomsk Region Administration, Coal Innovative Technologies, Kuzbass Technopark and others.

International cooperation

In 2015, Inter RAO Group continued R&D and innovation cooperation with international organisations, governmental and non-governmental organisations from different countries, and leading industrial and engineering companies.

As part of the establishment of multilateral economic cooperation within the BRICS, Inter RAO Group submitted its proposals for the Roadmap developed by the Russian section of the BRICS Contact Group on Economic and Trade Issues as relates to the following projects:

- Construction of coal-fired generating units of CHPP of 100-120 MW with highly improved technical and economic performance to replace the existing equipment or provide new construction;
- Development of an international centre for research and development in the energy industry on the basis of the Russian Fund Skolkovo using the infrastructure and tools of the Fund, whose task is to ensure sharing experiences in the field of energy and energy efficiency.

Given the current objectives and priorities of Russian cooperation with foreign countries, PJSC Inter RAO gave the Russian Ministry of Energy its proposal for electric power industry cooperation within the framework of the Intergovernmental Russian-Chinese Committee in respect to a working group to be involved in topical areas, including in the area of renewable energy sources (RES).

The area of RES technological development has a high priority, and therefore Inter RAO Group proposed the following questions for consideration:

- Development and implementation of highly efficient hybrid power plants with small distributed generation based on RES using electrochemical storage of electricity to power autonomous consumers and to work as part of the Smart grid;
- Development of technologies for high-speed processing of biomass into biomethane to generate heat and electricity in the context of growing requirements for environmental safety of organic waste.

6 Corporate governance



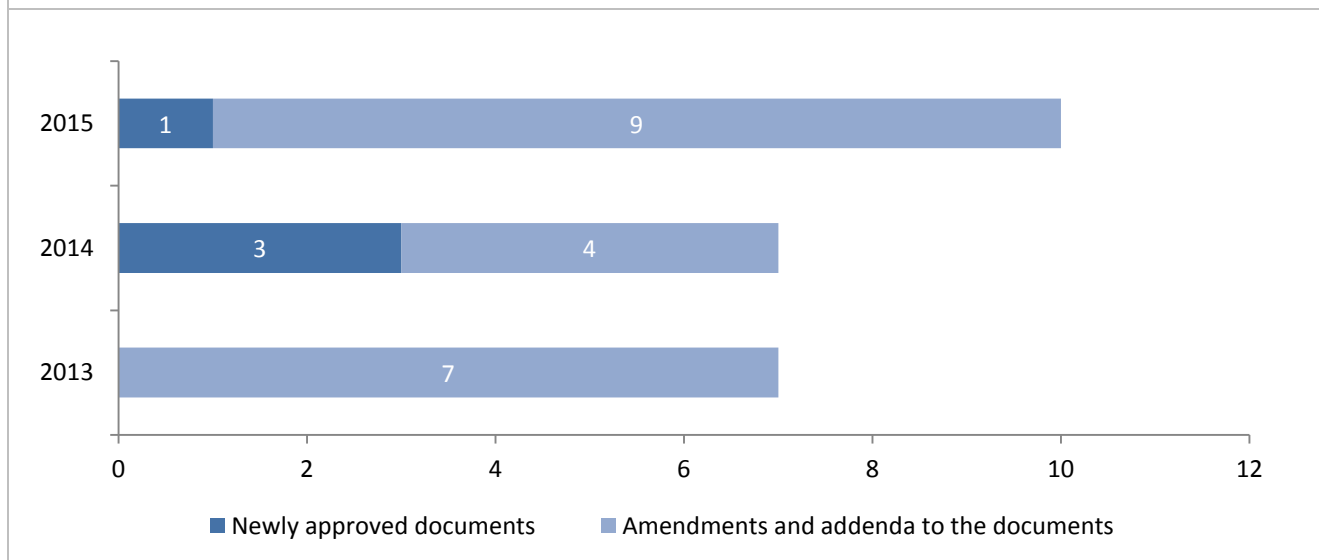
Based on 2015 results PJSC Inter RAO is in compliance with most corporate governance principles outlined in the Corporate Governance Code Compliance Report developed in accordance with the Bank of Russia's methodology. The Board of Directors confirms its intention to further improve the Company corporate governance system and proposes to learn more about effective corporate governance practices of PJSC Inter RAO described in the Report.

Chairman of the Board of Directors
Igor Sechin

6.1 Corporate Governance System

Inter RAO Group is governed by the requirements of applicable legislation, MICEX Listing Rules¹⁰¹, recommendations of the Corporate Governance Code¹⁰² (the Code), as well as international and national principles and best corporate governance practices. The Group strives to implement economically feasible, organisationally critical, and demanded changes in its corporate governance system in a timely manner and update its internal regulations.

Fig. 12 Internal regulations update is an integral part of the Group's efforts aimed at continuous improvement of its corporate governance system



The priority for the improvement of PJSC Inter RAO's corporate governance system in 2015 was the alignment of its practices and regulations with the trade organisers' listing rules and the Corporate Governance Code adopted by the Company as the document defining its corporate governance standards¹⁰³. In order to implement its Corporate Governance Code in 2015, the

¹⁰¹ Approved by the Resolution of MICEX Board of Directors dated August 28, 2015 (Minutes No. 27).

¹⁰² Recommended by Letter No. 06-52/2463 of the Bank of the Russia dated April 10, 2014 On the Code of Corporate Governance.

¹⁰³ Board of Directors' Resolution dated November 24, 2014 (Minutes No. 128 dated November 26, 2014).

Company developed and had its Board of Directors approve a Roadmap, action plan¹⁰⁴, documenting corrective action deadlines and responsible employees. The Roadmap involves alignment of internal regulations and corporate governance practices with the Code and full compliance with the Listing Rules by June 09, 2016.

As part of implementation of the Roadmap activities in 2015, a number of the Company's internal documents were updated and aligned with the changes in corporate governance within the Group. The new versions of the following regulations were adopted: Articles of Association, Regulations on the General Meeting of Shareholders, Regulations of the Board of Directors, Regulations on the Management Board, and Regulations of the Revision Commission.

Furthermore, the Board of Directors approved the Succession Plan for the Board of Directors and Management Board for 2015–2017, a new version of the Information Policy, Regulations on Information Communication to PJSC Inter RAO Shareholders, Regulations on the Human Resources and Remuneration Committee and Audit Committee.

Table 48. New, amended, and completed corporate governance documents in 2015.

Document title	Amendments and addenda adopted in 2015.
New documents	
REGULATIONS ON INFORMATION COMMUNICATION TO PJSC INTER RAO SHAREHOLDERS¹⁰⁵	The Regulations govern the rights of PJSC Inter RAO shareholders to receive information in accordance with legislation, effective court practices, and internal regulations.
Amended and complemented documents	
ARTICLES OF ASSOCIATION¹⁰⁶	This version takes into account amendments to legislation, Corporate Governance Code, and MICEX Listing Rules. In particular, the Company's form of incorporation which confirmed its public status; the scope of the authority of the Board of Directors was revised, including matters regulating the internal audit activity and procedure for material corporate actions, etc.
REGULATIONS ON THE GENERAL MEETING OF SHAREHOLDERS OF PJSC Inter RAO¹⁰⁷	It was aligned with legislative changes in the Russian Federation and recommendations of the Corporate Governance Code. In particular, the Regulations include a new article governing the procedure for and specific process for the Company's shareholders to submit proposals to the agenda item of the General Meeting of Shareholders regarding nomination of candidates to the Company's management and control bodies and requirements for the

¹⁰⁴ Approved by the Board of Directors' Resolution dated April 07, 2015 (Minutes No. 128 dated April 09, 2015), amendments approved by the Board of Directors' Resolution dated September 14, 2015 (Minutes No. 153 dated September 17, 2015).

¹⁰⁵ Approved by the Board of Directors' Resolution dated March 27, 2015 (Minutes No. 137 dated March 30, 2015).

¹⁰⁶ Current Articles of Association were approved on May 29, 2015 by the Annual General Meeting of Shareholders of PJSC Inter RAO (Minutes No. 15 dated June 01, 2015).

¹⁰⁷ The new version of the Regulations on the General Meeting of Shareholders was approved on May 29, 2015 by the Annual General Meeting of Shareholders of PJSC Inter RAO (Minutes No. 15 dated June 01, 2015).

Document title	Amendments and addenda adopted in 2015.
	<p>convocation of the General Meeting of Shareholders in accordance with applicable legislation of the Russian Federation.</p> <p>The Regulations also determines additional information to be specified in a General Meeting of Shareholders notice; additional information to be provided to the persons entitled to vote at the General Meeting of Shareholders depending on the materiality of a matter under review.</p>
<p>REGULATIONS ON THE BOARD OF DIRECTORS OF PJSC Inter RAO¹⁰⁸</p>	<p>This version takes into account amendments to legislation, Corporate Governance Code, and MICEX Listing Rules.</p> <p>In particular, independence criteria for Board members were amended, a list of matters to be considered at in presentio Board of Directors' meetings was complemented, the scope of responsibilities of Board of Directors' members was expanded, and the Board candidate questionnaire form was updated. The Regulations include notification forms of the convocation of the Board of Directors' meeting and consent of a candidate to be elected to the Board of Directors.</p>
<p>REGULATIONS ON THE MANAGEMENT BOARD OF PJSC Inter RAO¹⁰⁹</p>	<p>The regulations were aligned with the amendments to legislation, Company's Articles of Association, and internal documents. They also take into account the provisions of the Corporate Governance Code.</p> <p>In particular, the Regulations stipulated the responsibility to submit a questionnaire and a written consent of candidates to the Company's Management Board to be nominated and elected to the Management Board. The procedure for passing resolutions by the Board of Directors regarding the election of Management Board members and early termination of their authority was revised. Furthermore, the responsibilities of Management Board members were revised in terms of insider information handling and market manipulation as well as information confidentiality.</p>
<p>REGULATIONS ON THE REVISION COMMISSION OF PJSC Inter RAO¹¹⁰</p>	<p>They take into account legislative amendments and requirements of the Guidelines for the Development of Regulations on the Revision</p>

¹⁰⁸ The new version of the Regulations on the Board of Directors was approved on May 29, 2015 by the Annual General Meeting of Shareholders of PJSC Inter RAO (Minutes No. 15 dated June 01, 2015).

¹⁰⁹ The new version of the Regulations on the Management Board was approved on May 29, 2015 by the Annual General Meeting of Shareholders of PJSC Inter RAO (Minutes No. 15 dated June 01, 2015).

¹¹⁰ The new version of the Regulations on the Revision Commission was approved on May 29, 2015 by the Annual General Meeting of Shareholders of PJSC Inter RAO (Minutes No. 15 dated June 01, 2015).

Document title	Amendments and addenda adopted in 2015.
	<p>Commission of a Joint Stock Company with Russian Federation's Participatory Interest¹¹¹ and Practical Guidelines for the Development of the Regulations on Remuneration and Compensations to Revision Commission of a Joint Stock Company with Russian Federation's Participatory Interest¹¹².</p> <p>In particular, the procedure for election of the Revision Commission; authority of the Revision Commission; list of documents prepared by the Revision Commission based on inspection results. The new version also takes into account the requirements for the keeping of an inspection certification and opinion of the Revision Commission.</p> <p>In particular, the General Meeting of Shareholders is expected to pass a resolution not to pay out remuneration to Revision Commission members.</p>
<p>REGULATIONS ON THE PJSC Inter RAO HUMAN RESOURCES AND REMUNERATION COMMITTEE¹¹³</p>	<p>Aligned with the Corporate Governance Code. The main amendments to the previously approved document pertain to the expansion of the functions and competencies of the Board of Directors' Human Resources and Remuneration Committee, including the assessment of the Company's Board of Directors' members in view of their professionalism, experience, independence, and involvement in the Board of Directors' activity, determination of priorities for reinforced membership, determination of a self-assessment methodology for the Board of Directors and development of recommendations to the Board of Directors regarding the selection of an independent consultant to assess the Board of Directors' performance.</p>
<p>REGULATIONS ON THE PJSC Inter RAO AUDIT COMMITTEE¹¹⁴</p>	<p>Aligned with the Corporate Governance Code. The main amendments to the previously approved documents pertain to the expansion of the functions and competencies of the Board of Directors' Audit Committee pertaining to reliability control and assessment of the efficiency of risk management, internal control, and corporate governance systems. The Committee is responsible for the review of the significant aspects of the Company's accounting policy, control over compliance with the Company's</p>

¹¹¹ Approved by Order of the Russian Property Agency No. 350 dated September 16, 2014.

¹¹² Approved by Order of the Russian Property Agency No. 253 dated July 09, 2014.

¹¹³ Approved by the Board of Directors' Resolution dated September 14, 2015 (Minutes No. 153 dated September 17, 2015).

¹¹⁴ Approved by the Board of Directors' Resolution dated August 21, 2015 (Minutes No. 152 dated August 24, 2015).

Document title	Amendments and addenda adopted in 2015.
SUCCESSION PLAN FOR THE BOARD OF DIRECTORS AND MANAGEMENT BOARD of PJSC Inter RAO¹¹⁵	Information Policy Regulations and other competencies that enable the Committee to fulfil its task of supporting the Board of Directors' performance at PJSC Inter RAO. This Plan takes into account the requirements of the new MICEX Listing Rules. The key change in the Succession Plan is the section of the succession system for the Management Board. An updated Succession Plan for the period from 2015 to 2017 inclusive was developed to ensure succession and consistency of the Board of Directors. The Plan is also aimed at maintaining a balance between independence, qualifications, and experience of directors, while ensuring consistent renewal of the Board of Directors, including the rotation of independent directors. A Training and Development Programme for the Board of Directors and On-boarding Programme are separate sections of the document.
INFORMATION POLICY OF PJSC Inter RAO¹¹⁶	It takes into account the provisions of the Corporate Governance Code and amendments to the Company's internal documents. Control over the Company's Information Policy were revised as well as procedure for communicating information to the Company's executive bodies. The Policy includes requirements for the content and structure of the Company's Annual Report.



The Articles of Association and other internal regulations of the Company are available at <http://www.interrao.ru/investors/uprav/docs/>

In December 2015, PJSC Inter RAO's Board of Directors approved the Management Board's Report on Roadmap implementation¹¹⁷. All Roadmap activities planned for 2015 were considered implemented and the status and deadlines for the activities planned for 2016 were updated.

In 2016, the Company plans to continue aligning internal regulations and corporate governance practices with the MICEX Code and Listing Rules guided by the Roadmap.

The key events under the Roadmap to be implemented in 2016 are:

- elect at least one third of independent directors to the Board of Directors;
- form Audit Committee consisting of independent Board of Directors' members;
- form Human Resources and Remuneration Committee consisting of independent Board of Directors' members.

¹¹⁵ The Succession Plan for the Board of Directors and Management Board was approved by the Board of Directors' Resolution dated September 14, 2015 (Minutes No. 15 dated September 17, 2015).

¹¹⁶ The new version of the Information Policy was approved by the Board of Directors on November 26, 2015 (Minutes No. 157 dated November 30, 2015).

¹¹⁷ Minutes of the Board of Directors' Meeting No. 158 dated December 25, 2015.

6.2 Corporate Governance Model

The Corporate Governance Model at PJSC Inter RAO makes the Company compliant with the statutory requirements of the Russian Federation and MICEX Listing Rules. The model is oriented to high internationally recognised corporate governance and information disclosure standards and improves system efficiency and respect of the shareholders' interests. The model also implies the creation and maintenance of the risk and internal operational control systems, determines the scope of authority and responsibility of the Company's management bodies, and supports proper assessment of related responsibilities.

PJSC Inter RAO's Articles of Association stipulates the following main corporate governance and control bodies:

- General Meeting of Shareholders;
- Board of Directors;
- Management Board;
- Chairman of the Management Board;
- Revision Commission.

The General Meeting of Shareholders is committed to ensuring the shareholders' right to manage the Company.

The Board of Directors ensures strategic management, determines key principles and approaches to risk management and internal control system within the Company, controls the activity of the Company's executive bodies, controls implementation of the resolutions passed by the General Meeting of Shareholders in accordance with the Russian statutory requirements and has other key functions. There are three Board of Directors' Committees to develop professional recommendations and improve overall performance of the Company's Board of Directors:

- Audit Committee;
- Human Resources and Remuneration Committee;
- Strategy and Investment Committee.

The Audit Committee and Human Resources and Remuneration Committee include independent directors only. All Committees reports to the Company's Board of Directors and their membership is determined by the Board of Directors' resolution.

The Management Board is a collegial executive authority which governs the Company's day-to-day operations within the scope of authority determined by PJSC Inter RAO's Articles of Association, resolutions of the Company's General Meeting of Shareholders and Board of Directors.

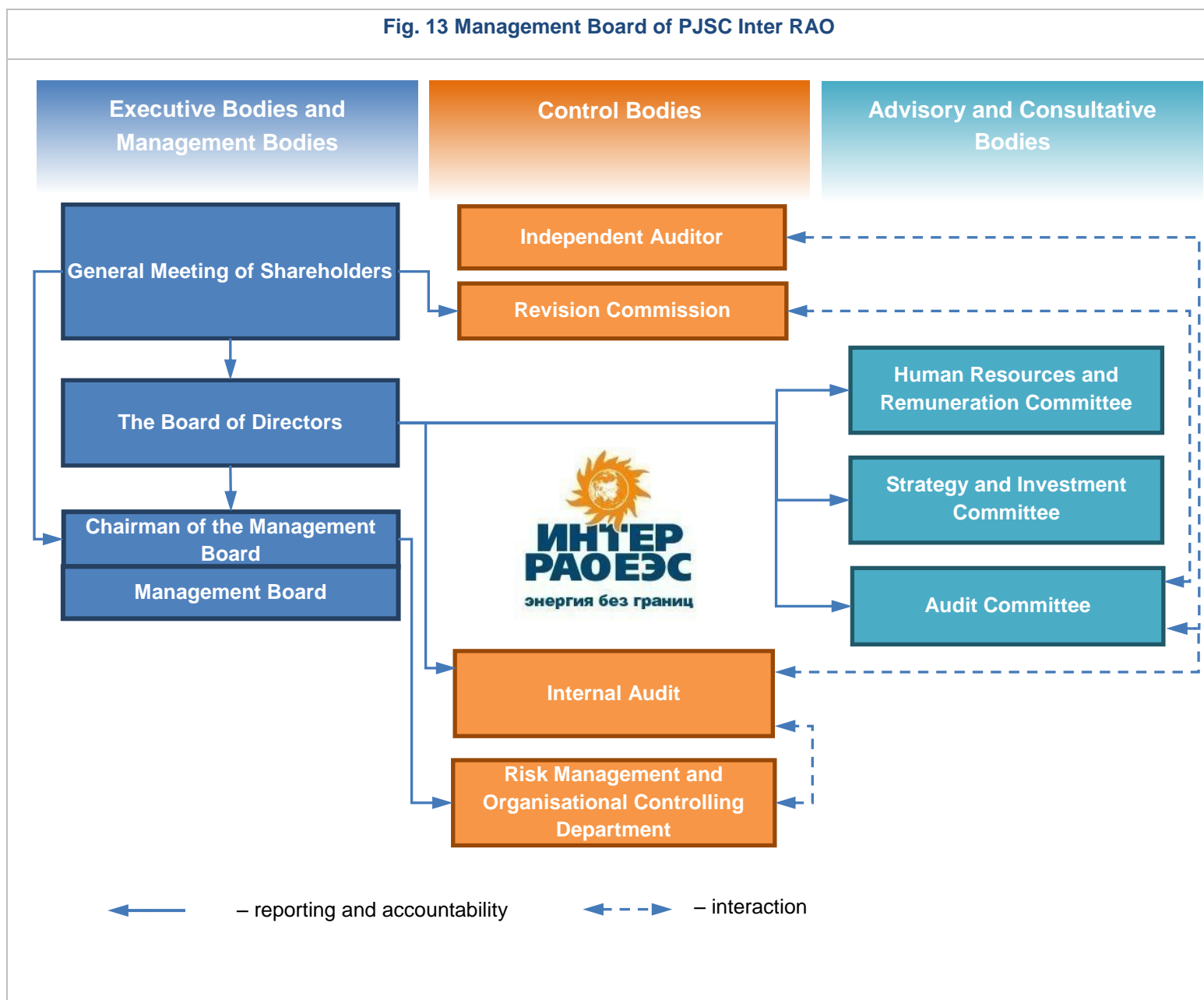
The Chairman of the Management Board organises the process, holds meetings, and performs other functions stipulated by the Regulations on the Management Board of PJSC Inter RAO¹¹⁸. The Chairman of the Management Board and the Management Board report to the Company's General Meeting of Shareholders and Board of Directors.

The Revision Committee of PJSC Inter RAO is a permanent internal control body responsible for regular control over the Company's and its management bodies' financial performance to make sure it meets the statutory regulations of the Russian Federation, as well as the Company's Articles

¹¹⁸ The new version of the Regulations on the Management Board was approved on May 29, 2015 by the Annual General Meeting of Shareholders of PJSC Inter RAO (Minutes No. 15 dated June 01, 2015).

of Association and internal documents. The Revision Commission is elected and reports to the General Meeting of Shareholders to benefit the Company's shareholders.

Fig. 13 Management Board of PJSC Inter RAO



PJSC Inter RAO 2015 Corporate Governance Assessment Report by the Internal Audit Business

During a meeting held on April 28, 2016 (Minutes No. 167 of May 04, 2016), the Board of Directors reviewed PJSC Inter RAO 2015 Corporate Governance Assessment Report by the Internal Audit Business.

Following the assessment, the auditor drew conclusion that the corporate governance at PJSC Inter RAO is highly elaborated, reliable, and effective, and is implemented on a regular basis in line

with the Company goals, targets, and functional areas, being developed in accordance with the goals and business requirement of the Company.

The Company continues the implementation of an Action Plan for corrective actions in corporate governance requirements that makes part of MICEX Listing Rules approved by the Company Board of Directors in 2014 (the Plan covers the years 2015-2016), as well as an Action Plan (Roadmap) for implementation of the Corporate Governance Code approved by the Board of Directors in April 2015.

Corporate governance within subsidiaries is implemented basing on their relevance and influence, and the Company provides special attention to the key subsidiaries and issues pertaining to their operation and governance.

The Company corporate governance has potential for further development, increasing its reliability and efficiency, and optimising the structure and functions of separate elements.

Recommendations of the Internal Audit Business on improvement of corporate governance

1. Investigate the possibility for the Company Board of Directors to review an item related to voting quasi treasury shares by subsidiary.
2. Assess potential impact on the Company for not having Corporate Secretary as defined in MICEX Listing Rules.
3. Review an item related to the development and approval of provision on corporate secretary, including functions stipulated by MICEX Listing Rules, and appoint the unit of the Company with the relevant functions responsible for the implementation of the provision.
4. Review an item related to the compliance of the list of the Board of Directors' Committees to the goals of the Board of Directors and targets of the Company by the Board of Directors.
5. Control the choice of an independent auditor when approving related-party transactions as required in accordance with legislation of the Russian Federation.
6. Ensure the split of executive and control functions when developing regulations to responsible employees on control over implementation, in order to avoid doubling of executive and control functions.
7. Assess potential impact should the Company Board of Directors' Committee fail to comply with the requirements with further appointment of an external expert, in accordance with MICEX Listing Rules.
8. Initiate a dedicated telephone line and e-mail (hot line) for shareholders, and a forum on the Company website in order to discuss agenda items of general meetings of shareholders.

PJSC Inter RAO Board of Directors reviewed and approved the Auditor's Report (Minutes No. 167 of May 04, 2016).

6.3 General Meeting of Shareholders

The General Meeting of Shareholders is the Company's supreme management body in accordance with PJSC Inter RAO's Articles of Association and Joint Stock Companies Federal Law. The scope of authority, timeframe, and procedure for preparation and holding of the General Meeting of Shareholders are determined by the Joint Stock Companies Federal Law and the Company's

Articles of Association and Regulations on the General Meeting of Shareholders of PJSC Inter RAO¹¹⁹.

The scope of authority of the General Meeting of Shareholders did not change in 2015. The shareholders' rights to participation in Company management were fully respected.

The Annual General Meeting of Shareholders is held annually as joint presence of the shareholders after preliminary provisions (distribution) of voting ballots prior to the Meeting.

Table 49. General Meeting of Shareholders in 2015.

Type of meeting (annual/extraordinary)	annual
Meeting date	May 29, 2015
Meeting format	meeting (joint presence)
Meeting venue	Conference hall of Radisson-Slavyanskaya Hotel, 2 Europe Square, Moscow
Minutes date and number	Minutes No. 15 dated June 01, 2015

The following agenda items were considered at the Annual General Meeting of Shareholders held on May 29, 2015:

- approval of the Company's Annual Report;
- approval of the annual statutory financial statements, including profit and loss statements (profit and loss accounts) of the Company;
- distribution of profit (including payout (announcement of dividends) and loss of PJSC Inter RAO based on the results of 2014 fiscal year;
- payout of remuneration to Board of Directors' members for the involvement in the Board of Directors in the amount stipulated by the Company's internal documents;
- payout of remuneration to the members of the Company's Revision Commission;
- election of members of the Company's Board of Directors;
- election of members of the Company's Revision Commission;
- election of a sole executive body of the Company;
- approval of the Company's auditor;
- approval of a new version of the Company's Articles of Association;
- approval of the Regulations on the Company's General Meeting of Shareholders;
- approval of a new version of the Regulations on the Board of Directors;
- approval of a new version of the Regulations on the Management Board;
- approval of a new version of the Regulations on the Revision Commission;
- determination of the fee for (value of) the services purchased by PJSC Inter RAO under the directors', executives', and companies' liability insurance agreement between PJSC Inter RAO and JSC SOGAZ;
- approval of related party transactions.

Shareholder Relations

PJSC Inter RAO shareholders: **354,732 shareholders**¹²⁰

¹¹⁹ The new version of the Regulations on the General Meeting of Shareholders was approved on May 29, 2015 by the Annual General Meeting of Shareholders of PJSC Inter RAO (Minutes No. 15 dated June 01, 2015).

PJSC Inter RAO Registrar: **JSC R.O.S.T. Registrar**¹²¹

PJSC Inter RAO is a major public joint stock company of Russia based on the number of minority shareholders with relations with such shareholders being the Company's main focus. The Company develops and implements corporate development action plans annually based on the shareholders' requests and questionnaires initiated by the Company.

The tasks and related activities to be implemented under the 2015 Programme¹²² were fully completed:

- the brokerage system is in place and applies to acquisition and sale of shares to individual shareholders by LLC Inter RAO Invest, licensed professional securities market participant belonging to Inter RAO Group;
- the Shareholder Information page on the Company's website was updated: Shareholder FAQ page is in place being updated as necessary, surveys and voting polls function properly;
- shareholders are provided with free services in the Shareholder's Personal Account on the Registrar's website;
- PJSC Inter RAO Shareholder Information Card describing the shareholders' rights and responsibilities and procedure for interaction with the Company and Company's Registrar was updated. Shareholder Information Cards are distributed among shareholders when they personally contact the Company, sent out to the shareholders with written answers to their questions, and handed out at General Meeting of Shareholders;
- PJSC Inter RAO Shareholder Information Cards were sent out to the shareholders by mail together with questionnaires of registered persons and other information materials;
- Information boards with the description of the rights and responsibilities of PJSC Inter RAO shareholders (for the employees of subsidiaries) and clients of PJSC Inter RAO's supply companies were updated.

One of the key efforts was further optimisation of interaction between a shareholder and the Registrar, in particular, the expansion of the functionality of the Shareholder's Personal Account online service. The Company considers the Shareholder's Personal Account as potentially one of the fastest and most reliable channels for interaction between its shareholders, the Company, and the Registrar. If the shareholders share this interest, the Company is willing to further expand the functions of this online tool. However, the trends in 2015 show low interest of the shareholders in the Shareholder's Personal Account so far.

Since minority shareholders did not request face-to-face meetings with the Group's representatives, a focus was on the development of alternative information communication channels. Throughout 2015, PJSC Inter RAO and JSC R.O.S.T. Registrars were distributing information materials for the Company's shareholders, including: Shareholder Information Cards revised in 2015, questionnaires of registered persons, information statements on the reform in RAO United Energy Systems, Registrar's tariffs, Registrar's contacts, and other information materials as were requested by the shareholders verbally and in writing. A focus on distributed materials was in the information on

¹²⁰ All persons with a positive balance in their personal accounts registered in PJSC Inter RAO's Shareholder Register as at December 31, 2015.

¹²¹ License from the Federal Commission for the Securities Market of the Russian Federation No.10-000-1-00264 dated December 03, 2002.

¹²² Approved at the Management Board's meeting dated December 25, 2014 (Minutes No. 537).

changes in the Company's form of incorporation, share conversion and the need to update the personal details for timely receipt of dividends.

A special focus was on shareholder feedback channels. We started a Survey and Voting section at the Company's website for our shareholders and other stakeholders to be able to answer the main questions pertaining to convenience of interacting with the Company, disclosed information quality and completeness and to receive feedback.



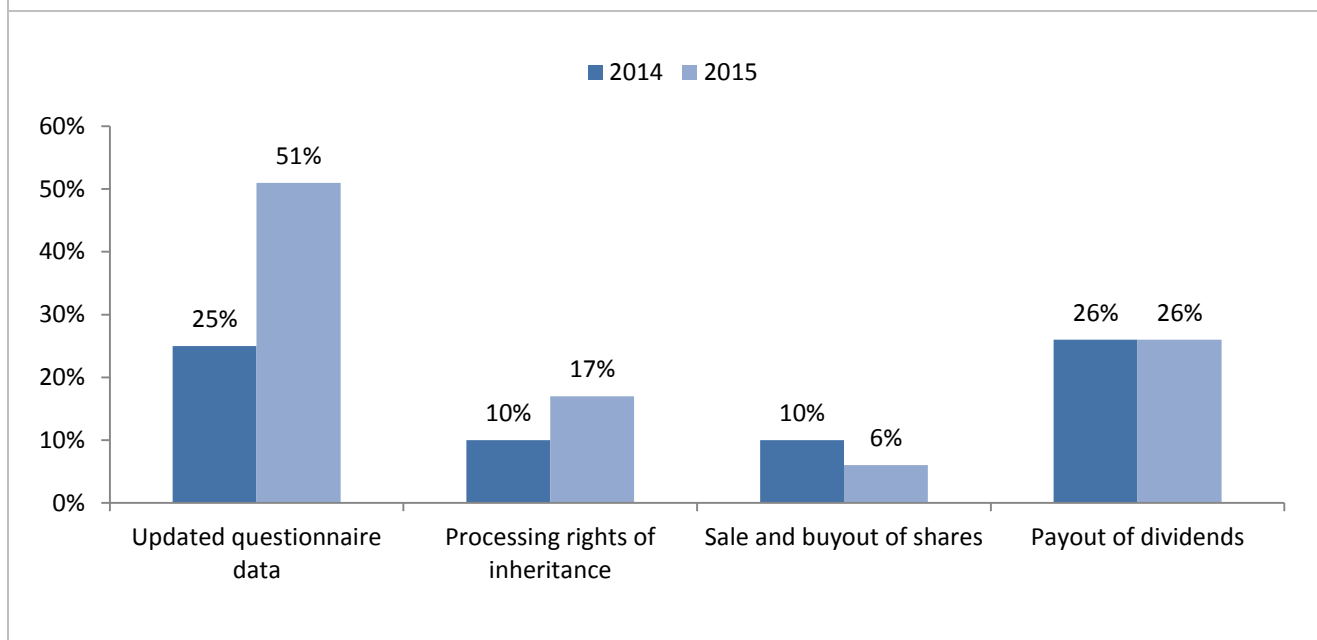
The Survey and Voting section *can be accessed at the Company's website at:*
<http://interrao.ru/investors/polls>

Table 50. External and Internal Channels of Communication with Shareholders

Communication Channel	Available Information
Shareholder Information Section http://www.interrao.ru/investors/info/ Feedback section at http://www.interrao.ru/investors/contacts/	Corporate Relations Department of the Corporate and Owner Relations Unit contact phone numbers and email. Advice for shareholders, forwarding requests to operating divisions of the Company.
Frequently Asked Questions subsection http://www.interrao.ru/company/FAQ/	Relevant answers to questions about PJSC Inter RAO, dividends, shares, corporate governance, and other topics.
PJSC Inter RAO Registrar Information section http://www.interrao.ru/investors/restrinfo/	The Registrar's valid licence information. The contact details of the Registrar, JSC Register R.O.S.T., its branches and transfer agents.
Survey and Voting section http://www.interrao.ru/investors/polls/	Convenience of interacting with the Company, disclosed information quality and completeness in feedback.
The Registrar's call centre for PJSC Inter RAO shareholders: Tel. 8-800-700-03-70 (toll free in Russia) E-Mail: InterRAO@rost.ru	Relevant information and advice to shareholders.
Corporate Publications	
Minority shareholders section in the Energy Beyond Borders newspaper and magazine	Outcomes of meetings with shareholders Answers to frequently asked questions Other information of interest to shareholders

The analysis of changes in the subjects of the Company's shareholders' requests at PJSC Inter RAO shows an almost doubled growth (in percent) of requests pertaining to the update of personal data and recording of information on dividend payout methods, including dividend transfer to the shareholders' bank accounts.

Fig. 14 Over 75% of all questions of interest to the shareholders in 2015 pertains to changes in personal details and dividend payout



Two key drivers of the shareholders' concern with personal details update:

- activities under the Corporate Development Action Plan aimed at promoting the need for personal details update;
- pay out of dividends by the Company based on 2014 results when some shareholders had to update their personal details.

6.4 The Board of Directors

The Board of Directors (BOD) is a collegial body ensuring overall governance of the Company's operations. The procedure for the Board of Directors' activity is governed by legislation of the Russian Federation and¹²³ internal regulations of the Company, including its Articles of Association, Regulations on the Board of Directors, and an annually approved Board of Directors' Activity Plan¹²⁴.



The Regulations on the Board of Directors of PJSC Inter RAO are available at the official website of PJSC Inter RAO:

http://www.interrao.ru/upload/docs/Положение_об_СД.pdf

The following agenda items without limitation were considered at the Board of Directors' meetings in 2015:

- Approval of the Business Plan Fulfilment Report of PJSC Inter RAO and Inter RAO Group for 2014¹²⁵, approval of the 2016 Business Plan¹²⁶;

¹²³ Joint Stock Companies Federal Law and other regulations.

¹²⁴ The Activity Plan for 2015 and 2016 was approved by the Board of Directors' Resolution dated June 30, 2015 (Minutes No. 117 dated July 03, 2015). The Board of Directors acknowledged the Board of Directors' Activity Plan for 2014 and 2015 in the same resolution.

¹²⁵ Board of Directors' Resolution dated April 07, 2015 (Minutes No. 138 dated April 09, 2015).

¹²⁶ Board of Directors' Resolution dated December 25, 2015 (Minutes No. 159 dated December 28, 2015).

- PJSC Inter RAO's Strategic Priority Implementation Report for 2014¹²⁷, strategic development priorities for 2016¹²⁸;
- Approval of the Annual KPI and CI Achievement Report of PJSC Inter RAO based on 2014 results¹²⁹, approval of KPI and CI targets for the Chairman and members of the Company's Management Board for 2016¹³⁰;
- Approval of a Risk Appetite, Critical Risk Map, and Critical Risk Management Action Plan of PJSC Inter RAO for 2016¹³¹;
- Development of an Action Plan (Roadmap) for implementation of the Corporate Governance Code in the Company's operations¹³², consideration of the Management Board's Roadmap Fulfilment Report¹³³;
- Creation of Internal Audit at PJSC Inter RAO¹³⁴;
- Consideration of the Report on implementation of the market capitalisation improvement programme of PJSC Inter RAO for 2014¹³⁵;
- Formation of the Board of Directors' Committees¹³⁶;
- Participation of PJSC Inter RAO in other organisations and determination of the Company's position with regard to the agenda items of the management bodies of Company-controlled legal entities which are significant for the Company's operations.

The procedure for nomination of candidates to the Board of Directors is regulated by the Joint Stock Companies Federal Law. Once candidates are nominated, the Human Resources and Remuneration Committee of the Board of Directors performs assessments to make sure they meet established criteria. The number of members of the Board of Directors of PJSC Inter RAO is determined by article 14.1 of the Company's Articles of Association as 11 members. The members of the Company's Board of Directors are elected on an annual basis at the General Meeting of Shareholders by cumulative voting.

On-Boarding Programme for new PJSC Inter RAO's Board of Directors' members

New members of the Company's Board of Directors complete the On-Boarding Programme within an established period of time. It includes meeting executive management and key Company employees to study materials and reports of PJSC Inter RAO's management on the key aspects of the Company's operations, including:

- Company's development strategies;
- Company's Information Policy;
- Company's corporate risk management system;
- Company's financial performance in the previous complete fiscal year;
- Company's investment activity;
- Company's corporate social responsibility;

¹²⁷ Board of Directors' Resolution dated April 30, 2015 (Minutes No. 140 dated May 05, 2015).

¹²⁸ Board of Directors' Resolution dated December 25, 2015 (Minutes No. 159 dated December 28, 2015).

¹²⁹ Board of Directors' Resolution dated April 30, 2015 (Minutes No. 140 dated May 05, 2015).

¹³⁰ Board of Directors' Resolution dated December 25, 2015 (Minutes No. 159 dated December 28, 2015).

¹³¹ Board of Directors' Resolution dated December 22, 2015 (Minutes No. 158 dated December 24, 2015).

¹³² Board of Directors' Resolution dated February 02, 2015 (Minutes No. 133 dated February 05, 2015).

¹³³ Board of Directors' Resolution dated December 22, 2015 (Minutes No. 158 dated December 24, 2015).

¹³⁴ Board of Directors' Resolution dated October 28, 2015 (Minutes No. 155 dated October 30, 2015).

¹³⁵ Board of Directors' Resolution dated June 30, 2015 (Minutes No. 147 dated July 03, 2015).

¹³⁶ Board of Directors' Resolution dated May 29, 2015 (Minutes No. 143 dated June 01, 2015).

- Company's innovation activity;
- Company's corporate governance system.

The meeting was held during the reporting year on June 23, 2015 for new members of the Board of Directors who were Anatoly Gavrilenko, Pavel Snikkars, and Nikolai Rogalyov.

PJSC Inter RAO continued to improve its corporate governance in 2015. In particular, the Company development and introduced in early 2016, a new module of Collegial Bodies' Documents for the automatic document management system (ADM) used to have all materials submitted to the Management Board and Board of Directors approved and instructions enforcement followed up.

This module will support an electronic decision-making process from a proposed agenda item to its archiving. After approval, materials automatically signed agenda forms, notices, and questionnaires. The module protects insider information as follows: an insider list is included in the approvers' list which prevents document endorsement by unauthorised persons. This module will simplify the approval and control procedure, reduce document approval timeframes, and minimise the risk of technical errors. It is planned to consider Module implementation for corporate procedures in subsidiaries in the future.

Furthermore, there are plans to develop new Rules of Procedure in 2016 to govern the business process of preparing materials to be considered by the Company's Management Board and the Board of Directors which involve expansion/update of the common formats for draft resolutions and summaries (including expansion of the sections pertaining to interconnected transactions, related-party transactions, major transactions, risks of passing/failure to pass resolutions) on the agenda items submitted for consideration by the Company's management bodies.

The Company also approved a new version of Insider List Handling Rules of PJSC Inter RAO and Insider List Handling Rules for controlled persons being important for PJSC Inter RAO's activities, and Rules for Handling PJSC Inter RAO' Control Person's Insider List as a corporate standard. The corporate standards were approved by PJSC Inter RAO's controlled entities. Harmonisation of the Group's activities is supported by corporate standards which are document templates containing common rules of conduct and regulations. It is recommended that Subsidiaries' managers approve the document or instructed to submit for consideration by the subsidiary to be approved. Every Company-controlled entity is expected to customise the document in accordance with the approved rules.

Another important tool that drives the Board of Directors' contribution to management process efficiency and successful solving of tasks and ensures better transparency of the Board of Directors' activity and accountability to stakeholders, is assessment of the Board of Directors' performance. At its meeting on March 16, 2015¹³⁷ the Board of Directors resolved to perform a self-assessment of the Board of Directors' performance in 2015. It was for the second time in the Company's history that such a self-assessment was conducted with the first procedure completed in 2014.

The self-assessment included the involvement of the Association of Independent Directors of Russia. The results of the self-assessment point to the high performance of the Board of Directors and reporting Committees with an average rating based on 126 questions in 13 sections being 4.3 out of 5. The average score improved by 8% year-over-year.

¹³⁷ Minutes No. 136 dated March 19, 2015.

Table 51. Results of Self-Assessment of Board of Directors Members of PJSC Inter RAO for 2015

Section of questions within the remote survey of Board of Directors' performance	Number of questions in 2015	Average rating	
		2015	2014
Key questions pertaining to Board of Directors' activity	9	4.5	4.5
Strategic planning	10	4.4	4.1
Risk management	8	4.2	4.1
Management of the Company's performance	7	4.4	4.2
Board of Directors' members	8	4.2	3.8
Efficiency of Board of Directors' meetings	10	4.5	4.4
Chairman of the Board of Directors	17	4.5	4.4
Independent directors	9	4.1	3.9
Non-executive directors	9	4.2	4
Corporate Secretary	6	4.4	4.3
Audit Committee	11	4.3	4.1
Strategy and Investment Committee	11	4.3	4.3
Human Resources and Remuneration Committee	11	4	3.7

At its meeting on June 16, 2015, the Company's Board of Directors considered the results of the completed self-assessment¹³⁸. The results showed that the Board of Directors have well-balanced membership, and directors contribute much of their time to the Board of Directors' activities, procedures are in place and well aligned. The Chairman of the Board of Directors sets transparency standards and fosters open and efficient discussions at all meetings.

Based on the assessment of the Board of Directors' performance, the Company holds trainings for the directors in accordance with the Training and Development Plan as part of the Succession Plan for the Board of Directors. The Training and Development Plan for 2015 and 2016 includes the following trainings:

- specialised Conflict Management Skills training for the Board of Directors' members;
- distribution to the Board of Directors' members of the Difficult Negotiations course materials;
- visits to the Company's main industrial sites;
- provision of a Board of Directors' member handbook¹³⁹;
- regular information distribution for the Board of Directors' members; and
- personal trainings.

The results of self-assessment of the Board of Directors' performance in 2015 formed the basis for the performance improvement recommendations developed by the Human Resources and

¹³⁸ Minutes No. 144 dated June 19, 2015.

¹³⁹ This clause takes effect immediately after the election of new Board of Directors' members at the Annual General Meeting of Shareholders in 2016.

Remuneration Committee to be taken into account when elaborating the Board of Directors' Activity Plan for the next corporate year (2016/2017). The Committee's recommendations in 2015¹⁴⁰:

- instruct Company management to consider the expediency of including the descriptions of the nature and scale of associated risks and risk mitigation approaches when submitting agenda items regarding priority strategic tasks and business plans;
- include in the Board of Directors' Training and Development Plan for the corporate year of 2016/2017 a specialised training on key challenges, dilemmas, and best practices for boards of directors in national and international companies;
- consider at the Board of Directors' meeting an agenda item involving the succession for Board of Directors' and Management Board's members as part of the Human Resources and Remuneration Committee's Report;
- use the case studies for succession best practices when preparing information for the Annual Report;
- consider holding a specialised workshop for the Human Resources and Remuneration Committee and functional management on succession development in the Company;
- consider engaging an external expert with special expertise in development, analysis, assessment, and audit of statutory financial statements;
- the Strategy and Investment Committee to be included in the 2016 agenda: an agenda item involving critical factors which may influence strategy and innovation policy implementation. Includes information on these factors considered in the Committee's regular performance report.

In 2015, PJSC Inter RAO's Board of Directors¹⁴¹ continued to test the status of the Board of Directors' members of meeting the independence criteria established by the Corporate Governance Code.



The MICEX Listing Rules are available at the official website page at:

<http://fs.moex.com/files/257>

In accordance with the independence criteria determined by the Bank of Russia in 2015, the Human Resources and Remuneration Committee performed a preliminary assessment of candidates to the Board of Directors to make sure they meet the independence criteria to consider this assessment by the Board of Directors when passing a resolution regarding formation of its Committees and determining the status of the Board of Directors' members¹⁴².

The following directors were recognised as Independent Directors based on the Board of Directors' Resolution dated May 29, 2015¹⁴³ as recommended by the Human Resources and Remuneration Committee: Anatoly Gavrilenko, Alexander Lokshin, Nikolai Rogalyov, Ronald James POLLETT, and Dmitry Shugaev. Based on the Resolution dated January 29, 2016¹⁴⁴, in relation to the sale of shares by a Company shareholder, the Board of Directors also recognised Andrey Bugrov an

¹⁴⁰ Minutes of the Meeting of the Board of Directors' Human Resources and Remuneration Committee No. 33 dated December 29, 2015.

¹⁴¹ Minutes No. 143 dated May 29, 2015 (joint attendance meeting).

¹⁴² Minutes No. 19 and 21 dated March 27, 2015 and April 13, 2015, respectively.

¹⁴³ Minutes No. 143 dated June 01, 2015.

¹⁴⁴ Minutes No. 160 dated February 01, 2016.

Independent Director during interim analysis of conformance of the Board of Directors' independent directors to independence criteria as recommended by the Human Resources and Remuneration Committee.

Members of the Board of Directors



Igor SECHIN

First elected to the Company's Board of Directors on October 23, 2008. Member of the Board of Directors until June 24, 2011. Re-elected to the Board of Directors on June 25, 2013.

Year of birth: 1960

Chairman of the Board of Directors of PJSC Inter RAO.

President, Chairman of the Management Board, Deputy Chairman of JSC Oil Company Rosneft.

Education and Experience

Graduated from Leningrad State University in 1984. Ph.D. in Economics.

Has extensive experience in management positions.

2000 to 2004 was Deputy Chief of Staff to the Presidential Executive Office; 2004 to 2008 was Deputy Chief of Staff to the Presidential Executive Office/Aide to the President of the Russian Federation.

2008 to 2011 headed the Board of Directors of PJSC Inter RAO.

2008 to 2012 – Deputy Chairman of the Government of the Russian Federation (Prime Minister).

May 2012 to date – President and Chairman of the Management Board of JSC NC Rosneft. Headed the Board of Directors of JSC Oil Company Rosneft from 2004 to 2011. In November 2012 was re-elected to the Board of Directors of JSC Oil Company Rosneft; since 2013 has also been Deputy Chairman of the Board of Directors of JSC Oil Company Rosneft.

Currently chairs the Board of Directors JSC ROSNEFTEGAZ (since 2012). Member of the Board of Directors of SARAS S.p.A., Pirelli & C. S.p.A. (Italy), Chairman of the Board of Directors of LLC National Oil Consortium (since 2009), CJSC SPIMEX (since 2014) and Chairman of the Supervisor Board of LLC CSKA Professional Hockey Club (since 2012).

Igor Sechin is a renowned expert in the electricity sector. In June 2012 by Decree of the President of the Russian Federation Igor Sechin was appointed Executive Secretary of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security.

Evaluation based on independence criteria

Igor Sechin is a non-executive director as he represents the interests of the Company's major shareholder (JSC ROSNEFTEGAZ) and represents the Russian Federation in the Company's Directors' Council.

Does not hold PJSC Inter RAO shares.



Dmitry Shugaev

First elected to the Company's Board of Directors on June 24, 2011

Year of birth: 1965

Deputy CEO of Russian Technologies State Corporation.

Chairman of the Human Resources and Remuneration Committee and Audit Committee of the Board of Directors of PJSC Inter RAO.

Education and Experience

In 1987 he graduated from the Moscow State Institute of International Relations of the Soviet Union Ministry of Foreign Affairs with a major in International Journalism. Ph.D. in Economics.

Has extensive management experience both in public service and in commercial organisations. After graduation, was employed in different commercial and government organisations.

From 2001 to 2008 – a consultant to the Deputy CEO; Assistant to the First Deputy CEO; and Head of the CEO Office of Rosoboronexport Federal State Unitary Enterprise

From 2008 to 2009 – Head of the CEO Office of Russian Technologies State Corporation.

Since 2009 – Deputy CEO of Russian Technologies State Corporation.

Chairman of the board of the directors in TVK Russia. Deputy Chairman of the Supervisory Board in National Aviaconstruction Centre, member of the Board of Directors of JSC International Airport Ramenskoye and JSC Rosoboronexport.

Awarded the Order of Honour, Order for Merit to the Fatherland, 2nd Class, medal, and holds other official awards.

Evaluation based on independence criteria

Independent Director. Dmitry Shugaev is Deputy CEO of Russian Technologies State Corporation, company controlled by the Russian Federation. Was nominated to the Board of Directors of PJSC Inter RAO (with the Russian Federation controlling over 20% of the authorised capital/voting shares), therefore technically, he can be considered a person related to the state. Meanwhile, Dmitry Shugaev was not nominated to be elected to the Board of Directors of PJSC Inter RAO by the Russian Federation or a municipal entity and does not vote on any written directives. Furthermore, despite his management authority and his being a member of the executive body of a state corporation, his previous experience in the Board of Directors of PJSC Inter RAO and his voting at its meetings proves that Shugaev's position on agenda items is independent.

Dmitry Shugaev's status as an independent director was determined by the Board of Directors' Resolution dated May 29, 2015¹⁴⁵ and confirmed by the Resolution dated January 29, 2016¹⁴⁶.

Does not hold PJSC Inter RAO shares.

¹⁴⁵ Minutes No. 143 dated June 01, 2015.

¹⁴⁶ Minutes No. 160 dated February 01, 2016.



Andrey BUGROV

First elected to the Company's Board of Directors on May 25, 2014,

Year of birth: 1952

Member of the Management Board, Deputy Chairman of the Board of Directors, and Vice President at PJSC Mining and Metallurgical Company Norilsk Nickel. Vice President of LLC Holding Company INTERROS.

Education and Experience

In 1974 graduated from the Moscow State Institute of International Relations of the Ministry of Foreign Affairs of Russia with a major in International Economic Relations. Ph.D. in Economics.

In 1977 – 1991 worked in at the Ministry of Foreign Affairs of the Soviet Union.

In 1991–1993 – European Bank for Reconstruction and Development, Advisor to the president.

1993–2002 – Executive Director representing the Russian Federation in the World Bank Group: International Bank for Reconstruction and Development, International Finance Corporation, and Multilateral Investment Guarantee Agency.

In 2002–2013 – Managing Director, Deputy General Director of LLC INTERROS Holding Company.

From 2006 to date – member of the Management Board and since 2013 – Vice President of the Russian Union of Industrialists and Entrepreneurs.

From 2007 to 2009 Andrey Bugrov was a member of the Board of Managers of International Sustainable Energy Development Centre Autonomous Non-Profit Company and from 2013 to 2014 was member of the Board of Directors of JSC RusHydro. Since 2015 – member of the Strategy and Investment Committee of the Board of Directors of JSC RusHydro.

From 2002 to 2009 Andrey Bugrov was member of the Board of Directors of ROSBANK Joint Stock Commercial Bank (Joint Stock Company)

From 2013 to 2014 was member of the Board of Directors of JSC RusHydro. Currently, Andrey Bugrov is Deputy Chairman of the Board of Directors, member of the Management Board, and Vice President at PJSC Mining and Metallurgical Company Norilsk Nickel.

Evaluation based on independence criteria

Independent Director. Due to the reduction of the participatory interest of PJSC Mining and Metallurgical Company Norilsk Nickel in the Company's authorised capital, the official basis for recognising PJSC Mining and Metallurgical Company Norilsk Nickel as a Company major shareholder was terminated. Therefore, Andrey Bugrov is not considered a person related to a Company major shareholder.

His status as an independent director was determined by the Board of Directors' Resolution dated January 29, 2016¹⁴⁷.

Does not hold PJSC Inter RAO shares.

¹⁴⁷ Minutes No. 160 dated February 01, 2016.



Anatoly GAVRILENKO

First elected to the Company's Board of Directors on May 29, 2015.

Year of birth: 1972

General Director of Leader CJSC.

Chairman of the Strategy and Investment Committee of the Board of Directors of PJSC Inter RAO.

Education and Experience

Graduated from Moscow State University in 1995 majoring in Economic cybernetics. Graduated from Moscow State University in 2001 with a major in

Law.

From 1995 to 2001 – CEO of CJSC Alor Invest.

From 2001 to 2004 – CEO at PMC Agana. Since 2004 he has been CEO of Leader CJSC.

He is a recognised expert in the stock exchange market. Anatoly Gavrilenko's responsibilities as a company manager include trust management of pension funds, pension savings, insurance companies, venture investment, personal trust management, asset management, investment in public private partnership projects.

Is a member of the Boards of Directors of the following large public companies, including: PJSC Mosenergo, PJSC MOESK; Bank GPB (JSC); JSC GAZ-Service; JSC GAZ-Tek; JSC GAZCOM; and JSC Glavnaya Doroga.

Evaluation based on independence criteria

Independent Director. Anatoly Gavrilenko is a member of the Board of Directors of Gazprombank (Joint Stock Company), a significant contractor of PJSC Inter RAO and CEO and member of the Board of Directors of Leader CJSC which shareholders include Gazprombank (Joint Stock Company) and its affiliate PJSC Gazprom. However, Gazprombank (Joint Stock Company) does not influence the decisions made by the Company or the operations or financials of PJSC Inter RAO. PJSC Inter RAO and Gazprombank (Joint Stock Company) cooperate on contractual arm's-length conditions.

Anatoly Gavrilenko's status as an independent director was determined by the Board of Directors' Resolution dated May 29, 2015¹⁴⁸ and confirmed by the Resolution dated January 29, 2016¹⁴⁹.

Does not hold PJSC Inter RAO shares.

¹⁴⁸ Minutes No. 143 dated June 01, 2015.

¹⁴⁹ Minutes No. 160 dated February 01, 2016.



Boris KOVALCHUK

First elected to the Company's Board of Directors on June 25, 2009.

Year of birth: 1977

Chairman of the Management Board of PJSC Inter RAO.

Education and Experience

In 1999, graduated from St. Petersburg State University with a degree in Law. Was a legal advisor to Granit Research Centre Federal State Unitary Enterprise (FSUE) from 1999 to 2006.

From 2009 Boris Kovalchuk was acting Chairman of the Management Board and since 2010 has chaired the Management Board of PJSC Inter RAO also being a member of the Company's Board of Directors.

Office Assistant to First Deputy Chairman of the Russian Government and Director of the Department of National Priority Projects of the Russian Government in 2006–2009.

In 2009, he was Deputy Director General for Development of the State Atomic Energy Corporation Rosatom.

Boris Kovalchuk heads JSC Kambaratinskaya HPP-1. Member of the Board of Directors of the following large public energy companies: PJSC FGC UES and PJSC Inter RAO.

Previously, he took the position of the Chairman of the Board of Directors of JSC Tambov Energy Supply Company and was member of the Board of Directors of the following large publicly traded energy companies: JSC Saratovenergo, PJSC RusHydro, JSC OGC-1, JSC OGC-3, JSC Mosenergosbyt, and JSC Irkutskenergo.

Since 2010 he has been a member of the Management Board of the Russian National Association of Employers Russian Union of Industrialists and Entrepreneurs and the Russian National Public Organisation Russian Union of Industrialists and Entrepreneurs.

Holds the honorary title of Honoured Power Engineer. Awarded a commemorative Medal and Order of Friendship "For Great Contribution to the Preparation and Conduct of the XXII Olympic Winter Games and the XI Paralympic Winter Games 2014 in Sochi".

Evaluation based on independence criteria

Being the Chairman of the Management Board of PJSC Inter RAO, is an executive director.

Participatory interest in the issuer's authorised capital, %: **0.0023**

Issuer's ordinary shares held, %: **0.0023**



Alexander LOKSHIN

First elected to the Company's Board of Directors on June 25, 2010.

Year of birth: 1957

Management Board member, First Deputy Director General for Operations Management of the State Atomic Energy Corporation Rosatom.

Chairman of the Strategy and Investment Committee of the Board of

Directors of PJSC Inter RAO.

Education and Experience

In 1980, he graduated from Kalinin Leningrad Polytechnic Institute (currently St. Petersburg State Polytechnical University) with a degree in Thermal Physics. Was member of the Presidential programme at the Academy of National Economy under the Government of the Russian Federation.

Alexander Lokshin has been fully committed to working in the nuclear power sector since 1980. In 1980, he was appointed to the position of Engineer at Smolensk Nuclear Power Plant where he held various positions until he was transferred to Concern Rosenergoatom in 1996. His last position at Smolensk Nuclear Power Plant was Shift Supervisor of the First Stage Power Plant. From 1996 to 2008, he held various positions at Concern Rosenergoatom, including Director of Smolensk Nuclear Power Plant, Concern Rosenergoatom Branch, First Deputy General Director and Acting General Director of Concern Rosenergoatom. In 2008, he joined State Atomic Energy Corporation Rosatom.

From June 2008 to January 2010 – Deputy General Director of State Atomic Energy Corporation Rosatom. Since February 2010 – Deputy General Director/Director of the Nuclear Park Directorate of State Atomic Energy Corporation Rosatom. From April 2011 to November 2012 – First Deputy General Director/Director of the Nuclear Park Directorate.

Since November 2012 – First Deputy General Director for Operations Management.

He is a recognised expert in the nuclear power sector. Honorary Power Engineer of the Russian Federation.

Evaluation based on independence criteria

Independent Director. Alexander Lokshin is an employee with management authority and a member of the collegial executive body (Management Board) of State Atomic Energy Corporation Rosatom, a company controlled by the Russian Federation, and was elected to the Board of Directors of PJSC Inter RAO (with the Russian Federation controlling over 20% of the authorised capital/voting shares). Alexander Lokshin is also a member of the Board of Directors of TVEL, Atomredmetzoloto, and Concern Rosenergoatom, companies affiliated with State Atomic Energy Corporation Rosatom. However, Alexander Lokshin was not nominated to be elected to the Board of Directors of PJSC Inter RAO by the Russian Federation or a municipal entity and does not vote on any written directives. Furthermore, despite his management authority and being a member of the executive body of a state corporation, his previous experience in the Board of Directors of PJSC Inter RAO and his voting at its meetings proves that Alexander Lokshin's position on agenda items is independent.

Alexander Lokshin is a recognised expert in electric energy and votes on all agenda items solely based on his professional skills and expertise.

His status as an independent director was determined by the Board of Directors' Resolution dated May 29, 2015¹⁵⁰ and confirmed by the Resolution dated January 29, 2016¹⁵¹.

Does not hold PJSC Inter RAO shares.

¹⁵⁰ Minutes No. 143 dated June 01, 2015.

¹⁵¹ Minutes No. 160 dated February 01, 2016.



Andrey MUROV

First elected to the Company's Board of Directors on May 25, 2014,

Year of birth: 1970

Chairman of the Management Board of PJSC FGC UES.

Education and Experience

In 1993, he graduated from the Law Department of St. Petersburg State University with a degree in Legal Science. In 1998 had a professional retraining course Financial Management at the Interindustry Institute of Professional Development and Retraining for Managers. Has a Doctor's

degree in Economics.

In 2009 graduated from the St. Petersburg State University of Civil Aviation with a major in Organisation of Logistics and Transport Management (Aircraft).

From January 2012 to June 2012 Andrey Murov was Deputy General Director of JSC Holding MRSK. From July 2012 to June 2013 was Executive Director of JSC Holding MRSK.

In July 2012 took the position of the First Deputy Chairman of the Management Board at PJSC FGC UES. On September 11, 2012 was elected a member of the Management Board of PJSC FGC UES based on the Resolution of the Board of Directors of PJSC FGC UES. On November 11, 2013 was elected Chairman of the Management Board of PJSC FGC UES.

From 1993 to 1996 he worked at the St. Petersburg City Bar Association.

Andrey Murov took the position of the Acting CEO at JSC Holding MRSK, Executive Director of PJSC Russian Grids, member of the Board of Directors of JSC Kubanenergo, JSC MRSK Centre, JSC MOESK, JSC Lenenergo, JSC MRSK Volga, and JSC MRSK Urals.

Currently Andrey Murov is a member of the Board of Directors of PJSC Inter RAO, PJSC FGC UES, PJSC Russian Grids, and JSC SO UES. Chairs NP Russian National Committee of International Council on Large Electric Systems (RNC ICLES).

Andrey Murov was awarded a medal of the "For Merit to the Fatherland Order", class II and *Order of Honour*. He has certificates and merits and citations from the Governor and Administration of St. Petersburg. An honorary employee of the transport of Russia.

Evaluation based on independence criteria

Being related to a Company major shareholder and state, is a non-executive director. Andrey Murov is a sole executive body of a Company major shareholder (PJSC FGC UES), a company controlled by the Russian Federation, and was elected to the Board of Directors of PJSC Inter RAO (with the Russian Federation controlling over 20% of the authorised capital/voting shares).

Does not hold PJSC Inter RAO shares.



Ronald James POLLETT

First elected to the Company's Board of Directors on June 25, 2013.

Year of birth: 1969

GE's Vice President, President and Chief Executive Officer of GE Russia/CIS.

Member of the Audit Committee and Human Resources and Remuneration Committee of the Board of Directors of PJSC Inter RAO.

Education and Experience

In 1991, Ronald Pollett graduated cum laude from Colgate University (New York) with a degree in Sovietology. Ronald Pollett started his career in 1991 as a Financial Analyst at the Investment and Banking Division of Kidder, Peabody & Co in New York.

In 1993, he joined General Domestic Appliances (GDA), a joint venture between GE and GEC in Great Britain as Director for the JV in the CIS based in Donetsk (Ukraine).

In 1996, he was transferred to the position of the Director for Business Development in GE Lighting Europe. His responsibilities included implementation of strategic tasks and full-fledged support of the company's operations in Eastern Europe.

In September 1998, Ronald Pollett was appointed Head of GE Representative Office in Russia, Belarus and Ukraine and in 2001 was appointed Head of GE in Russia and the CIS.

From 2008 to 2015 – President and Chief Executive Officer of GE Russia/CIS. From 2015 to date – GE's Vice President, President and Chief Executive Officer of GE Russia/CIS.

Since 2007, Ronald Pollett has chaired the Board of Directors at AmCham (American Chamber of Commerce) in Russia.

Evaluation based on independence criteria

Independent Director. The Company recognises that the business relations between the Group and General Electric do not fall within the scope of the materiality criteria. Moreover, there are no grounds to believe that Ronald Pollett's position on the matters within the scope of authority of the Board of Directors is not independent or that he acts in the interests of a shareholder (shareholder group) or any specific stakeholders.

His status as an independent director was determined by the Board of Directors' Resolution dated May 29, 2015¹⁵² and confirmed by the Resolution dated January 29, 2016¹⁵³.

Does not hold PJSC Inter RAO shares.

¹⁵² Minutes No. 143 dated June 01, 2015.

¹⁵³ Minutes No. 160 dated February 01, 2016.



Nikolai ROGALYOV

First elected to the Company's Board of Directors on May 29, 2015.

Year of birth: 1962

Chancellor of the Moscow Power Engineering Institute (MPEI), national research university.

Member of the Audit Committee of the Board of Directors of PJSC Inter RAO.

Education and Experience

In 1985, graduated from the Thermal Energy Department of the Moscow Power Engineering Institute (MPEI) with a major in Combined Heat and Power Plants. In 1988, completed post-graduate studies at MPEI.

Doctor of Science (Energy, 1999); Professor (Economics and Management, 2005); laureate of the Russian Government Award in Education (2011) and in Science and Engineering (2008). From 2000 to 2001, professor and since 2001 – professor and Head of Chair at the Industrial Economics and Enterprise Organisation Department at MPEI.

Nikolai Rogalyov expertly combines his research with his management responsibilities. From 1991 to 2013, he held the following positions: CEO of Friendship, Russian and Chinese technical Park; CEO of the MPEI Science Park; Deputy CEO for Innovation Development at LLC Gas Energy Company (GEC) and LLC Gazprom Energoholding; First Deputy CEO at Eskotek Holding (Energy efficiency and Energy Conservation); Deputy Managing Director for Science and Innovations of the Foundation Energy without Borders at PJSC Inter RAO.

In March 2013, Nikolai Rogalyov was appointed Chancellor of the Moscow Power Engineering Institute based on an order of the Ministry of Education and Science of the Russian Federation.

Since 2013, he has been a member of the Strategy Committee and PR, GR, and Information Policy Committee of PJSC Russian Grids. Since 2011 – Director of Environmentally Clean and Efficient Heat Generation, technology platform, since 2008 – member of the science and technical councils at Gazprom Energoholding, Inter RAO, MPEI, All-Russia Thermal Engineering Institute, CJSC ESCo Tek, member of consultative groups on new materials and energy technologies at Skolkovo Institute of Science and Technology (Skoltech), and member of the specialised doctoral thesis council at MPEI.

Outstanding Soviet and Russian energy scientist. Member of Chernobyl disaster response team (1986), received a letter of acknowledgement from the Ministry of Energy and Electrification (1986). Awarded Nikolai Rerikh For Environmental Achievements medal by the International Academy of Sciences of Ecology, Safety of Man and Nature (2011), received a Russian Government award in science and engineering (2008), and For Valorous Labour medal from the Moscow Government (2006). Honorary employee of the Ministry of Energy of the Russian Federation (2005), has a Certificate of Merit from the Ministry of Energy of the Russian Federation (2000).

Evaluation based on independence criteria

Independent Director. Nikolai Rogalyov is the Chancellor of a national university, Moscow Power Engineering Institute (MPEI). However, he was not nominated to be elected to the Board of Directors of PJSC Inter RAO by the Russian Federation or a municipal entity and does not vote on any written directives.

His status as an independent director was determined by the Board of Directors' Resolution dated May 29, 2015¹⁵⁴ and confirmed by the Resolution dated January 29, 2016¹⁵⁵.

Does not hold PJSC Inter RAO shares.



Pavel SNIKKARS

First elected to the Company's Board of Directors on May 29, 2015.

Year of birth: 1978

Director of Electric Energy Development Department with the Ministry of Energy of the Russian Federation.

Education and Experience

Graduated from the Siberian Public Administration Academy with a major in Government and Municipal Management in 2000 and from the Siberian University of Consumer Cooperation with a major in Law in 2005. Ph.D. in Economics.

He has extensive experience in the public and private energy sectors. In 2000, started his career as a legal counsel at JSC Novosibirsk Mill 1. Since 2005, held different management positions in large energy companies and infrastructure organisations.

From 2008 to 2010, Director for Wholesale Energy Market Operations and Commerce Director at JSC Management Company Sibirenergo. In 2010, Pavel Snikkars joined United Energy Sales Company at the position of Deputy CEO for Development and then Deputy CEO for Market Operations (until 2012).

From 2012 to 2013, member of the Management Board of NP Market Council.

In 2013, appointed to the position of the Director of Electric Energy Development Department with the Ministry of Energy of the Russian Federation.

Member of the Board of Directors of the following large publicly traded energy companies: PJSC Lenenergo and PJSC Tomsk Distributing Company. Member of the committed in the following energy companies: member of the Strategy and Development Committee at JSC MESK, member of the Strategy Committee and Investment Committee of PJSC RusHydro, member of the Strategy Committee and Investment Committee of PJSC FGC UES, member of the Strategy Committee and Investment, Technical Policy, Reliability, Energy Efficiency, and Innovations Committee of PJSC Russian Grids, member of the Strategy Committee of PJSC MRSK Siberia. Chairs the Board of Directors of JSC Financial Settlements Centre, member of the Board of Directors of JSC Technical Inspection UES, member of the Board of Directors of JSC ENERGOSETPROJEKT Institute, and member of the Board of Directors at JSC MRSK Urals.

Evaluation based on independence criteria

Being related to the state and a Company major shareholder, is a non-executive director. Pavel Snikkars is a public officer: he takes the position of the Director of Electric Energy Development Department with the Ministry of Energy of the Russian Federation.

¹⁵⁴ Minutes No. 143 dated June 01, 2015.

¹⁵⁵ Minutes No. 160 dated February 01, 2016.

Furthermore, Pavel Snikkars is a member of the Board of Directors of JSC Financial Settlements Centre, significant contractor for PJSC Inter RAO.

Does not hold PJSC Inter RAO shares.



Denis FEDOROV

First elected to the Company's Board of Directors on June 24, 2011

Year of birth: 1978

Head of the Directorate for Power Sector Development and Thermal Generation, Gas and Liquid Hydrocarbons Marketing and Processing Department of Gazprom.

Member of the Audit Committee of the Board of Directors of PJSC Inter RAO.

Education and Experience

In 2001, Denis Fedorov graduated from Bauman Moscow State Technical University qualified as an Economist Manager in 2003, he graduated from the Moscow Power Engineering Institute (Technical University) after his post-graduate studies in two majors: Economics and Industrial Heat Power Engineering. Ph.D. in Economics. In 2003, Denis Fedorov was recognised as the Young Russian Scientist of the Year in Physics and Mathematics. He is the author of 15 published research papers and two monographs.

From 2003 to 2006 he headed the Department of Investment Technologies and Process Projects in EuroSibEnerg-Engineering and Investment Department of Corporation Gazenergom.

From 2001 to 2003 worked in RAO United Energy Systems of Russia and then in CJSC SPIC Turbocon. From 2006 to 2008 – CEO of JSC Mezhtregionenergostroy. Is General Director of LLC Gazprom Energoholding, General Director and member of the Board of Directors at PJSC Tsentrenergoholding, chairs the Board of Directors at JSC Tyumen Power Supply Company, is a member of the Board of Directors at LLC Heat Sales Company and LLC GEH-Engineering. Denis Fedorov is a member of the Supervisory Board of Council of Energy Producers Non-Profit Partnership and Centre for Innovative and Energy Technologies Non-Profit Partnership.

Is a member of the Boards of Directors of the following energy companies, including: PJSC Inter RAO, PJSC OGC-2, PJSC MESK, and JSC TGC-1.

Evaluation based on independence criteria

Being related to a Company major contractor and competitor, is a non-executive director. Denis Fedorov is a sole executive body (General Director) of LLC Gazprom Energoholding, competitor of PJSC Inter RAO. Furthermore, he is employed by PJSC Gazprom, legal entity controlling a Company major contractor (JSC Gazprom Energopremont, previously, JSC Mezhtregionenergostroy).

Does not hold PJSC Inter RAO shares.

In 2015, the members of the Board of Directors concluded no transactions with the shares of PJSC Inter RAO, while Boris Kovalchuk, a member of the Board of Directors and Chairman of the Management Board, changed his participatory interest in the Company's authorised

capital from 0.0000% to 0.0023% on the conditions of the Company's Options Programme.

Changes in the Board of Directors in 2015

The Annual General Meeting of Shareholders of PJSC Inter RAO was held on May 25, 2015 and new members were elected to the Board of Directors. The following members were not re-elected to the Board of Directors:

1. Oleg Budargin;
2. Vladimir Dmitriev;
3. Vyacheslav Kravchenko.

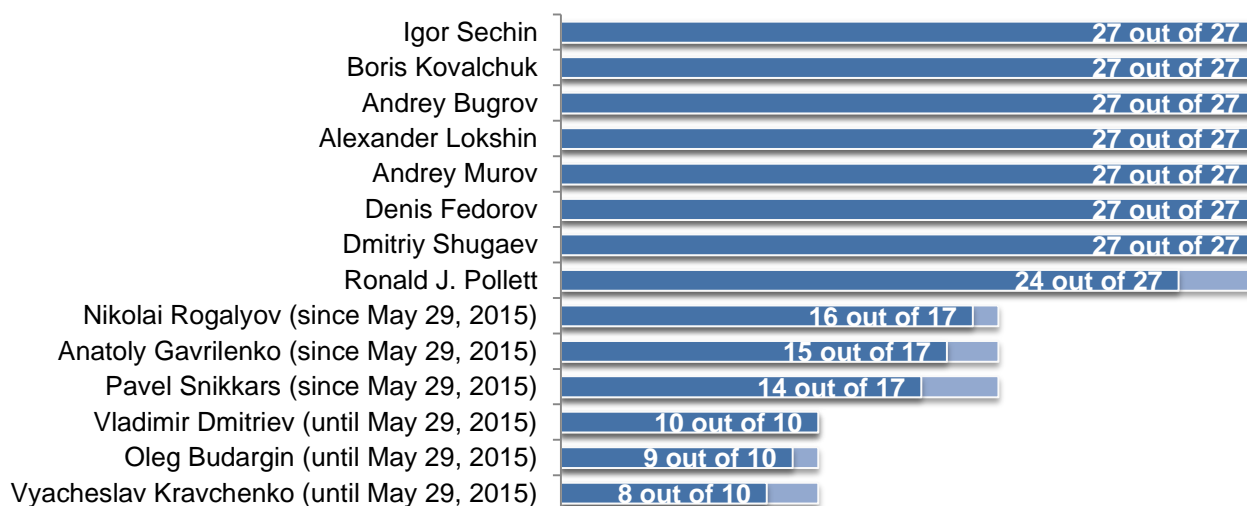
The following new members were elected to the Board of Directors:

1. Anatoly Gavrilenko;
2. Nikolai Rogalyov;
3. Pavel Snikkars.

Board of Directors' Performance Report

In 2015, 27 Board of Directors' meetings were held: four of them were held in presentio and 23 in absentia.

Fig. 15 On average, Board of Directors' members took part in more than 95% meetings held in 2015.

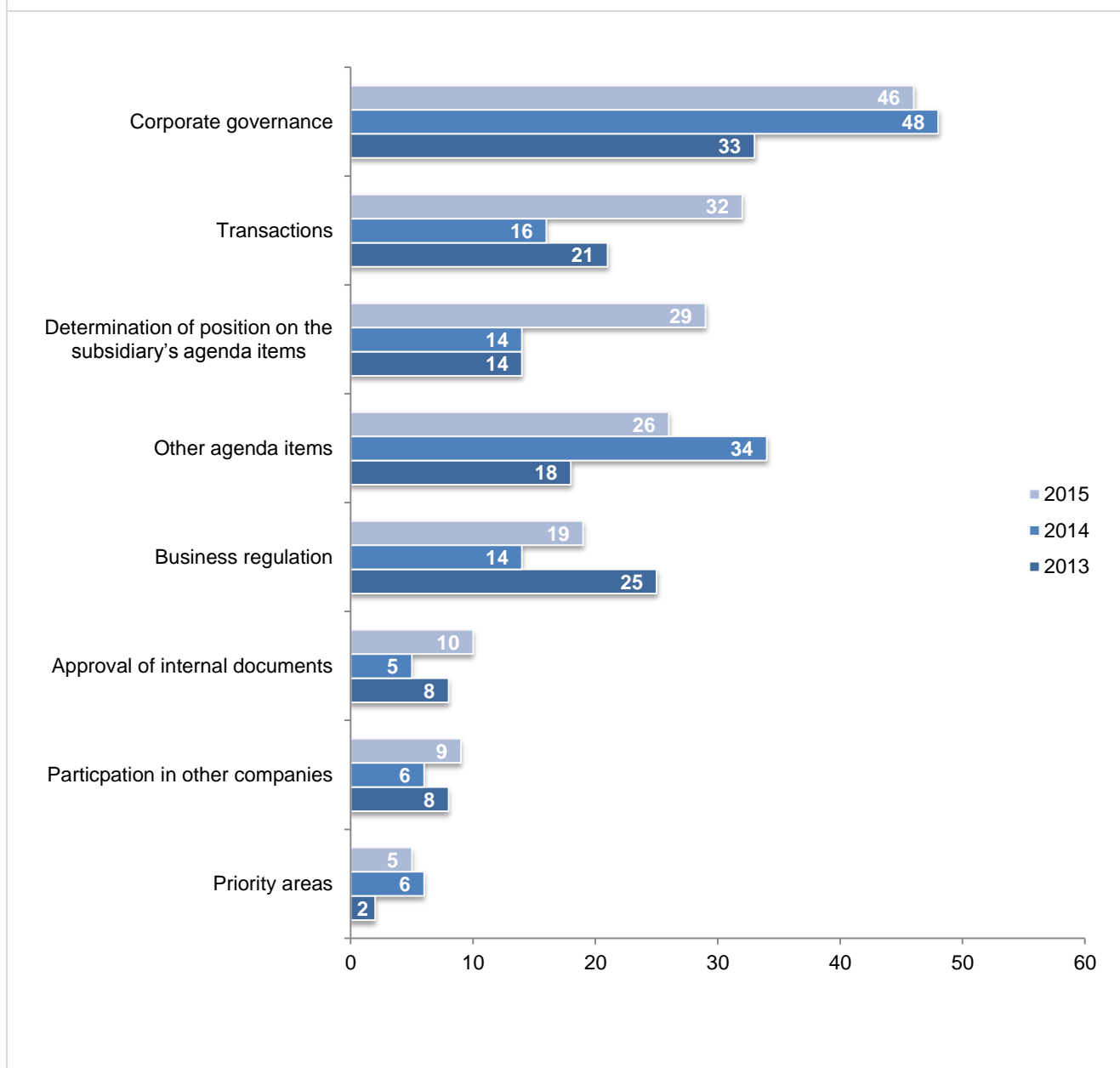


■ Number of meetings the Board of Directors' member could participate in.

■ Number of meetings the Board of Directors' member participated in.

176 agenda items, including 15 directive ones, were considered at these meetings.

Fig. 16 A focus at the Board of Directors' meetings was on the strategy, corporate governance, approval of transactions, and regulation of the Company's business



Minutes of the Board of Directors' meetings are available at the Company's website at:
<http://www.interrao.ru/investors/uprav/org/minutes>

Remuneration to the members of the Board of Directors

The remuneration to the members of the Board of Directors of PJSC Inter RAO for their participation in the Board of Directors' activity in 2015 totalled RUR 23,911,389.

Table 52. Payout of remuneration to the members of the Board of Directors in 2015¹⁵⁶

Full name of the member of the Board of Directors	Amount, RUB ¹⁵⁷
Igor Sechin	3,405,278 ¹⁵⁸
Boris Kovalchuk	not paid out ¹⁵⁹
Ronald J. Pollett	3,143,333
Dmitry Shugaev	3,900,000
Denis Fedorov	2,881,389
Andrey Murov	3,000,000
Alexander Lokshin	3,214,444
Andrey Bugrov	2,697,222
Vyacheslav Kravchenko (until May 29, 2015)	not paid out (public officer)
Oleg Budargin (until May 29, 2015)	2,766,667
Vladimir Dmitriev (until May 29, 2015)	2,308,333

In accordance with the Regulations on the Payout of Remuneration and Compensations to PJSC Inter RAO Board of Directors' Members¹⁶⁰, no additional remuneration shall be paid out to the Board of Directors' members for achievement of their performance targets.

The Regulations determine a basic annual remuneration and the formula for calculation of the amount of actual payouts which are reduced if Board of Directors' members miss Board of Directors' meetings (in presentio or in absentia) and increased in case Board of Directors' members combine jobs in Board of Directors' Committees. No remuneration shall be paid out if Board of Directors' members participate in less than 50% (from the time a member is elected and until its powers are terminated) of meetings (in absentia and as joint attendance) held. No additional payouts are stipulated for Board of Directors' members in case of their early termination of authority due to transfer of control over the Company or other circumstances.

The Regulations also provide for the payout to the Board of Directors' members of PJSC Inter RAO of compensations in the amount of their actual expenses including travelling expenses from/to Board of Directors' and Committee meeting venues, accommodation and other expenses related to the Company's operations.

The methodology for estimation of the remuneration and compensations payable to Board of Directors' members is fully in line with the principles set out in the "System of remuneration to Board of Directors' members, executive bodies, and other key managers of the Company section" of the Corporate Governance Code¹⁶¹.

¹⁵⁶ Remuneration due to Igor Sechin, Oleg Budargin, and Alexander Lokshin was transferred for charity.

¹⁵⁷ Pre-tax amounts.

¹⁵⁸ Igor Sechin's remuneration for the year ended 2015 was donated for charity in 2016

¹⁵⁹ In accordance with the Regulations on the Payout of Remuneration and Compensations to PJSC Inter RAO Board of Directors' Members

¹⁶⁰ Approved by the Annual General Meeting of Shareholders on June 25, 2012 (Minutes No. 12 dated June 27, 2012).

¹⁶¹ Recommended by Letter No. 06-52/2463 of the Bank of the Russia dated April 10, 2014 On the Code of Corporate Governance.

Board of Directors' Committees

Table 53. Members and functions of the Board of Directors' Committees

Name of the Committee	Functions of the Committee
Strategy and Investment Committee	<p>Development and provision of recommendations to the Board of Directors on the following matters:</p> <ul style="list-style-type: none"> • Defining priority areas, strategic goals, and fundamentals of the Company's strategic development; • Improving investment attractiveness of the Company; • Improving investment activities and making justified investment decisions.
Human Resources and Remuneration Committee	<ul style="list-style-type: none"> • Developing principles and criteria for the determination of remuneration payable to the Board of Directors' and Management Board's members and the person discharging the functions of the Sole Executive Body; • Developing proposals for the determination of any material terms and conditions of the contracts with the Board of Directors' and Management Board's members and the person discharging the functions of the Company's Sole Executive Body; • Defining criteria for selecting candidates to the Board of Directors, Management Board, and the Sole Executive Body as well as preliminary assessment of the said candidates; • Approving the targets (adjusted values) for the Company's key performance indicators and implementation reports.
Audit Committee	<ul style="list-style-type: none"> • Assessment of candidates to Company auditors; • Assessment of the Auditor's Report; • Assessment of the efficiency of internal control, risk management, and corporate governance procedures and preparation of improvement proposals; • Development and provision of recommendations (reports) to the Board of Directors on the Company's audit and reporting activities.

Strategy and Investment Committee

Address of Elena Bezdenezhnykh, Chairperson of the Strategy and Investment Committee



Dear colleagues,

The Strategy and Investment Committee aims to cover key issues and define priorities of the Company operations. In the reporting year, the Committee issued recommendations on approval of the Methodology for assessing fulfilment of strategic development priorities for 2015, and amended the Company Strategy and general provisions of the Options Programme.

As part of its activities, the Committee reviewed items involving implementation of directives on approval of the Plan to expand the access for small and medium businesses to procurement of the Group companies, as well as the Consolidated rules of procedure for investment and operational performance improvement and cost reduction of the Federal Agency for State Property Management (Rosimushchestvo) and the Government of the Russian Federation.

The Committee pays special attention to the Company's financial and operating activities. In 2015, it issued recommendations regarding the approval of the Business Plans of the Group and the Key Performance Indicators of the Company for 2016. It also reviewed reports on implementation of the Business Plan in the relevant quarter. It should be noted that the abovementioned items were reviewed during in presentio meetings of the Committee owing to their importance for the Company operations.

The activity of the Strategy and Investment Committee of the Company's Board of Directors is regulated by the Regulations on the Strategy and Investment Committee of the Board of Directors of PJSC Inter RAO¹⁶².

There were two teams of the Strategy and Investment Committee of the Board of Directors in 2015:

- From January 1, 2015 through May 29, 2015¹⁶³;
- From May 29, 2015 through December 31, 2015¹⁶⁴.

Table 54. Members of the Strategy and Investment Committee as at December 31, 2015

Full name of the Committee member	Position
1. Elena Bezdenezhnykh (Committee Chairman)	Member of the Management Board, Vice President / State Secretary and GR Manager at Mining and Metallurgical Company Norilsk Nickel
2. Anatoly Gavrilenko	General Director of Leader CJSC.
3. Egor Grinkevich	Assistant Director of Electric Power Industry Development Department of the Ministry of Energy of the Russian Federation
4. Larisa Kalanda	State Secretary / State Secretary-Vice President of Rosneft

¹⁶² Approved by the Board of Directors of PJSC Inter RAO on May 16, 2013 (Minutes No. 92 dated May 16, 2013).

¹⁶³ Formed based on the Board of Directors' Resolution dated June 06, 2014 and revised on March 27, 2015.

¹⁶⁴ Formed based on the Board of Directors' Resolution dated May 29, 2015 and revised on September 14, 2015.

5. Ilnar Mirsiyapov	Member of the Management Board / Head of Strategy and Investment Unit at PJSC Inter RAO
6. Alexey Molsky	Deputy Chairman of the Management Board of PJSC FGC UES.
7. Riccardo Puliti	Managing Director, Head of Energy and Natural Resources, EBRD
8. Charlotte Philipps	Financial Advisor

The following Committee changes were made based on the Board of Directors' Resolution dated March 27, 2015:

- the authority of Nataliya Khanzhenkova Managing Director for Turkey and Central Asia, EBRD, was terminated;
- the Committee consists of seven members.

The following Committee changes were made based on the Board of Directors' Resolution dated May 29, 2015¹⁶⁵:

- the authority of Vyacheslav Kravchenko, Deputy Minister of Energy of the Russian Federation, was terminated;
- Egor Grinkevich, Assistant Director of Electric Power Industry Development Department of the Ministry of Energy of the Russian Federation, was elected to the Committee;
- Elena Bezdenezhnykh, Member of the Management Board, Vice President / State Secretary and GR Manager at Mining and Metallurgical Company Norilsk Nickel, was elected Chairperson of the Committee.

The following Committee changes were made based on the Board of Directors' Resolution dated September 14, 2015:

- Riccardo Puliti, Managing Director, Head of Energy and Natural Resources, EBRD, was elected to the Committee.

Pursuant to the Committee's Report reviewed during a Board of Directors' meeting held on May 05, 2016¹⁶⁶, in 2015, the Strategy and Investment Committee held 14 in presentio and four in absentia meeting (vs. 13 in presentio and two in absentia meetings in 2014). During the meetings, the Committee passed resolutions on the agenda items within the scope of its authority, including preliminary review of the following items:

- approval of the Methodology for assessing fulfilment of strategic development priorities for 2015¹⁶⁷;
- amendments to the Company's Strategy/Long-Term Development Programme¹⁶⁸;
- consideration of the Report on implementation of the market capitalisation improvement programme of PJSC Inter RAO for 2014¹⁶⁹;
- consideration of the Consolidated rules of procedure for investment and operational performance improvement and cost reduction at PJSC Inter RAO¹⁷⁰;
- approval of the Report on the implementation of PJSC Inter RAO Business Plan for 2014¹⁷¹;

¹⁶⁵ Minutes No. 143 dated June 01, 2015.

¹⁶⁶ Minutes No. 168 dated May 6, 2016.

¹⁶⁷ Minutes No. 84 dated March 13, 2015.

¹⁶⁸ Minutes No. 87 and 88 dated April 10, 2015 and April 7, 2015, respectively.

¹⁶⁹ Minutes No. 91 dated June 25, 2015.

¹⁷⁰ Minutes No. 97 dated November 11, 2015.

¹⁷¹ Minutes No. 86 dated April 02, 2015.

- consideration of the Report on implementation of the strategic priorities of PJSC Inter RAO for 2014¹⁷²;
- strategic priorities of PJSC Inter RAO for 2016¹⁷³;
- approval of PJSC Inter RAO's and Inter RAO Group's Business Plans for 2016 and approval of the list and values of key performance indicators and control indicators for the Company for 2016;
- items involving participation of the Company in other organisations¹⁷⁴.

Remuneration to the members of the Strategy and Investment Committee is paid out once a year after the annual meeting based on the Board of Directors' Resolution. Pursuant to the Regulations on the Strategy and Investment Committee of PJSC Inter RAO, some limits apply to the remuneration to Committee members, namely:

- membership in the Board of Directors;
- legislative ban;
- an employment contract with the Company.

Taking the above into account, remuneration was paid out to the following members as follows¹⁷⁵:

- RUB 950,000 to Elena Bezdenezhnykh;
- RUB 700,000 to Anatoly Gavrilenko;
- RUB 800,000 to Larisa Kalanda;
- RUB 950,000 to Alexey Molsky;
- RUB 550,000 to Nataliya Khanzhenkova;
- RUB 950,000 to Charlotte Philipps.

Nataliya Khanzhenkova, member of the Strategy and Investment Committee, refused to receive her remuneration.

In accordance with the application of Elena Bezdenezhnykh, member of the Strategy and Investment Committee, her remuneration was transferred to Norilsk City Fund Yubeleiny Non-Profit Organisation.

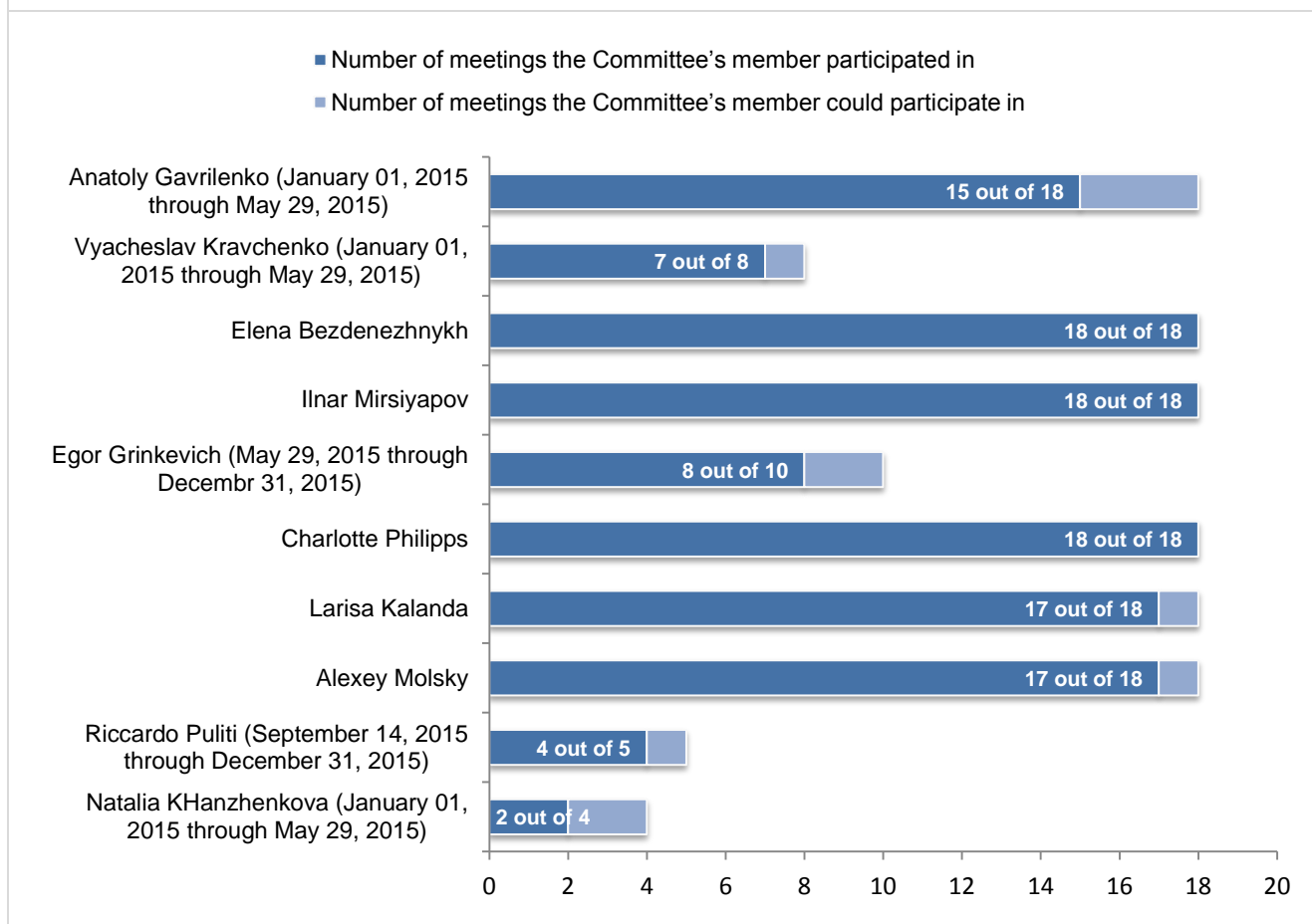
¹⁷² Minutes No. 88 dated April 27, 2015.

¹⁷³ Minutes No. 99 dated December 21, 2015.

¹⁷⁴ Minutes No. 82 dated January 28, 2015, No. 87 dated April 10, 2015, No. 92 dated July 08, 2015, No. 93 dated August 19, 2015, No. 95 dated September 28, 2015, and No. 97 dated November 11, 2015.

¹⁷⁵ Pre-tax amounts.

Fig. 17 Participation of the Strategy and Investment Committee's members at the Committee's meetings



Human Resources and Remuneration Committee¹⁷⁶

Message of Dmitry Shugaev, Chairman of the Human Resources and Remuneration Committee



Our Human Resources and Remuneration Committee was renamed as resolved by the Board of Directors in 2015. We continue to implement best corporate governance practices at PJSC Inter RAO and in particular, during the reporting year the Committee provided recommendations regarding the annual assessment of candidates to the Board of Directors and conformance of the Board of Directors' members to the independence criteria and further recommendations to improve the Board of Directors' performance in the future based on the Assessment Report. Moreover, the Committee recommended approval of an updated Successive Plan for 2015–2017 and approved the first Management Board's Succession Plan as its part.

¹⁷⁶ The Committee's name in Russia changed based on the Board of Directors' Resolution dated September 14, 2015 (Minutes No. 153 dated September 17, 2015).

Following the Corporate Governance Code recommended by the Bank of Russia, we performed the first interim review of the conformance of the Board of Directors' members to the independence criteria in 2015. Based on its results and as recommended by the Committee, Andrey Bugrov was recognised an Independent Director.

The activity of the Human Resources and Remuneration Committee of the Company's Board of Directors is regulated by the Regulations on the Human Resources and Remuneration Committee of the Board of Directors of PJSC Inter RAO¹⁷⁷.

The key functions of the Human Resources and Remuneration Committee are succession planning and the establishment of an efficient and transparent remuneration policy among the Company's management bodies.

The number of Committee members is determined by the Resolution of the Company's Board of Directors as at least three, however, no more than seven people. Pursuant to the Regulations on the Human Resources and Remuneration Committee, Committee members can only include independent directors in accordance with the Code requirements¹⁷⁸ or Board of Directors' member recognised as independent directors by the Board of Directors' resolution and if it is not possible due to objective reasons, most of Committee members must be independent directors and other members may include any Company directors who are not members or Chairman of the Company's Management Board.

Members of the Human Resources and Remuneration Committee of the Board of Directors in 2015 were as follows¹⁷⁹:

Table 55. Members of the Human Resources and Remuneration Committee as at December 31, 2015

Full name of the Committee member	Position
1. Dmitry Shugaev (Committee Chairman)	Member of the Board of Directors, Deputy General Director of State Corporation for Promotion of Development, Production and Export of Hi-Tech Industrial Products Rostec, Independent Director.
2. Alexander Lokshin	Board of Directors' member, First Deputy Director General for Operations Management of the State Corporation Rosatom, Independent Director
3. Ronald James Pollett	GE's Vice President, President and Chief Executive Officer of GE Russia/CIS, Independent Director

Pursuant to the Committee's Report reviewed during a Board of Directors' meeting held on May 05, 2016¹⁸⁰, the Committee considered 20 in absentia meetings in 2015 and considered 31 agenda items. The most important resolutions of the Committee in 2015 were:

- preliminary evaluation of candidates to the Board of Directors of PJSC Inter RAO to meet the independence criteria¹⁸¹;

¹⁷⁷ Approved by the Board of Directors' Resolution dated September 14, 2015 (Minutes No. 153 dated September 17, 2015).

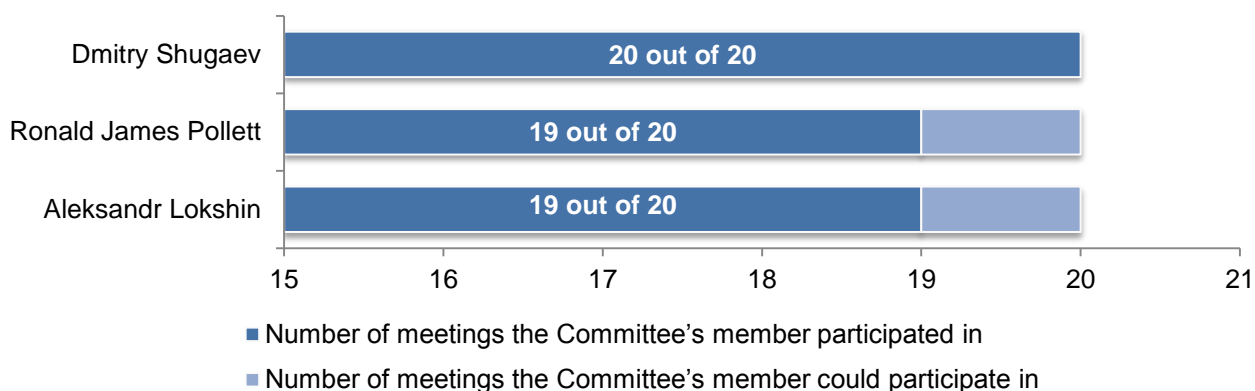
¹⁷⁸ Recommended by Letter No. 06-52/2463 of the Bank of the Russia dated April 10, 2014 On the Code of Corporate Governance.

¹⁷⁹ Formed based on the Board of Directors' Resolution dated June 06, 2014 and re-elected based on the Board of Directors' Resolution dated May 29, 2015.

¹⁸⁰ Minutes No. 168 dated May 6, 2016.

- results of the annual self-assessment of the Board of Directors of PJSC Inter RAO¹⁸²;
- financial incentives, approval of KPIs, and status reports¹⁸³;
- recommendations to the Board of Directors regarding the extension of authority of the Management Board's members¹⁸⁴.

Fig. 18 Participation of the Human Resources and Remuneration Committee's members at the Committee's meetings



In 2015, the remuneration to the members of the Human Resources and Remuneration Committee was paid out in accordance with the Regulations on Payment of Remunerations and Compensations to the Members of the Board of Directors with multipliers applied.

Audit Committee

Message of Dmitry Shugaev, Chairman of the Audit Committee



The functions and scope of authority of the Audit Committee were expanded in 2015, and the Audit Committee Regulations were aligned with the Corporate Governance Code.

The scope of authority of the Committee additionally includes control over the reliability and efficiency of risk management, internal control, and corporate governance, as well as control over information policy compliance which make it possible for the Committee to ensure high performance of PJSC Inter RAO's Board of Directors.

The Committee placed a focus on ensuring efficient relations with internal and external auditors by holding joint in presentio meetings to develop and provide recommendations to the Board of Directors pertaining to the Company's audit and reporting.

¹⁸¹ Minutes No. 19 dated March 27, 2015, Minutes No. 21 dated April 13, 2015, and Minutes No. 32 dated December 18, 2015.

¹⁸² Minutes No. 24 dated June 08, 2015.

¹⁸³ Minutes No. 32 dated December 18, 2015.

¹⁸⁴ Minutes No. 14 dated January 26, 2015; No. 18 dated March 21, 2015, No. 28 dated August 14, 2015, and No. 31 dated October 21, 2015.

The activity of the Company's Board of Directors Audit Committee is regulated by the Regulations on the Audit Committee of the Board of Directors of PJSC Inter RAO¹⁸⁵.

The Audit Committee can include from three to seven members. Committee members are determined by the Resolution of the Board of Directors. Pursuant to the Regulations, the Audit Committee shall include independent directors only and if it is not possible due to objective reasons, most of Committee members must be independent directors and other members may include any Company directors who are not members or Chairman of the Company's Management Board. The Committee may be chaired by an independent director only.

There were two teams of the Audit Committee of the Board of Directors in 2015:

- From January 1, 2015 through May 29, 2015¹⁸⁶;
- From May 29, 2015 through December 31, 2015¹⁸⁷.

Table 56. Members of the Audit Committee as at December 31, 2015

Full name of the Committee member	Position
1. Dmitry Shugaev (Committee Chairman)	Deputy CEO of Russian Technologies State Corporation, Independent Director.
2. Nikolai Rogalyov	Chancellor of a national university, Moscow Power Engineering Institute (MPEI), Independent Director
3. Ronald James Pollett	GE's Vice President, President and Chief Executive Officer of GE Russia/CIS, Independent Director

The following Committee changes were made based on the Board of Directors' Resolution dated May 29, 2015¹⁸⁸:

- the authority of Denis Fedorov, Head of Directorate for Power Sector Development and Power Marketing, Gas and Liquid Hydrocarbons Marketing and Processing Department at Gazprom, was terminated;
- Nikolai Rogalyov, Chancellor of a national university, Moscow Power Engineering Institute (MPEI), was elected to the Committee.
- Dmitry Shugaev, Deputy CEO of Russian Technologies State Corporation, was elected the Chairman of the Committee.

Pursuant to the Committee's Report reviewed during a Board of Directors' meeting held on May 05, 2016¹⁸⁹, in 2015 the Audit Committee held 15 meetings in absentia and two meetings in presentio and passed resolutions on the agenda items falling under authority the Committee, including preliminary consideration of the following items:

- PJSC Inter RAO's Report on relations with the Company's auditor and auditor's compliance with the independence requirements¹⁹⁰;
- recommendations to the Board of Directors on the items involving approval of the Annual Report and annual statutory financial statements of the Company for 2014¹⁹¹;

¹⁸⁵ Approved by the Board of Directors' Resolution dated August 21, 2015 (Minutes No. 152 dated August 24, 2015).

¹⁸⁶ Formed based on the Board of Directors' Resolution dated June 06, 2015 (Minutes No. 117 dated June 09, 2015).

¹⁸⁷ Formed based on the Board of Directors' Resolution dated May 29, 2015 (Minutes No. 143 dated June 01, 2015).

¹⁸⁸ Minutes No. 143 dated June 01, 2015.

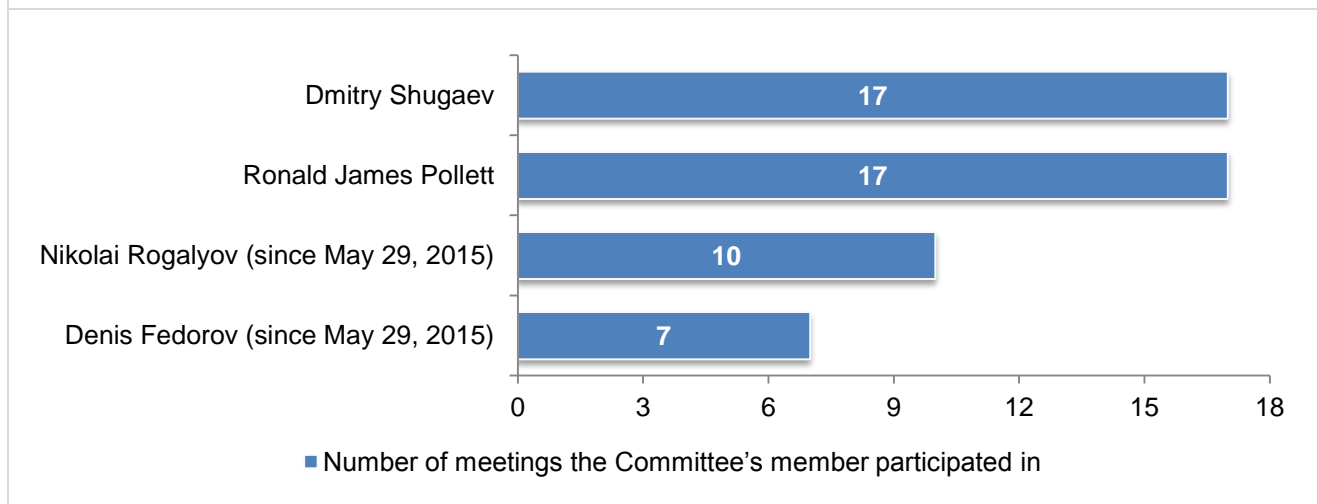
¹⁸⁹ Minutes No. 168 dated May 6, 2016.

¹⁹⁰ Minutes No. 51 dated March 13, 2015.

¹⁹¹ Minutes No. 52 dated March 24, 2015.

- Report on assessment of risk management performance in the Company in 2014¹⁹²;
- IFRS consolidated financial statements for 2014 and results of the audit of the IFRS consolidated financial statements for 2014¹⁹¹;
- Regulations on the Audit Committee of PJSC Inter RAO¹⁹³;
- Internal Audit Policy of PJSC Inter RAO;
- Internal Audit Regulations¹⁹⁴;
- creation of Internal Audit at PJSC Inter RAO;
- approval of the Corporate Risk Management Policy at PJSC Inter RAO.

Fig. 19 All Committee members participated at all meetings while on the Audit Committee



In 2015, the remuneration to the members of the Audit Committee was paid out in accordance with the Regulations on Payment of Remunerations and Compensations to the Members of the Board of Directors of the Company with multipliers applied.

6.5 Management Board

The Management Board as a collegial executive body of PJSC Inter RAO performs day-to-day operations and is responsible for the implementation of the Group's goals, strategy, and policy.

The Chairman of the Management Board manages the day-to-day operations of the Company in accordance with the Articles of Association, resolutions of the General Meeting of Shareholders, Board of Director, and Management Board passed within the scope of their authority.

The Chairman of the Management Board ensures achievement of the Group's goals by coordinating the efforts of the Deputy Chairman and members of the Management Board, as well as heads of their reporting units.

Management Board reports to the Company's General Meeting of Shareholders. The Board of Directors elects members to the Management Board proposed by the Chairman of the Management Board for a period of five years and determines their number.

¹⁹² Minutes No. 53 dated April 15, 2015.

¹⁹³ Minutes No. 59 dated August 04, 2015.

¹⁹⁴ Minutes No. 62 dated October 19, 2015.

The Management Board's activity is governed by the Articles of Association and Regulations on the Management Board¹⁹⁵.

¹⁹⁵ Approved by the Annual General Meeting of Shareholders on May 29, 2015 (Minutes No. 15 dated June 01, 2015).

Management Board Members



Boris KOVALCHUK

Chairman of the Management Board of PJSC Inter RAO

Year of birth: 1977

Manages the day-to-day operations of the Company in accordance with the Articles of Association, resolutions of the General Meeting of Shareholders, Board of Director, and Management Board passed within the scope of their authority.

Ensures achievement of the Group's goals by coordinating the efforts of the Deputy Chairman and members of the Management Board, as well as heads of their reporting units.

In 1999, Boris Kovalchuk graduated from the Law Department of St. Petersburg State University with a degree in Legal Science.

Office Assistant to First Deputy Chairman of the Russian Government and Director of the Department of National Priority Projects of the Russian Government in 2006–2009. In 2009, he was Deputy Director General for Development of the State Atomic Energy Corporation Rosatom. Since 2009, Boris Kovalchuk has been acting Chairman of the Management Board and since 2010 has chaired the Management Board of PJSC Inter RAO also being a member of the Company's Board of Directors.

Holds the honorary title of Honoured Power Engineer. Awarded a commemorative Medal and Order of Friendship "For Great Contribution to the Preparation and Conduct of the XXII Olympic Winter Games and the XI Paralympic Winter Games 2014 in Sochi". Awarded by the Ministry of Justice with "For Assistance" silver medal.

Member of the Management Board of the Russian National Association of Employers Russian Union of Industrialists and Entrepreneurs.

Boris Kovalchuk was re-elected the Chairman of the Management Board by the Annual General Meeting of Shareholders for another five years on May 29, 2015.



Alexander BORIS

Member of the Management Board of PJSC Inter RAO

Year of birth: 1959

Coordinates public relations, human resources, provision and implementation of information technology, and oversees the Company's social and charity activities.

In 1985, Alexander Boris graduated from the Leningrad Institute of Refrigeration Technologies with a degree in Refrigeration and Compressor Machines and Units as a Mechanical Engineer. In 2005, he graduated from the North-West Academy of Public Administration with a degree in State and Municipal Administration.

From 2004 to 2006, held management positions in the Federal Tax Service. From 2006 to 2009, worked in the Office of the Government of the Russian Federation. From 2009 to 2010, served as Director of the Development Centre of State Atomic Energy Corporation Rosatom.

Since 2010, has been a member of the Management Board of PJSC Inter RAO. Re-elected to the Company's Management Board for another five years by the Board of Directors' Resolution dated March 27, 2015¹⁹⁶.

Awarded the Order for Merit to the Fatherland, II class.

He holds the rank of Active State Advisor.



Ilnar MIRSIYAPOV

Member of the Management Board / Head of Strategy and Investment Unit at PJSC Inter RAO

Year of birth: 1982

In 2005, Ilnar Mirsiyapov graduated from the Moscow State Institute of International Relations with a degree in Management with Knowledge of Foreign Languages. In 2007, graduated from the Almeteyev State Oil Institute as an Engineer with a degree in Development and Operation of Oil and Gas Fields. In 2012, graduated from the Kutafin Moscow State Law Academy with a

degree in Law. Has PhD in Economics and Social Science.

From 2006 to 2009, held management positions in State Atomic Energy Corporation Rosatom. Has been with PJSC Inter RAO since 2009. Since 2010, has been a member of the Management Board of PJSC Inter RAO. Re-elected to the Company's Management Board for another five years by the Board of Directors' Resolution dated August 18, 2015¹⁹⁷.

Ilnar Mirsiyapov was awarded the Certificate of Merit by the Ministry of Energy of the Russian Federation and the Order for Merit to the Nuclear Industry, II class.



Valery MURGULETS

Member of the Management Board / Head of Innovations, Investments and Costs Unit at PJSC Inter RAO

Year of birth: 1977

Graduated from St. Petersburg State University in 1999. Graduated from the Stockholm School of Economics in 2006.

From 2007 to 2010 – Head of the Financial Department of LLC Konstantinovsky Congress Centre. In 2010, joined PJSC Inter RAO as Head of the Investment Programme Department. Since 2012, member of the Management Board of PJSC Inter RAO / Head of Innovations, Investments and Costs Unit.

¹⁹⁶ Minutes No. 137 dated March 30, 2015.

¹⁹⁷ Minutes No. 151 dated August 20, 2015



Pavel OKLEY

Member of the Management Board/ Head of the Operations Unit at PJSC Inter RAO

Year of birth: 1970

In 1992, Pavel Okley graduated from the Omsk Institute of Railway Engineers with a degree in Railway Automation, Telemetry and Communication as a Railway Electrical Engineer. Has PhD in Economics.

From 2005 to 2008, held management positions in JSC FGS UES. From 2008 to 2010, was Deputy General Director at JSC Holding MRSK. Since 2010, has been Head of the Operations Unit and a member of the Management Board of PJSC Inter RAO. Re-elected to the Company's Management Board for another five years by the Board of Directors' Resolution dated October 28, 2015¹⁹⁸.

Honorary Power Engineer of the Russian Federation. Pavel Okley was awarded the Certificate of Merit by JSC RAO UES of Russia, the title of Honoured Worker of Unified Energy System of Russia, the Certificate of Merit of the Ministry of Energy of the Russian Federation, and a Badge of Honour for Impeccable Work in the Distribution Network Sector. He received a letter of gratitude from the President of the Russian Federation.



Dmitry PALUNIN

Member of the Management Board / CFO at PJSC Inter RAO

Year of birth: 1969

In 1992, Dmitry Palunin graduated from the Moscow State Aviation Institute (Technical University) with a degree in Radio Engineering, Radio Engineer. In 2008, he graduated from the Russian Presidential Academy of National Economy and Public Administration with a degree of Master of Business Administration.

From 1986 to 1993, worked as an engineer at the Research and Development Centre of the Federal Agency of Government Communications and Information under the President of the Russian Federation. From 1994 to 2002, worked in the banking sector. Since 2002, has held management positions at PJSC Inter RAO in the Financial Accounting Directorate, Department of Economy and Finance, Financial and Economic Centre.

Since 2012, has been a member of the Management Board of PJSC Inter RAO. Re-elected to the Company's Management Board for another five years by the Board of Directors' Resolution dated February 02, 2015¹⁹⁹.

¹⁹⁸ Minutes No. 155 dated October 30, 2015

¹⁹⁹ Minutes No. 133 dated February 05, 2015.



Alexander PAKHOMOV

Member of the Management Board / Head of the Legal Affairs Unit at PJSC Inter RAO

Year of birth: 1973

In 1995, Alexander Pakhomov graduated from the Military University of the Ministry of Defence of the Russian Federation. In 1999, graduated from the Russian Academy of Public Administration under the President of the Russian Federation with a degree in Law.

He started his career at PJSC Inter RAO in 2003. From 2003 to 2011, held various positions, including Head of Legal Department, Director of Tax Planning Directorate, Deputy Director of the Tax Reporting and Accounting Department, Director of Legal Affairs at PJSC Inter RAO. Since 2011, has been a member of the Management Board of PJSC Inter RAO and Head of the Legal Affairs Unit.

Honorary Power Engineer.



Karina TSURCAN

Member of the Management Board / Head of the Trading Unit at PJSC Inter RAO

Year of birth: 1974

In 1999, Karina Tsurcan graduated from the International Independent University of Moldova majoring in Economic Law. In 2004, she received an MBA from the University Consortium of Spain (IUP).

Has been with PJSC Inter RAO since 2005.

In 2012, she was appointed to the Management Board of PJSC Inter RAO by the Board of Directors' resolution.

She received a letter of gratitude from the Ministry of Energy of the Russian Federation. Awarded the Certificate of Merit of the Ministry of Energy of the Russian Federation.



Yury SHAROV

Member of the Management Board / Head of the Engineering Unit at PJSC Inter RAO

Year of birth: 1959

In 1986, Yury Sharov graduated from the Moscow Energy Institute (Technical University) with a degree in Power System Cybernetics as an Electrical Engineer. In 1998, graduated from the Plekhanov Russian Academy of Economics with a degree in Finance and Credit. Has PhD in Science, is a professor. He is Head of the Electric Power Systems Department of the National Research University Moscow Power

Engineering Institute, Federal State Budgetary Educational Institution of Higher Professional Education.

Yury Sharov has been a member of PJSC Inter RAO's Management Board since 2012.

Honorary Power Engineer of the Russian Federation. Received a letter of gratitude from the President of the Russian Federation, awarded the Order of Merit.

Ownership of and transactions with PJSC Inter RAO's shares by the members of the Management Board

Share of the Management Board's members in the Company totals 0.014%.

Table 57. Number of uncertificated registered ordinary shares held by the members of the Management Board as at December 31, 2015

	Full name of the Management Board member	Number of shares, pcs.	Share in the authorised capital, %
1.	Boris Kovalchuk (Chairman of the Management Board)	2,429,000.00	0.00233
2.	Alexander Boris	971,600.00	0.00093
3.	Ilnar Mirsiyapov	971,600.00	0.00093
4.	Valery Murgulets	36,435.00	0.00003
5.	Pavel Okley	0	0
6.	Dmitry Palunin	2,948,677.36	0.00282
7.	Alexander Pakhomov	3,607,703.15	0.00346
8.	Karina Tsurcan	2,462,877.36	0.00236
9.	Yury Sharov	971,600.00	0.00093

The members and the Chairman of the Management Board acquired 9,752,435 shares in the reporting year, and 971,600 shares were alienated.

Table 58. Transactions with PJSC Inter RAO's shares effected by the Management Board's members in 2015

	Full name of the Management Board member	Transaction date	Number of shares	Subject of the transaction (acquisition/alienation)
1.	Boris Kovalchuk (Chairman of the Management Board)	July 07, 2015	2,429,000	acquisition
2.	Alexander Boris	July 07, 2015	971,600	acquisition
3.	Ilnar Mirsiyapov	July 07, 2015	971,600	acquisition
4.	Valery Murgulets	July 07, 2015	36,435	acquisition
5.	Pavel Okley	July 07, 2015	971,600	acquisition
		July 15, 2015	971,600	alienation
6.	Dmitry Palunin	July 07, 2015	971,600	acquisition
7.	Alexander Pakhomov	July 07, 2015	971,600	acquisition

8.	Karina Tsurcan	July 07, 2015	485,800	acquisition
9.	Yury Sharov	July 07, 2015	971,600	acquisition

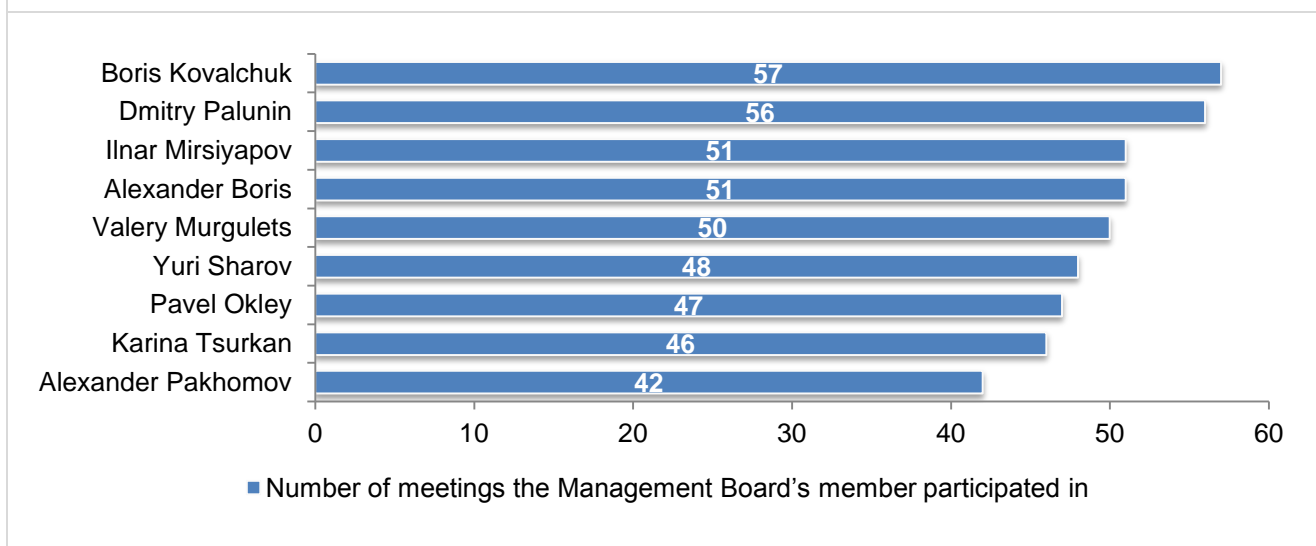
Changes in the Management Board in 2015

The membership of the Management Board did not change in 2015.

Management Board's Performance Report

The Management Board held 58 meetings in 2015.

Fig. 20 On the average, Management Board's members took part in more than 85% all meetings held in 2015



Remuneration to the members of the Management Board

The incentive system for the members of the Management Board of PJSC Inter RAO is aimed at ensuring their financial interest in achieving strategic goals and enhancing the business performance of management. The procedure for determination and payout of remuneration to the members of the Management Board is outlined in the Regulations on Financial Incentives for the Chairman and members of the Management Board of PJSC Inter RAO.

The system of financial incentives for the Chairman and members of the Management Board includes:

- base salary;
- bonus based on the achievement of the KPIs by the Company;
- on-time bonus to managers for their contribution to Company development or in relation of any corporate or industrial awards;
- special bonus to managers based on the achievement of the annual performance indicators by the Company by net profit.

The resolutions of the Board of Directors' of PJSC Inter RAO additionally determined the principles for formation and amount of pension savings under the Programme of Non-Governmental Pension Support for Company employees approved by the Resolution of the Company's Management

Board on April 12, 2012²⁰⁰. It also applies to the Chairman and members of PJSC Inter RAO's Management Board based on the Board of Directors' Resolution dated September 28, 2012²⁰¹.

The Board of Directors' resolutions adopted the following benefits and compensations for the Chairman and members of the Management Board:

- insurance payments under voluntary medical insurance plans and professional indemnity plans;
- compensation for death or accident other than an insurance event in an amount of six average monthly salaries;
- additional pay under temporary disability benefit to the average salary in case of temporary disability;
- immediate compensations in the amount of three average monthly salaries in case of termination (early termination) of an employment contract;
- benefits and compensations stipulated by the Labour Code of the Russian Federation, federal laws, statutory regulations of the Russian Federation, and Company's internal regulations (payment (compensation) of entertainment and travelling expenses, transport services).

The financial interest of the Management Board members' in the achievement of the Company's strategic goals is secured by short- and long-term incentives programmes.

Short-term incentives are based on the existing KPI system which determines bonuses for the members of the Management Board²⁰².

KPIs are set by the Company's Board of Directors as the basis for bonus payment to managers based on the following criteria:

- KPI relation to the Company's Business Plan;
- KPI measure ability and verifiability (KPIs must be easy to verify);
- KPIs must motivate managers to achieve the Company's targets;
- KPIs must be objective metrics of the Management Board's performance as the Company's collegial executive body.

An annual bonus to a manager is calculated based on actually achieved KPIs based on the Company's performance. The Company's KPI system is related to the Business Plan, including the Company's Investment Programme, Strategy, and operational discipline. Furthermore, subject to the achievement of annual targets based on net profit, Company managers are entitled to a special annual bonus calculated based on the Company's IFRS consolidated financial statements. A condition for bonus payment is the achievement of the Implementation of the Company's Strategic Priorities target.

The key long-term incentives tool is the Long-Term Incentives Plan for the members of executive bodies and other key managers with Company shares (options or other derivative financial instruments with Company shares as a basic asset). The Plan was developed in 2015 as instructed by the Board of Directors as part of the Company's Market Capitalisation Improvement Programme,

²⁰⁰ Minutes No. 360 dated April 12, 2012.

²⁰¹ Minutes No. 80 dated October 01, 2012.

²⁰² More detailed information on KPIs is available in section 4.2, Key Performance Indicators.

considered by the Strategy and Investment Committee, Human Resources and Remuneration Committee and approved by the Board of Directors' Resolution dated January 29, 2016²⁰³.

The option plan amounts to 2% of PJSC Inter RAO's authorised capital. It entitles the key managers contributing to the implementation of the Group's strategy and long-term growth of the Company's value to acquire Company shares at a market price. The Plan is valid over two years after the relevant resolution of the Board of Directors.

In 2015, the Company accrued remuneration to the members of the Management Board, including its Chairman, in a total amount of RUB 817,803,087 (including salary, bonuses, and compensations of expenses).

Table 59. Remuneration accrued to the Management Board's members in 2015 by type of payment²⁰⁴

Indicator	Paid out amount in 2015, RUB
Salary	296,420,766
Bonuses	517,818,321
Compensation of expenses	3,564,000
Other remunerations	0
Total	817,803,087

Table 60. Remuneration accrued to the Management Board's Chairman in 2015 by type of payment

Indicator	Paid out amount in 2015, RUB
Salary	105,749,633
Bonuses	106,797,251
Compensation of expenses	0
Other remunerations	0
Total	212,546,884

The Human Resources and Remuneration Committee confirms that all remunerations and compensations were paid out to the Management Board members in 2015 in accordance with the Regulations on Financial Incentives to the Chairman and members of PJSC Inter RAO's Management Board based on the Board of Directors' Resolutions²⁰⁵ and in accordance with their employment contracts.

²⁰³ Minutes No. 160 dated February 01, 2016.

²⁰⁴ The Board of Directors' Resolutions regarding the determination of remunerations and compensations to the members of PJSC Inter RAO's Management Board (dated February 27, 2015 (Minutes No. 134 dated March 02, 2015), dated April 30, 2015 (Minutes No. 140 dated May 05, 2015), dated June 30, 2015 (Minutes No. 147 dated July 03, 2015), dated August 21, 2015 (Minutes No. 152 dated August 24, 2015).

²⁰⁵ Board of Directors' Resolutions dated February 27, 2015 (Minutes No. 134 dated March 02, 2015), dated April 30, 2015 (Minutes No. 140 dated May 05, 2015), dated June 30, 2015 (Minutes No. 147 dated July 03, 2015), dated August 21, 2015 (Minutes No. 152 dated August 24, 2015).

6.6 Corporate Control and Risk Management

The corporate control and risk management systems are corporate governance tools. Corporate control and risk management procedures at PJSC Inter RAO ensure systems-based control over the Company's business to improve operational efficiency, asset security, and compliance with Russian legislation, as well as the Company's Articles of Association and internal regulations.

Internal Control

An internal control system (ICS) was set up to integrate internal control procedures into the Company's business, mitigate risks on the achievement of operational and strategic targets, support with timely adaptation of the Company to external and internal environment at PJSC Inter RAO.

PJSC Inter RAO's ICS is developed and functions in accordance with the recommendations of the Corporate Governance Code²⁰⁶, Russian statutory requirements and international best practices. The goals, main principles, and common approaches to ICS at PJSC Inter RAO, as well as roles and responsibility of its bodies are outlined in the Internal Control Policy approved by the Company's Board of Directors.

The main goal of the ICS is to maintain reasonable confidence of the Board of Directors, executive and control bodies of the Company in:

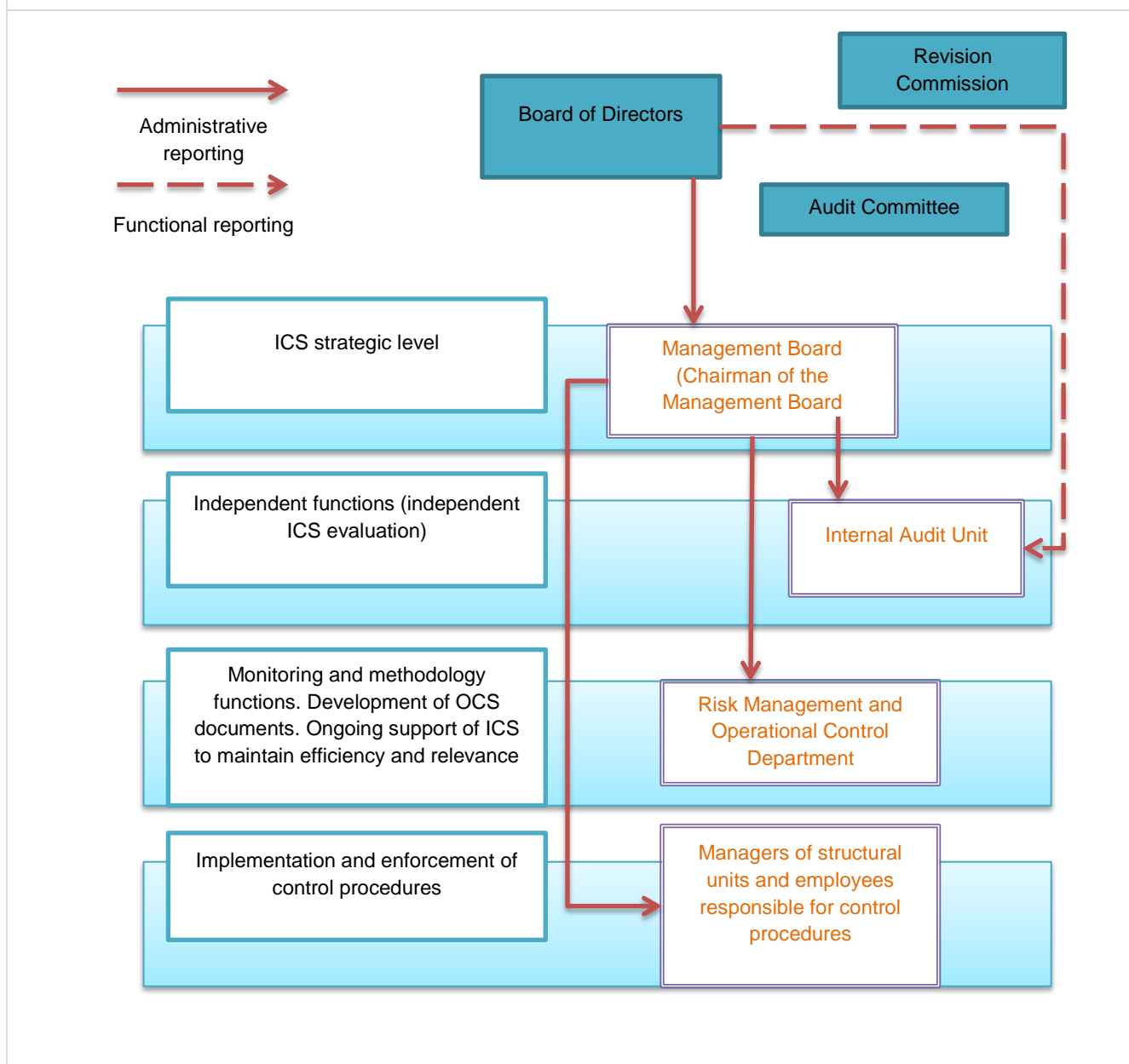
- achieving strategic and operational goals aimed at ensuring efficiency and productivity of business operations and asset security;
- compliance with legislation and internal regulations;
- reliability of reports and reporting system.

The goal is achieved by integrating internal control procedures for key business processes into the Company's business, ongoing control over ICS performance and implementation of development activities.

The Company's executive bodies are responsible for ICS formation and efficient functioning.

²⁰⁶ Recommended by Letter No. 06-52/2463 of the Bank of the Russia dated April 10, 2014 On the Code of Corporate Governance.

Fig. 21 Interaction between PJSC Inter RAO's ICS bodies



Explanations to the interaction between PJSC Inter RAO's ICS bodies	
Body	Function
Revision Commission	Regular control over the business of the Company, its remote structural units, management bodies, and structural units of the Company's administration to ensure it meets legislation of the Russian Federation, Company's Articles of Association, and internal regulations. Permanent internal control body in the Company.
The Board of Directors	Determines main principles and approaches to risk management and internal control.
Audit Committee	Controls reliability and efficiency of risk management, internal control, and corporate governance systems
Management (Chairman of the Management Board)	Is responsible for the implementation of principles and approaches to the internal control system approved by the Board of Directors and efficient internal control procedures.
Internal Audit	Assists the Company's Board of Directors and executive bodies in improving the efficiency of Company management, including systemic and consistent approach to the analysis and evaluation of internal control, risk management, and corporate governance systems as tools ensuring reasonable confidence in achieving the Company's goals. Is a remote structural unit.
Risk Management and Operational Controlling Department	Maintains ICS efficient and relevant.
Managers and employees of structural units	Ensures performance of control procedures at the business process level, eliminates any internal control deficiencies identified during independent internal audit assessment.

In order to improve ICS performance²⁰⁷ in 2015, PJSC Inter RAO separated some Internal Audit functions in a separate structural unit of Risk Management and Operational Control Department. The Department in particular maintains and develops ICS within the Group as well as provides methodology support, coordinates, and monitors the business process. There are six internal control employees in the Department.

The following efforts were taken to improve ICS in the reporting year:

- ICS development and support (description of control procedures): control matrices were approved for business processes at the administrative, management company, and branch levels; standard control matrices were developed and approved; their design performance was improved by identifying any deficiencies;
- control updates: corporate level and procedural controls were updated;
- performance improvement: ICS efficiency was assessed for the Fixed Asset Management process, ICS improvement plans were approved, and action plan implementation was monitored.

Group's 2015 Internal Control System Report

The Company management developed the Group's 2015 Internal Control System Report. Internal control in the Group is a consistent and regular activity integrated into strategic and day-to-day management at all levels, which covers all Company units and employees when fulfilling functions in

²⁰⁷ In accordance with the Corporate Governance Code of the Central Bank of Russia.

business processes. The quality of internal control system within the Group is reviewed regularly by an independent auditor as part of the review of corporate governance improvement action plan²⁰⁸.

The Board of Directors of PJSC Inter RAO reviewed the Group's 2015 Internal Control System Report and resolved on its approval (Minutes No. 167 of May 4, 2016).

During the meeting held on April 28, 2016, the Board of Directors also reviewed the Auditor's Report on the Group's 2015 ICS Performance. Following an independent assessment, the Auditor drew opinion on the ICS performance and concluded that ICS provided a reasonable stability in achieving the set targets defined by PJSC Inter RAO Board of Directors in the Internal Control Policy. The Auditor provided recommendations on further improvement of ICS, taking into consideration the Guidelines on ICS in joint stock companies with the securities listed in organised trading platforms that will be approved by the Federal Agency for State Property Management. PJSC Inter RAO Board of Directors reviewed and approved the Auditor's Report (Minutes No. 167 of May 4, 2016).

ICS development in 2016:

- further integration of risk management internal control systems;
- elaboration and consistent implementation of the Internal Control System Development Concept;
- improvement of internal control employee competencies.

Corporate Risk Management

The Group has a corporate risk management system (CRMS) in place covering material assets, key business processes, areas, and management levels within the Group. Continuous CRMS improvement in the Group is achieved by efficiency control and ongoing implementation of system development measures.

CRMS is a new tool as part of the Group's corporate governance concept which is instrumental with assessing the current risk position and forecasting its development. The system assesses the acceptability of adopted risks and forms the basis for informed decision-developed to minimize impacts of risks on the Group's operations.

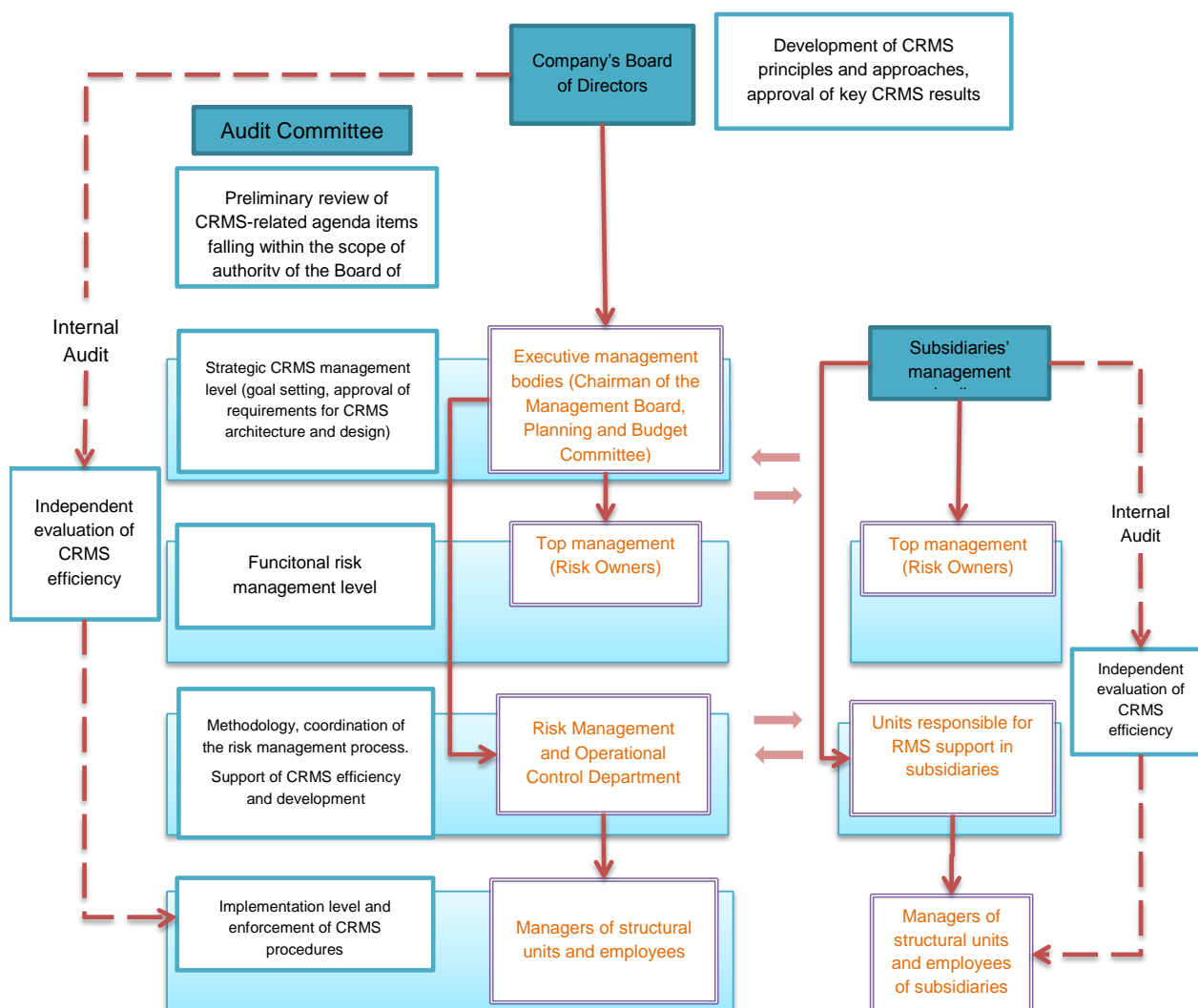
PJSC Inter RAO's Board of Directors, management bodies of controlled entities, top management, and Group employees are involved in risk management and are guided by common approaches approved in the Corporate Risk Management Policy.

The Group strives to integrate risk management in all key business processes and focus on CRMS relations with internal control and audit systems. CRMS methodology applies to major subsidiaries to ensure unified risk identification, analysis, and management processes and reporting at the Group level.

The Group adheres to defining the fundamental role of PJSC Inter RAO's management bodies that outline the coordinated system for CRMS within all Company levels and controlled entities involved and maintaining the risk management system operational.

²⁰⁸ Corporate governance review at PJSC Inter RAO and its key subsidiaries implemented on an annual basis by PwC as initiated by EBRD to improve corporate governance standards and investment potential of Inter RAO Group.

Fig. 22 Distribution of responsibility and reporting of CRMS entities at Inter RAO Group



Explanations to the Distribution of responsibility and reporting of CRMS entities at Inter RAO Group

CRMS entity	Key functions and objectives
Board of Directors	<ul style="list-style-type: none"> Determines the principles of and approaches to the risk management system Annually approves the risk appetite for the target period (year) and such key CRMS documents as: Critical Risk Roadmap, Critical Risk Management Plan, and a Risk Management System Report
Executive management bodies (Chairman of the	<ul style="list-style-type: none"> Distributes authority, responsibilities, and liability between executives and managers of units, as well as at controlled entities for specific risk management procedures Sets risk management goals by year by approving CRMS Targets

Management Board, Planning and Budget Committee)	<ul style="list-style-type: none"> • Determines requirements for the risk management structure and contents by approving internal risk management documents • Ensures preliminary review of key cycle documents
Top management (Risk Owners in the Group)	<ul style="list-style-type: none"> • Responsibility for managing functional risk groups, including CRMS documentation, implementation, monitoring, and development in the areas they are responsible for • Ensures efficient development of risk management business process deliverables within the scope of authority of coordinated areas and implementation of risk management actions
Sole management bodies in subsidiaries	<ul style="list-style-type: none"> • Accountability for risk management actions, compliance with the established risk limits and submission of risk management deliverables to collegial review by PJSC Inter RAO's Planning and Budget Committee
Unit responsible for CRMS (Risk Management Directorate at the Risk Management and Operational Controlling Directorate)	<ul style="list-style-type: none"> • Ensures development of a common methodology and internal regulations pertaining to corporate risk management • Coordination of systemic operations and methodology support within the annual CRMS cycle (including risk identification and assessment, development of risk management actions, monitoring, and reporting) • Responsibility for disclosure of information on risk management and communications with CRMS at all Group management levels
Internal Audit	<ul style="list-style-type: none"> • Contributes to the improvement of risk management processes through independent expert examination of the risk management system at least once a year by the Internal Audit Unit
Managers of structural units and employees	<ul style="list-style-type: none"> • Ensure implementation of risk management and/or control • Take risks into account in accordance with their job descriptions and internal document requirements and inform their line managers in a timely manner of any changes in a risky situation

The key event that determined the direction for CRMS development in 2015 was the development by the Federal Agency for State Property Management of Practical Guidelines for the Risk Management System Regulations²⁰⁹ recommended to state-governed companies in line with the instructions of the President of the Russian Federation²¹⁰.

The expert review of the risk management regulations was performed in accordance with Order No. IRAO/419 dated August 17, 2015 to make sure they meet the requirements set out in the Practical Guidelines, and the draft Risk Management Policy was assessed within the Company as part of monitoring of the system availability on the part of the Federal Agency for State Property Management.

In accordance with the Practical Guidelines, the Corporate Risk Management Policy of PJSC Inter RAO was updated and a new version of the Policy was approved by the Board of Directors²¹¹. The document was developed based on the Company's Articles of Association taking into account the recommendations of Russian and international risk management standards, as well as risk

²⁰⁹ As part of Practical Guidelines for developing internal regulations governing joint stock companies.

²¹⁰ Instructions of the President No. Pr-3013 dated December 27, 2014.

²¹¹ Minutes No. 155 dated October 30, 2015

management and corporate governance best practices, including the Corporate Governance Code²¹² and Russian and international stock-exchange listing rules.

The Corporate Risk Management Policy is a top level document that determines the principles and aspects of the corporate risk management system governing responsibility of entities and their functions.

The following key measures aimed at CRMS improvement within the Group were implemented during the reporting year in accordance with the new version of the Policy:

- Approval of the Risk Appetite was referred to the scope of authority of the Company's Board of Directors;
- reporting of the relevant risk management unit to the Company's sole executive body;
- institutionalisation of CRMS performance assessment approaches: documentation of internal audit responsibility and frequency of organisation, functioning, and efficiency of the Group's risk management system by PJSC Inter RAO's Board of Directors.

Pursuant to the Resolutions of PJSC Inter RAO's Board of Directors (Minutes No. 155 dated October 30, 2015), the Internal Audit, Controlling, and Risk Management Unit was restructured in Q4 2015 and an independent structural unit²¹³ was set up to report directly to PJSC Inter RAO's sole executive body, Risk Management and Operational Controlling Department.

The update of the Corporate Risk Management Policy, a top level document, made it necessary to review the regulations in the area and a new version of the Group's Corporate Risk Management Policy was approved²¹⁴.

In accordance with the Policy, the Group implements a documented risk management process on an annual basis to set targets, identify and assess risks, develop risk management actions, and disclose information in financial statements. Risk management deliverables are documents in Targets, Critical Risk Roadmap, Critical Risk Management Plan, and CRMS Report. Key risks and risk management deliverables within the reporting year are detailed in Section 9.

Group's 2015 Corporate Risk Management System Report

The Company management developed the Group's 2015 Corporate Risk Management System Report. Inter RAO Group management assessed CRMS as a reliable one. The system embraces best practices and generally acknowledged standards, and corresponds to the principles and implementation approaches as defined by the Board of Directors, being implemented as part of the organisational structure and management technologies of the Group companies. Risk management procedures are implemented within the Company and controlled entities on a daily basis within CRMS scope, ensuring performance assessed as satisfactory. The quality of risk

²¹² Recommended by Letter No. 06-52/2463 of the Bank of the Russia dated April 10, 2014 On the Code of Corporate Governance.

²¹³ Relevant changes in the organisation and manning table were introduced by PJSC Inter RAO's Order No. IRAO/572 dated November 02, 2015.

²¹⁴ Order No. IRAO/719 dated December 25, 2015.

management within the Group is reviewed regularly by an independent auditor as part of the review of corporate governance improvement action plan²¹⁵.

The Board of Directors of PJSC Inter RAO reviewed and approved the Group's 2015 Corporate Risk Management System Report (Minutes No. 167 of May 4, 2016).

During the meeting held on April 28, 2016, the Board of Directors also reviewed the Auditor's Report on the Group's 2015 CRMS Performance. On the whole, the Auditor agreed with the CRMS assessment made by the management, providing recommendations on further improvement of the system. PJSC Inter RAO Board of Directors reviewed and approved the Auditor's Report (Minutes No. 167 of May 4, 2016).

Inter RAO Group sets the following risk management priorities for 2016:

- coverage of the Group's assets within CRMS scope of over 90%;
- consistently high quality of risk and actual risk-related damage assessment;
- improvement of corporate risk management regulations by updating CRMS methodology documents due to changes in top level risk management documents;
- improvement of risk management integration processes and the business planning system;
- improvement of approaches to the self-assessment of the risk management system;
- long-term view of KPI thresholds taking into account critical risks;
- improvement of the competency level and skills of system parties in subsidiaries and the Group.

Revision Commission

The General Meeting of Shareholders annually elects a Revision Commission consisting of five members to monitor financial and business activities of PJSC Inter RAO²¹⁶. The Revision Commission's activity is regulated by the Company's Articles of Association and the Regulation on the Revision Commission²¹⁷.

The Revision Commission reports to the General Meeting of Shareholders.

Table 61. Members of the Revision Commission of PJSC Inter RAO in 2015

Full name of the Revision Commission member	Position
Izumrud Alimuradova Year of birth: 1971 Education: University degree, Dagestan State University	Head of Internal Control and Risk Management, JSC FGC UES
Svetlana Rai Year of birth: 1963 Education: University degree, Tyumen State University, Gubkin Russian State University of Oil and Gas	Vice President / Head of Procurement, JSC Oil Company Rosneft

²¹⁵ Corporate governance review at PJSC Inter RAO and its key subsidiaries implemented on an annual basis by PwC as initiated by EBRD to improve corporate governance standards and investment potential of Inter RAO Group.

²¹⁶ Procedure for electing members of the Revision Committee is governed by art. 85 of the Joint Stock Companies Federal Law.

²¹⁷ Approved by the Resolution of the General Meeting of Shareholders of PJSC Inter RAO dated May 29, 2015 (Minutes No. 15 dated June 01, 2015).

Full name of the Revision Commission member	Position
Ekaterina Kheimits Year of birth: 1976 Education: University degree, Norilsk Industrial University	Head of Asset Integrity Control Division of the Control and Audit Unit of the Internal Control Department, JSC MMC Norilsk Nickel
Dmitry Shishkin Year of birth: 1967 Education: University degree, Dzerzhinsky USSR Higher School of KGB	Internal Control Director, member of the Management Board of PJSC FGC UES
Yury Scherbakov Year of birth: 1977 Education: University degree, Finance Academy under the Government of the Russian Federation	Head of the Treasury Department of the Financial and Economic Centre, PJSC Inter RAO

The Revision Commission held four meetings in the form of joint attendance in 2015 and considered 13 agenda items, including items involving the review of the Commission's performance (one out of 13 items) and organisational matters pertaining to the Commission's activity (12 out of 13 items). Positive resolutions were passed on all agenda items.

The Company's Regulations on the Revision Commission outlines the procedure for payout of remuneration to the Revision Commission's members for each inspection of the Company's business. The remuneration amounts to RUB 120,000 for each member of the Revision Commission and RUB 180,000 for the Chairman.

Table 62. Remuneration to the members of the Revision Commission of PJSC Inter RAO in 2015

Employee	Izumrud Alimuradova	Svetlana Rai	Ekaterina Kheimits	Dmitry Shishkin	Yury Scherbakov	Total
Remuneration to the members of management and control bodies	120,000	180,000	120,000	120,000	120,000	660,000
Salary					4,209,169	4,209,169
Bonuses					2,426,791	2,426,791
Total	120,000	180,000	120,000	120,000	6,755,960	7,295,960

Internal Audit

In order to fulfil the Action Plan to implement the Corporate Governance Code, the Internal Audit, Controlling and Risk Management Unit was restructured in 2015. Based on the restructuring results, an Internal Audit Unit (IAU) was set up to function as internal control at PJSC Inter RAO²¹⁸.

IAU reports functionally to PJSC Inter RAO's Board of Directors and administratively to the Chairman of the Company's Management Board²¹⁹.

IAU's goals and objectives are outlined in the Internal Audit Policy and Regulations on the Internal Audit Unit²²⁰.

²¹⁸ Board of Directors' Resolution of PJSC Inter RAO dated October 28, 2016 (Minutes No. 155 dated October 30, 2015).

²¹⁹ Internal Audit Policy approved by the Board of Directors' Resolution dated August 21, 2015 (Minutes No. 152 dated August 24, 2015), endorsed by the Audit Committee of the Board of Directors of PJSC Inter RAO on August 04, 2015 (Minutes No. 59).

IAU's key function is to assist the Company's Board of Directors and executive bodies in improving the efficiency of Company management. In particular, IAU's systemic and consistent approach to the review and assessment of ICS, risk management, and corporate governance is key to improving the Company's operations and higher efficiency decision-making pertaining to controlled entities.

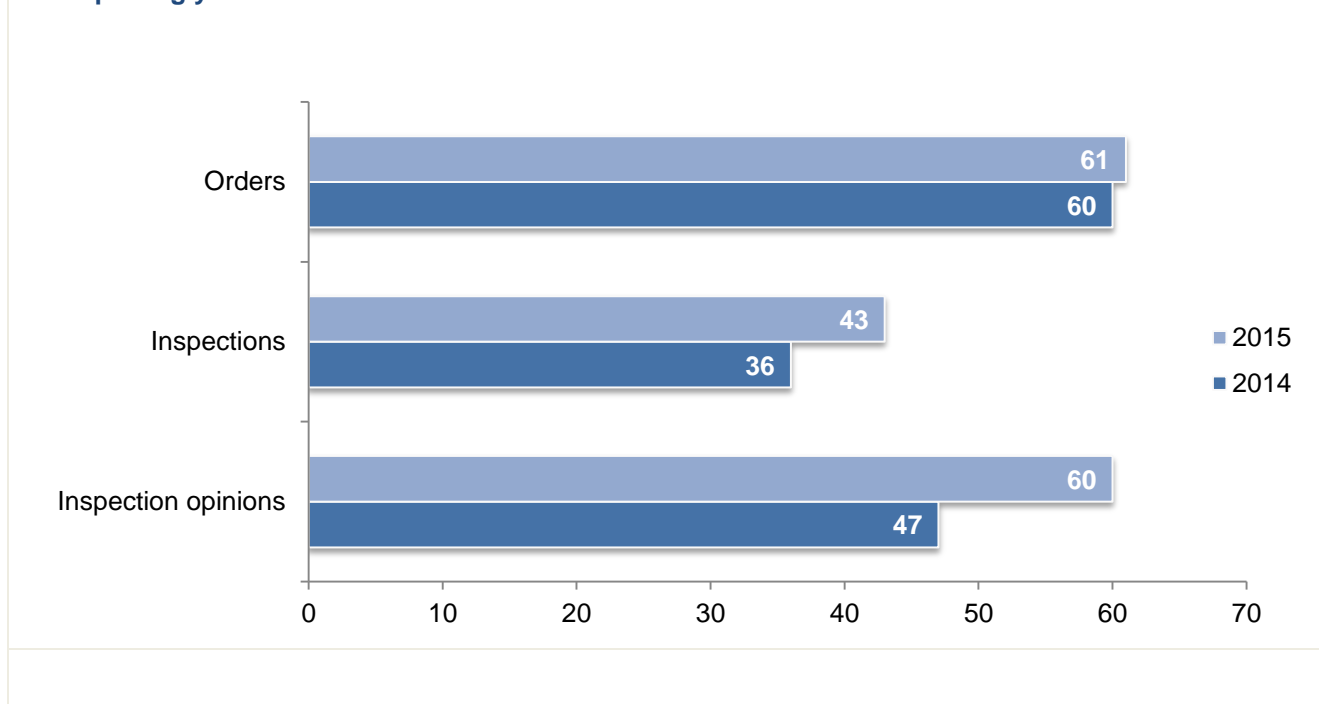
Table 63. Internal Audit organisation

PJSC Inter RAO	The Audit Department of Supply Assets and Trading Engineering Audit Department
LLC Inter RAO – Management of Electric Power Plants	Technical Services Audit Office Economic Audit Department Procurement Audit Department
PJSC Mosenergosbyt (Moscow Power Supply Company),	Internal Audit Office

The head of IAU functionally coordinates internal audits at LLC Inter RAO – Management of Electric Power Plants and PJSC Mosenergosbyt (Moscow Power Supply Company).

The internal audit is performed in accordance with the schedules approved by the Audit Committee. The schedules for 2015 were fully implemented within the established deadline.

Fig. 23 The frequency of audits and the number of inspection reports and issued orders increased in the reporting year



²²⁰ Regulations on the Internal Audit Unit approved by the Board of Directors' Resolution dated October 28, 2015 (Minutes No. 155 dated October 30, 2015), endorsed by the Audit Committee of the Board of Directors of PJSC Inter RAO on October 19, 2015 (Minutes No. 62).

Information Security

LLC Inter RAO – Information Technologies (Inter RAO – IT) holds licenses from the Russian Federal Security Service to handle the encoding of devices and is responsible for information security at Inter RAO Group. The central personal data information system segments of LLC Inter RAO – IT are certified to meet the information security requirements, and external users are connected to the central personal data information system segments based on special instructions.

Both organisational and technical information security aspects are defined in the current Group's Information Policy²²¹.

In accordance with the Information Security Policy at Inter RAO Group, LLC Inter RAO – IT has the following functions:

- information security – actions aimed at organisational information security, including the development and update of regulations;
- information protection – the determination of requirements for information security technical support at Inter RAO Group and technical protection measures taken within its scope of responsibility;
- information security audit – information security audits within the scope of responsibility.

The key information security risks at Inter RAO Group include:

- the risk of intentional or unintentional disclosure of protected information and potentially compromising information inflicting damage on the reputation or finances of Inter RAO Group;
- the risk of damage to the IT infrastructure (corporate computer network) at Inter RAO Group by internal or external harmful use, by means of exploiting the software and/or hardware's vulnerability.

These risks are minimised by a number of organisational and technical measures, as well as the regularly controlling the information system users' actions. The internal audit was performed at Inter RAO Group's Generation entities in 2015 and 2016 to ensure that the statutory requirements of the Russian Federation were met, coupled with external audit of Inter RAO Group's companies, which aimed to enforce compliance with Inter RAO Group's corporate information security standards.

The following regulations were developed and approved in order to improve information security and to minimise any information security risks at Inter RAO Group:

- Corporate standard – Technical Information Security Policy of Inter RAO Group;
- Corporate standard – Anti-Virus Protection Instructions for Inter RAO Group's corporate computer network;
- A methodology for the processing of personal data at Inter RAO Group.

Furthermore, the Information security plan for 2015–2017 was approved for RAO Group's corporate computer network at the Information Technology Committee's (ITC) meeting,²²² involving the implementation of the pilot project IDM, preparation of the pilot project DLP, and implementation of the anti-virus protection system.

²²¹ Approved by the Board of Directors of PJSC Inter RAO on September 27, 2011 (Minutes No. 48 dated September 30, 2011).

²²² Minutes No. 40 dated March 05, 2015.

Compliance Control

The Fraud and Corruption Prevention Policy is the fundamental document that determines the key goals, objectives, principles and areas for fraud and corruption, combating at PJSC Inter RAO and, developed by the Compliance Control Department of the Security and Regulations Unit and approved by the Board of Directors²²³. The policy is based on the Group's corporate standards and the Group companies' Boards of Directors (Supervisory Boards), who were guided by when developing relevant local regulations.

The Compliance Control Department of the Security and Regulations Unit of PJSC Inter RAO is responsible for anti-corruption compliance control. The Compliance Control Department of the Security and Regulations Unit is guided by the Compliance Policy, which was developed by PJSC Inter RAO's Board of Directors. In pursuit of the Compliance Policy, the key processes implemented in the Group pertain to fraud and corruption prevention, including financial crimes committed with the Group's assets and resources. The Compliance Control Department is responsible for:

- control over any business processes that carry a high risk of corruption (purchasing, capital investment, charity, and property transactions);
- in-house investigations and inspections based on the information received from economic security services and over the hotline;
- control over the economic security services' activities within Group companies related to fraud and corruption prevention;
- compliance procedures, guidelines, and coordination of economic security services in Group companies;
- anti-corruption expert examination of internal and local regulations and corporate standards within the Group.

Every Company employee must be aware of the principles and requirements of the Compliance Policy and Fraud and Corruption Prevention Policy and must rigorously follow them. After reading the Policies, employees make a relevant entry in an automatic management document flow system. Policies are included in the List of mandatory regulations for all new hires.

Combating fraud and corruption in the Group is a consistent and regular activity integrated into the strategic and day-to-day management at all levels when fulfilling functions in any business processes, covering all Group companies, units, and employees.

Inter RAO Group's fraud and corruption prevention principles

- The principle involving combating fraud and corruption in any forms during operational, investment, and other activities
- The top management mission: the Group's management and senior executives must adhere to the ethical standard of maintaining an uncompromising attitude to any forms of fraud and corruption
- The minimisation of risk in relations with contractors that might be involved in fraudulent actions: this principle is implemented by checking contractors for anti-corruption procedures or policies, in addition to a willingness to comply there within and include relevant sections in their contracts and agreements

²²³ Board of Directors' Resolution of PJSC Inter RAO dated January 31, 2014 (Minutes No. 107 dated February 03, 2014).

- Due care principle: the Group checks its contractors and job applicants before making a final decision on starting or continuing business relations.
- The inevitability of punishment: the Group investigates all reasonable messages regarding the violation of proper fraud and corruption prevention regulations and takes actions against offenders.
- Maintaining consistency and continuity when combating fraud and corruption in the Group, achieved by developing and implementing proper fraud and corruption prevention procedures
- Monitoring and control: the Group monitors the implemented adequate fraud and corruption prevention procedures, controls the compliance to such procedures and ensures their regular improvement



More detailed information on the Policy is available at the Company's official website: <http://www.interrao.ru/upload/docs/Politika.pdf>

The Anti-Corruption Hotline has been available at Inter RAO Group since 2012 to prevent fraud and corruption, increase the transparency of the Group's business, and protect shareholder interests. The Internal Audit Unit handles messages received via the hotline. Any Group employee or other stakeholder may inform us via the Hotline on:

- intended or committed acts of fraud, corruption, and theft;
- violations in the purchasing process;
- misuse and abuse of office;
- other actions which inflict or may inflict financial damage or cause harm to the Group's business reputation.

Hotline mailboxes at Inter RAO Group are structured by functional areas of its subsidiaries. Received messages of different subjects are considered by a special functional department.

Hotline Regulations implement independent audits of the circumstances described in messages (including anonymous messages), and an opinion on the matter is issued to all stakeholders.

Table 64. Record of fraud and corruption messages in 2014 and 2015.

Indicator	2014	2015
Total number of Hotline messages	289	223
Number of messages related to corruption	4	2
Share of messages related to corruption	1.4%	0.9%
Number of messages related to fraud	14	11
Share of messages related to fraud	4.8%	4.9%

Anti-corruption actions and measures that were taken in 2015 entailed disciplinary actions against nine employees²²⁴.

²²⁴ More detailed information on preventing corruption in procurement is available in chapter 10, Procurement.

External Control

The Annual General Meeting of Shareholders gives approval to the Company's Audit to audit and verify the annual financial statements. The criteria for the selection, procedure and rotation rules of audit managers is governed by PJSC Inter RAO's External Auditor Rotation Policy²²⁵.

The Board of Directors has approved the new version of the External Auditor Rotation Policy of PJSC Inter RAO. This resolution was adopted to comply with the recommendations of PJSC Inter RAO's Audit Committee dated March 13, 2015 (Minutes No. 51 dated July 29, 2013), pertaining to the limitation of non-auditing services of the total external auditor's scope to 20%.

The Company's Auditor audits the Company's business under a relevant agreement in accordance with the statutory requirements of the Russian Federation.



More detailed information on the External Auditor Rotation Policy is available at the Company's official website:

http://www.interrao.ru/upload/docs/Politika_rotacii_vneshnego_auditora_PAO_Inter_RAO_0610.pdf

Open competitive negotiations were held in January 2013 in order to select the only auditor for 2013, 2014, and 2015. Based on the outcome of these open competitive negotiations²²⁶, the winning bidder was Ernst & Young Limited Liability Company.

On April 07, 2015²²⁷ the Board of Directors proposed the approval of approve Ernst & Young as the Company's auditor at the Annual General Meeting of Shareholders of PJSC Inter RAO and determined the following:

- the fee of RUB 1,121,000, including VAT, for the audit of the RAS annual statutory financial statements for 2015; and
- the fee of RUB 23,968,160, including VAT, for the audit of the IFSR consolidated annual financial statements of Inter RAO Group for 2015.

PJSC Inter RAO Annual General Meeting of Shareholders was held on May 29, 2015²²⁸ where the approval of the candidate proposed by the Board of Directors as the Company's auditor for 2015 was directly resolved.

The relations between external and internal auditors during an independent (external) audit is in accordance with the rules and principles outlined in the Auditing Rule (Standard) No. 29, the Review of the Internal Auditor's Performance²²⁹ and is also in accordance with ISA 610 Considering the Work of Internal Auditing – JFAC.

Before auditing the reliability of financial statements, the external auditor will discuss the plan and scope of the proposed audit. Internal Audit Management External auditors have access to the internal audit results and may contact freely and fully the internal auditors.

Based on the audit of the Company's business, external auditors notify Internal Audit management of the audit results and provide information to the Audit Committee of the Board of Directors.

²²⁵ Approved by the Board of Directors' Resolution dated July 31, 2015 (Minutes No. 149 dated August 03, 2015).

²²⁶ Minutes of the procurement commission's meeting No. 3279/OKP-PVP dated February 15, 2013.

²²⁷ Minutes No. 138 dated April 09, 2015.

²²⁸ Minutes No. 15 dated June 01, 2015

²²⁹ Approved by Decree No. 523 dated August 25, 2006 of the Government of the Russian Federation.

6.7 Information Disclosure and External Communications

PJSC Inter RAO adheres to the transparency principle in its operations by ensuring timely disclosure of reliable information on all material facts, including the details of its financial position, performance, ownership structure, and social and environmental metrics. PJSC Inter RAO's information disclosure is guided by Russian statutory requirements and global best corporate governance practices.

Key information disclosure principles on the Company's business, procedure and timeframe for its submission, including the list of information and documents to be disclosed, are determined by the Information Policy,²³⁰ of which a new version developed in 2015 by the Corporate and Owner Relations Unit, in cooperation with the Information Policy Unit, Strategy and Investment Unit, and Financial and Economic Centre.

Approval of the new version of the Information Policy of PJSC Inter RAO is necessary to implement the aforementioned resolutions of the Board of Directors due to the following factors:

- Section VI, part B of the Corporate Governance Code;
- Securities Listing Procedure²³¹;
- MICEX Listing Rules²³².

The key amendments against the current version of the Information Disclosure Procedure include:

- the disclosure of information, goals and principles in the Company were revised pursuant to clause 274, section VI, Part B of the Corporate Governance Code;
- the disclosure of information is determined as the critical tool in shareholder and other stakeholder relations in the Company pursuant to clause 281, section VI, Part B of the Corporate Governance Code;
- the definition of what constitutes a stakeholder was defined in accordance with the Corporate Ethics Code approved by the Company's Board of Directors;
- the list of information to be disclosed by the Company, in accordance with federal laws and other regulations, and the list of information additionally disclosed by the Company, apart from the information to be disclosed by law;
- an appendix containing the main requirements for the information, composition, and structure of a Company Annual Report was added;
- the timeframe for information disclosure by the Company, including financial statements, was revised;
- the procedure and channels for information disclosure by the Company and shareholder relations were updated;
- the procedure for the provision of shareholders' access to information, documents and the period of availability of disclosed information were revised;
- the procedure for responsible employees in the Company during information disclosure was determined;

²³⁰ Approved by the Board of Directors' Resolution of PJSC Inter RAO dated November 26, 2014 (Minutes No. 157 dated November 30, 2014).

²³¹ Approved by Order of the Federal Financial Markets Service of Russia No. 13-62/pz-n dated July 30, 2013 enacted on September 30, 2013.

²³² Approved by the Resolution of MICEX Board of Directors dated August 28, 2015 (Minutes No. 27).

- measures were determined to control compliance with the Company's information policy introducing a rule prescribing the Company's Board of Directors to exercise control over information policy compliance (pursuant to clause 275, section VI, part B of CGC).

The Group's interaction with external auditors (principles and areas), including information



More detailed information on the Information Policy is available at the Company's official website:

http://www.interrao.ru/upload/docs/Polozhenie_ob_inform_politike_0112.pdf

disclosure, is described in the Information Policy. Inter RAO Group discloses the information on its activities using the following communication channels:

- publications in mass media;
- publications on its corporate website at www.interrao.ru (in Russian and in English);
- publications in brochures, booklets, its corporate magazine "Energy Beyond Borders", and other printed and electronic media;
- the provision of access to information (documents) to shareholders and distribution of document copies, whenever required by law;
- press conferences, Internet conferences, briefings, conference calls, meetings with stakeholders involving the submission of relevant comments and the holding of other public events for the investment community.

Table 65. Material disclosures and press releases at PJSC Inter RAO in 2015 by month

Month	Material fact	Press release
January	8	0
February	8	1
March	11	4
April	15	2
May	10	5
June	22	3
July	22	2
August	9	4
September	6	2
October	7	1
November	8	2
December	12	2
Total:	138	28

Inter RAO Group is committed to maintaining a continuous dialogue with its stakeholders. In addition to the mandatory disclosure of information, the Group discloses additional information as required by federal laws, other regulations and securities organisers in order to maximise transparency.

The list of Inter RAO Group's stakeholders is outlined in the Corporate Ethics Code of PJSC Inter RAO²³³ and the Group's Communication Strategy. This list takes into account the economic, social,

²³³ Approved by the Board of Directors' Resolution of PJSC Inter RAO dated October 18, 2011 (Minutes No. 50 dated October 21, 2011).

and environmental footprint of the Group among different stakeholders and their impact on the Group's operations.

Inter RAO Group's Stakeholders

- The Group's management and control bodies
- Employees and their representatives
- Shareholders (including minority shareholders)
- The investment community (investors and analysts)
- The government (including government authorities in the countries where the Company operates)
- The community (including consumers)
- Business partners and the professional community
- Competitors
- Mass media

The Group has common approaches to ensure optimal and regular communication with every stakeholder group based on individual forms and methods, taking into account their interests and demands.

Table 66. Communication channels and key subjects for contact with stakeholders

Communication channels	Key subjects in 2015
Internal stakeholders	
Management and control bodies	
<ul style="list-style-type: none"> • Meetings and appointments within the scope of authority to benefit the Group and its shareholders 	<ul style="list-style-type: none"> • Financial and operations performance • Key performance indicators • Strategy and areas of development • Approval of related party and major transactions • Business plans and investment programmes
Employees and their representatives	
<ul style="list-style-type: none"> • Labour meetings • The Chairman of the Management Board of PJSC Inter RAO's message to Group employees via corporate press and video-messages • Regular face-to-face meetings between employees PJSC Inter RAO and the head of the HR and Organisation Development Unit • Satisfaction survey 	<ul style="list-style-type: none"> • Prospects of employment in Group companies • The rights and obligations of Group employees • Workplace conditions • Occupational health and safety • Social guarantees and benefits • Satisfaction with work, an incentives system, and the social and psychological climate in the workplace

Communication channels	Key subjects in 2015
<ul style="list-style-type: none"> • Corporate publications • Internet portal • Meetings with trade union representatives 	
External stakeholders	
Shareholders	
<ul style="list-style-type: none"> • General Meeting of Shareholders, meetings with minority shareholders • PJSC Inter RAO's Shareholder Hotline • JSC R.O.S.T. Registrar Hotline • Shareholder Information Card • Official correspondence • Publications in LLC Interfax - TsRKI • Corporate publications 	<ul style="list-style-type: none"> • Financial and operations performance • Key performance indicators • Dividend payout • Election of management bodies • Restructuring: acquisition/liquidation of companies • Approval of the Company's auditor • Approval of major and related party transactions • Approval of annual and quarterly business plans
Investors and analysts	
<ul style="list-style-type: none"> • Meetings and presentations for investors and analysts • Investor Days and Analyst Days • Meetings with investors during road shows and conferences • Conference calls and video calls • Webcasts • Visits to industrial sites • Official correspondence and telephone negotiations • The Group's websites • Specialised materials for the investment community (Analyst's Guidelines etc.) 	<ul style="list-style-type: none"> • The Group's financial and operations performance • PJSC Inter RAO's Dividend Policy • The Group's development strategy and its implementation in each business area • The incentives system for management and key performance indicators • Investment programme implementation • Equity structure • Information on material facts and changes • Major events the Group is involved in/initiates • Regulated industries • Operations performance improvement and cost optimisation programmes • Feedback from investors and analysts for management to improve operations performance and the investment potential of the Group
The Government (including government authorities in the countries where the Company operates)	

Communication channels	Key subjects in 2015
<ul style="list-style-type: none"> • Involvement in the development of regulations and strategy of the energy industry's development in task force teams, boards, and committees • Involvement in inter-industry commissions • The submission of government reporting 	<ul style="list-style-type: none"> • Implementation of the government's strategy goals • Enforcement of instructions and decrees by government authorities • Involvement in strategic national and international projects • Sustainable use of natural resources • Energy security • The disclosure of information to WEM and REM players • Regional social and economic development • The creation of jobs
The Community (including consumers)	
<ul style="list-style-type: none"> • Public hearings • Conferences • Charity projects, regional socio-economic development projects • The Group companies' websites and webpages in social media • Consumer Hotlines 	<ul style="list-style-type: none"> • Energy security • Reliable and uninterrupted power supply • Supply chain and procurement • Environmental footprint • Regional social and economic development • Improvement of product and consumer services quality • Price policy
Business partners and the professional community	
<ul style="list-style-type: none"> • Contractual relations and cooperation agreements • Participation in the Russian Union of Industrialists and Entrepreneurs • Project activities • Procurement procedures • Trading in WEM and REM • The publication of the industry-wide magazine "Energy Beyond Borders" 	<ul style="list-style-type: none"> • Fulfilment of the Group's commitments • Better transparency in procurement procedures • Promising areas of cooperation • The development of trading rules for WEM and REM • Support of commercial and process infrastructure
Competitors	
<ul style="list-style-type: none"> • Contractual commitments • Involvement in the development of WEM and REM rules 	<ul style="list-style-type: none"> • Open, honest, and faithful competition • Compliance with the financial discipling and undertakings • The settlement of differences regarding consumer servicing by Group companies

Communication channels	Key subjects in 2015
Mass media	
<ul style="list-style-type: none"> • Press conferences • Press tours • Press lunches • The Group's website • Corporate press 	<ul style="list-style-type: none"> • The Group's financial and operations performance • The Group's development strategy • Information on material facts and changes • Major events the Group is involved in/initiates • Regulated industries • Improvement of operations performance • Charity

Table 67. Stakeholder relations at PJSC Inter RAO in figures

Area	2014	2015
Company's management and control bodies		
- Board of Directors' meetings	27	27
- Management Board meetings	61	58
Shareholders		
- Annual General Meeting of Shareholders	1	1
- field meetings with minority shareholders	2	0
- written requests by public notaries	105	67
- written replies to shareholders	71	85
Investors and analysts		
- meetings with investors (individual and group meetings)	110	131
- investment conferences	8	8
- road shows	3	2
- investor and analyst days	1	2
- analysts' and investors' visits to power plants (industrial asset)	1	1
- IFRS-related webcasts	4	4
- meetings with rating agencies	2	1
Government authorities in the regions and countries where the Company operates		
- relations with the Bank of Russia	5	3
- inter-departmental commission of the Russian Federation's Ministry of Economic Development	0	1
- Consultations with representatives of federal executive authorities to discuss state support for the Group's projects	11	17
Business partners and the professional community		
- the stock-exchange, registrar, depositories, and PARTAD (Professional	12	19

Association of Registrars, Transfer Agents and Depositories)

Mass media		
- meetings	332	308
- press conferences	92	102
- press tours	14	10
- press lunches	1	2
- press breakfasts	5	6
- visits to industrial sites	22	32
- conference calls	4	4

Report on the compliance with PJSC Inter RAO's Information Policy

The report on the Company's compliance to its Information Policy is developed in accordance with the Corporate Governance Code, Information Policy Regulations of PJSC Inter RAO, and Letter of the Bank of Russia No. IN-06-52/8, dated February 17, 2016.

In accordance with clause 9.2 of the Information Policy Regulations of PJSC Inter RAO²³⁴, to maintain control over compliance, Report on the compliance with Information Policy is annually submitted for consideration by the Board of Directors.

Main conclusions of the 2015 Report on the compliance with Information Policy²³⁵:

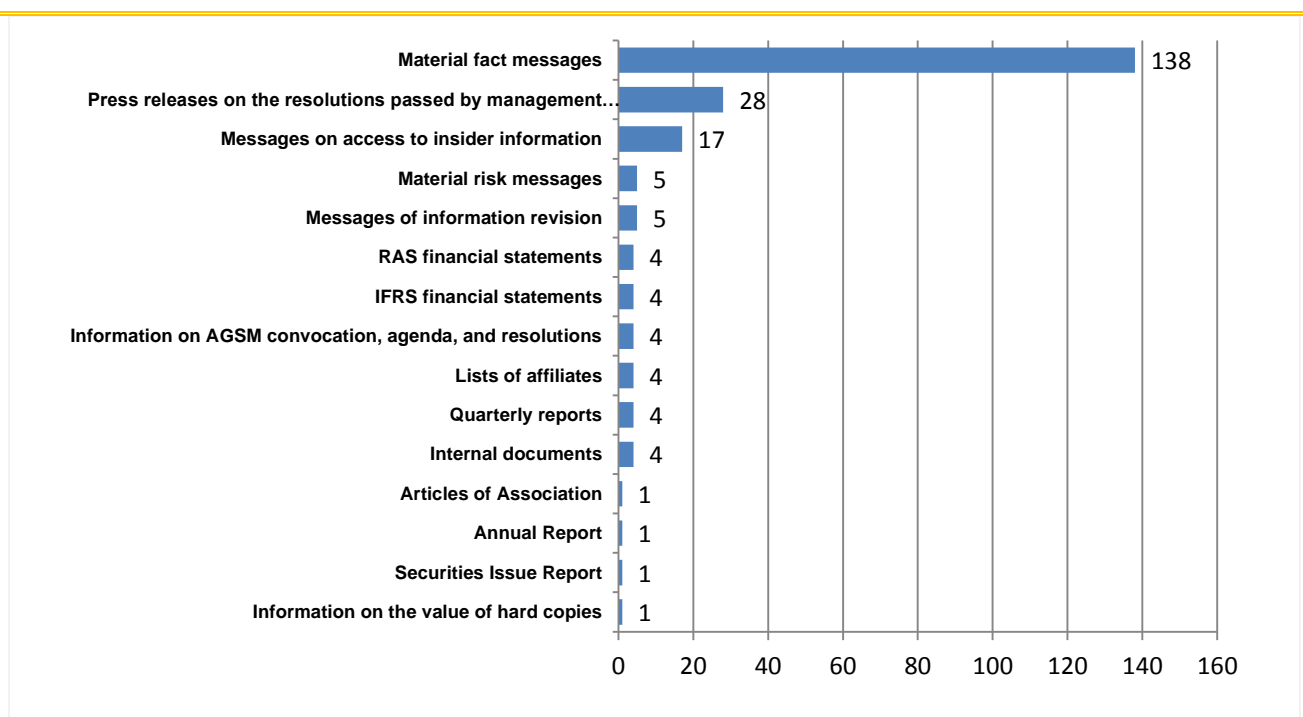
- The Company complies with the procedure and timeframe for the mandatory disclosure of information by issuers of securities, which has been established by law;
- The Company volunteers the disclosure of the information specified in PJSC Inter RAO Information Policy

In 2015, PJSC Inter RAO disclosed 221 facts as part of mandatory information disclosure.

Fig. 24 The majority of events or actions affecting the Company's operations, disclosed as material facts

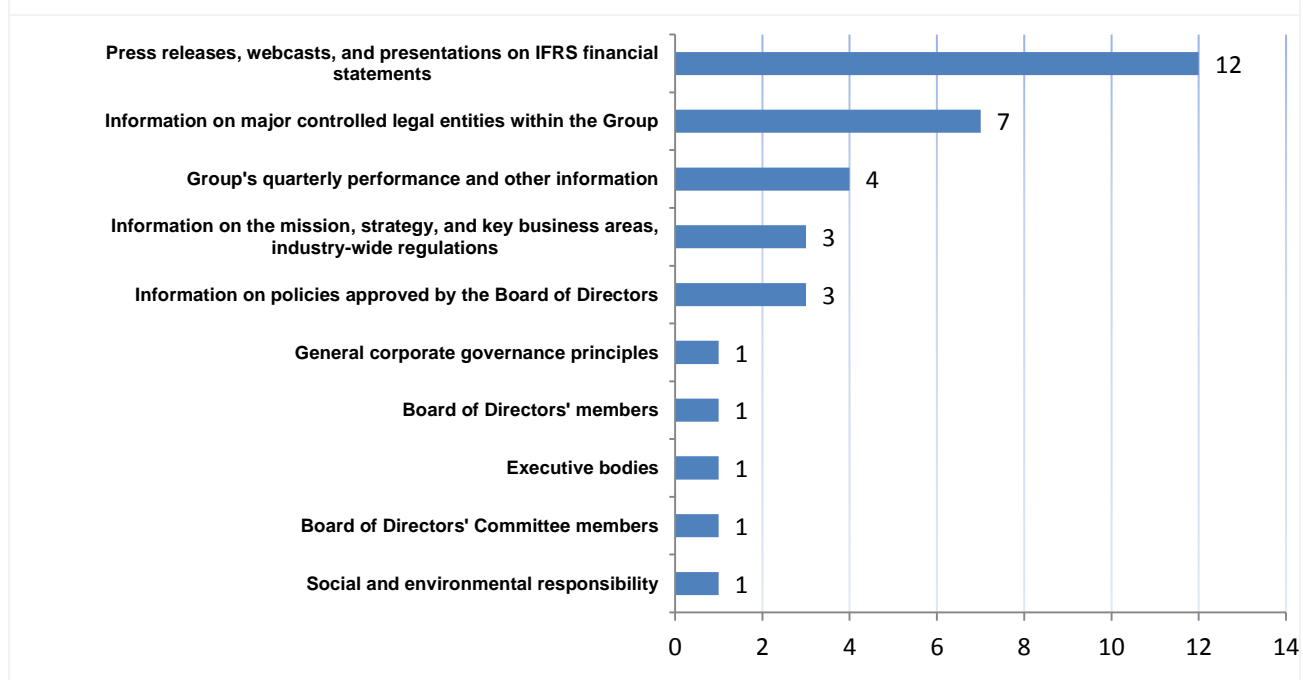
²³⁴ Approved by the Board of Directors' Resolution dated November 26, 2015 (Minutes No. 157 dated November 30, 2015).

²³⁵ Approved by the Board of Directors' Resolution dated April 12, 2016 (Minutes No. 166 dated April 14, 2016).



In 2015, PJSC Inter RAO disclosed 34 facts as part of this voluntary information disclosure.

Fig. 25 Over 35% of voluntary information disclosures were in the form of press releases, webcasts, and presentations on IFRS financial statements



7 Company on the Capital Markets and Investor Relations

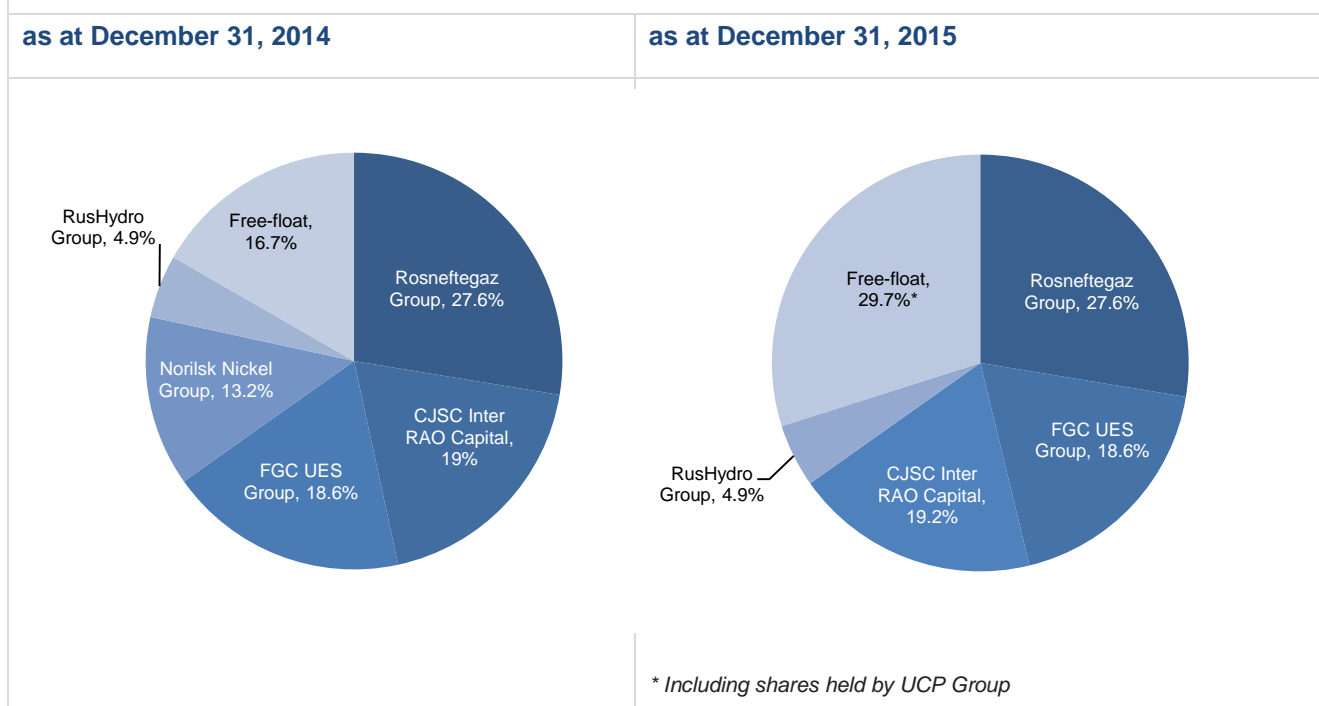
The authorised capital of PJSC Inter RAO amounts to RUB 293,339,674,800 and is divided into 104,400,000,000 common registered shares, each share having a par value of RUB 2.809767. The shares were added by the Moscow Stock Exchange to the First Level of the List of Securities admitted for trading at Closed Joint Stock Company MICEX Stock Exchange, which is the top stock exchange level.

As at December 31, 2015, Inter RAO held no preferred shares.

Changes in the Authorized Capital During the Year

In 2015, Norilsk Nickel Group sold the whole block of PJSC Inter RAO shares owned by the Group, therefore, the share of minority shareholders in the structure of PJSC Inter RAO authorized capital increased from 16.7% to 29.9% as at December 31, 2015.

Fig. 26 The key change to the structure of PJSC Inter RAO authorized capital is a sale of shares by Norilsk Nickel Group.



For up-to-date information on the structure of the authorized capital of PJSC Inter RAO, please refer to the Website: <http://www.interrao.ru/company/capital/>

Table 68. Shareholders recorded in the register of shareholders of PJSC Inter RAO with at least 5% of voting shares of the company as at January 01, 2015 (excluding nominee shareholders)

Item No.	Full name or company	Location	Number of shares	
			Total, sh.	% from the authorized capital
1	JSC ROSNEFTEGAZ	26/1 Sofiyskaya Nab.,	27,526,226,998.90	26.3661

		Moscow 115035		
2	CJSC Inter RAO Capital	27, Pirogovskaya B. Str., Moscow 119435	5,530,606,427.78	5.2975
3	Non-Banking Credit Organisation Closed Joint-Stock Company National Settlement Depository (nominee shareholder)	12, Spartakovskaya Str., Moscow 105066	29,795,805,767.62	28.5400
4	LLC Depository and Corporate Technologies (nominee shareholder)	4 Bdg 1, Stromynka Str., Moscow 107014	39,688,662,974.99	38.0160
	TOTAL per list: (accounts: 4)		102,541,302,169.29	98.2196

Table 69. Shareholders recorded in the register of shareholders of PJSC Inter RAO with at least 5% of voting shares of the company as at December 31, 2015 (excluding nominee shareholders)

Item No.	Full name or company	Location	Number of shares	
			Total, sh.	% from the authorized capital
1	JSC ROSNEFTEGAZ	26/1 Sofiyskaya Nab., Moscow 115035	27,526,226,998.90	26.3661
2	CJSC Inter RAO Capital	27, Pirogovskaya B. Str., Moscow 119435	5,530,565,439.78	5.2975
3	Non-Banking Credit Organisation Closed Joint-Stock Company National Settlement Depository (nominee shareholder)	12, Spartakovskaya Str., Moscow 105066	41,736,666,045.07	39.9776
4	LLC Depository and Corporate Technologies (nominee shareholder)	4 Bdg 1, Stromynka Str., Moscow 107014	27,766,732,675.59	26.5965
	TOTAL per list: (accounts: 4)		102,560,191,159.34	98.2377

Table 70. State registration dates and state registration share issue numbers

State registration issue date	State registration issue number	Placement Report date	Date of cancellation of an additional issue individual number (code)
December 23, 2014	1-04-33498-E	December 31, 2014	—

Table 71. Information on End Beneficiaries of the Company as at December 31, 2015

Item No.	Full name of company	End Beneficiary	Number of shares	
			Total, sh.	% from the authorized capital
1	Russian Federation represented by Federal Agency for State Property Management	Russian Federation	0.09	0.0000000001
2	JSC ROSNEFTEGAZ (including direct and indirect ownership)		28,844,020,032.02	27.63
3	JSC Federal Grid Company of the Unified Energy System (including direct and indirect ownership)		19,386,053,950.04	18.57
4	JSC Federal Hydrogenerating Company – RusHydro (including direct and indirect ownership)		5,131,522,464.02	4.92
Total shareholders of the Company under state control which do not belong to Inter RAO Group			53,361,596,446.17	51.11
Shareholders of the Company belonging to Inter RAO Group			19,995,787,939.06	19.1531
5	UCP SEA RESOURCES LTD	Ilya Scherbovich	10,108,860,696.00	9.6828
Total other shareholders (individual and entities), not listed above			20,933,754,918.77	20.0515
TOTAL			104,400,000,000	100.00
For reference: Free floating shares (including blocks of shares owned by private investment foundations)			31,042,615,614.77	29.73

Statement of the Company's executive bodies on absence of the Company's information about shareholders with over 5% shares, besides the information which has been already disclosed

Herewith the Company's executive bodies inform that the Company has no information about blocks of shares exceeding five percents besides that already disclosed by the Company. All information available for the Company according to the effective law is disclosed by PJSC Inter RAO in essential notifications, quarterly reports of the Issuer, and the Company's Annual Reports.

Information on the possibility to purchase or procurement by shareholders of the control share which does not meet their share in the Company's authorized capital, in particular, based on shareholder agreements or due to ordinary and preferred shares with various nominal value.

The Company does not possess any information on the possibility to purchase or procurement by shareholders of the control share which does not meet their share in the Company's authorized capital, in particular, based on shareholder agreements.

Depository Receipts

Since November 28, 2011 shares of PJSC Inter RAO have been listed as global depository receipts at London Stock Exchange (LSE) in the IOB segment (International Order Book) as admitted for trading. The date of change in the ratio of the number of shares represented by global depository receipts issued for the Company's shares varies from 1:10,000 to 1:100 on December 29, 2014. FX trading in foreign securities (global depository receipts each of which proves ownership of one hundred (100) uncertified registered ordinary shares of PJSC Inter RAO) starts on January 20, 2015.

Table 72. Shares on the Moscow Stock Exchange (First Level Quotation List)

Market Sector	Ticker	ISIN	Date of Listing
Main Market	IRAO ²³⁶	RU000A0JPNM1	July 17, 2008
Classic	IRAO	RU000A0JPNM1	July 17, 2008

Table 73. Ordinary Shares of PJSC Inter RAO Included in the Index Calculation Bases

Index	Tocker	Weight of Inter RAO securities in the index, %	Update Date
MICEX Index (composite index)	MICEXINDEXCF	0.25	December 31, 2015
MICEX Power Industry (industry index)	MICEXPWR	14.13	December 31, 2015
FTSE Emerging index	—	0.013	December 31, 2015
FTSE Russia index	—	0.29	December 31, 2015
MSCI Emerging Markets Small Cap Index	MXEM	−0.05	December 31, 2015

Investment Community Relations in 2015

The Group applies a wide range of shareholder and investor relations channels. The Group's Management is committed to improvement of quality of the voluntary information disclosure. To improve the information transparency, it has been the second year that the Group's management within the framework of webcasts disclosures both financial performance statements and and financial forecasts and plans, provide the quarterly report on activities to improve the operations efficiency for the main businesses, publish information about key and essential market trends, and answer the questions of investors and analysts.



For more details please refer to the Company's Websire: Investor Relations: Financial Information: <http://www.interrao.ru/investors/funds>

²³⁶ IUES ticker during the period from December 01, 2009 till November 18, 2011.

Proceeding from results of the year, analytical support of PJSC Inter RAO business was provided by 11 specialists from leading Russian and international banks. All investment institutions updated the financial models, most of them increased the target prices and recommendations on PJSC Inter RAO shares.



For more details please refer to the Company's Websire: Investor Relations: Investor Tools: <http://www.interrao.ru/investors/calendar/>

Table 74. Recommendations of the analysts on PJSC Inter RAO shares

Broker	Recommendations on shares	Target Price, RUB	Growth Potential, %	Publication Date
Merrill Lynch	Buy	1.75	58	08.12.2015
JP Morgan	Hold	1.17	6	30.11.2015
Renaissance* Capital	Buy	2.33	111	15.09.2015
UFS Investments	Buy	1.25	13	28.08.2015
Rye, Man & Gor	Buy	1.35	22	27.08.2015
Raiffeisen Bank	Buy	1.90	72	08.06.2015
KIB Savings Bank	Buy	1.64	48	30.05.2015
Veles Capital	Hold	1.37	24	29.05.2015
VTB Capital	Sell	0.75	-32	13.04.2015
Gazprombank	Buy	1.50	36	08.04.2015
BKS	Hold	1.00	-10	13.02.2015
Consensus Forecast		1.46	32	



Analysts from the investment banks highly evaluate the potential of the Company's development and consider the Company to be underevaluated compared to other power industry companies:



Investors attitude to Russian generating companies shall improve significantly in the short term, and the launch of long-term capacity market, completion of the investment cycle and perspectives of the dividend payout will contribute to increase of the investors interests to shares of the generating companies. Bank analysts confirm their positive opinion on Inter RAO perspectives and believe that shares of this Company are of the greatest appeal in the electric power sector.



We will continue perceiving Inter RAO as one of the best securities in the sector, we believe that the company's financial performance together with optimistic forecasts of the management support our expectations related to growth of the amount of dividend payout.



We positively evaluate the Company's performance results. We may state that the Company is evaluated in a positive, attractive way in the current conditions. The financial growth potential of Inter RAO can be perceived in both short-term and long-term run thank yo commissioning of large new capacity volumes.



We appreciate strong financial performance of Inter RAO and achievement of EBITDA forecast with RUB 68-69 bln for 2015, and we believe that this news shall improve the Company's stock prices.

Inter RAO is strongly undervalued compared to other similar companies in the developing markets, and we expect this tendency to develop, since the company has shown that it can generate the stable positive free cash flow.

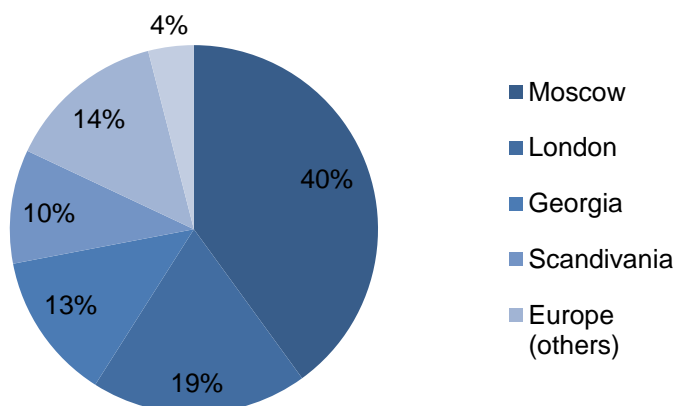


For up-to-date information on the Company's financial situation and dynamics of stock prices of PJSC Inter RAO, please refer to the Website:

<http://www.interrao.ru/investors/calendar/>

During the year, 131 meetings with Russian and foreign investors and 3 conference calls with the largest global European and Russian investment foundations, such as Blackrock (> 4.3 trillion USD), JP Morgan Asset Management (> 1.5 trillion USD), Pictet & CIE (> 437 bln USD), Fidelity International (> 244 bln USD), etc. were arranged.

Fig. 27 Major part of meetings with Russian and foreign foundations were held during the road shows and conferences in Moscow and in London.



The largest meetings of the Group were held during the Investor Day in Moscow, and site visit to Georgia. During the Investor Day in Moscow, PJSC Inter RAO management discussed the results of the Group Development Strategy for the first six months, and results of activities to improve efficiency of operations in the electricity market.

During the site visit and the Investor Day in Georgia, the following topics were discussed: "Development of Inter RAO Group in the international markets", "Macroeconomic forecast. Strategic

model and priorities of Inter RAO Group development through 2025". "Long-term procedure of competitive capacity selection", "Development of Electric Power Industry of Georgia" with participation of the Ministry of Energy of Georgia.

The Group's management is continuously improving the quality of investor community relations. The annual study of Russian and international investments made by Extel and IR magazine Russia & CIS 2015, Inter RAO was in TOP-20 of the best European electric power companies, taking leadership positions among all Russian power companies.

In 2015, the Group's capitalization increased significantly (by over 55%) resulting from efficient operation of the Group's management for development and promotion of the investment background, implementation of the Group's Development Strategy, improvement of quality of investment community relations.

Fig. 28 Proceeding from results of 2015, PJSC Inter RAO's capitalization growth exceeded 55%, which is much more compared to the growth rate of other largest power companies

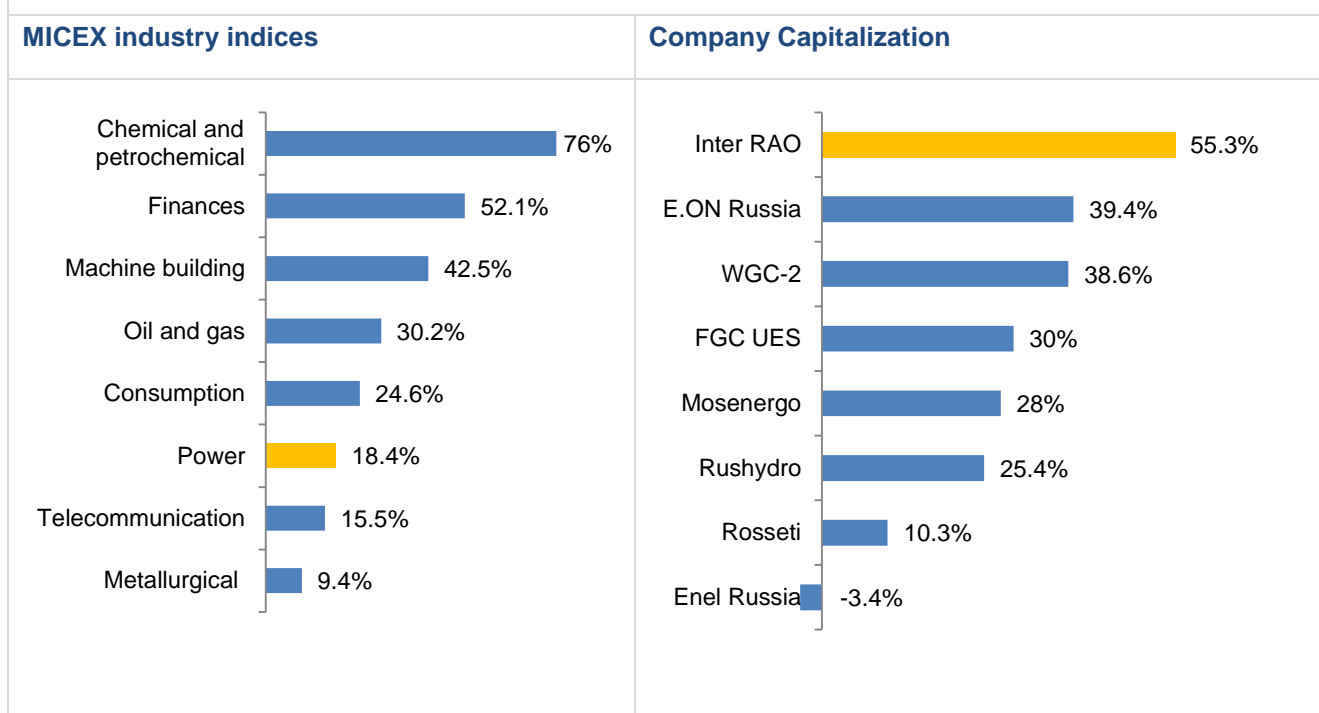


Fig. 29 Dynamics of stock prices of PJSC Inter RAO on MICEX in 2015

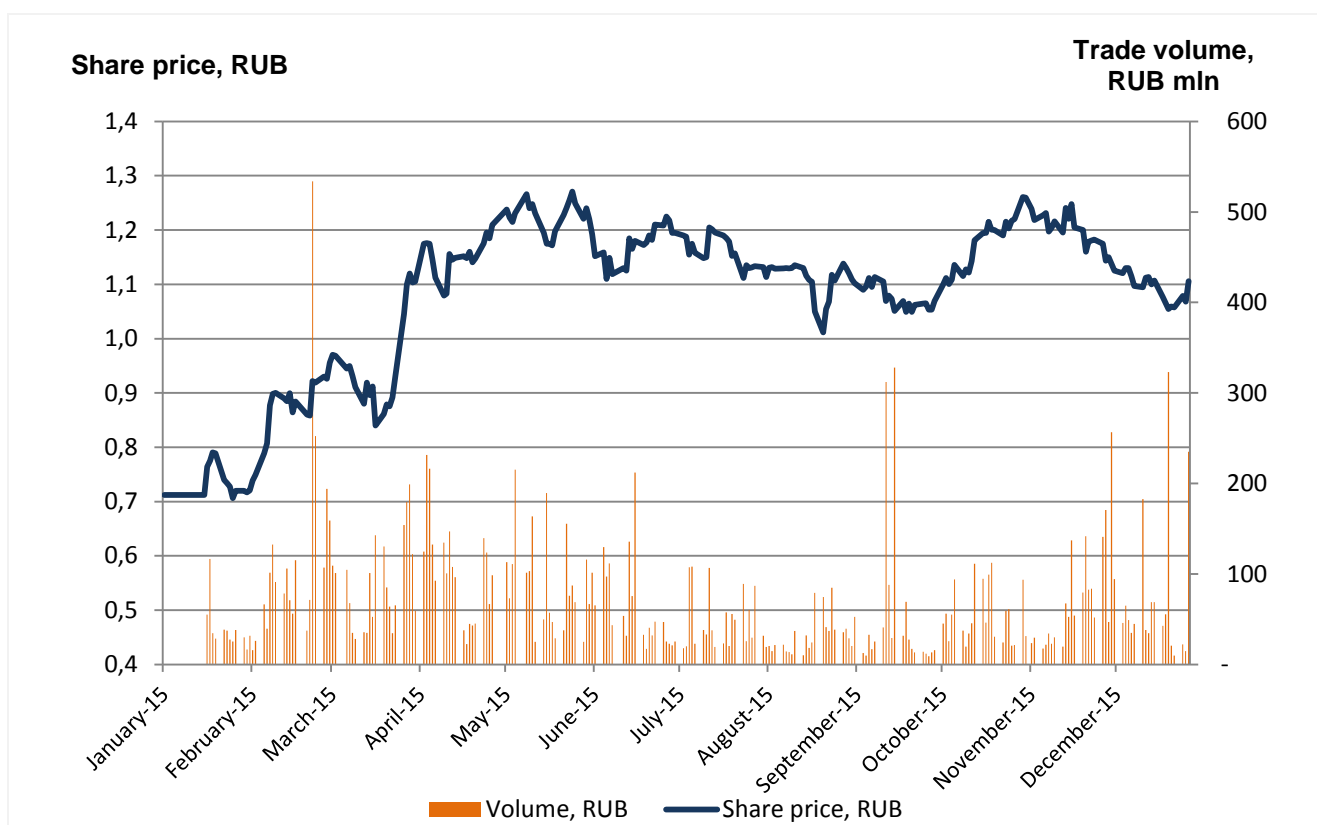


Table 75. Results of Shares Trading for 2015

Minimum closing price, RUB	Maximum closing price, RUB	Average daily volume of trading, RUB	Closing price, RUB		Capitalization as of the end of the year 2015, RUB mln	Market capitalization growth
			December 31, 2014	December 31, 2015		
0.706	1.271	71,268,949	0.712	1.106	115,466	+55%

Report on Payment of Declared and Accrued Dividends

Dividends are declared and paid by PJSC Inter RAO in accordance with the Federal Law On Joint Stock

Companies and the Dividend Policy Regulations²³⁷.

The Dividend Policy of PJSC Inter RAO is aimed to benefit its shareholders through setting an optimal ratio of the capitalised net profit and net profit allocated to dividends. According to the Regulations, the Dividend Policy is designed to meet the following challenges:

- Optimizing net profit distribution;
- Increasing investment appeal;
- Observing the rights and legitimate interests of shareholders.

Dividends are paid out from the consolidated after-tax profit (net profit) of the Company, which is based on yearly performance in accordance with the consolidated IFRS financial statements. The Dividend Policy Regulations set a target dividend payout ratio at 25% of the Company's

²³⁷ Approved by the Board of Directors on June 30, 2014 (Minutes of July 3, 2014 No. 117).

consolidated profit. When determining the net profit share to be used for dividend payout, the following factors shall be taken into account:

- Necessity to raise funds;
- Net profit forecast for the next fiscal year;
- Necessity to finance the investment activity of PJSC Inter RAO;
- Availability and streaming of sources to finance the investment activities of PJSC Inter RAO.

The dividend amount can be less than 25% of the consolidated net profit provided that the Board of Directors undertakes to inform the Company's General Meeting of Shareholders of the reasons for such reduction.

In accordance with paragraph 3 of Article 42 of the Federal Law On Joint Stock Companies, the resolution on dividend payout (declaration), including resolutions on dividend amount and form of payment for shares of each category (class), is adopted by the General Meeting of Shareholders of PJSC Inter RAO based on the recommendation of the Board of Directors.

Table 76. Dividend Payout Volume of Previous Years

	Dividend Payout Period				
	2010	2011	2012	2013	2014
Date of Board of Directors' recommendations on dividend amount	May 16, 2011	May 16, 2012	May 16, 2013	April 7, 2014	April 7, 2015
Record Date	May 17, 2011	—	—	—	June 9, 2015
Date of Shareholder Meeting resolution	June 24, 2011	June 25, 2012	June 25, 2013	May 25, 2014	May 29, 2015
Dividend per share, RUB	0.00001544	—	—	—	0.001039679119
Total dividends declared, RUB thousand	150,015	—	—	—	108,542.5
Total dividends paid ²³⁸	148,819	—	—	—	107,719
RAS dividend amount/net profit, %	5.55	—	—	—	25.00
Dividend amount/base as per Dividend policy, %	11.93	—	—	—	1.5

In accordance with paragraph 2 to Article 42 of the Federal Law On Joint Stock Companies and the Dividend Policy Regulations of PJSC Inter RAO (paragraphs 3.1 and 3.2) approved by the Board of Directors of PJSC Inter RAO²³⁹:

- dividends are paid out from the Company's after-tax profit (net profit), which is determined on the basis of the Company's RAS financial statements;
- amounts for dividend payout shall not exceed the Company's net profit ratio, which is determined on the basis of the Company's RAS financial statements.

With a reference to the foregoing, as well as to the profit received by PJSC Inter RAO in the fiscal year of 2014, the Annual General Meeting of Shareholders held on May 29, 2015 adopted the

²³⁸ The information is given as at the dividend due date according to Article 42-FZ of the Federal Law on Joint Stock Companies.

²³⁹ Extract from Minutes of May 03, 2011 No. 41.

resolution to pay out dividends on the ordinary shares of PJSC Inter RAO for 2014²⁴⁰ total of RUB 108,542.5 thousand.

²⁴⁰ Minutes of June 1, 2015 No.15.

8 Corporate Social Responsibility

8.1 Approach to Sustainable Development

The Group's mission²⁴¹ is to promote sustainable economic development and to improve the level of quality of life in the regions where it operates.

In crisis conditions of macroeconomic growth, the Group achieved the stability of all existing businesses, focusing on the improvement of the quality level of services by looking for new development directions, ways of cooperation with interested parties, internal image improvement and professional skills development.

The power industry, being one of the key industries in the Russian economy, suffered excessively as a result of the tough geopolitical environment: sanctions imposed by the EU, USA and some other countries, which in turn, caused the deterioration of both businesses' and individuals' financial capabilities. Because of this, the Group's most important task was to find a balance between: supporting the regions where it maintains a presence, deploying processes aimed at import replacement and internal market development, all without harming its own interests.

Fundamental Principles of Inter RAO Group's Sustainable Development Policy

- Maintaining the sustainable growth and improvement of market positions by increasing the economic efficiency in the interests of shareholders
- Contributing to import replacement development, the support and the promotion of Russian manufacturers
- Ensuring quality, reliability and operational safety
- Creating a business development strategy by meeting societal needs
- Promoting sustainable economical and social performance in the regions where the company is present
- Promoting the development and expansion of efficient, environmentally-friendly and resource-saving technologies
- Protecting the health, life, labour activity and career longevity of our employees
- Observing human rights and avoiding any forms of discrimination
- Developing social partnerships
- Fighting corruption and supporting fair competition
- Promoting sustainable development principles within the business community
- Maintaining relations with internal and external stakeholders on a balance of interests and mutual benefits

²⁴¹ Inter RAO strategy through 2020 (approved by the Company's Board of Directors on March 13, 2014 (Minutes No.110)).

8.2 HR Management

HR Policy and Staff Report

The senior Management at Inter RAO Group strongly believes that the efficient management of human capital is one of the decisive factors affecting the high performance and competitiveness of the Group. As a result, the main purpose of the Group in the field of HR management is to maintain a balanced HR policy aimed at attracting highly skilled specialists, improving professional skills, ensuring a good salary level, and developing the Group's corporate culture.

In 2015, the Group's HR development activities were as follows:

- Improving the organizational structure;
- Developing a multi-level training system;
- Developing a motivation system;
- Improving the efficiency of the social benefits system.

The headcount changed slightly compared to 2014, due to changes in the Group's structure²⁴² The headcount as of December 31, 2015 amounted to 51,100 employees²⁴³.

²⁴² For more details on changes of the Group structure please see Chapter 1 "About the Report".

²⁴³ In accordance with the GRI guidelines, while calculating HR and social indicators, the statements shall include the Group businesses, including associated companies (CJSC Nizhnevartovskaya TPP, LLC Quartz – New Technologies), which have a significant impact in terms of HR management. The 2014 and 2015 data on social and HR indicators are aligned with the perimeter of this report and may differ from those disclosed in other reports of Inter RAO Group for the previous reporting periods and from the data in accordance with the perimeter of the consolidated financial statements of the Group.

Fig. 30 The structure of the personnel working in the Group's Russian and foreign companies did not undergo any considerable changes compared to 2014

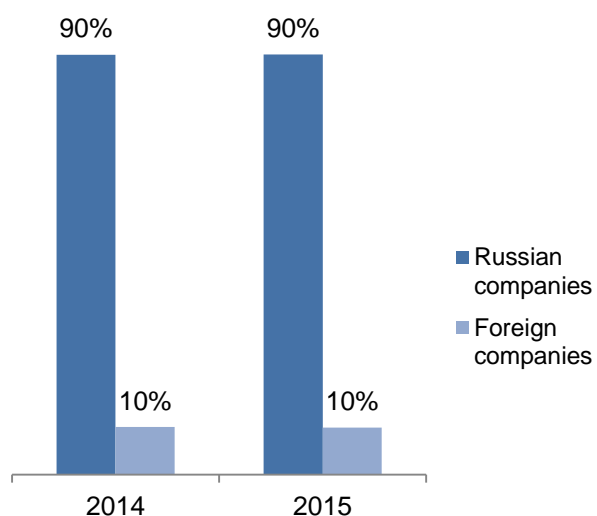


Fig. 31 The employees in generation, sales and grids sectors account for over 82% of the Group personnel.

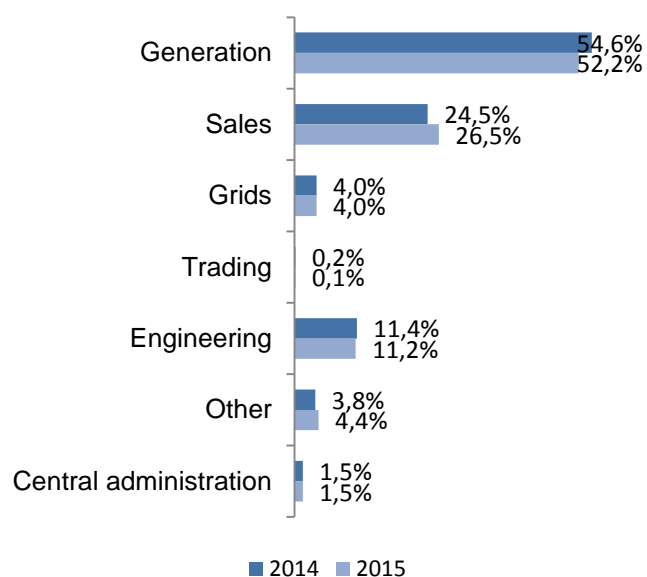


Fig. 32 The average age of the Group's employees did not change compared to 2014, with the average age of employee being 42 years old. Employees aged under 50 account for 71% of the Group personnel.

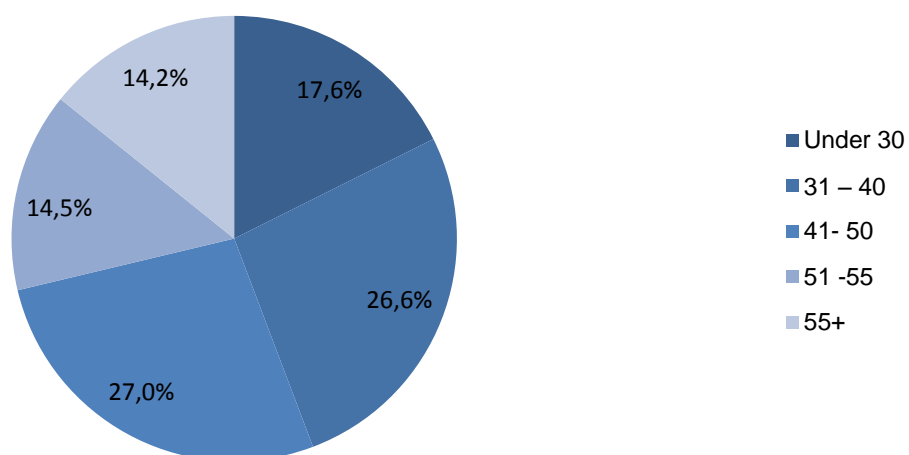


Fig. 33 The stage policy for the improvement of the Group's employees engagement and loyalty helped to reduce the average employee turnover rate from 13.4% in 2014 to 12.5% in 2015.

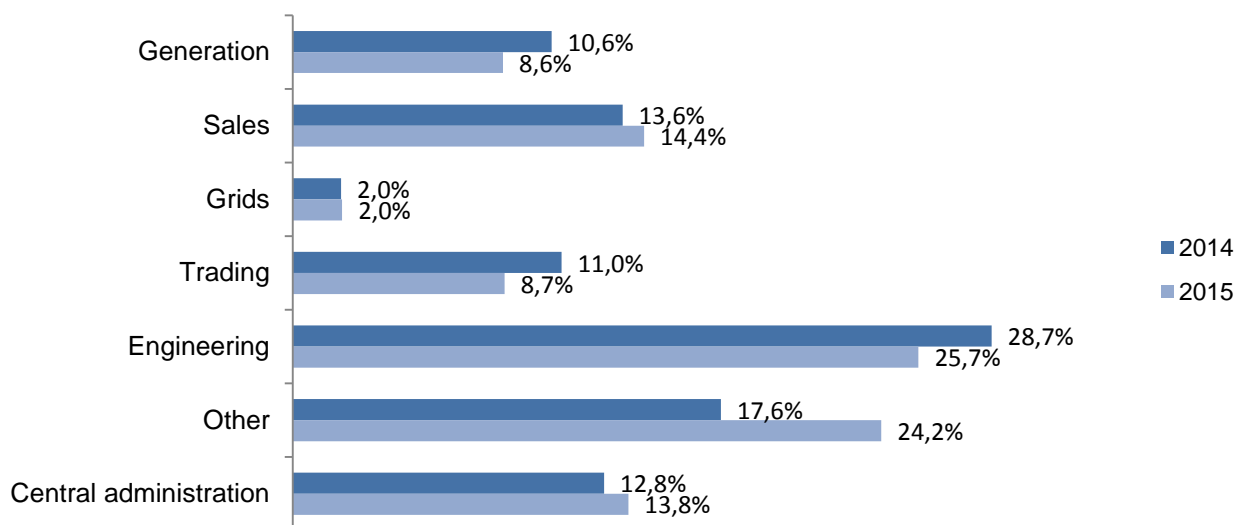


Fig. 34 As a result of successful measures taken to improve the Group's organizational structure and increase of the span of control, the percentage of managers in the Group's personnel structure decreased by 1.1 p.p., whereas the percentage of performers increased by 1.1 p.p.

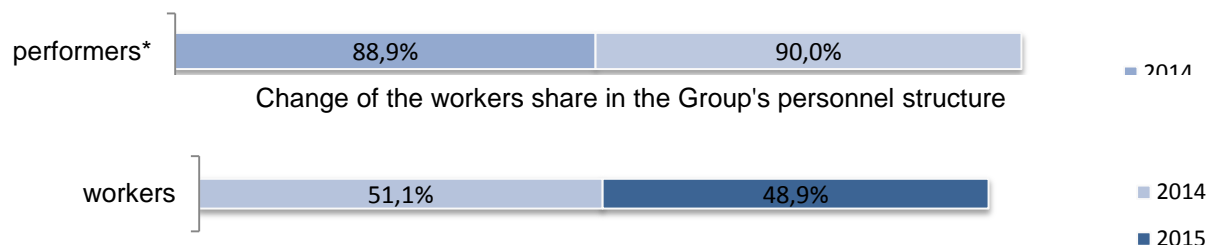
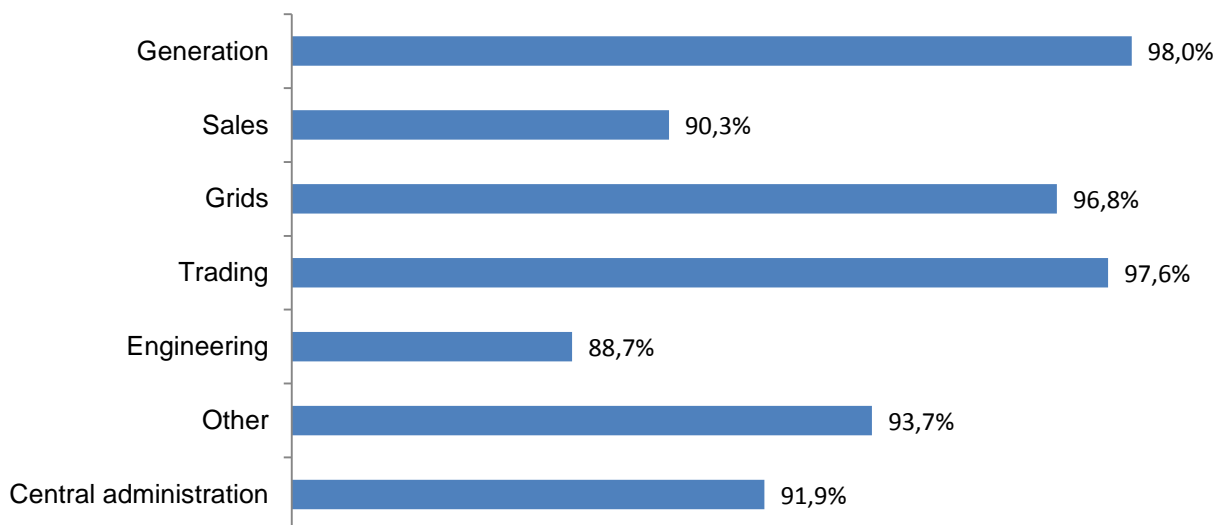


Fig. 35 In 2015, the Group's staffing level amounted to 94.4 %, which together with the employee turnover rate, demonstrates the efficiency of the HR policy and staff recruitment methods that the Group uses



The main tools of the Group's HR policy are HR management projects, which are expanded every year. This contributed to the professional growth and the economic development of both subsidiaries and at Inter RAO Group as a whole. The main objectives of the projects in 2015 were as follows:

- Improving the efficiency of organizational structures;
- Developing a target labour payment model showing professional, skills and other factors;
- Improving staff training and development programmes;
- Improving the Group's staff involvement and coordination;
- Developing social protection programmes for employees.

Improving Productivity

Organizational Structures Transformation

In 2015, Inter RAO Group adopted the revised version of Corporate Regulations on Development of the Company's Organizational Structures, which therein define the principles of developing structures for the companies belonging to Inter RAO Group.

The Corporate Regulations set the following rules and restrictions on the development of the organizational structure:

- A standard span of control, introduced in order to limit the total number of managers;
- The hierarchy of structural units;
- The hierarchy of the Company's levels of control, developed in order to allocate management functions;
- Standards for the direct subordination of managers.

In order to develop approaches and improve the technologies which control its personnel, the Group continues to transform the organizational structures of the main divisions and key S&A. In 2015, the Group's companies implemented a number of projects in order to improve performance and create a more transparent HR management system, whose objective is assessment of the achievement of each employee's targets.

Table 77. Projects for Transforming PJSC Inter RAO's Organizational Structure in 2015

S&A	Project Results
Sales Segment	<ul style="list-style-type: none"> Developing typical organizational structures for all of the Group's sales companies Creating an algorithm that calculates labour costs for 100% of the typical functions of sales companies Developing the Headcount calculator – a headcount calculation tool for all sales companies that takes into account both typical and special functionalities Creating road maps for project results implementation to be used at all sales companies through 2017 inclusive, approved by the company's General Directors
LLC IRAO - Engineering	<ul style="list-style-type: none"> Developing an optimized organizational structure and staff list
LLC Quartz Group	<ul style="list-style-type: none"> Defining the Group's S&A functionality and required labour drivers (only for LLC Inter RAO – IT)
LLC Inter RAO - IT	<ul style="list-style-type: none"> Creating tools for the control of labour required for the implementation of functions (only for LLC Inter RAO – IT) Reducing administrative and management costs
JSC Telasi	<ul style="list-style-type: none"> Creating activities for the standardization the headcount
CJSC ESA	<ul style="list-style-type: none"> Developing the Headcount calculator Defining the potential productivity of growth that will be achieved by eliminating the duplication of functions and improving the business processes Developing the target organizational structure
LLC Inter RAO - Procurement Management Center	<ul style="list-style-type: none"> Insourcing procurement functions in Generation Segment companies Defining the economical effect of headcount optimization after the implementation of scaling and synergy, while centralizing the functions at the Inter RAO – Procurement Management Center

The main objectives for improving the Group's organizational structures efficiency in 2016 are as follows:

- Creating a headcount control tool for the organizational structures standardization and efficiency improvement of the Group;
- Improving personnel engagement and coordination;
- Deploying road maps for the transfer of developing typical business processes in the Group's segments and S&As.

Productivity Control

The successful implementation of Inter RAO Group's strategy is tightly connected to the development of the productivity control system for each employee, for working teams and for the Group as a whole. As the productivity control system is based on obtaining a deep understanding of the employee's tasks, attention is carefully paid to informing the Group's personnel about the Group's strategic objectives and development trends, environmental changes and their potential impact in a timely and consistent manner.

One of the examples of the productivity control initiatives is a large-scale project that restructured JSC TGC-1 by splitting up JSC Tomskaya Generation, JSC TomskRTS and JSC OmsRTS, a project which contributed to improving the communications between managers and performers in particular. Within the framework of the project, the company's executive body in Novosibirsk was eliminated, the management's organizational structures in Omsk and Tomsk were revised, and new, more efficient business processes were established.

HR Business Partner

In 2014, certain companies of the Group successfully introduced the position of an HR business partner – an HR management expert who is directly involved in business planning and implementing Inter RAO Group's HR strategy. The efficiency of this position resulted in the continuation of the project's implementation in 2015.

In 2015, the introduction of an HR business partner in Heat Generation and Distribution, Engineering and Service, Sales, and Foreign Assets Segments contributed to improving the efficiency of HR's decisions and identifying new directions for the Group's HR management development, allowing the employees to maximize their potential.

In turn, the introduction of the HR business partner system in 2015 in Engineering and Service segments contributed to the improvement of the communication of business processes with 31 S&As and to meeting of the Group's HR strategy targets for 2012-2015.

Remuneration and Motivation

Inter RAO Group considers employee motivation an essential tool for maintaining the Group's high competitiveness as a place to be an employee, helping to attract and retain high-skilled employees.

Among the Group's main objectives was the implementation of the pilot project for the development of the long-term employee motivation programme. This programme will be the final element of the new remuneration system, introduced to the Group in 2014,²⁴⁴ The benchmarks of this system will comprise the strategy indicators for each of the Group's S&A for a three-year period and for the production indicators of the Group as a whole. The project's objective is to motivate employees to meet the key performance indicators at a higher level than the Group's Strategy provides.

The Group adheres to the principles of equity, justice, and non-discrimination and has no unjustified restrictions when paying salaries.

An additional motivating factor for the Group's employees is the proposal of awards for the best governmental, departmental and corporate employees. More than 1,300 employees received

²⁴⁴ More details on the new remuneration system are presented in Inter RAO Annual Report for 2014.

awards, including: 40 employees who received governmental awards, 249 employees who received departmental awards, and over 1,000 employees who received PJSC Inter RAO corporate awards.

In 2016, the Group's motivation system will be developed in the following directions:

- The development of employee motivation programmes;
- Switching to a flexible working schedule;
- The development the project remuneration system.

Personnel Training, Development and Assessment

Training is essential to the Group's current needs by: removing inconsistencies between employees' qualifications, competence and specified requirements; reducing the number of accidents caused by the personnel; ensuring that there are no violations of the rules and regulations in the wholesale electricity market; and by developing cooperation and collaboration with universities.

In 2015, Inter RAO Group set the following objectives for employee training:

- The preparation of employees for taking up new jobs;
- Improving employee's skills;
- Developing professional and personal competences;
- Improving professional culture and team spirit;
- Preparing employees for career growth.

Training and development areas are improved every year to meet the Group's strategic tasks and objectives. These primary areas are as follows:

- Training in accordance with regulations requirements;
- Training for qualifications improvement;
- Special training courses;
- Practice training;
- Professional skills competitions;
- Probation training;
- Management and project training.

In 2015, the Group introduced a unified staff evaluation system, using the 360 degree method. The main objectives of this initiative are the to diagnose the managers' competence and to get a deep understanding of their personal and professional development needs and also the creation of an internal personnel pool.

In 2015, 4,715 employees were evaluated using the 360 degree method. Directly after the assessment results, 540 employees from over 30 S&As passed the training and a personal development plan template based on the employee's strengths and weaknesses was drawn up. These plans were developed for all managers who took part in the feedback sessions between the managers and their subordinates who are arranged at all the Group's companies. To ensure the efficiency of these sessions, many of the Group's companies created special trainings for the development of managers' feedback competence proceeding from the assessment results.

In the second half of 2015, many managers started to implement these personal development plans by means of: self-education, working with supervisors, and class training to develop the competences that received lower evaluation marks.

70-20-10 Development Principle

During the development of the managers who passed the assessment of personal development plans, the 70-20-10 Principle is utilized and met to make the Group's personnel training and improvement more diverse and complex. This Principle aims to ensure the best development of each employee:

- Up to 70% of time shall be devoted to professional development: projects, colleagues training, conferences, self-education, and the reading of relevant literature;
- Up to 20% of time shall be devoted to professional communications: relations with supervisor, managers, who shall provide feedback on results of their work;
- Up to 10% of time shall be devoted to personal development: class training, training, the improvement of professional skills and conversion.

In order to create an internal recruitment ideology, candidate pools were developed within the Group. These "candidate pools" contained all of the required information for the transfer of employees and the filling any vacant positions within the Group. The purpose of the internal recruitment system is to focus on internal resources when considering the filling of vacant positions, and to engage individuals who meet the Group's principles, values and ideology. Following the procedure, the employees in the internal "candidate pool" are given the priority to such positions when vacant positions need to be filled.

Another essential project in 2015 was the Training and Rehabilitation Programme for General Directors and Power Plant Directors. This Programme included a pilot project that covered training and rehabilitation sessions for Inter RAO Group's managers at health resorts in Crimea and St.Petersburg. The purpose of this project is to develop management competences by creating offsite training events together with the management of S&As. The main objectives were to improve the managers' qualifications and to provide short-term a rehabilitation programme, according to medical indications. Within the framework of the project, in cooperation with HR management, a range of conferences and workshops were held on: skills for how to operate efficiently in stressful situations, enterprise communications, changes in management and project management.

In addition to the Group's managers programme, competent personnel preparation projects for efficient usage of modern production facilities were implemented, expanded training for HR directors was arranged, and employee training on the basic principles of energy management and advanced control technologies was created.

In 2015, the share of employees who passed compulsory training amounted to 37.9%, a 5.7% increase compared to the previous year.

Table 78. The number of the Group's employees who passed compulsory training by 15% on average.

The share of employees who passed the compulsory training, order by the Group's departments (%)	2014	2015	2014/2015, %
Generation	32.1%	43.0%	+10.9%
Sales	9.5%	13.8%	+4.3%
Grids	45.2%	55.4%	+10.2%
Trading	1.4%	7.3%	+5.9%
Engineering	77.9%	62.4%	-15.5%
Other	32.9%	37.1%	4.2%

In 2015, a unique pilot project covering the introduction of the Internal Cascade Corporate Training System was implemented. This system is aimed at improving the employee productivity through training provided by managers, by applying the manager's unique manufacturing in combination with the best global practices. In 2015, 9 months after the project's implementation, the following results were received:

- 704 unique training courses were created for management competence development;
- Over 3,000 production cases and over 6,000 conduct examples, showing the improvement or reduction productivity, were collected;
- 1,833 employees passed the management competence development training, and 70% of them passed training without discontinuing work;
- Personal contacts were established with remote control over operations of each employee from the "candidate pool".

In 2015, probation training was arranged in leading foreign companies, including LLC Inter RAO – Management of Electric Power Plants and JSC Inter RAO – Electric Power Plants. Within the framework of this project, two foreign trips were arranged:

- Employee participation at the Russian-Chinese Power Industry Week in order to study the international expertise of the management of power enterprises and to develop cooperation with any potential production equipment suppliers; the probation training included visiting different power supply enterprises in Shanghai;
- Participation at the Conference for Gas Turbine Installation Users, which was organized by GASRE Oy in Berlin, to update knowledge on the operation of and servicing of gas turbine installations. Within the framework of the conference, new approaches used by international companies were studied, including Siemens, Ansaldo, and the Arnold Group.

III Research Conference held by Inter RAO Group

Each employee contributes to the improvement of innovative potential and the competitiveness of Inter RAO Group. Therefore, to motivate the personnel's innovative activities, and to develop, maintain and ensure consistency of their knowledge and skills that contribute to the Group's improvement of its competitiveness and capitalization growth, the III Research Conference was

held in 2015 on the topic of: Inter RAO - Creating Conditions for Import Replacement – A Key Factor for Business Efficiency, Environmental Friendliness and Sustainability Improvement.

During 2015, the conference's organizers and participants made major efforts to accumulate and deploy various ideas for the introduction of advanced Russian technologies, improving the existing equipment's power efficiency and environmental specifications, developing R&D tools and methods and innovative activities for project management in order to improve the Group's efficiency of operations.

Over 120 publications were submitted in 5 sections at the conference, with 21 of them proposed for the Final conference event, held in December 2015.

The companies that took part in the Final Event of III Research Conference were recommended to include their work results into the Innovative Solutions Register for their further introduction by Inter RAO Group's companies.

The Group's management is eager to involve young professionals in the production process. The key policies regarding young professionals are: increasing its attractiveness among university students and pupils of secondary vocational schools, and developing mutually beneficial cooperation with industry-specific schools. The policy also focuses on the further training and professional development of young professionals, as well as the development of production initiatives. The Group's companies have both a mentoring system and special training programmes to achieve this goal.

Among the Group's essential tasks in HR management is the monitoring of the employee's job and the timely identification of the gap between the personnel's requirements and actual parameters. In 2015, 62.9% employees had their performance assessed, a 9.1% increase over 2014.

Social Partnership

Social benefits and guarantees are some of Inter RAO Group's essential HR policy tools, both of which are of great importance for both the non-financial motivation of staff and also supporting the Group's attractive image as an employer. In 2015, the employee social programme costs amounted to RUB 5.10 bln.

Inter RAO Group is continuously working on the expansion of social guarantees for its employees. In 2015, within the framework of the Group's social policy, an advanced benefits system based on the "cafeteria" principle was introduced. According to this principle, appropriate social benefits can be selected for each employee based on: his/her qualifications, position, expertise and merits in the Group. The system allows the introduction of individual remuneration for each employee, depending on his/her special merits. The system automatically adjusts the amount of benefits of each employee, depending on the increase of their salary or change of their position. Such an individual approach to each employee improves the staff's loyalty and engagement, having a positive impact on overall performance efficiency for both S&As and the Group as a whole.

Pursuant to the Collective bargaining agreement, the Group provides financial aid to employees in various situations, paying special attention to employee treatment and rehabilitation, as well as by ensuring free health care and resort treatment.

A voluntary production accident and professional injury insurance contract is provided for all employees within the Group's social policy. The Group takes care of their employee's children,

providing financial aid to families with many children and single parent families, orphans and disabled children.

The Group's social policy also covers the employees' engagement in physical fitness and sports. To this end, a sport infrastructure was developed and sporting competitions and events are arranged on a regular basis. One unique large-scale event arranged for the Group's employees is the Annual Spartakiada Games, a hockey popularization programme. Everyone can become a member of the hockey team and take part in corporate hockey competitions, together with the managers of S&As at PJSC Inter RAO.

Special attention is also paid to the assistance and support of industry veterans, and veterans of combat operations and World War II²⁴⁵.

Among its key areas of the Group's social policy is the cooperation of trade unions and managers while deploying the policy for coordinated labour relations, based on a social partnership principle. Inter RAO Group is closely cooperating with trade unions for the rights of and the protection of employees. Trade union representatives participate with the consideration of all essential social and labour matters, including structural transformations to remuneration, working time and changes within the Group's structure. In 2015, in order to improve working conditions for employees, amendments were made to the Collective's bargaining agreement in certain companies of the Group, proceeding from the results of cooperation with the trade union. These amendments were related to: labour safety, fire safety, employee remuneration, benefits and compensation.

51.4% employees of the Group are members of the primary trade union.

80.7% employees of the Group are covered by the Collective Bargaining Agreement.

²⁴⁵ More details on implementation of veterans support programmes are shown in Section 8.4 Contribution to Development of the Regions of Presence.

8.3 Occupational Health and Industrial Safety

Creating a safe environment for performance, reliable equipment operation and safe, failure-free functioning of hazardous production facilities, is one of the key elements of Inter RAO Group's sustainable development. Long-term objectives of the Group in the area of occupational health and industrial safety through 2020 are to reduce the number of injuries and ensure zero number of accidents at hazardous production facilities. These targets are systematically achieved by continuous implementation of priority tasks. During the reporting period, the main tasks of the Group related to occupational health and industrial safety focused on three areas:

- Accident prevention and their frequency reduction by accident types and causes;
- Improvement of operating staff qualifications;
- Reduction of the number of personnel errors by identifying the unstable psychophysiological state of employees.

Occupational health, industrial and fire safety management is an essential element of Inter RAO Group's Technical Policy. In 2015, within the framework of continuous improvement of the local regulations on occupational health and industrial safety, the Production Control and Technical Audit Department updated corporate regulations and local rules: Methodology of the Accident Operational Information Reporting to PJSC Inter RAO²⁴⁶, Methodology of Internal Control and Analysis by using Inter RAO Group's Occupational Health, Industrial, Fire and Environmental Safety Management System²⁴⁷, Fire Safety Guidelines for PJSC Inter RAO Executives²⁴⁸.

Injury Control and Prevention

Safe occupational environment is the key objective of the Group in occupational health protection. In 2015, the priority areas were to prevent production accidents and improve production safety.

During the reporting year, the Group managed to reduce the number of fatal accidents three times compared to the 2014 level. Positive dynamics in mitigation of accident impact on the health of injured employees was reported. Total number of production accidents slightly increased by 10.5% (2 accidents), including four accidents without fault of the Group's employees.

Most accidents (53%) occurred in the generating companies accounting for 50% of the Group's headcount. About ¼ of accidents accounted for power sales companies, the remaining 21% occurred in other Group companies.

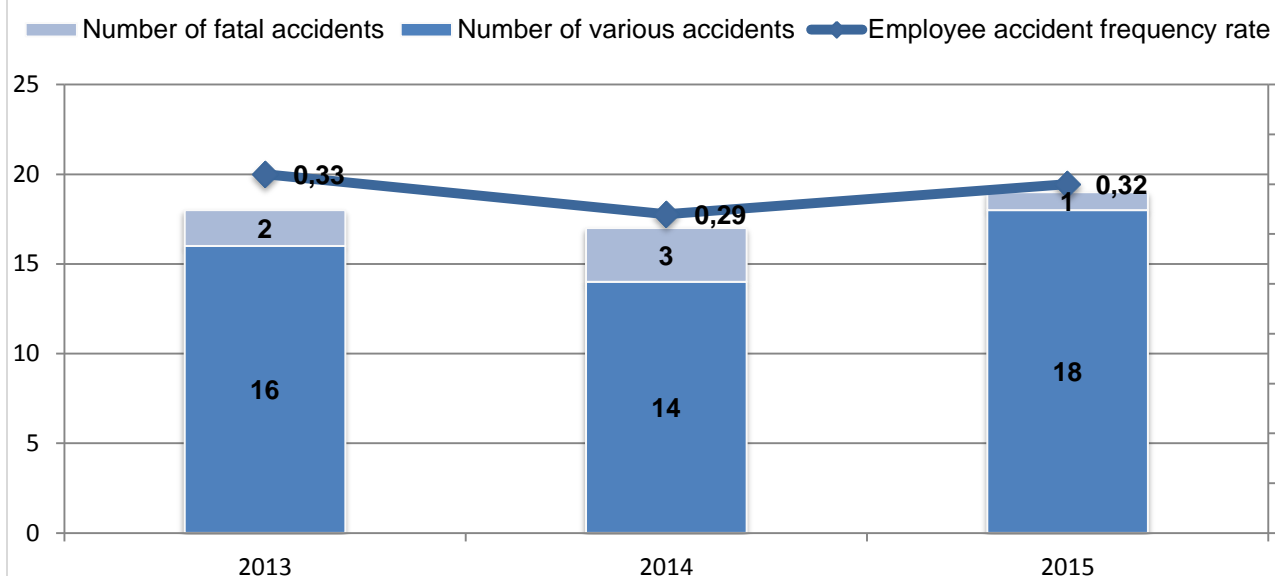
The analysis of 2015 production injuries has shown that a significant number of accidents was due to personal negligence when falling on level surfaces.

²⁴⁶ Decree of 02/10/2015 No. IRAO/505

²⁴⁷ Decree of 13.11.2015 No. IRAO /610

²⁴⁸ Decree of 30.10.2015 No. IRAO /569

Fig. 36 In 2015, while the number of total accidents slightly increased, the number of fatal injuries reduced three times. The injury rate among the Group's employees did not exceed the target value (≤ 0.37)



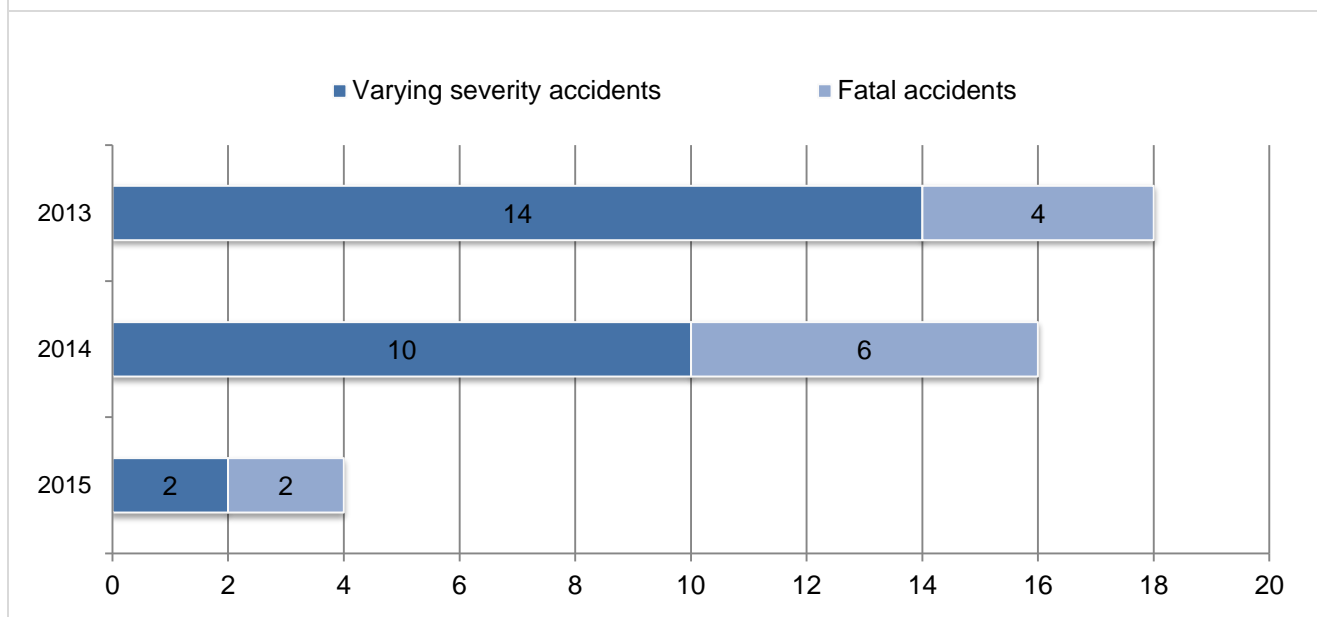
To minimize accident probability, the Group's experts provide a range of control and prevention actions:

- Special, complex and extraordinary production safety audits, and regular internal inspections of safety rules compliance at workplaces;
- Evaluating the efficiency of developed accident prevention programmes;
- Corrective and preventative training, in particular, for employee skills improvement.

Continuous improvement of occupational conditions at the Group's facilities, together with regular medical examination of the employees, contributed to reduction of occupational health problems six times over a three-year period. In 2015, only one health problem case was reported.

Accident prevention among contractors' employees is an integral part of the occupational health management system at the Group's facilities. Regular control over observance of occupational health and industrial safety requirements, together with penalties for contractors in case of violation of set regulations and rules, resulted in reduction of the number of production accidents among contractors' employees four times compared to the 2014 level. Proceeding from 2015 results, over 450 letters and 34 claims were sent to the contractors for total amount exceeding RUB 2.5 mln.

Fig. 37 In 2015, the number of accidents among contractors' employees during the reporting period reduced four times



Improving the Occupational Safety

The Group continued to carry out special assessment of working conditions to identify hazardous and dangerous factors in the production environment and occupational processes, and to evaluate their impact on the employees in accordance with Act No. 426-FZ. In 2015, it was planned to assess 13.6 thousand work places, however joint efforts of occupational safety experts allowed to improve this target by 13% and to assess over 15.4 thousand work places. Based on the assessment results, most of work places were classified as belonging to class 2 (acceptable), 3.1 and 3.2 (hazardous). In 2016-2018, it is planned to continue the assessment process, in particular in 2016, it is planned to assess 7.8 thousand work places.

To joint efforts of managers and performers when improving occupational safety practices and checking occupational safety at work places, it is functioning in the Group the Occupational Safety Committees comprised of 720 employees, including representatives of trade unions.

Personal protection equipment is provided to the Group's employees in accordance with Russian regulations. A list of personal protection equipment was set for each profession and for each position. Personal protection equipment is provided in accordance with the set Methodology on personal protection equipment provision to Inter RAO Group employees. Suppliers and producers of personal protection equipment shall meet the additional requirements for continuous improvement of their products quality and introduction of new technologies.

To support a high level of occupational and production safety, every year the Group increases investments in occupational and industrial safety programmes. In 2016, it is planned to increase the investments by 9% to RUB 1.2 bln. In 2015, the investments increased by 13% compared to 2014, making RUB 22.95 thousand per each employee.

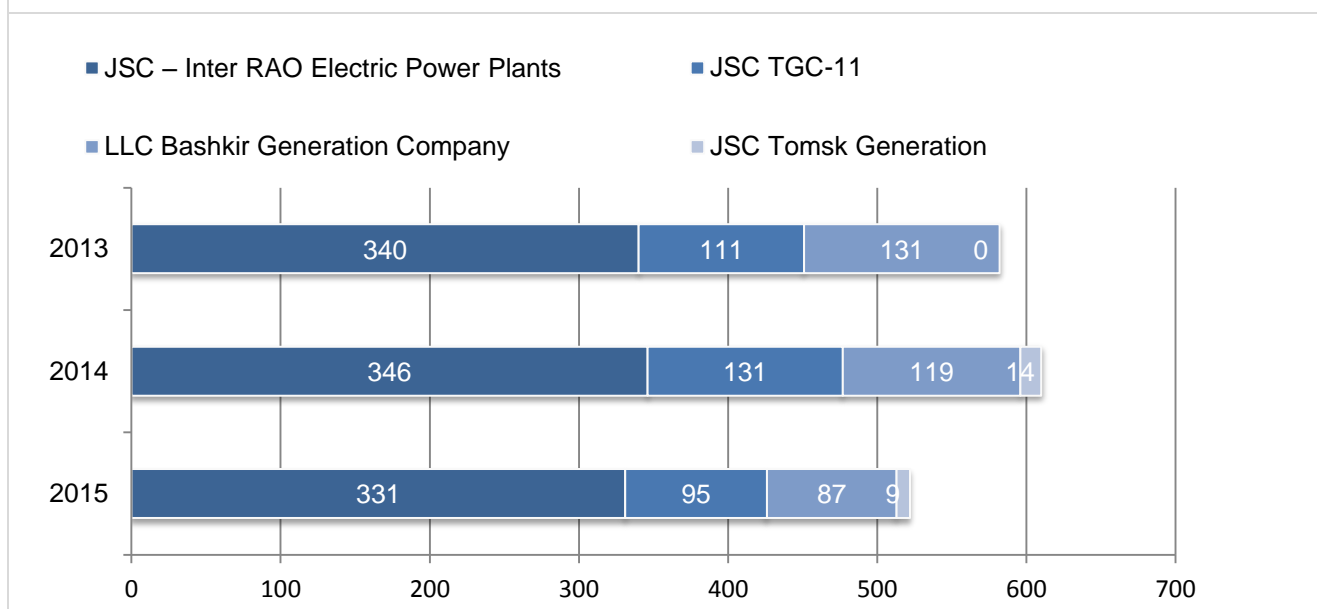
Assessment of Production Conformance to Regulations

Timely control over industrial, environmental and fire safety guarantees stable operations at the Group's production facilities. In 2015, according to the approved plan²⁴⁹, corporate audit of production safety was provided at 22 Group power plants. The audits comprised inspection of the operational safety and technical state at the production facilities with consideration of identified risks, to this end, the recommendations were developed to prevent negative production situations. Implementation of the recommendations is controlled on a monthly basis which contributes to continuous safety improvement at production facilities.

Emergency Reduction

In 2015, organizational and technical activities implemented at the Group's power generation plants allowed the reduction in the number of accident shutdowns at the Group's generation plants by 14.4% compared to 2014. All emergencies occurring in 2015 at the Group's power generation plants were investigated by special committees and investigation reports were generated and recorded in JSC SO UES's automated information system "Power Industry Emergencies Data Base". Corrective and preventative actions are developed and conducted for each emergency shutdown within the established time limits.

Fig. 38 Number of process violations in equipment operation at the Group's power generation plants



Fire Safety

Fire safety measures and continuous control prevented fires at the Group's plants in 2015. The Group's facilities were protected by fire protection units comprised of 922 employees and equipped with 72 advanced firefighting devices.

During the reporting period, huge efforts were made to update the firefighting systems at power generation plants of JSC Inter RAO – Electric Power Plants (Pechorskaya TPP, Gusinoozyorskaya TPP, Verkhnetagilskaya TPP, Kharanorskaya TPP), LLC BGC (Pavlovskaya HPP) and JSC Tomsk

²⁴⁹ The plan of corporate audits of production safety approved on 11/11/2014 by P. Okley, Head of the Operations Unit.

Generation (CHPP-1, CHPP-3, TPP-2). In particular, fire protection systems were updated and commissioned, fire plugs and over 1.2 thousand meters long pipeline were replaced.

Programmes are developed for improving fire safety, including regular work with employees. Regular instructions and quarterly firefighting training courses are conducted for operational and repair personnel. Persons responsible for building fire prevention control, pass training according to the basic programme of fire fighting technical safety.

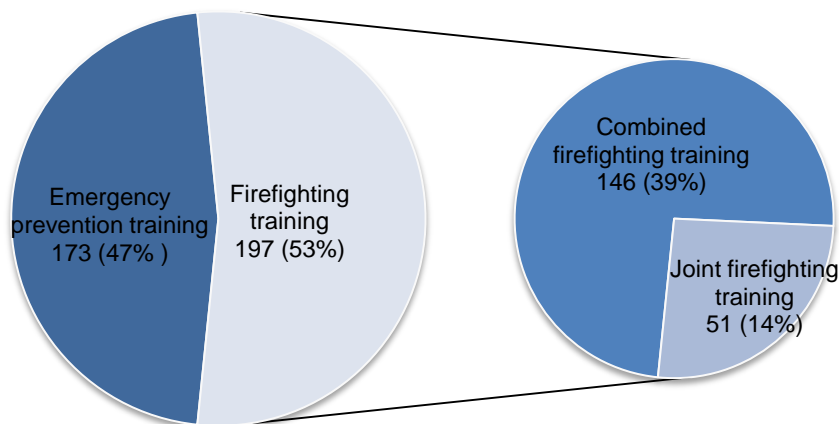
Every year, the meetings of the fire fighting technical committee are held at the power plants. They control fire safety at the production plants and develop the technical and engineering activities to improve the building and construction fire protection level. Pursuant to the reports of the firefighting technical committee, implementation of the actions is controlled which ensures continuous improvement of the firefighting level.

Occupational and Industrial Safety Training

Occupational health and industrial safety training of the employees guarantees production safety culture improvement and a key tool of reliable operation of the Group's assets.

Emergency and fire prevention training of operational staff is one traditional type of compulsory training conducted by the Group within the established schedules and programmes. The training programmes are updated on an annual basis, based on investigation of previous emergencies at power generation plants. Firefighting training is conducted using devices and efforts of firefighting units which ensure firefighting protection of power generation plants. Technical managers of power generation plants analyze and evaluate the results of emergency and fire protection training.

Fig. 39 During the reporting year, 370 emergency and fire prevention trainings were conducted at the Group's power generation plants



Simulator Training of the Group's Employees

To develop high-skilled experts, the Group is oriented towards the best international practices in the creation of corporate training centers. 58 hardware and software systems were installed within the Group for operations staff training, including nine large packages. In 2015, over 5.5 thousand employees from power generation plants passed the simulator training.

During the reporting year, special attention was paid to improvement of the Group's operations staff simulator training system. To improve system efficiency a Strategic Plan for Installation of

Operations Staff Simulator Training Devices at Power Generation Plants of PJSC Inter RAO's Generation Assets in Russia was developed. Additionally, perspective programmes for installation of simulator training equipment at the power generation plants for a period through 2021 were developed with total investments exceeding RUB 520 mln. Regulations were developed, including Methodological Recommendations on Development of Job Specification for Simulator Products Supply²⁵⁰ and "Requirements to Organization of Simulator Training for the Operating Personnel"²⁵¹.

To provide simulator training, a training pool including 46 electricity generation plant employees was created. Members of this training pool passed centralized training and certification in accordance with the Rules of Voluntary Certification for Instructors of Simulator Training for Personnel of the Electric Power Industry". In particular, based on the Moscow Power Institute, educational training was conducted for the instructors on pedagogical and organizational aspects of the simulator training for personnel of electric power industry.

To control similar training system conformance to the Group's regulations and standards, indicators were developed for assessment of system operation quality, and a corporate team for training devices certification was introduced.

Psychological and Physical Training

The fundamental objective of psychological and physiological support of the performance of electric power plants' personnel is to improve the performance efficiency, physical and psychological productivity, support and maintain the employees' capacities and health. The following activities belong to the psychological and physiological support of the Group's employees:

- Initial psychological, physiological professional selection during recruitment process;
- Employees' psychological and physiological state monitoring;
- Periodical detailed examination of the psychological and physiological state;
- Individual psychological and corrective activities.

To implement Group psychological and physiological activities, the Requirements to Organization of the Operating Personnel Psychological and Physiological Support²⁵² were developed.

In the long-run, the Group is planning not only to engage specialized companies, but also to create special divisions within its structure to provide operations personnel with psychological and physiological support. Within the framework of psychological and physiological support, diagnostics and rehabilitation will be provided by medical experts who passed special training on application of hardware and software devices for psychological and physiological inspections and personnel functional rehabilitation conducted by manufacturers and suppliers of these systems.

Professional Skills Competitions

The objective of professional skills competitions is to improve professional skills of personnel, personnel motivation and share best practices and expertise in occupational and industrial safety. During the reporting period, the Group conducted two corporate competitions and took part in All-Russian competitions:

²⁵⁰ Decree of 16/10/2014 No. IRAO/515 (Annex No.4).

²⁵¹ Decree of 16/10/2014 No. IRAO/515

²⁵² Decree of 17/11/2015 No. IRAO/620.

- **The Second Inter RAO Group Corporate Professional Skills Competition for Operating TPP Personnel with Transverse Connection.** The competition took place in May at the Corporate Training Center in Ufa. The team of Ufimskaya CHPP-4 of LLC BGC took 1st place, 2nd prize was given to TPP-2 of JSC Tomsk Generation, and 3rd prize was given to Ufimskaya CHPP – 2 of LLC BGC.
- **The Fourth Corporate Open Competition for Operating Personnel Integrated Teams of Steam Gas and Steam Turbine Plants Based on Corporate Training Center in Dobryanka city of Permskiy.** The main objective of this competition is to evaluate the professional skills of operations personnel, improve operations quality and safety when operating the Group's equipment. Eight plants of the Group operating steam and gas units took part in the competition, the team of Sochinskaya TPP took the 1st place. Nine plants of the Group operating steam turbine units took part in competition; the Verkhnetagilskaya TPP team took the 1st prize in individual team competition.
- **All-Russian Professional Skills Competition for the 2015 Best Duty TPP Electrician.** Representatives of the Russian largest generation companies took part in this competition. The competition was divided into stages in accordance with functions conducted by duty electricians. 3rd prize in the competition was given to S. Osin, employee of JSC Tomsk Generation.
- **2015 All-Russian Open Competition for Operating TPP Personnel.** The competition took place in September 2015 and was attended by the Group's companies together with representatives of the largest Russian generation companies. The main objective of the competition was to reduce the number of emergencies due to incorrect personnel operations, improve the professional skills level and share best practices and expertise. In this competition the JSC Tomsk Generation team took fourth place.

During the reporting period, the Group's companies also took part in the Second All-Russian Professional Skills Competition for the 2015 Best Occupational Safety Specialist at Power Facilities. The objective of this competition is to share best practices and expertise in creating safe occupational environments and improving the activities aimed at occupational conditions and safety improvement at power facilities.

8.4 Contribution to the Development of the Regions of the Group's Operation

Reliability and Continuity of the Power Supplies

To improve reliability and continuity of the power supply, in 2015, the Group continues implementing the projects for updating the power infrastructure, decommissioning of the worn-out equipment and further optimization of nonprofitable capacities, especially during low price periods.

Among the main projects implemented in 2015, the following projects shall be mentioned:

- **Launch of the No. 9 Unit at Cherepetskaya TPP.** The launch of the No. 9 Unit with total installed capacity of 225 MW was the final stage of the expansion project at Cherepetskaya TPP. Modern process equipment made in Russia and high level of automation contribute to reduction of coal and water consumption and increase the power plant efficiency, thus reducing the pollutant emissions and noise level and having favorable impact on the environment of the Central Russian region.

- **Modernization of the Turbine Generator No.2 at Omskaya CHPP-5.** The conducted renovation improved the equipment parameters and increased its capacity by 20 MW. Besides the turbine, a unique bag-type filter in the Siberian Federal District was installed to achieve maximum treatment of process gases. After modernization, the turbine started generating more electric power and its efficiency and environmental friendliness improved.
- **Decommissioning of the outdated inefficient generation equipment.** Within the framework of retooling the modernization of PJSC Inter RAO, in 2015, in Russia the outdated equipment with total capacity of 362 MW was decommissioned: at Verkhnetagilskaya TPP, Yuzhnouralskaya TPP, power plants in Bashkiria and Omskaya CHPP-4. One of the main objectives of these activities is to improve environmental efficiency of production process resulting from emissions and waste reduction. Furthermore, in 2015, the installed capacity of the first generating unit of Dzhubginskaya TPP was reduced by 2.7 MW which allowed reducing the costs related to starting operations.
- **Remarking of the generating equipment.** Resulting from activities aimed at remarking of the generating equipment, the total capacity of efficient generating units of Kaliningradskaya TPP, Urengoyanskaya TPP, Yuzhnouralskaya TPP-2 increased by 69.2 MW. These activities contribute to improvement of reliability and performance specifications of the equipment.

Development of Moscow electricity supply scheme through 2030

LLC Inter RAO – Engineering was announced the winner of the tender conducted by the Department of Fuel and Energy Facilities of Moscow for development of the capital electricity supply scheme through 2030. The project will comprise technical solution for development of electric grids 6-20 kV with consideration of new construction and electric load growth plans, in particular, within the territory of Novaya Moscow (New Moscow).

Authority and Public Relations

Inter RAO Group is working closely with the authorities of the regions where its companies are presented in the following areas:

- activities aimed at sustainable socio-economic development of the regions where the Company operates and increasing their investment attractiveness;
- support and implementation of measures aimed at preventing the growth of a deficit of heat and electricity and increasing the reliability of electricity and heat supply for consumers;
- implementation of measures on saving energy and increasing energy efficiency of enterprises, public institutions and enterprises of housing and communal services;
- issues of determining tariffs and reduction of receivables;
- increasing tax revenues to the budget system of the regions;
- organising and conducting practical lessons on saving energy for students and seniors and workshops on energy conservation at companies' sites.

Among the most significant challenges, especially in the current macroeconomic environment, is a high level of receivables. The Group is continuously improving the processes aimed at

improvement of implementation of consumer liabilities related to payment for the services received. Every sales company of the Group has the established Committee for receivables management, the appropriate local regulations have been developed. These actions are made in tight cooperation with executive authorities of the regions where the Group's companies operate. In 2015, within two-way cooperation of the Group with local authorities, the most significant results in implementation of projects aimed at receivables minimization were achieved in the Altay Republic, St.Petersburg, Tomsk and Verkhny Tagil.

Client Acknowledgement and Motivation

In order to motivate its clients to observe the payment discipline, the Group created the award "Golden Support" (Zolotaya Opora). This award is granted in seven nominations: Industry, Small and medium business, Public utilities providers, Building institutions, Agricultural manufacturers, Budget institutions, and a special nomination for chairmen of homeowner associations «Exemplary House». In 2015, the 10th anniversary ceremony of granting the awards was held, the awards were given to: Orlov Municipal Tramway and Trolleybus Company, RN-Yuganskneftegaz (Moscow), Altaymyasprom, Inzhavinskaya Poultry Factory (Tambov), Red October (Krasny Oktyabr) (St. Petersburg), OmskVodokanal, Saratov Meat Processing Plant Dubki, Tomsk Electrical Plant and Moscow branch of Megafon.

Activities of the Group in the regions where it operates, contribute to the development of local suppliers of goods, works, services and material and the technical development in the regions, as well as the creation of jobs at the Group's facilities and in the supply chain.

The Group participated in one of the most important areas of the economic development of Russia, i.e. import replacement. Replacement of the imported equipment by Russian analogs is the main task of PJSC Inter RAO Strategy through 2020, giving important impulse for development of research and development operations of the Group. It is planned that the generating facilities of the Group will switch to local steam boilers only, and the share of Russian steam turbines will increase to 95% and generators to 70%.

Contribution of the Group to development of the Russian market of technologies and industrial equipment

When constructing the power generation facilities, LLC Quartz – New Technologies gives priority to suppliers of Russian equipment if they meet to technical requirements, efficiency and reliability specifications. For instance, during construction of Troitskaya TPP, over 70% of power generation equipment was made in Russia, including emergency automation devices, transient production mode monitoring systems, equipment of the system of process data exchange with the System Operator's automated system, protection devices of bus, voltage circuits and synchronization panels.

Charity and Sponsorship Activities and Amounts

In 2015, the main objective of the Group's charity was to improve efficiency of the implemented projects along with reduction of the amounts provided, and applying the best practices for the Group's companies in order to solve social problems in the specific region.

The main key areas of charity and sponsorship of Inter RAO Group include:

- support of vulnerable social groups;
- support of educational institutions and healthcare facilities, mass and youth sports;
- support programmes for industry veterans, combat veterans and the disabled;
- assistance to artists, cultural activities, financing of objects of historical and cultural value;
- support of environmental organisations and environmental reserves.

Inter RAO Group continued its systematic charity project selection according to priority areas of its operations. In 2015, the Group's companies focused on support of vulnerable social groups, and projects related to 70th Anniversary from Victory of the Soviet people in the Great Patriotic War of 1941-1945.

During the reporting period 344 charity projects were implemented. The main principle of the Group's Charity Concept was met, i.e. the principle of targeted allocation of money and other forms of support for specific purposes of individuals or legal entities.

Fig. 40²⁵³ In 2015, a priority for the charitable activity of Inter RAO Group was support of vulnerable social groups and sport.

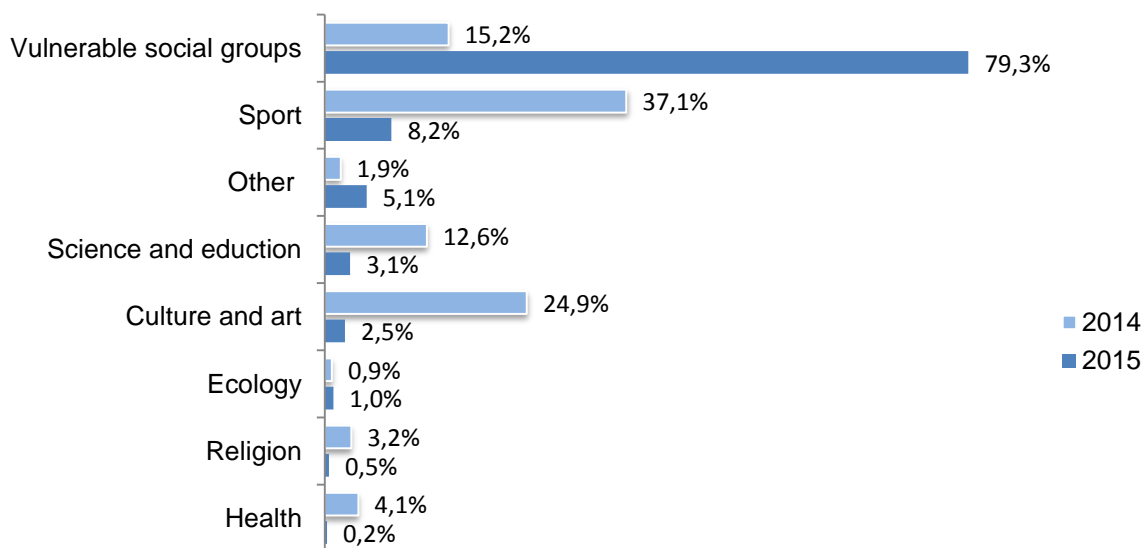
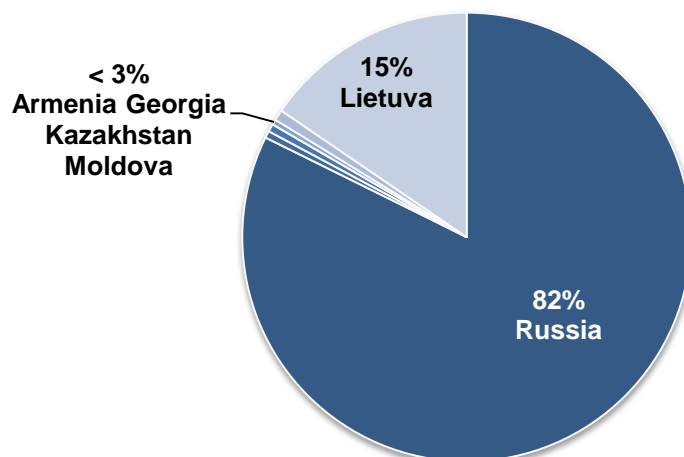


Fig. 41 Over 70% charity and sponsorship projects of the Group are implemented in Russia.

²⁵³ The information is disclosed in accordance with the Directive of the Russian Government of July 31, 2015 No. 5024p-P13 (description of areas and amounts of sponsorship and charity provided by the Company, its S&As within the reporting period, provision of the Report on funds usage for charity and sponsorship activities of the Company, its S&As).



Russian Federation

Network Projects of the Group

In 2015, network projects were proactively continued and were pursued by almost all Group's companies, adapted to the specific needs of the regions.

“The Brightest New Year Tree”

A good tradition for the Group's employees is holding the charity event for orphans and children in difficult life situations. On the eve of the New Year, the employees of the Group held 27 children's entertainment events in 23 orphan asylums, residential facilities and special medical institutions.

“From Heart to Heart”

The main goal of the project is to support and promote creativity in young talents in the regions where the Group operates, as well as involving the regional population in the world of classical music. In 2015, the project was implemented in Ufa, Kaliningrad and Barnaul and caused wide public interest, gathering over one thousand people on its sites.

“Your Choice is Energy Specialist”

To popularize the professions of the power industry among the youth, the Group conducts on a regular basis the special Olympiads and competitions, makes lectures and lessons for children, supports to the educational institutions in buying the office appliances, PCs and buying up-to-date equipment for laboratories. Research and development activities related to power supply and energy efficiency improvement are made in tight cooperation with educational institutions, based on results of this R&D work, winners in different nominations are selected.

“Energy of Memory and the Welfare”

The objective of this project is to support veterans of the Great Patriotic War. In 2015, the project was widely practised and was conducted by over 20 companies of the Group. In 2015, the Anniversary Year since the Great Victory Day, the employees of the Group conducted large-scale activities, special events, photo exhibitions and many other initiatives. The monuments and memorials of the Great Patriotic War were repaired and ameliorated.

Veterans of the Great Patriotic War received targeted support, the home appliances and food were procured.

JSC St. Petersburg Power Supply Company in cooperation with the Government of St. Petersburg conducted the Debt programme, within its framework, outdated electricity accounting devices of the veterans and residents of Blockaded Leningrad were replaced by the most up-to-date equipment.

Kaliningradskaya TPP arranged a movable documentary exhibition “Kenigsberg Attack” and published the book “The soldier went without feeling obstacles”.

Industry Veterans of the Group

Inter ROA Group is committed to regular support of the war witnesses and participants who worked in the companies of the Group. The companies of the Group made “galleries of memory” and museum exhibitions devoted to the veterans of war. Educational and information work is continuously made: veterans are heroes of the articles of the corporate newspaper and attend local events held by the companies. Every year, the targeted support, including medical support is provided, and the employees of the companies hold the meetings and congratulation ceremonies for their veterans.

In the 70th Anniversary of victory in the Great Patriotic War, the Ministry of Energy of Russia in cooperation with PJSC Inter RAO arranged a special festival event for industry veterans which ended by the concert with participation of the Russian entertainment stars.

“Light and Heat for Children”

The objective of the project is to support orphans and children without parental care.

The branch of Verkhnetagilskaya TPP in cooperation with the orphan school board of Verkhniy Tagil, several individual areas were created in housing groups of the orphan asylum helping to create favorable and comfortable environment, as at home.

With support of Kostromskaya TPP, special equipment for development and correction of audio, vision and motor disturbances of disabled children was procured for Volgorechensk’ kindergarten No.1 “Semitsvetik”. This equipment will contribute to rehabilitation of disabled children, psychological relief and stimulation of sense organs of the children with special needs

Non-network Projects of the Group

Non-network projects of the Group are primarily targeted projects and are mainly focused on support of vulnerable social groups, support of social infrastructure and sport events.

“Place under the Sun” project

St.Petersburg Power Supply Company in cooperation with the Charitable Foundation of Social Adaptation for Children and Youth with Special Needs “Place under the Sun” provide long-term programmes of rehabilitation for disabled children, programmes of support to orphans and youth with motion disturbances, mental retardation, autism, and Dawn syndrome. The objective of these programmes is to improve the life quality, social integration and adaptation, contribute to professional training and further employment of children and young people with special needs.

The Amur Autumn Festival

JSC Eastern Energy Company became the partner of XIII Open Russian Festival of Cinema and

Theatre “Amur Autumn” located in Blagoveschensk and cities of Priamurye region. This festival is one of the main and the largest scale events in the cultural life of Priamurye region and Far East. It has recommended itself as both important regional cultural event and important political event improving Russian-Chinese cultural relations.

“Bird Haven” project

JSC TGK-11 continues to implement a project aimed at the improvement of the unique nature in the centre of the industrial metropolis, “Bird Haven” nature park in Omsk. Company employees together with the orphanages took part in the landscaping of the park. In 2015 by the beginning of the summer period, the Alley of Power Engineers was ameliorated, the soft wood was planted and the seats for the places of rest within the park were manufactured. In 2016, for the 300th anniversary of Omsk, this space will be taken by the nature park.

Population Notification and Engagement in Charity Projects

LLC Omskaya Power Supply Company in cooperation with the Raduga (Rainbow) Charity Center implement the project for publishing information about children who need support on receipt documents of LLC Omskaya Power Supply Company. This initiative allows expanding the audience, informing the residents of the region about social projects, and increasing the amount of funds received for the children who need expensive medical treatment.

Georgia

For nine years, the company has been a proud sponsor of the International Music Festival “From Easter to Ascension” aimed at promoting the support of young Georgian artists and the advancement of the community interest in classical music. The festival programme is traditionally attended by international celebrities and Georgian musicians successfully performing in the country and abroad. Cultural artists performances were arranged in Bolshoy and Maly Concert Halls of Tbilissi State Conservatory of Music named after Vano Saradzhishvili, and in the Maly Hall of Shot Rustaveli’s Theatre. Besides, concerts were arranged in the Georgian regions – Chokhatauri (Guria region), Bagdadi (Imereti region), Kharagauli (Imereti region) and Batumi (Adzhar Autonomous Republic).

Telasi provides financial support to the Lazarus Charitable Foundation of the Patriarchate of Georgia and aimed primarily at creating craft workshops for children from socially-vulnerable families and providing information and educational initiatives within the charitable campaign “Travel Across Your Motherland”. In special institutions, children from socially-vulnerable families are provided an opportunity to learn different crafts.

Lietuva

AB INTER RAO Lietuva supports projects aimed at preservation and renovation of monuments belonging to the historical and cultural heritage of the country, retrieval of Lithuanian art masterpieces, educational and cultural events and supporting the healthy style of life and sports.

In 2015, the company supported the International Festival of Vocal Music for Children and Youth “Laumes juosta” and presentation of theatre performances and tours of the Lithuanian national theatre of opera and ballet.

Volunteer Projects

Besides implementation of charity and sponsorship projects, PJSC Inter RAO in coordination with the Young Active Members of the Group proactively implement various volunteer initiatives, and their number increases every year indicating the improvement of awareness among employees about social problems and their desire to make their own contribution. In 2015, the main areas of volunteer projects were targeted support to people in difficult life situations, and projects related to celebrating the 70th Anniversary Day from the victory of the Soviet people in the Great Patriotic War of 1941-1945.

On May 26, 2015, the Group celebrated its 18-th Anniversary. The donor initiative was devoted to this event and passed in many regions of Russia. Over 100 employees took part in this Donor Day which became traditional for employees of the Company's office in Moscow. All blood (over 60 litres) was delivered to the Federal research center of pediatric hematology, oncology and immunology named Dima Rogachev.

The employees of the Group in cooperation with the Young active members within the initiatives devoted to the Victory Day "We remember and "Gift to a veteran", "Flag of Memory", "St. George Ribbon" etc. made large-scale litter pickup weekends to clean, ameliorate and partially recover the burial places of soldiers, memorial monuments and neighboring areas, delivered gifts and self-made cards to veterans of the Great Patriotic War. Many employees also supported the All-Russian initiative "The Immortal Regiment".

Young employees of LLC Inter RAO – Management of Electric Power Plants arranged a tour to the Central Museum of armory and machines of the Ministry of Defense of Russia for orphanages on the eve of the International Children Protection Day.

Companies of the Group continuously provide support to families who need help in preparing children to the new school year. The employees of the Kostromskaya TPP on the eve of the First September traditionally supported the charity campaign "Go to School" initiated by the Municipal Social Support Center in Volgorechensk. Office accessories for 150 children were bought on charitable contributions of companies, entrepreneurs and individual residents of Volgorechensk.

Besides, it is the third year since the employees of the Company took the patronage over the special group of disabled children in the kindergarten No.1 "Semitsvetik" in Volgorechensk. Today 42 children with special needs live in Volgorechensk. All children of the under-school age aged over three years may attend the new group with perfect environment and conditions for their development and rehabilitation.

The employees of the Company are more and more committed to responsible attitude to resources consumption and separate collection of waste. In 2015, for instance, active employees of Tambov Power Supply Company continued the campaign for collecting the used office paper and cardboard "Thank You for Trees", resulting in over 500 kg of recycled materials transferred for recycling.

8.5 Environmental Policy

Approach to Environmental Impact Management

The Targeted 2020 Environmental Programme of Inter RAO Group with the possibility of extension until 2030²⁵⁴ is one of the main tools to achieve the strategic goals of Inter RAO Group in the field of environmental protection and natural resources management²⁵⁵. The objective of the Programme is to achieve the following strategic goals of the Group:

- Ensuring compliance of the production operations of the Group's power plants to regulations and liabilities;
- Reduction of environmental impact of the power plants to the minimum technically possible and economically expedient level;
- Continuous reduction of economic costs and risks related to environmental aspects of production operations;
- Reaching agreement with all parties involved.

Based on the set objectives and areas, the Programme sets the targeted environmental indicators and a list of measures to achieve these targets for the Group as a whole and for S&A which have significant environmental impact.

The Programme was drawn up in cooperation with industry scientific institutions (JSC All-Russian Thermal Engineering Institute, JSC Krzhizhanovskiy Energy Institute, CJSC APBE) and was approved by the Science and Technology Council of PJSC Inter RAO. It is planned to spend RUB 17.6 bln for implementation of the Programme in 2014-2020.

To meet the changing requirements of the dynamically developing environmental protection law of Russia and to meet the objectives and areas of activity of the Programme, the Group is continuously improving the system of by-laws and regulations related to environmental protection and environmental safety. In 2015, the following changes were made:

- Methodological recommendations on inventory of the equipment, materials, and wastes containing PCBs were developed²⁵⁶;
- Methodology of internal monitoring and analysis of the occupational, industrial, fire, environmental safety control system in Inter RAO Group was updated²⁵⁷;
- Methodological recommendations on development and introduction of environmental management system in S&As of PJSC Inter RAO were updated²⁵⁸.

Environmental Management System

To manage environmental aspects of the Groups' production operations, the environmental management system was introduced at the Group's generating assets. The environmental management system is a part of the Occupational, industrial, fire and environmental safety control system of Inter RAO Group.

²⁵⁴ Decree No. IRAO/604 of November 27, 2014 on approving the Targeted 2020 Environmental Programme of the Group with the possibility of extension until 2030.

²⁵⁵ The objectives are set by Inter RAO 2020 Strategy approved by the BOD on March 13, 2014, and the Declaration on Environmental Responsibility of Inter RAO approved by the decision No. 64 of the BOD on April 2, 2012.

²⁵⁶ Decree No. IRAO/8-r of May 27, 2015.

²⁵⁷ Decree No. IRAO/610 of November 10, 2015.

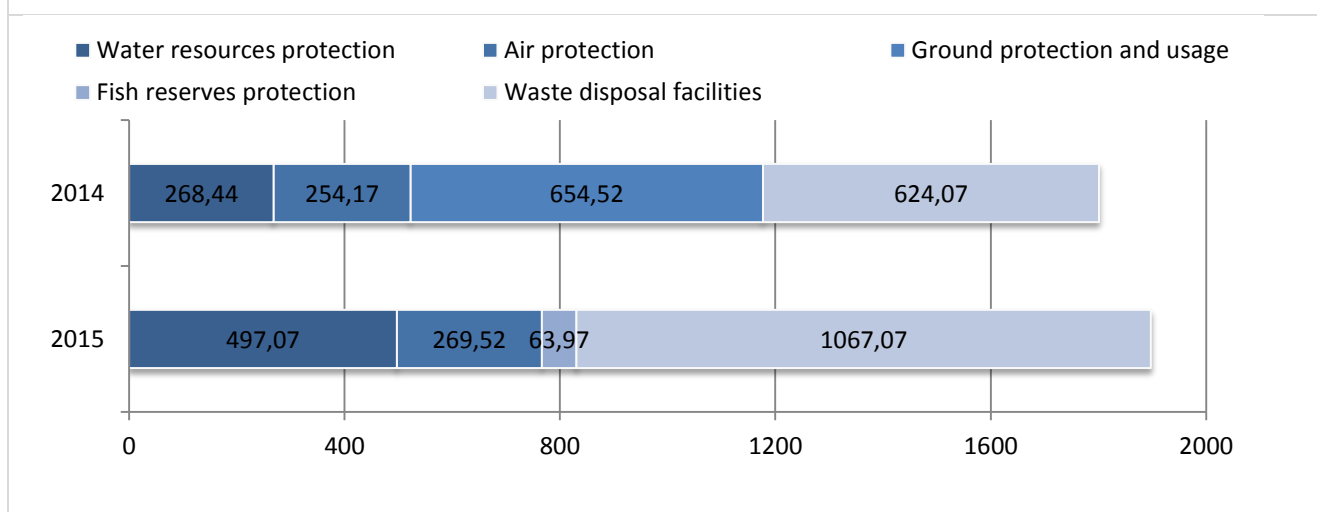
²⁵⁸ Decree No. IRAO/297 of June 15, 2015.

In 2015, the Group completed large-scale works for introduction of ISO 14 001-compliant environmental management systems at power plants. All S&As of JSC Inter RAO – Electricity Generation Group, LLC Mtkvari Energy, JSC Khrami HPP-1, JSC Khrami HPP-2, JSC Telasi, JSC Razdan Energy Company, and JSC Sangtudinskaya HPP-1 were fully certified. The environmental management systems were introduced at the generating assets of the Group within the time limits set by the Targeted Environmental Programme. Total investments for reorganization, certification and support of the environmental management systems in 2014-2020 will amount to RUB 80 mln.

Environmental Protection Costs

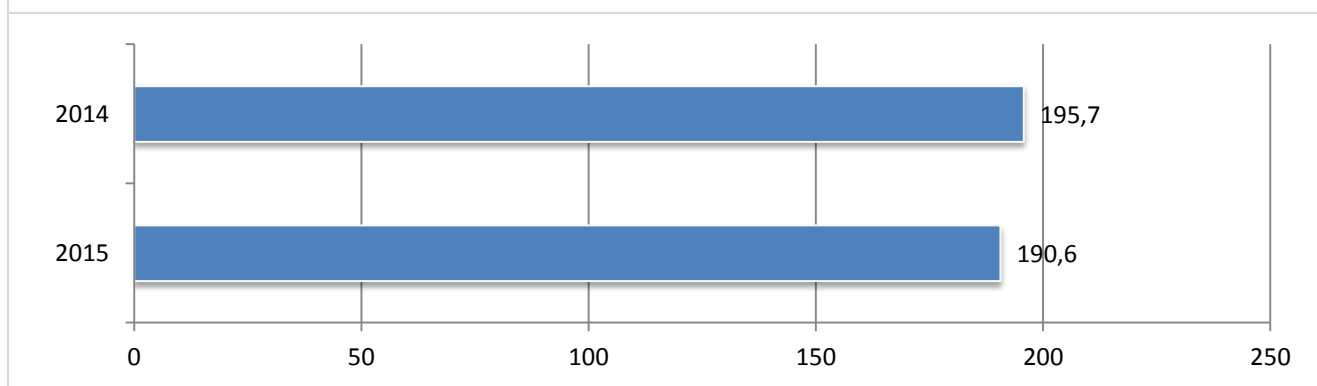
In 2015, total costs for environmental protection increased by 3.4% to RUB 3,079.69 mln. Total investments in conventional environmental protection activities increased by 5.3%. In particular, the costs for waste disposal facilities procurement increased by 56% due to modernization of the existing waste management systems at the Group's plants.

Fig. 42 Total investments of the Group for environmental protection increased by 5.3% reaching RUB 1,897 mln, mln RUB.



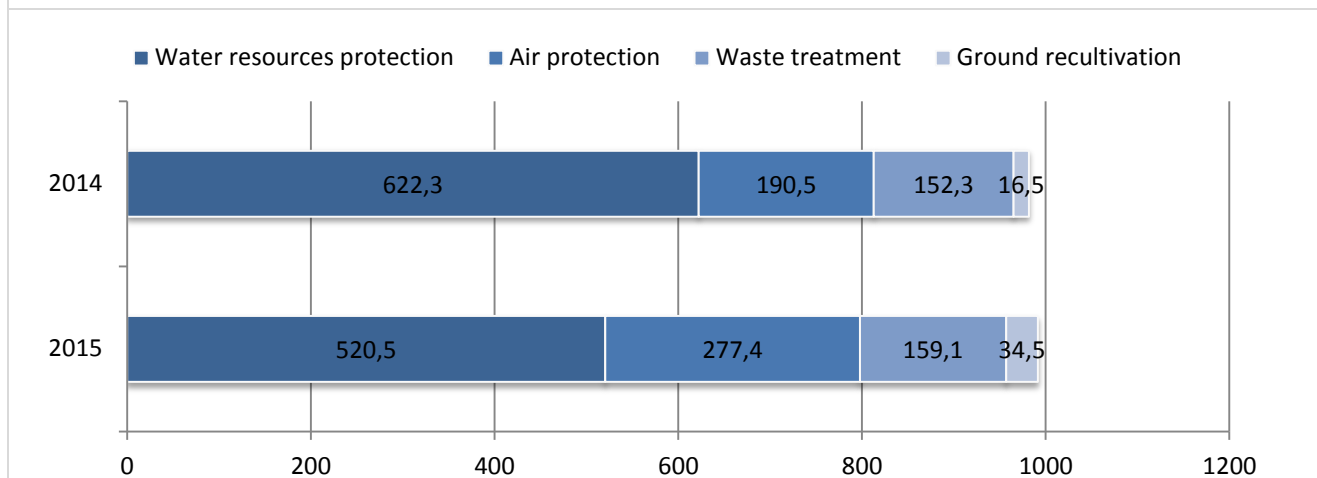
Costs for the major repair of the environmental protection assets slightly reduced resulting from annual changes in the list of the Group's facilities subject to the scheduled repair.

Fig. 43 Costs for major repair of environmental protection assets reduced by 2.6%, RUB mln



Current costs for environmental protection activities stayed almost unchanged and amount to RUB 991.5 mln.

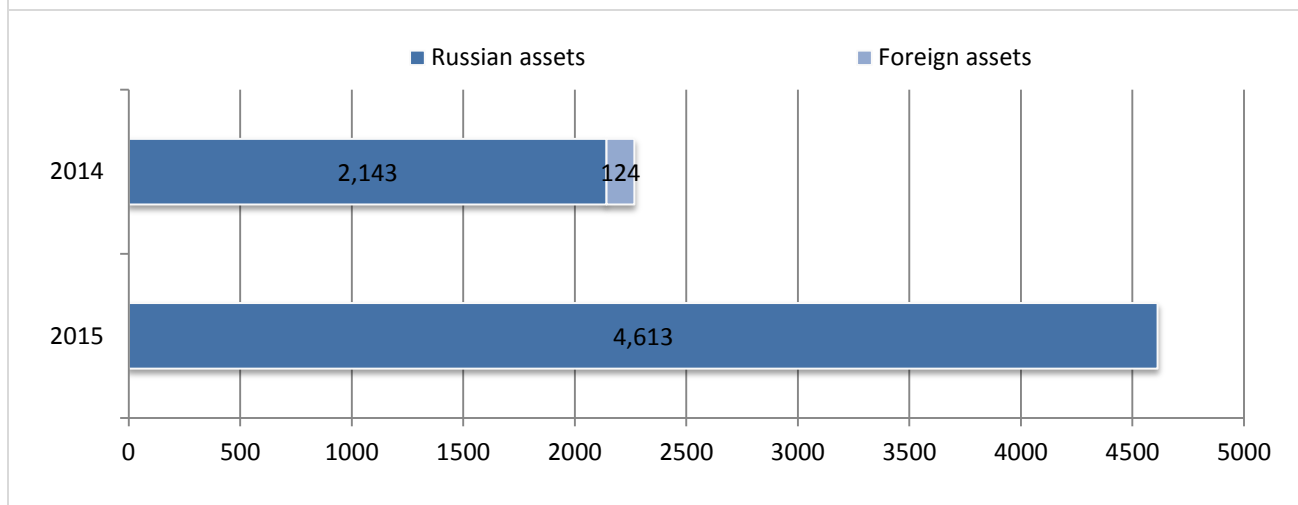
Fig. 44 Current costs of the Group for air protection activities increased by 46%, RUB mln



Payments for Negative Impact on the Environment

Retooling and modernization projects deployed at the Group's generating facilities allowed to both improving the key performance efficiency indicators and reducing the environmental impact of these facilities. At the same time the amount of penalties for negative impact on the environment is sensitive to natural and climate phenomena (floods, number of rainfalls, deviation from average climate temperature etc.) and will keep on sufficiently high level until the realization of planned investment projects aimed to modernization of wastewater treatment technological schemes.

Fig. 45 Dynamics of penalties for negative impact on the environment



Key Areas of the Environmental Impact of the Group

Air Protection

The main sources of pollutant emissions are TPPs of the Group – boiler and gas turbine units operating on the natural fuel. These plants account for generation of the main pollutants: solids (primarily solid fuel ash), carbon, sulphur and nitrogen oxides. Therefore, improving the production

processes and stack gases treatment systems at TPPs is one of the main methods to minimize the pollutant emissions by the power plants of the Group.

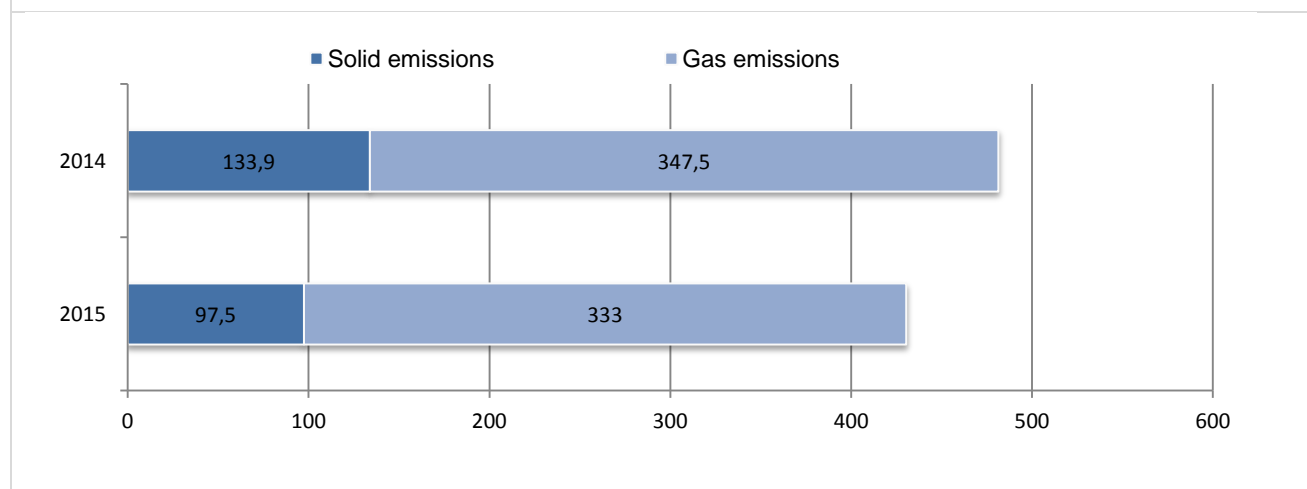
In 2014-2015, new generating facilities with improvement environmental parameters were launched and outdated inefficient facilities were decommissioned which contributed to reduce total pollutant emissions in 2015 by 11.5%, or 56 thousand tonnes.

Table 79. Total emissions of solid and gas pollutants in 2014-2015, thousand tonnes

Index, thousand tonnes	2014	2015	2015/2014
Total pollutant emissions, tonnes:	486,724	430,577	-11.5%
Gas and liquid pollutants	352,099	333,000	-5.4%
• CO (carbonic oxide)	13,994	15,177	8.5%
• NOx	161,812	150,146	-7.2%
• SOx	175,903	167,215	-4.9%
Solids	134,625	97,500	-27.5%
Persistent organic pollutants (benzapyrene)	0.159	0.125	-21.4%

Retooling and repairs of dust-collecting equipment contributed to increase of the average ash collection efficiency rate from 97.3% to 97.8%. In particular, the electric filters were replaced with bag filters at the boiler unit No.9 at Omskaya CHPP-5, thus improving the dust-collecting efficiency rate from 98.8% to 99.95% and reducing significantly the solid pollutant emissions.

Fig. 46 Total solid pollutants emissions reduced by 11.5%



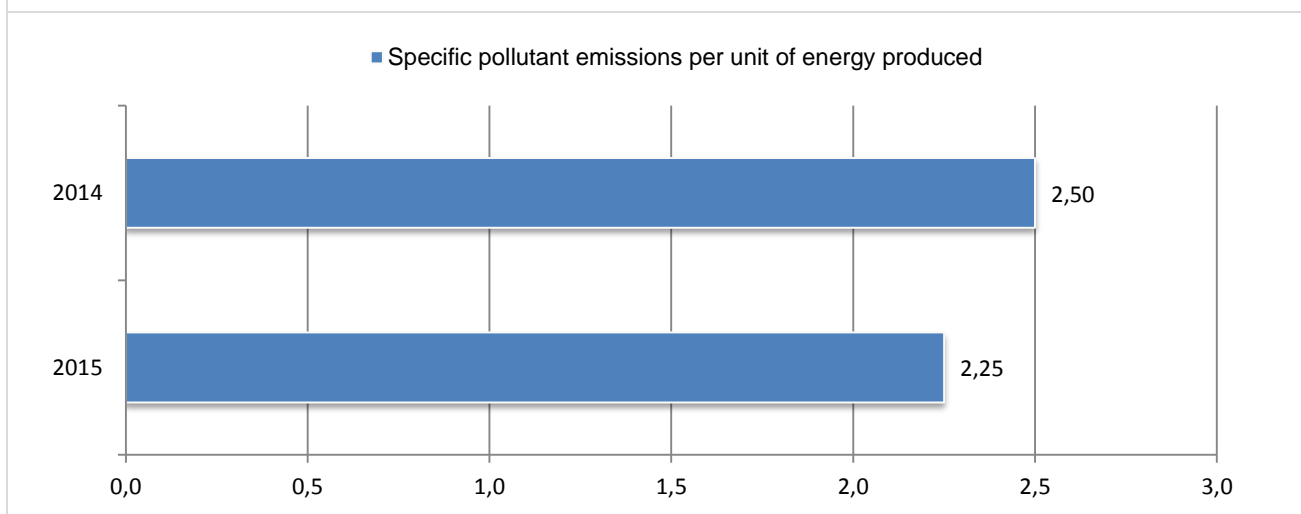
Russian generating assets of the Group account for 87% of gas pollutant emissions and 94.6% of solid pollutant emissions. JSC Inter RAO – Electricity Generation Group is the largest source of solid pollutant (51.4%) and gas pollutant (54%) emissions in the Group. Decommissioning of inefficient coal-fired facilities at Verkhnetagilskaya TPP and Yuzhnouralskaya TPP, along with introduction of advanced technologies resulted in reduction of solid pollutant emissions of JSC Inter RAO – Electricity Generation Group by 33.7%.

Table 80 Total gas and solid pollutant emissions at the most important S&As of the Group, thousand tonnes per year

S&A	Solid pollutant emissions			Gas and liquid pollutant emissions		
	2014	2015	2015/ 2014	2014	2015	2015/ 2014
JSC Inter RAO – Electricity Generation Group	79.5	52.7	-33.7%	184.2	176.3	-4.3%
JSC TKG-11	31.8	27.1	-14.8%	67.3	68.9	+2.4%
LLC BGC	12.5	10.5	-16.0%	23.8	25	+5.0%
JSC Ekibastuz TPP-2	7.9	5.5	-30.4%	47.8	35.2	-26.4%
JSC Tomsk Generation Company	1.7	1.3	-23.5%	8.4	10.5	-25%

Specific pollutant emissions per unit of energy produced reduced by 10%.

Fig. 47 Specific pollutant emissions per unit of energy produced reduced by 10%, kg/thousand kWh



Greenhouse Gas Emissions

In 2015 the environmental protection legislation of Russia was amended to include the main elements of the system for greenhouse gas emissions monitoring, reporting and inspection. Inter RAO Group is subject to this system, being a significant source of direct greenhouse gas emissions²⁵⁹, to be accounted on an annual basis.

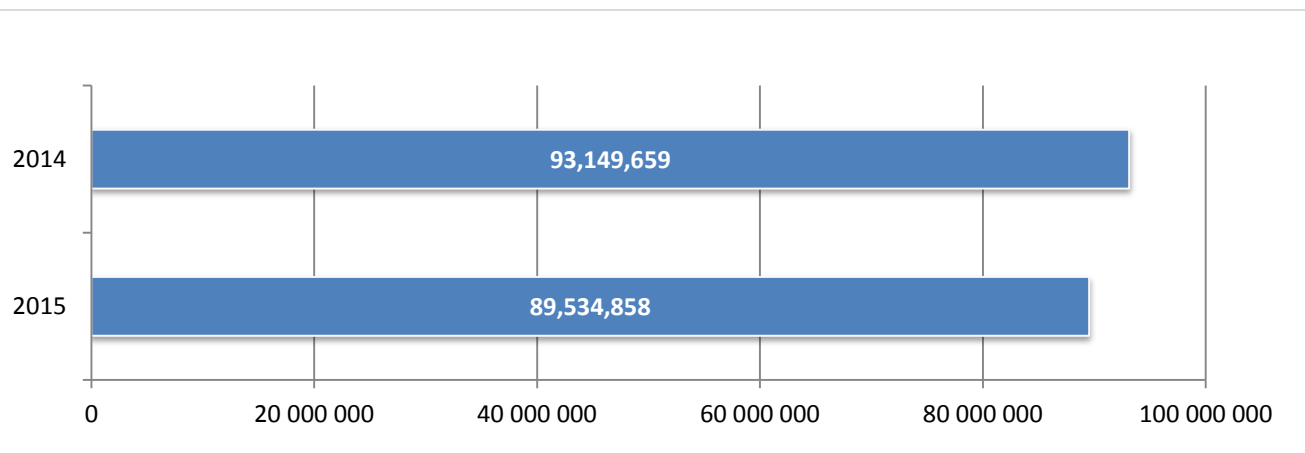
Assessment of greenhouse gas emissions is an integral part of the production environmental monitoring system and is provided on an annual basis for all generating facilities of the Group using the industry methodology. In 2015, the calculations of the greenhouse gas emissions were for the first time made according to the new Methodology and Guidelines on quantitative definition of the greenhouse gas emissions by companies which business or other activities are performed in the

²⁵⁹ Greenhouse gas emissions exceed 150 thousand tonnes of CO2 equivalent

Russian Federation, as approved by the Decree No.300 of the Ministry of Natural Resources of Russia on June 30, 2015²⁶⁰.

In 2015, total greenhouse gas emissions of the Group reduced by 3.8% from 93.1 to 89.5 mln tonnes²⁶¹. Specific greenhouse gas emissions per unit of energy produced remained the same and amounted to 0.49 tonnes CO₂ per thousand kWh.

Fig. 48 Total greenhouse gas emissions reduced by 3.8%, tonnes CO₂-equivalent



Usage of Water Resources

Main objectives of the Group in water withdrawal are to meet the regulations of the countries where it operates and to reduce the volumes of fresh water consumption to technically possible and economically efficient level.

For production purposes, water is used in significant volumes by thermal power plants of the Group only in order to meet their needs in cooling the generating and auxiliary equipment, compensate production cycle losses and feed the centralized heat supply system. TPPs and electric grid facilities of the Group do not consume much water.

In 2015, water withdrawal from surface water bodies reduced by 455.5 mln cubic meters, and water withdrawal from third party suppliers reduced by 12 mln cubic meters resulting from activities aimed at reduction of water consumption volumes, in particular by increasing the volumes of water in circulation and recirculation systems. Besides, total water consumption for production needs reduced resulting from a 3% growth of electricity generation by gas turbine units which do not consume water.

Percentage of water reused and recycled in total water consumption increase from 62% to 63%. Some S&As arranged rain water collection and usage for utility needs total of 89 thousand cubic meters.

Table 81. Volume of water consumption of the Group in 2014-2015, mln cubic meters

Index, mln cubic meters	2014	2015	2015/2014
Total water withdrawal, including:	17,765.0	17,011.4	-4.2%

²⁶⁰ Registered under record No. 40098 by the Ministry of Justice of Russia on December 15, 2015.

• of surface water bodies	6,646.2	6,190.7	-6.9%
• of third-party suppliers	83.3	71.4	-14.2%
• of underground water bodies	3.6	3.7	+2.5%
• of recycling water systems	326.3	451.2	+38.3%
Total volumes of water used in recycling water supply systems	10,705.6	10,294.3	-3.8%
Share of reused and recycled water in total volume of water consumption, %	62%	63%	+1.6%

Over 98% of the waste water discharged by the generating facilities of the Group to the natural water reservoirs account for water of the direct-cooling systems and cooling systems with impounding reservoirs. These waters meet the quality standards and are discharged in the natural water reservoirs.

In 2015, the volume of waste water reduced by 368 mln cubic meters, or 6% which is mainly due to reduction of production by electricity generation plants with direct-cooling systems discharging clean water.

Table 82. Volumes of water discharge by the Group in 2014-2015, mln cubic meters

Index, mln cubic meters	2014	2015	2015/2014
Total waste water discharged	6,322.1	5,954.3	-5.8%
Discharged to third party	9.1	6.8	-25.1%
Discharged to surface water bodies, including:	6,313.0	5,947.5	-5.8%
• Not requiring treatment	6,292.8	5,926.4	-5.8%
• Sufficiently treated	3.1	4.8	53.1%
• Insufficiently treated	8.1	7.3	-10.0%
• Without treatment	9.0	9.1	1.0%
Share of water meeting the quality standards in total water discharge	99.7%	99.6%	-4.2%

Treatment facilities modernization and load optimization allowed reducing the volume of insufficiently treated water and increasing the volume of sufficiently treated water by 1.7 mln cubic meters. In particular, in 2015 the actions were made for technical improvement of water treatment facilities at the Group power plants:

- Renovation of treatment facilities at Ekibastuz TPP-2 was completed;
- Construction of treatment facilities at Omskaya CHPP-5 continued;
- Filtering presses were installed at slime water clarification units and the system for wash water reuse in cold water supply mechanical filters at Ufinskaya CHPP-2 was introduced;

- Retooling of the scheme of process and industrial storm water recycling and reuse was provided at KNS-1 and KNS-2 at Tomskaya TPP-2;
- Retooling of cooling towers at Omskaya CHPP-5 of TGC-1 and Novo-Sterlitamakskaya CHPP of LLC BGC was provided.

8.5.1.1 Production Waste Disposal

Solid residues of coal firing are the main waste produced by Group power generating facilities. Ash and slag waste account for 99.6% of the waste produced by the Group and belong to Hazard class V, i.e. have almost no environmental impact.

Reduction of thermal power and electricity generation by coal-fired power plants, including decommissioning of coal-firing facilities at Verkhnetagilskaya TPP and Yuzhnouralskaya TPP resulted in reduction of volumes of ash and slag waste by 12% in 2015.

Table 83. Changes of waste generation volumes of the Group in 2014-2015, tonnes

Index (tonnes)	2014	2015	2015/2014
Waste generated, including	4,888,587	4,307,408	-11.9%
Hazard Class I	25	22	-12.0%
Hazard Class II	28	41	+46.4%
Hazard class III	1,213	828	-31.7%
Hazard Class IV	15,207	14,526	-4.5%
Hazard Class V	4,872,115	4,291,990	-11.9%

Targeted activities for increase of ash and slag waste usage by the Group's subsidiaries resulted in four times the growth of waste disposal in 2015. The weight of useful ash and slag waste was 864.6 thousand tonnes. The volume of useful ash and slag waste application for utility needs by the Group's subsidiaries increased multiple times, reaching in 2015 the level of 70.6 thousand tonnes. The main areas of ash and slag waste disposal are as follows:

- Reclamation of section 2A of the ash disposal area at Tomskaya TPP-2 of JSC Tomsk Generation Company – 53.4 thousand tonnes;
- Road repair leading to ash disposal areas No.2 and 4 at Cherepetskaya TPP – 16.9 thousand tonnes;
- Kashirskaya TPP transfer to third parties of 678 thousand tonnes of ash and slag mixture and 24.4 thousand tonnes of dry ash;
- Omskaya CHPP-4 sale of 49.5 thousand tonnes of dry ash for construction materials production.

As of the end of 2015, 15 out of 78 coal boilers at Group power generating facilities were equipped with dry ash collection and disposal systems. It shall be also noted that the works for installation of this system with an estimated capacity of 500 thousand tonnes per year at Ekibastuz TPP-2 were completed. Total investments in the project implementation in 2012-2015 made 2,037 mln tenge.

The principal method of ash and slag waste processing at Group power generating facilities is to place them at special sites – ash and slag waste disposal areas. Group Subsidiaries use 23

sections at 17 ash and slag waste disposal areas with a total area of 6.8 thousand hectares and estimated capacity of 2,277 mln tonnes, where 94.6% of generated ash and slag waste was disposed in 2015. After decommissioning of ash and slag disposal areas, the Group provides reclamation of the ground to minimize environmental impact on the local ecosystems. In 2015, two major activities were performed for reclamation of ash and slag disposal areas:

- Reclamation of section 2A of ash disposal area with a total area of 6.2 hectares at Tomskaya TPP-2 of JSC Tomsk Generation Company. For the area reclamation of 60,000 cubic meters of ash (53.4 thousand tonnes) from section 1B, sandy ground – 21 thousand cubic meters, vegetable soil – 13.97 thousand cubic meters were used; total investments made RUB 32,727.565 thousand;
- Reclamation of industrial waste field at Kostromskaya TPP; in 2015, the costs made RUB 1.1 mln.

Table 84. Volumes of waste generation by the Group in 2014-2015, tonnes

Index (tonnes)	2014	2015	2015/2014
Waste generated	4,888,587	4,307,408	-11.9%
Generated ash and slag waste	4,837,102	4,260,868	-11.9%
Waste reused by the Group's enterprises	1,757	71,916	41 times
Used ash and slag waste	624	70,634	113 times
Decontaminated waste	1,252	1,044	-16.6%
Decontaminated ash and slag waste	-	-	-
Waste sent to external enterprises	240,689	832,238	+245.8%
Ash and slag waste sent to external enterprises	205,317	793,933	+286.7%
Waste disposed at Group facilities	4,586,759	4,040,873	-11.9%
Ash and slag waste disposed at Group facilities	4,575,236	4,030,684	-11.9%

8.5.1.2 Biodiversity

Biodiversity is mainly influenced by TPPs – there is a potential risk of mass death of hydrobionts at water intakes. To minimise this risk, the water intakes are equipped with fish protection structures. In 2015, the following activities were implemented:

- Construction of fish protection structures at onshore Pumping Stations of the Cherepetskaya TPP was completed; total costs made RUB 23.7 mln;
- Construction and launch of fish protection structures at Urengoyskaya TPP were completed; total costs equaled RUB 50.08 mln;
- The design of fish protection structures at Karmanovskaya TPP was completed; estimated costs will equal RUB 3.4 mln;
- Studies were done and activities to improve the efficiency of fish protection structures at Irikhinskaya TPP were provided; the works are planned for 2016.

Biomelioration activities are performed at water reservoirs which are subject to impact by Group power plants, to compensate for the damage to biological resources. In 2015, a range of projects for stocking of water reservoirs was implemented, in particular:

- 370 thousand starlet juveniles were delivered to the Kama water reservoir; the costs amounted to RUB 5,979 thousand;
- 50 thousand carp juveniles were delivered to Gusineozerskaya TPP; the costs amounted to RUB 183.5 thousand;
- Stocking the Karmanovskoe water reservoir at Karmanovskaya TPP with herbivorous fish.

Conservation Area Rehabilitation

In Visimskiy Conservation Area, the Conservation Area and Verkhnetagilskaya TPP employees planted 10 thousand spruce fir to recover the area. The trees were planted to recover the parts of the Conservation Area which suffered from dramatic storm in 1995 and fire in 2010. Based on the Conservation Area, a wide range of studies are conducted by the employees of the Ural Division of the Russian Academy of Science and institutes.



8.6. Asset Security

Ensuring security is one of the strategic priorities of Inter RAO Group to guarantee stable and secure functioning of assets. Key elements of the Group's assets security are to ensure anti-terrorism security and emergency prevention.

In 2015, there was no unauthorized access to the Group's electric generating facilities. In regions of its presence, no level of terrorist threat was set, except during the scheduled training exercises. The most significant events to ensure anti-terrorism protection of the Group which were successfully implemented during the reporting year, were as follows:

- ensuring preparation of security systems at electric power generating facilities to police governmental control over security at fuel and energy facilities;
- implementing security activities when reorganizing JSC TGK-11;
- developing and implementing security measures in branches of LLC BGC and LLC BashRTS when holding summits of BRICS and Shanghai cooperation association in Ufa.

In all Group companies the Action Plan for Natural and Technical Emergency Prevention and Response were updated which define the Group employees emergency response procedures.

In 2015, within the framework of natural and technical emergency prevention and response, a Methodology for creation of optional emergency and rescue units in the Inter RAO Group²⁶² and the Methodology for creation of optional units to observe civil defense activities at Inter RAO Group²⁶³ were developed.

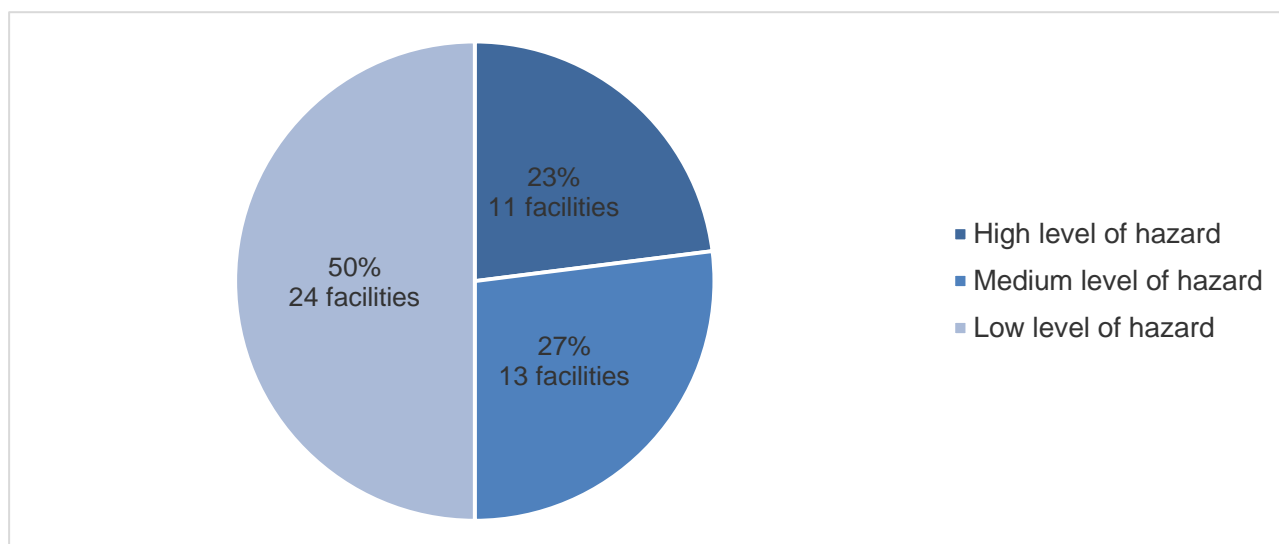
Security of Fuel and Energy Facilities

Ensuring security and anti-terrorism protection of Group power plants belonging to the fuel and energy complex of the Russian Federation is a national-scale task. The Group defined 48 electricity generation facilities and specified security requirements for them according to Federal Law No.256-FZ "About safety of entities of fuel and energy complex". For each facility, security passports were developed and approved, all facilities were recorded with the register of fuel and energy complex. In 2015, no hazard classes were revised.

²⁶² Decree No. IRAO/670 of December 3, 2015.

²⁶³ Decree No. IRAO/9 of January 18, 2016.

Fig. 49 To establish differentiated security requirements, appropriate hazard categories were defined for 48 facilities of the Group according to the potential hazard of unauthorized access



Anti-terrorism Training and Emergency Prevention Events

To support the quick reaction skills to emergency situations, the companies of the Group systematically have a large number of training, instruction and practical exercises.

In 2015, 280 training exercises on emergency prevention and response were conducted at Group electricity generation facilities in cooperation with territorial divisions of the Ministry of Internal Affairs, Ministry of Emergency Situations and Federal Security Service of Russia. Over 13 thousand Group employees took part in training exercises. Within the planned anti-terrorism activities, the Group conducted 145 trainings, instruction exercises involving over 3 thousand people and 278 devices.

Fig. 50 In 2015, the number of consolidated training on emergency prevention and response increased by 1.5 times

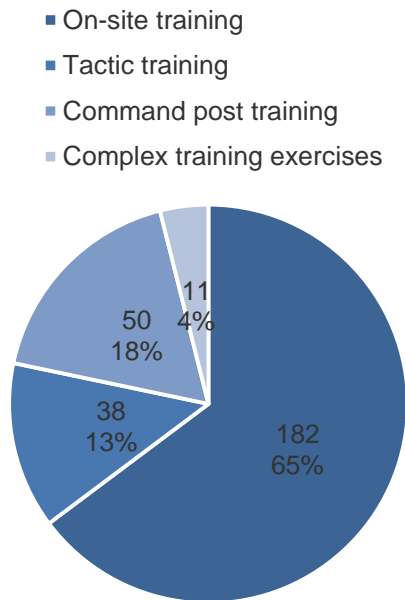
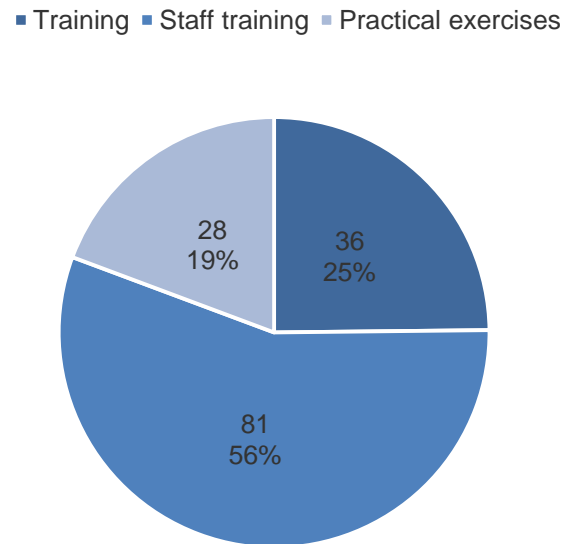


Fig. 51 In 2015, 145 anti-terrorism training activities were arranged at Group generating facilities



Among the large-scale training exercises to ensure anti-terrorism protection and emergency prevention during the reporting period at Group facilities were as follows:

- Regional anti-terrorism tactical training “Molniya-2015” for arrangement and implementation of procedures for terrorist attack prevention at Cherepetskaya TPP was held in May 2015. The training was done in cooperation with resources and devices from the Divisions of the Federal Security Service, Ministry of Internal Affairs and Ministry of Emergency Situations of Russia in Tula region, internal security troops, administration of Tula region and municipal district of Suворovskiy region;
- Command post training for elimination of terrorist attack consequences using resources and devices of JSC TGK-11 in cooperation with the territorial subsystem of the unified state emergency prevention and response system in Omsk region were held in June 2016. The training involved over 40 people and 4 machines of JSC TGC-1 and the territorial division of the emergency prevention and response system in the Omsk region. All objectives of the command post training were achieved successfully;
- Complex three-day training on terrorist attack prevention at hydrotechnical construction of Yumaguzinskaya HPP “Storm-Yumaguzino-2015” was held in July 2015. The training involved resources and devices from various federal authorities of the Republic of Bashkortostan in the amount of 300 people, two helicopters, wheeled troop transporter and special transportation of security services.

Security System Improvement

To improve the security control system, the Group created a Working Team²⁶⁴. Among its functions are consolidation of functions associated with anti-terrorism protection of branches of JSC Inter RAO – Electricity Generation Group. In 2015, the post security service improvement at electricity generation assets of Group resulted in elimination of 34 security posts, thus reducing the costs for these function implementations by RUB 65 mln.

In 2015, implementation of the Group's Investment Programme continued, involving the modernization of the engineering and technical security complex. In eight branches of JSC Inter RAO – Electricity Generation Group works were provided for a total amount of RUB 555 mln, and projects for two power plants of the engineering and technical security complex of LLC BGC were developed.

Information and Technical Security Control

To ensure operations of all chains of the security unit, physical protection, anti-terrorism security, civil defense activities, emergency prevention and response, the complex automated information control system "KAIUS-Security" was installed at Group energy generating facilities. The system ensures information support of managerial decision-making on emergency prevention and response matters, provides real time monitoring of the main physical protection evaluation parameters and forecast the possible situation outcomes. The system is deployed at all facilities of JSC RAO Electricity Generation Group, JSC TGK-11, JSC Tomsk Generation Company and four facilities of LLC BGC, in particular, at Ufinskaya CHPP-2 and CHPP-4 the system was introduced during the reporting year. In 2015, JSC Inter RAO – Electricity Generation Group introduced the module "Visualization of flooding level at water level growth" to KAIUS-SECURITY system. This module ensures timely forecasting of situations in case of flooding.

Cooperation of the Economic and Internal Security Division of the Group

In 2015, to improve implementation of Group economic and internal security tasks, the Methodology of cooperation between the economic and internal security divisions of the companies of Inter RAO Group was developed. The Methodology establishes the procedure and rules for cooperation between the security divisions of the Group companies associated with economic and internal security tasks with consideration to their hierarchy in the Group Economic Security System, special functions and functional subordination.

Perspectives of Assets Security Control System Development

Key areas of the Group activities to improve the anti-terrorism protection and emergency prevention system for 2016, besides the traditional preventive activities and training, are the definition of basic dangers and hazards for all Group electricity generation facilities. The data received will be used for updating the security passports and making changes to the facilities security system.

²⁶⁴ Decree No. IRAO/695 of December 30, 2014.

Fig. 52 Meeting of the Operating group of committee for emergency response and ensuring fire safety at CHPP-5



Fig. 53 Training for members of the paramilitary forces for emergency response of the group standard – filtering protective mask



9 Main Risks Related to Operations of Inter RAO Group

Inter RAO Group is a diversified energy holding company. The Group's business activity is affected by multifactorial risks. The Group considers risk management to be a fundamental element of strategic development and a guarantee of high operating efficiency.

The Group has a corporate risk management system (hereinafter referred to as "CRMS") covering the main assets, key business processes, businesses and management levels of the Group. CRMS Methodology is applied to the main S&As to ensure unification of risk identification, analysis, management and reporting processing at the Group level.

Risk Management Cycle

Under CRMS, risk management is a continuous and cyclic process which is implemented on an annual basis by the Board of Directors, Board of Directors' Committees, executive management, employees of PJSC Inter RAO and main S&As. The corporate risk management system comprises the following stages:

- Setting the targets;
- Risk identification and assessment;
- Developing actions for critical risk management;
- Risk monitoring;
- CRMS operation data disclosure.

Therefore, within this cycle, results of the risk management process and products of the system, namely Key CRMS Targets (for the planned period), Critical Risk Matrix, Plan of Critical Risk Management Activities, Annual CRMS Operations Report are developed on an annual basis.

Results and Achievements for the Reporting Year

Among key 2015 results of risk management, the following results shall be noted:

- CRMS Operation Report of Inter RAO Group was drawn up and approved by the Board of Directors²⁶⁵;
- 2016 targets for risk management tasks of Inter RAO Group were developed and approved²⁶⁶;
- Risk appetite of the Group for 2016 was defined and approved by the Board of Directors²⁶⁷;
- 2016 Critical Risk Matrix of the Group was developed and approved by the Board of Directors²⁶⁸;
- Plan of 2016 Critical Risk Management Activities was developed and approved by the Board of Directors²⁶⁹;
- The CRMS scope was extended, additional business processes and subsidiaries were added, including Corporate Governance and Thermal Operations;
- Unified approaches to actual risk damage calculation used for generating the risk reports for the annual CRMS cycle were developed and approved by the management²⁷⁰;

²⁶⁵ Minutes No. 140 of May 5, 2015.

²⁶⁶ Decree No. IRAO/416 of August 12, 2015.

²⁶⁷ Minutes No. 158 of December 24, 2015.

²⁶⁸ Minutes No. 158 of December 24, 2015.

²⁶⁹ Minutes No. 158 of December 24, 2015.

- The Corporate Risk Management Policy of PJSC Inter RAO was updated²⁷¹;
- Corporate Risk Management Workshop for all S&AS covered by CRMS was held.

Risk Appetite

Management expectations on the risk management indicators and results for the current year are accounted for by setting the annual risk management targets, i.e. approval of CRMS Targets, including the Risk Appetite rate.

The Risk appetite of the Group shows the consolidated risk level (preferred risk) which is acceptable for the Group when creating business value, achieving the set goals, meeting the mission and implementing the strategic vision.

The approved Risk appetite of Inter RAO Group for 2016 amounted to RUB 6,757 mln, which is 0.84% of the Group's revenue for 2015 / 1.85% cost of the Group's net assets in 2015.

Critical Risk Matrix

The Critical Risk Matrix of Inter RAO Group is formed annually within the framework of the CRMS annual cycle and is a graphical representation of results of quantitative critical risk evaluation with a list of critical risks and their brief description²⁷². Quantitative assessments of the Group's critical risks are made by means of consolidating risk assessments at the level of subsidiaries and affiliates. The risks of the "Sales in the Russian Federation" and "Generation in Russia" segments are aggregated separately taking into account the probability of their materialisation in each subsidiary or affiliate of the segment. The Critical Risk Matrix of Inter RAO Group comprises critical risks of the Group, which exceed the Risk Appetite rate of the Group.

²⁷⁰ Minutes No.20-2015/PBC of October 5, 2015.

²⁷¹ Decision of the Board of Directors of October 28, 2015 (Minutes No. 155 of October 30, 2015).

²⁷² 2016 Critical Risk Matrix of the Group was developed and approved by the Board of Directors of Inter RAO on December 22, 2015 (Minutes No. 158 of December 24, 2015).

Fig. 54 Diagram of critical risks of Inter RAO Group for 2015-2016

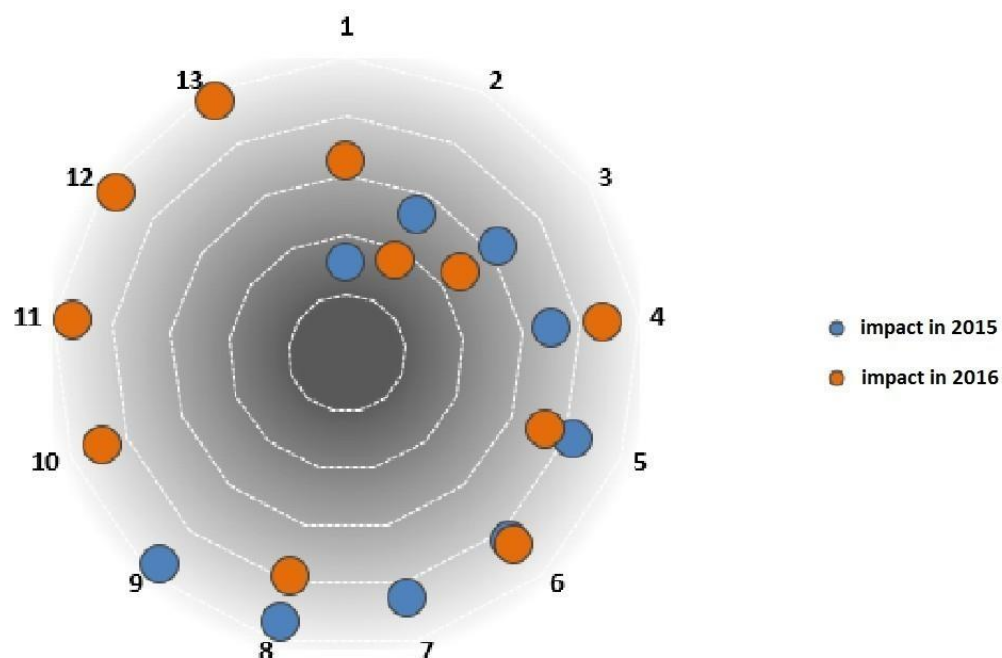
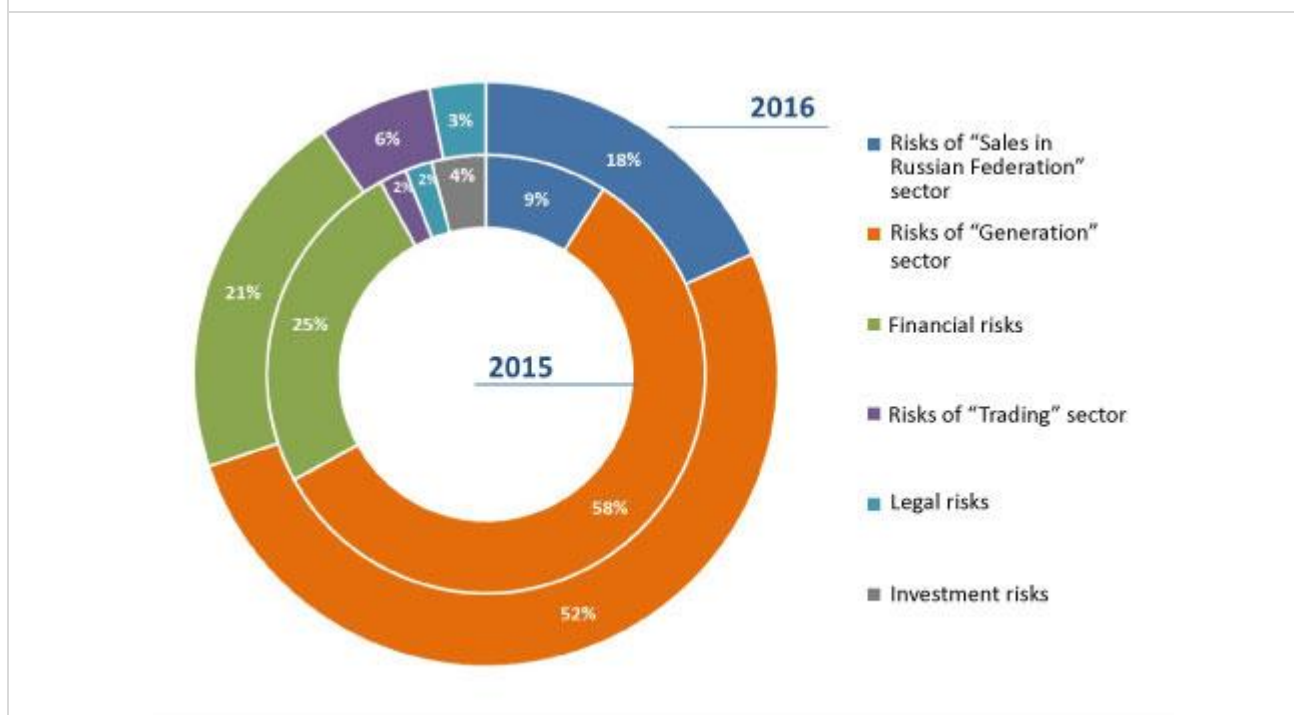


Table 85. Legend for the diagram of critical risks of Inter RAO Group

Item No.	Risk Description	Change of Importance
1	Credit risk of counteragent banks	↓
2	Exchange risk	↑
3	Risk of changes of regulations of the Wholesale Market of Electric Power and Capacity and/or introduction of governmental restrictions	↑
4	Price risk on the Day-Ahead Market	↓
5	Counteragent default risk	↑
6	Interest risk	↓
7	Risk of failure to meet the launch schedule (violation of capacity supplies start date under the Capacity Delivery Agreement)	⊗
8	The risk of adverse regulators decisions as regards tariff rates and balances	↑
9	Risk of electricity sales reduction in the Day-Ahead Market (due to reduction of competitiveness)	↓

10	Price risk related to international business activities	↑	
11	Risk of equipment availability reduction	↑	
12	The risk of adverse regulators decisions as regards tariff rates and balances (thermal energy)	[!]	
13	Risk of thermal energy sales reduction	[!]	
↓	Impact of the risk reduced in 2016 compared to 2015	⊗	Risk no longer relevant in 2016
↑	Impact of the risk increased in 2016 compared to 2015	[!]	Due to expansion of the CRMS framework for 2016, this risk was evaluated for the first time

Fig. 55 Consolidated risks of PJSC Inter RAO for 2015-2016



Industry Risks

Owing to the specific nature of its activity as a diversified energy holding company, Inter RAO Group is exposed to industry-specific risks inherent in different segments of the electric power industry both in Russia and abroad.

Table 86. Risks of the Generation sector

Principal risks	Description
Risk of changes in regulations of the Wholesale Market of Electric Power and Capacity and/or introduction of governmental restrictions	<p>Amendments of the existing rules of the wholesale market of electric power and capacity may result in deterioration of the Group's financial performance from electric power and capacity sales.</p> <p>Among 2016 risk elements which are revised every year depending on the initiatives of the regulator of the Wholesale market of electric power and capacity are the risk of guaranteed investments profitability rate reduction under the Capacity Supply Agreements, price reduction under the Capacity Supply Agreement with consideration of changes in the share of compensated costs which defines the forecast profit from electricity sales.</p>
Price risk on the Day-Ahead Market	Changes in the market environment due to increase of competition in the Day-Ahead Market result in unfavorable price fluctuations in energy markets, thus resulting in deviations from the planned amount of profit from electricity sales.
Risk of electricity sales reduction in the Day-Ahead Market (due to reduction of competitiveness)	Increase of HPP and NPP generation volumes, reduction of electricity consumption, significant volumes of newly commissioned capacities under the Capacity Supply Agreement and other factors define the reduction of generating facilities load, resulting in deviations from the planned marginal profit of the Group.
The risk of adverse regulators decisions as regards tariff rates and balances (thermal energy)	Limitations of the tariff growth rate set by the Federal regulating authorities may lead to approval of tariffs at a level which does not ensure receipt of the required revenue (below the values of the Business Plan).
Risk of thermal energy sales reduction	Reduction of thermal energy sales due to seasonal temperature fluctuations and rejection of the large thermal energy consumers may lead to unfavorable deviations from the planned marginal profit.
Risk of technological limitations of trading activities	Change in the situation with the scheme and regime in the UES, restrictions on the issuance of power during the period of performance for unplanned grid repairs and forced outage for a period of restrictions on fuel supply may lead to lower marginal profit of the Group's generating assets.
Disturbance risks	Equipment failures at new construction sites, high wear of the fixed assets, high yield and change in the operation of electrical generating units may result in a high probability of emergencies, reduction in equipment availability and Group financial losses.
Fuel supply risks	Rise in the price of the fuel component (being the main item in the cost of electricity production) due to an increase in prices of energy carriers and/or their transportation may lead to decrease in the marginal profit.
Risk of industrial injuries	Violation of occupational safety standards, operations negligence and exposure to harmful factors of production may lead to accidents/ cases of diseases in the staff.
Risks associated with environmental damage	Fuel combustion causes emission of pollutants and greenhouse gases into the atmosphere. Intense use of coal may lead to occurrence of significant amounts of ash and slag waste.

As part of managing the above risks, the Group is taking the following actions:

- Participating in working groups at the Ministry of Energy of Russia and making proposals concerning generation issues at the Expert Council of the Federal Antimonopoly Service and the Supervisory Board of Non-profit Partnership Market Council;
- Forecasting in the event of scheme and regime changes, optimisation of the structure of included equipment in the event of change in scheme and regime and interaction with JSC SO UES (JSC System Operator of Unified Energy System);
- Elaboration of special plans for organisational and technical measures based on analysis of accident risks with accounting of the specific indicators and characteristics of each branch aimed at providing effective repair and maintenance of main and auxiliary equipment in order to reduce accident risks, improve reliability and efficiency, and exercise control over performance of measures prescribed by disturbance investigation reports;
- Planning programmes for repair, reconstruction and maintenance based on analysis of accident risks;
- Optimisation of fuel balance, use of long-term fuel supply contracts, reservation of volumes of fuel consumed;
- Minimization of hazardous and harmful production factors, compliant with the mandatory requirements of industrial and fire safety and labour protection requirements, as well as with internal local regulations on safety.

Table 87. Risks of the Trading sector

Principal risks	Description
Price risk associated with international business activities	Adverse change in the prices, including changes in the prices of electricity and/or power in spot segments of the wholesale market of electric power and capacity, changes in electricity prices under foreign trade contracts as well as price increase of the services of infrastructural organisations may lead to the reduction of the marginal profit of the Group.
Risk of changes in international supply volumes	Strengthening of competition in the electricity export/import market, reduction of electricity consumption in neighboring countries, system limitations on electricity export/import to system operators, changes in the laws of Russia and neighboring countries associated with electricity export/import, and consequences of force majeure circumstances on the volumes of trading operations define the changes in the volumes of supply.

As part of managing the above risks, the Group is taking the following actions:

- Participation in inter-agency working groups including Non-profit Partnership Market Council, JSC SO UES, JSC FGC UES (JSC Federal Grid Company of Unified Energy System) and the representatives of the market community and formation, together with the members of the above groups, of proposals to introduce changes to the regulatory framework, model and rules of the wholesale market of electric power and capacity in the light of the specific features of foreign economic activity;
- Participation in the international working groups of CIS EPC (CIS Electric Power Council), BRELL (Belarus-Russia-Estonia-Latvia-Lietuva) Power Systems Technical Committee,

COTC (Commission on the Operational and Technological Coordination of Joint Operation of Power Systems of the CIS and Baltic States), EurAsEC (the Eurasian Economic Community) and EEC (the Eurasian Economic Commission) in order to harmonise the rules of the wholesale market of electric power and capacity with the rules of the electricity markets of foreign power systems, as well as to establish unified technical standards and rules regulating the parallel operation of the power systems of IPS/UPS;

- Trading portfolio management at domestic and foreign markets in order to ensure the profitability of trading activity at the target level;
- Concluding electricity (capacity) sale agreements with counteragents at a fixed price.

Table 88. Risks of the Sales Sector

Principal risks	Description
The risk of adverse regulators decisions as regards tariff rates and balances	The adoption of adverse tariff rates and balances decisions may result in reduced revenue of the Group derived from electricity (capacity) sales at retail market to the amount preventing from covering the incurred costs for implementation of the guarantee supplier functions.
Risk of electricity and capacity sales reduction (sales)	Seasonal temperature fluctuations and clients turning to competitors – sales companies in order to enter the wholesale market of electric power and capacity may result in electricity and capacity sales reduction and lower marginal profit.

As part of managing the above risks, the Group is taking the following actions:

- During the review of tariff applications and approval of required gross revenue, all supporting materials and calculations aimed at recording all projected expenses and lost income of the previous periods are provided immediately;
- Tariff and balance decisions which are not compliant with the sectoral legislation are challenged;
- Constant monitoring of customers “at risk” is being performed and, subject to the emergence of competitive power supply companies, counter-proposals from independent power supply companies of the Groups are being formed;
- Quality improvement of customer service, remote and interactive communication channels, as well as client services.

Country and Regional Risks

In addition to the Russian Federation, the Group operates in the Baltic countries, Scandinavian countries, Central and Eastern Europe, the countries of the Black Sea, Central Asia and the Far East.

In respect to business activity abroad, the Group accounts for the political, macroeconomic and social risks in the countries of its business activity, as well as the risks related to the geographical features of the countries where the Group operates. However, special attention is paid to the dialogue of the Russian Federation with the Western countries as regards the prospects of the development of foreign policy situation.

As part of managing the above risks, the Group is taking the following actions:

- Market analysis, including analysis of the regulating legal framework;

- Participation in programmes of state support implemented by the Russian Federation, in the work of intergovernmental commissions and in the elaboration of intergovernmental agreements;
- Organisation of interaction with public authorities and large companies in the countries where the Group operates;
- Promoting projects for developing interstate relations in promising areas;
- diversification and periodic inventory of the Group's investment portfolio and contracts portfolio in order to balance the Group's strategic set of opportunities and liabilities;
- Development of scenarios of future conditions of work in strategic activity areas based on the global forecast of economic, political and technological factors and their dynamics.

Financial risks

Evaluation of financial risks, elaboration of financial risk management procedures, monitoring and control over financial risks is performed on a regular basis. In the reporting period, the Group focused on management of the following risks:

Principal risks	Description
Exchange rate risk	Exchange rate risk is conditioned by the nature of the Group's activity, namely by cross-border supplies of electric energy and management of foreign assets, implementation of international investment projects etc. This results in cash flows changes and re-evaluation of assets and liabilities in foreign currency.
Interest-rate risk	The Group is exposed to interest-rate risk as a result of the revision of lending interest rates on borrowed funds at the time of refinancing them and due to the sensitivity of certain financial liabilities to changes in market interest rates.
Credit risk of counter-party banks	The credit risk of the Group is conditioned by untimely fulfilment/non-fulfilment of the obligations by the Group's counter-party banks, including after cancellation of the counter-party banks license for banking operations.
Credit risk of counteragents	The credit risk of the Group is conditioned by untimely fulfilment/non-fulfilment of the obligations by the Group's counter-parties, including resulting from reduced solvency or bankruptcy of an energy-supplying organisation, deprivation for counter-parties of their status of the wholesale electric power and capacity market subject and of a guarantee supplier, as well as reduction of the level of payment discipline of the counter-parties being end-users.

As part of managing currency and interest rate risks the Group takes the following steps:

- Evaluation of currency and interest rate risks using Value-at-Risk and Earnings-at-Risk approaches, scenario modelling and stress testing;
- Management of the currency position, credit and deposit portfolio of the Group in accordance with the approved methodology;
- Transaction execution on the market of derivative financial instruments in order to hedge currency and interest rate risks.

As part of managing credit risks the Group takes the following steps:

- Activities to reduce the overdue receivables of the retail assets of the Group²⁷³;
- Continuous elaboration of regulatory initiatives for participation in Interdisciplinary Councils for recovery of overdue debts for fuel and energy resources;
- Arrangement of claim-related work with counter-parties that do not fulfil their payment obligations;
- Assessment of solvency and financial stability of counterparties, continuous monitoring of receivables level;
- Estimating bank solvency on the basis of which internal ratings are assigned to banks, setting limits on transactions with bank counterparties and monitoring compliance with the limits concerned;
- Assessment of solvency and financial stability of subsidiaries on the basis of the internal credit rating indicator providing for qualitative and quantitative assessment of business activity;
- Actions to support and improve the internal credit index of subsidiaries.

Investment risks

The Group's investment activity is subject to certain risks, the Group's attention was focused on managing the risk of shifting the timing of energy deliveries under power supply contracts. This risk is due to both the factors of technical (i.e. delay in timing of construction and commissioning of the object) and organisational (i.e. failure to obtain the right to participate in trading on the wholesale market of electric power and capacity) nature, which results in lost profits and, in some cases, fines under power supply contracts (PSC). This group of risk factors also includes financial insolvency of the general contractor, incompleteness, defects in the equipment supplied and non-compliance of contractual delivery dates by the manufacturers.

As part of managing the above risks the Group takes the following steps:

- Obtaining the right to trade in electrical energy and capacity in the wholesale market of electric power and capacity;
- Arrangement of the document preparation process for attestation in JSC SO UES;
- Arrangement of the document preparation process for the establishment by the Supervisory Board of NP Market Council of payment for technological connection to grids for accounting in the price of PSC;
- Arrangement of the process of presenting documents on current tax rates (property and income taxes) in the regions of the objects of PSC;
- Arrangement of the process for preparing document packages for presentation at the Supervisory Board of NP Market Council to estimate the amount of capital expenses for modernisation justified from an economic viewpoint;
- Use of the competencies of the Group's own engineering company LLC Inter RAO – Engineering in the execution of projects;

²⁷³ In accordance with the Guidelines on Receivables Management of Inter RAO Group and the Plan of actions to reduce the receivables in the power sales companies of the Group.

- Organisation of project management in accordance with best Russian and international practices.

Legal risks

The Group bases its activities in strict compliance with Russian legislative requirements and the jurisdictions of the countries where it conducts its activities. The Group identifies key risk areas as far as legal risks are concerned:

- Risks associated with changes in legislation governing the Group's operations (including exchange rate, customs and tax regulation);
- Risks associated with changes in court practice on the Group activities related issues.

Reduction of the negative impact of this category of risks is achieved through monitoring and timely response to changes in legislation, as well as through active interaction with legislative and executive authorities and non-governmental organisations on the issues of interpretation, enforcement and improvement of legislation. To minimise legal risks, key business processes of the Group are subject to mandatory legal expertise. Pre-trial settlement of disputes with contractors is widely used.

Reputation risks

Being a public company, PJSC Inter RAO takes into account the reputational component of its activities and takes measures to mitigate negative impact of risks on the Group's brand. The company is focused on the interests of investors and stakeholders, and, in order to reduce the risk of forming a negative Group image, is committed to the principles of informing the public of the opportunities and threats to the business, accuracy, transparency, and timely manner of disclosing information in public sources. In addition, the Group controls insider information disclosure risks in order to prevent fraud and price manipulation on the securities market. To this end, the Regulations on Insider Information has been approved.

10 Procurement

The main document governing the Group's procurement activities is the Regulations on the Procedure of Regulated Procurement of Goods, Jobs, and Services for the Needs of PJSC Inter RAO. This document determines a unified systemic base for efficient procurement procedures, which are primarily held in tender form.

In order to ensure a timely, cost-effective and complete supply of products the Group has adopted a centralized procurement system, LLC Inter RAO – Procurement Management Center (PMC).

The activity of PMC targets the following objectives:

- lower cost of procured products with observance of the timing and product quality requirements;
- quicker and more transparent procurement;
- equal, fair, and non-discriminatory conditions for potential bidders;
- development of fair competition;
- establishment of a qualified supplier and contractor market around the Group;
- determination of priorities in procurement of innovative products and technologies.



Read more about OOO LLC Inter RAO – Procurement Management Center at <http://www.interrao-zakupki.ru/index.php>

For compliance with updated requirements of the Russian law and improvement of procurement, in 2015, PJSC Inter RAO developed and updated the following regulations:

- Guideline on Simplified Procurement Procedures²⁷⁴;
- Regulations on the Advisory Body on the Efficiency of Procurement at JSC Inter RAO²⁷⁵;
- Regulations on the Procedure of Regulated Procurement of Goods, Jobs, and Services for the Needs of PJSC Inter RAO²⁷⁶;
- Regulations on the Procurement Commission²⁷⁷;
- Regulations on the Commission for Dealing with Bad Suppliers²⁷⁸;
- Programme of Partnership with Small and Medium Businesses of the Inter RAO Group²⁷⁹;
- Regulations on the Business Process of Procurement Procedures²⁸⁰;
- Regulations and Methods of the Business Process of Establishment, Adjustment, and Control of Implementation of the Annual Comprehensive Procurement Programme for S&A of the Inter RAO Group²⁸¹;
- Regulations on the Business Process of Keeping the List of Bad Suppliers²⁸²;

²⁷⁴ Adopted by the Order of PJSC Inter RAO dated 10.09.2015 No. IRAO/464.

²⁷⁵ Adopted by the Order of PJSC Inter RAO dated 29.04.2015 No. IRAO/211.

²⁷⁶ Adopted by the Resolution of the Board of Directors of PJSC Inter RAO dated 30.04.2015 (Minutes dated 05.05.2015 No. 140).

²⁷⁷ Adopted by the Order of PJSC Inter RAO dated 10.09.2015 No. IRAO/464.

²⁷⁸ Adopted by the Order of PJSC Inter RAO dated 14.07.2015 No. IRAO/366.

²⁷⁹ Adopted by the Order of PJSC Inter RAO dated 28.04.2015 No. IRAO/208.

²⁸⁰ Adopted by the Order of PJSC Inter RAO dated 03.12.2015 No. IRAO/671.

²⁸¹ Adopted by the Order of PJSC Inter RAO dated 13.01.2015 No. IRAO/3.

²⁸² Adopted by the Order of PJSC Inter RAO dated 15.07.2015 No. IRAO/369.

- Standard Regulations on the Company Procurement Centers of Companies of the Inter RAO Group²⁸³;



Read more on documents governing the procurement activity of PJSC Inter RAO at <http://www.interrao-zakupki.ru/purchase/managment/normative-legal-acts/>

Strategic objectives in procurement development

Inter RAO Group is convinced that centralization and unification of procurement procedures, raising the speed and availability of services are necessary for reliable operation of the procurement system. In the reported period, continued intensive work on transfer to the centralized procurement organization model and development of the procurement information system contributed to the achievement of the goals.

Table 89. Main projects and events of the Procurement Management Center in the framework of achievement of strategic objectives

Project / Event	Results	Terms of implementation	Status as at 31.12.2015
Strategic objective: Development of the procurement management information system at the Inter RAO Group			
Project: Development of the Certification System with voluntary certification of suppliers who wish to get an assessment of their competency	Optimization of selection stages of bid review and reducing the time of procurement procedures through simpler document exchange; protecting the Group from unfair counterparties by making a pool of good suppliers; compliance with the new Russian law requirements on disclosure of ultimate beneficiaries	2013–2015	Completed
Project: Development of the Unified Procurement Information System	Less manual work, minimum chance of human error, more control of procurement activities of the Group companies	2012-2020	At the stage of implementation
Project: Implementation of a centralized system for management of regulations and reference information	Greater transparency and comparability of data used in making management decisions	2013–2015	Implemented with high quality level
Project: Analytical system (BI)	Better quality of reports developed from the Unified Procurement Information System	2014-2017	At the stage of implementation

²⁸³ Adopted by the Order of PJSC Inter RAO dated 30.12.2015 No. IRAO/732.

Project: Control of contracts made through procurement procedures	Greater control to exclude any potential change of litigation costs related to suits of procurement procedure winners with whom no contracts were made	2017	At the stage of preparation for implementation
Strategic objective: Reducing the risk of not making contracts on completed procurement procedures			
Project: Economic Safety (expert examination of procurement bids and of data on the owner chain of the winner of the procurement procedure)	Not allowing any bad suppliers to procurement procedures	2012-2020	At the stage of implementation

Management of regulations and reference information

As part of the strategic objective for development of the procurement management information system, the Inter RAO Group has launched a Corporate System for Management of Regulations and Reference Information of the Inter RAO Group (RRI).

The system includes a set of technological subsystems for storage, search, normalization, harmonization, clearance, and distribution of data as well as a set of organizational and management documents determining the order of maintenance and usage of data of the centralized RRI and the system's services. The use of the Corporate System for Management of RRI is a basic condition for quality and comparability of corporate data that are stored and processed in different data systems of the Inter RAO Group.

Management of Inventories

With the aim of increasing the efficiency of procurement, the Concept of Inventories Management of the Inter RAO Group is executed, which includes the development of the Centralized Inventories Management System. This system consists of a set of local regulations and measures for their implementation, which provide for the following:

- availability of necessary amounts of resources of the required quality at storage facilities of the Inter RAO Group;
- minimum costs of development and maintenance of inventories of the Inter RAO Group, in particular, by sale of unneeded material resources;
- optimisation of procured amounts.

Results of procurement

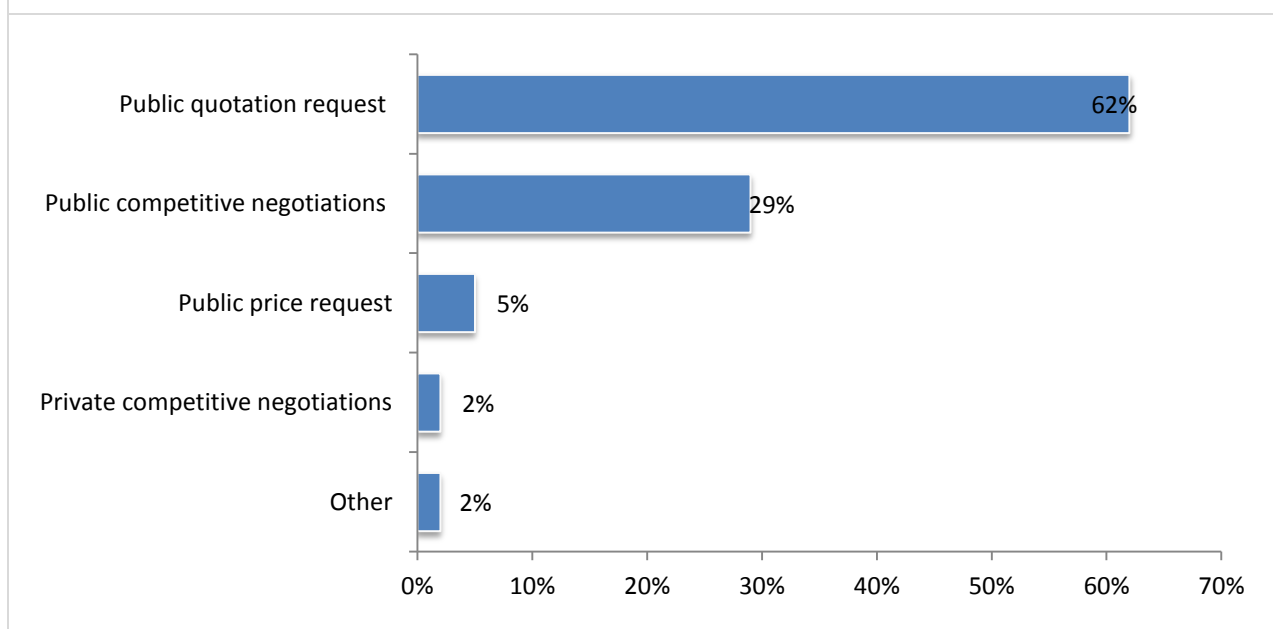
Optimization of procurement procedures in 2015 made it possible to reduce the actual costs under the Annual Comprehensive Procurement Programme (ACPP) as follows as compared to the plan:

- ↓ 3% for the Executive Staff of PJSC Inter RAO;

- ↓ 8% for Generation Assets;
- ↓ 3% for Supply Assets;
- ↓ 6% for Other Assets.

In 2015, PMC held 1679 procurement procedures for the needs of the Inter RAO Group, which is 95% of all the competitive purchases by the Group in value (72% in 2014).

Fig. 56 The main forms of procurement procedures in the reported period were open quotation requests and open competitive negotiations.



The biggest project by the total cost of completed procurement in 2015 is the construction of the CCGT-800 power unit at the Permskaya TPP for the amount of RUB 10.5 bln. The project is implemented by JSC Inter RAO – Electricity Generation in accordance with the strategy of the Inter RAO Group for electricity generation and control of reliability and safety of wholesale generation assets in the Russian Federation. The project targets to increase the share of modern equipment in the installed capacity structure and to raise the competitiveness of and demand for the generation assets on the wholesale electricity and capacity market.

Cooperation with small and medium businesses

Advisory body on procurement efficiency of the Inter RAO Group companies

In order to enhance the procurement efficiency at the Inter RAO Group companies, the procurement activities of which are subject to the Law on Procurement²⁸⁴, in 2015 the membership of the advisory body on efficiency of procurement of the Inter RAO Group companies was approved by the order of PMC²⁸⁵.

The advisory body is a consulting body of the Inter RAO Group companies, the purpose of which is developing proposals for raising procurement efficiency, including greater access for small and medium businesses to the Inter RAO Group procurement, based on cooperation with federal and regional government authorities of the Russian Federation, the business community, non-commercial and non-government associations, and representatives of industry, research, and education institutions and organisations.

In addition to representatives of the Inter RAO Group, the advisory body includes representatives of industry research organisations, non-government organisations, and regional government authorities.

In the period of operation of the advisory body in 2015 (01.07 – 31.12), there were two meetings held where special attention was paid to control of the implementation of the Plan of Measures for greater access of small and medium businesses to the Inter RAO Group procurement²⁸⁶. The Plan of Measures was implemented completely, and the advisory body gave it a satisfactory appraisal.



Read more about the work of the Advisory body on efficiency of procurement of the Inter RAO Group companies at: <http://www.interrao-zakupki.ru/purchase/SMP/>

Programme of partnership with small and medium businesses

In the framework of cooperation of the Inter RAO Group with small and medium businesses, the Programme of partnership with small and medium businesses was adopted²⁸⁷.

The main objectives of the Programme are raising the share of direct purchases from small and medium businesses (SMB), development of a system for implementing new SMB technology solutions, raising the share of procurement of new and high-tech products, cost cutting, and modernization of the Group's processes.

The programme contains a set of steps for achievement of the following objectives:

²⁸⁴ Federal Law dated 18.07.2011 No. 223-FZ "On the Procurement of Goods, Jobs, and Services by Certain Types of Legal Entities."

²⁸⁵ Adopted by the Order of LLC Inter RAO – Procurement Management Center dated 20.05.2015 No. 35.

²⁸⁶ Adopted by the Board of Directors of PJSC Inter RAO (Minutes dated 15.04.2015 No. 139) in performance of the Russian Government Order dated 29.03.2013 No. 867-r "Expanding the Access for Small and Medium Businesses to Procurement of Infrastructure Monopolies and Companies with Government Shares."

²⁸⁷ Order of PJSC Inter RAO dated 28.04.2015 No. IRAO/208.

- development of a class of qualified and responsible partners in the SMB class;
- active involvement of SMB that sell innovative products in the operations of the Inter RAO Group;
- assistance in development of SMB that members of the Partnership Programme;
- information support for SMB.

From 01.07.2015 to 31.12.2015, 118 small and medium businesses joined the Partnership Programme.



Read more about the Programme of partnership with small and medium businesses of PJSC Inter RAO at <http://www.interrao-zakupki.ru/purchase/SMP/>

In 2015, 1,732 contracts for a total amount of RUB 5.9 bln were made with small and medium businesses. The average share of annual purchases from SMB reached 28.2% including 13.2% in direct purchases, which exceeds the level required by the Russian Government²⁸⁸.

Table 90. Annual purchases from small and medium businesses in 2015

No.	Name of the Group company	Annual purchases from small and medium businesses			
		Purchases from SMB, total		Including: Direct purchases from SMB	
		RUB thousand	9% ²⁸⁹	RUB thousand	5% ²⁸⁹
1	JSC Inter RAO – Electric Power Plants	2,726,706.12	21.74%	1,477,774.66	11.78%
2	JSC Mosenergosbyt	826,184.00	51.26%	292,546.00	18.15%
3	JSC Altayenergosbyt	86,207.84	87.00%	31,961.26	32.25%
4	JSC Saratovenergo	9,436.53	44.96%	4,544.30	21.65%
5	JSC Tomskenergosbyt	143,255.71	64.71%	56,005.79	25.30%
6	TGK-11	161,192.47	30.68%	29,912.774	5.69%

²⁸⁸ The duty to purchase from small and medium businesses applies from July 1, 2015, for customers with annual revenue exceeding RUB 10 bln. The calculation of these amounts is based on contracts made by customers on the results of procurement procedures in the period from July 1 to December 31, 2015 (Russian Government Order dated 26.06.2015 No. 641).

²⁸⁹ Standard shares of procurement from small and medium businesses as per the Russian Government Order dated 26.06.2015 No. 641.

7	LLC Bashkir Generation Company	312,431.72	44.22%	97,439.67	13.79%
8	LLC BashRTS	125,167.05	13.22%	78,675.57	8.31%
9	CJSC Nizhnevartovskaya TPP	220,381.23	61.13%	158,012.03	43.83%
10	JSC PSK	284,487.00	92.27%	63,888.00	20.72%

Table 91. Annual purchases from small and medium businesses in 2015

No.	Name of the parameter	Cost (RUB thousand)	Amount (units)	Share (%)
1	Total amount of contracts made on the results of procurement including small and medium businesses	56,137,904.49	2898	-
2	Total amount of contracts made on the results of procurement ²⁹⁰	17,342,414.48	2579	-
3	Total amount of contracts made on the results of procurement from small and medium businesses	4,895,449.67	1732	
3.1	Total amount of contracts made with small and medium businesses on the results of bidding and other methods of procurement ²⁹¹	2,185,898.47	634	-
3.2.	Total amount of contracts made with small and medium businesses on the results of bidding and other methods of procurement as per the regulations on procurement where only small and medium businesses are engaged in the procurement	2,290,760.05	1093	-
3.3.	Total amount of contracts made by suppliers (contractors) directly with small and medium businesses for performance of contracts made with the customer on the results of bidding and other methods of procurement as per the regulations on procurement where the customer obliges the bidders to engage subcontractors (co-contractors) that are small and medium businesses	418,791.15	5	-

²⁹⁰ Less the contracts stated in clause 7 of the Regulations on the features of engagement of small and medium businesses in procurement of products, jobs, and services by certain types of legal entities, annual volume of such procurement, and the procedure for calculation of such volume, as adopted by the Russian Government Order dated 11.12.2014 No. 1352 "On the features of engagement of small and medium businesses in procurement of products, jobs, and services by certain types of legal entities."

²⁹¹ As per the procurement regulations adopted by the customer as per the Federal Law "On the procurement of products, jobs, and services by certain types of legal entities", with engagement of any persons mentioned in part 5 of article 5 of the Federal Law "On the procurement of products, jobs, and services by certain types of legal entities."

4	Annual amount of procurement from small and medium businesses ²⁹²	-	-	28.23
5	Annual amount of procurement from small and medium businesses on the results of bidding and other methods of procurement as per the regulations on procurement where only small and medium businesses are engaged in the procurement ²⁹³	-	-	13.21

The Inter RAO Group is convinced that fruitful cooperation with suppliers is impossible without feedback. In order to develop productive work with small and medium businesses, in September 2015, PMC held a seminar for potential suppliers of the Group to clarify the features of purchasing from small and medium businesses and procurement procedures of the companies of the Inter RAO Group in the framework of the Procurement Law No. 223-FZ.

Import substitution

As a factor of protection of the country, its nationals, society, and economy from threats to a reliable power supply, energy safety is determined by availability of technologies, sufficiency of resources, and the level of resource availability. The high dependence of the energy sector on external macroeconomic and geopolitical factors is a key driver for quicker development of import substitution.

According to the Energy Strategy of Russia for the period until 2030²⁹⁴ and the draft Energy Strategy of Russia for the period until 2035, a factor contributing to the achievement of the Russian power sector's ability to resist external and internal threats is maximum possible use of competitive Russian machinery in every process and project. It is predicted that by 2030, the Russian industry will be able to produce up to 95–98% of the product range for the fuel and energy sector.

The Inter RAO Group is working intensively in this direction, regarding its role as the state's partner in development of the national industry. In particular, in February 2015, an Import Substitution Work Group²⁹⁵ was established, which provided for the achievement of the following results in the reported period:

- recommendations on substitutions of imported equipment subject to possible national producers were developed and sent to subsidiaries of the Group;
- extra functionalities of the United Procurement Information System were developed and implemented, which enables the establishment of a database of Russian goods and analysis of import substitution process dynamics with use of data on the manufacturer's country, specifications of procurement tender winners, and other data;
- IT departments have worked through the most significant projects in corporate management of document exchange, procurement, and management of IT infrastructure;

²⁹² Ratio of the sum of numbers in items 3-5 of this form and the number in item 2 of this form.

²⁹³ Ratio of the sum of numbers in item 4 of this form and the number in item 2 of this form.

²⁹⁴ Adopted by the Russian Government Order dated 13.11.2009 No. 1715-r.

²⁹⁵ The work group was established by the Order dated 19.02.2015 No. IRAO/64.

- the Energy Without Borders foundation did a number of methodical jobs and research, the results of which aim for import substitution of machinery and materials in electricity and heat production. Import substitution of main and auxiliary equipment of power plants is also approved as a priority work area of the Foundation;
- development of the method of evaluation of localization of electricity and heat machinery production in Russia has started.

Preventing corruption in procurement

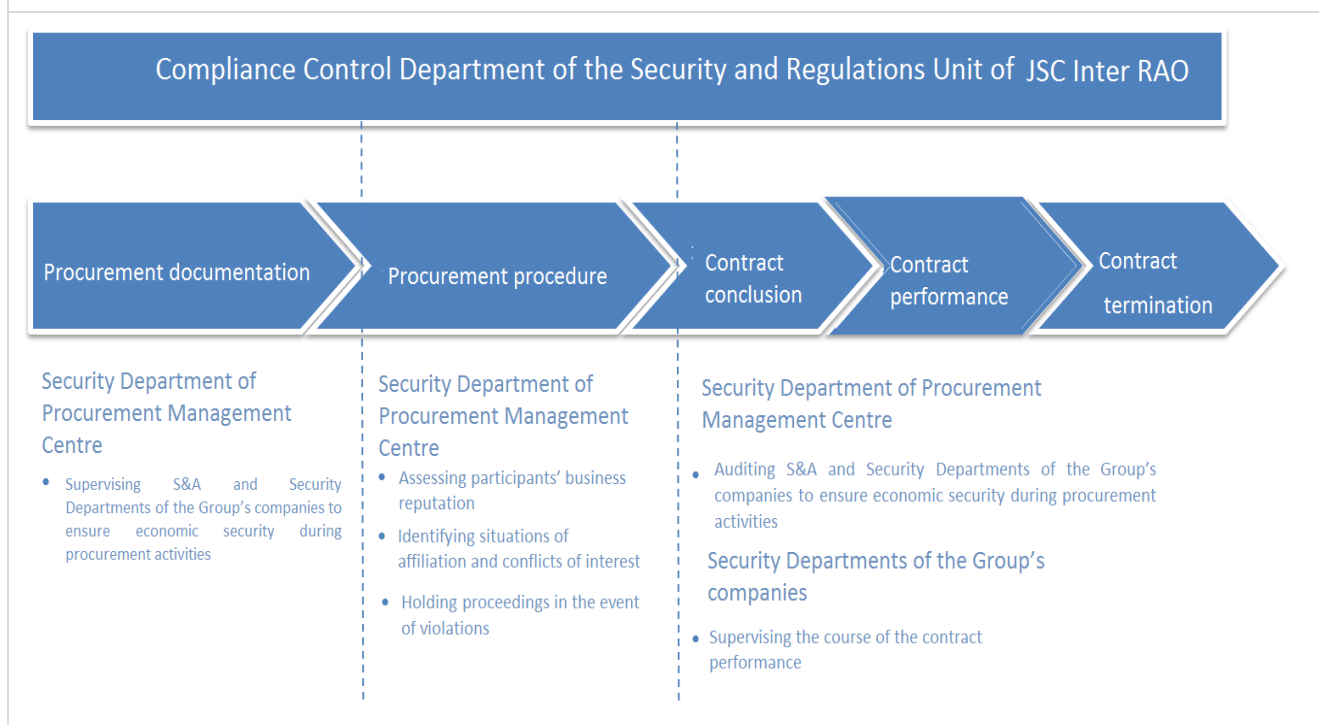
Pursuant to the Fraud and Corruption Fight Policy of PJSC Inter RAO²⁹⁶, procurement is regarded as an activity exposed to such risk.

The operation of the fraud and corruption fight system of the Group targets the following:

- information openness;
- absence of discrimination and unreasonable restriction of competition in relation to bidders;
- fair and reasonable selection of the most preferable offers following a comprehensive analysis of benefits and costs;
- targeted and economically efficient spending of money.

Evaluation of economical safety is performed at all the stages of procurement starting from procurement documentation analysis and until the end of contractual relations. If any information on violation or abuse is discovered and confirmed, prompt action is taken to rectify any violation.

Fig. 57. The system for preventing fraud and corruption at various stages of contractual relations



²⁹⁶ Adopted by the resolution of the Board of Directors dated 31.04.2014, Minutes dated 03.02.2014 No. 107.

The center of responsibility for economic safety in the Group's procurement is the Security Service of LLC Inter RAO – Procurement Management Center (PMC SS). The objectives of PMC SS include:

- audit of procurement procedures and contracts made for sign of corruption and abuse, their prevention and suppression;
- improvement of forms, methods, and ways to check the business reputation of counterparties;
- coordination of the activity of subsidiaries in control of the compliance of supplied goods or performed jobs with the requirements specification;
- finding affiliation between employees and counterparties, timely discovery and resolution of possible conflict of interest situations;

For improvement of the system for resolution of possible conflict of interest situations, in 2015, the procedure for interaction between the Conflict of Interest Commission of PJSC Inter RAO and subsidiaries was determined by the Regulations of the Business Process of Procurement Procedures²⁹⁷.

In the reported period, eight complaints about the procurement procedures were received at the Group's hot line, in particular:

- 5 for unjustified rejection;
- 2 for unjustified selection of the winner;
- 1 for restriction of competition.

In the reported period, the Group registered seven proven cases of corruption or fraud, and the economic damage prevented amounted to RUB 216.3 mln. There were no litigations related to corruption in the framework of procurement where the Group would be the plaintiff or the defendant.

Development of the procurement system

LLC Inter RAO – Procurement Management Center has put the following strategic objectives for development of procurement in the period from 2016 to 2020:

- further optimization and restructuring of business processes in the development of centralized procurement activities of the Inter RAO Group companies;
- further implementation of the Stock Resources Management Concept of the Group of LLC Inter RAO – Procurement Management Center;
- fulfillment of directive of the Russian Government on enabling access of small and medium businesses to procurement procedures of the Inter RAO Group companies;
- expansion of the Plan of Events of the work group under the import substitution programme, in particular:
 - enabling the use of the “level of localization of goods/machinery production” as a parameter for evaluation of bidders' offers;
 - transfer of the United Procurement Information System to a platform based on a component with open source code;

²⁹⁷ Adopted by the Order of PJSC Inter RAO dated 03.12.2015 No. IRAO/671.

- enabling integration of the United Procurement Information System with 1C configurations adjusted according to standard project solutions in the framework of implementation of the project of development and improvement of corporate unified accounting methodology of the Inter RAO Group; this integration is necessary for information exchange of data on the results of procurement procedures and contracts made for development of a transparent procurement system.

11 Analysis of financial results

Total debt load

The debt load including the share in the debt of joint ventures reduced by 23.0% down to RUB 90.2 bln.

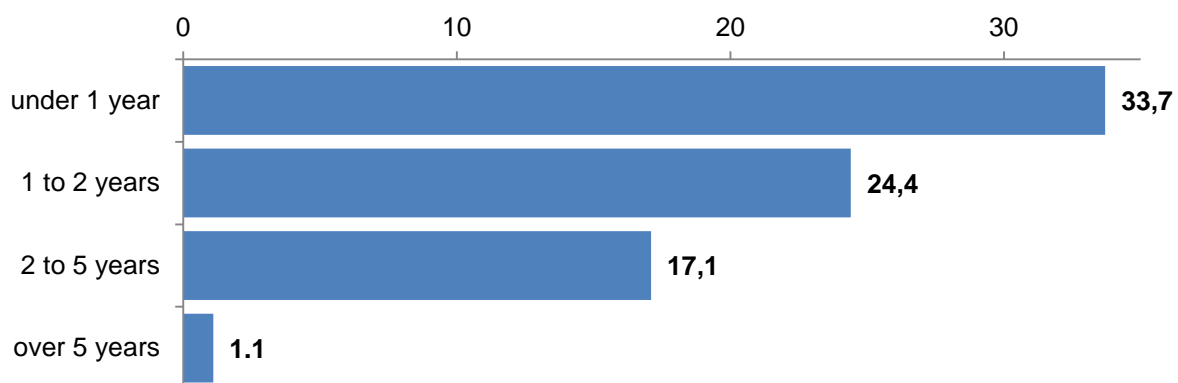
The debt liabilities of the Group (not including the share in joint ventures) as compared to the beginning of 2015 reduced by **RUB 30.8 bln (28.8%)** and amounted to **RUB 76.3 bln**.

The reduction of the debt load is due to scheduled and early repayment of some of the debts of a number of the Group companies as well as sale of electricity assets in Armenia, which was partly compensated by borrowings of a number of Russian generation companies and revaluation of foreign currency loans due to the change of the ruble exchange rate. In addition, on the results of 2015 there was an increase of loan portfolio of joint ventures by RUB 3.8 bln (37.9%), which is primarily due to the special conditions of the contract of sale of electricity assets in Armenia and revaluation of foreign currency loans due to the change of the ruble exchange rate. As a result, the debt (including the share in joint ventures) to EBITDA ratio on the results of 2015 amounted to **1.3**, which is an evidence of high financial stability of the Group.

At the same time, the net debt of the Group (including deposits with 3 to 12 months maturity) in the reported period reduced by RUB 28.9 bln and amounted to RUB 6.6 bln, which is primarily scheduled and early repayment of debts of a number of the Group companies.

At the end of 2015, the ratio of long-term and short-term accounts payable amounted to 56% to 44%, respectively (in the beginning of the year, this ratio was 60% to 40%). The share of short-term loans mainly increased due to reclassification of some long-term loans as short-term loans due to upcoming maturity dates.

Fig. 58. Most of the loan portfolio (not including shares in joint ventures) is loans with less than one year maturity



The currency structure of the loan portfolio is balanced as regards the currency structure of assets and revenue of the Group. 74.2% of the loan portfolio is liabilities in Russian rubles, 20.7% is US dollars, 4.2% is Euro, and 0.9% is other currencies.

Key loans taken by the Group in 2015

On 05.11.2015, in the framework of the Programme of Support of Investment Programmes in the Russian Federation based on Project Financing (in the framework of the Russian Government Order dated 11.10.2014 No. 1044), a loan agreement with PJSC Sberbank was made under a government guarantee of the Russian Federation. The loan is drawn in the framework of a project of construction of a 440-MW CCGT at the Zatonskaya CHPP, which was selected by the Interdepartmental Commission for Project Financing of the Ministry of Economic Development of the Russian Federation on 21.10.2015. Implementation of this Project in the framework of the Programme will make it much more efficient as money will be borrowed on privileged conditions for a total amount of up to RUB 10.5 bln for a term of seven years.

Cash flows

Table 92. Summary Cash Flow Statement of the Inter RAO Group in 2014–2015, RUB bln

Parameters	2014	2015
Net cash from operating activities	60.1	66.3
Net cash from investment activities	-28.7	-28.2
Net cash from financial activities	2.3	-48.8
Net increase in cash and equivalents	35.7	-9.8

In the reported period, there was a net decrease in cash and equivalents of RUB 9.8 bln due to the following diverse factors:

- proceeds in operating activities (RUB 66.3 bln), primarily due to faster growth of revenue as compared to operating costs;
- expenditures in investment activities (RUB 28.2 bln), primarily due to expenditures on funding of the Group's investment programme;
- expenditures in financial activities (RUB 48.8 bln), primarily due to expenditures on early repayment of loans by the companies of the Inter RAO Group.

Basic indicators of the financial and economic condition

The main factors of influence on the dynamics of financial results of the Group activities are as follows:

- commissioning of new and modernized capacities under capacity delivery agreements (CDA), in particular, at the Yuzhnouralskaya TPP-2, Cherepetskaya TPP, Nizhnevartovskaya TPP, Omskaya CHPP-3, and Omskaya CHPP-5;
- increase of the capacity fee under CDA due to the increase of return on government bonds;
- increase of the average release prices of heat from collectors in the Russian assets of the Group;
- optimization of the plant load profile in the Russian generation assets of the Group;
- reduction of the electricity sales price on the day-ahead market in the first pricing zone and increase in the second zone;
- reduction of the prices of capacity sold in the CCO segment;

- expansion of the regions of operation and customer base for guarantee suppliers and independent supply companies;
- increase of export supplies due to the weakening exchange rate of the ruble to export contract currencies;
- sale of 50% shares in CJSC Power Grids of Armenia and CJSC RazTES (Razdan TPP) in Q4 2015 and recognition of these companies as joint ventures from November 2015.

Table 93. Basic indicators of the financial and economic condition

Name of the parameter	31.12.2014	31.12.2015	Change, %
Debt to equity ratio	0.68	0.54	-20.5
Equity concentration ratio	0.59	0.65	9.1

The **debt to equity ratio** describes the dependence of the holding company on borrowed capital. The value of this parameter at the end of the reported period was 0.54, which is an evidence of low dependence of the Group on third party investors and creditors. As compared to the same period at the end of 2014, this number reduced by 20.5%.

The **equity concentration ratio** characterizes the share of the Company assets, which are covered by equity (secured by own sources of establishment). At the end of the reported period, this ratio amounted to 0.65, which is an evidence of high financial sustainability, stability, and independence on third party creditors. The ratio increased by 9.1% as compared to the same period in 2014.

The following factors influenced the change of these parameters:

- increase of equity, primarily due to the increase of retained earnings, related to the results of the Group's activities in 2015 (the profit for the shareholders of PJSC Inter RAO amounted to RUB 22.7 bln).
- reduction of assets, primarily due to reduction of non-current assets due to recognition of impairment of fixed assets and construction in process of Verkhnetagil'skaya TPP, removal of non-current assets from the Group perimeter as a result of sale of 50% shares in CJSC Power Grids of Armenia and CJSC RazTES (Razdan TPP) and reduction of the value of the investment in a joint venture, JSC Ekibastuz TPP-2, due to the devaluation of the Kazakh tenge. The reduction of non-current assets was partly compensated by commissioning of new and modernized capacities.

Table 94. Liquidity ratios

Name of the parameter	31.12.2014	31.12.2015	Change, %
Absolute liquidity ratio	0.56	0.61	10.1
Quick liquidity ratio	1.11	1.21	8.9
Current liquidity ratio	1.50	1.63	8.7

The **liquidity ratios of the Group**, which are as ratios of the Group's assets (with various liquidity degrees) to its short-term liabilities, have expressed a growth tendency. A significant increase of all

the key liquidity ratios was primarily due to reduction of short-term liabilities due to scheduled and early repayment of some of the debts of a number of the Group companies, in particular, to LLC Mezhregionstroygaz and Vnesheconombank, and sale of electricity assets in Armenia.

Table 95. Net profit rate and rates of return

Name of the parameter	31.12.2014	31.12.2015	Change, %
Working capital, RUB bln	73.8	86.4	17.1
Return on sales	2.69%	3.16%	17.5
Net profit rate	1.32%	2.97%	125.4
Return on assets	1.67%	4.25%	154.6
Return on equity	2.81%	6.55%	133.4

The **working capital**, which is the difference between current assets and current liabilities, on the results of 2015 amounted to RUB 86.4 bln, a RUB 12.6 bln (17.1%) increase in comparison with the same rate at the end of 2014, which is due to reduction of short-term liabilities by RUB 10.3 bln for the abovementioned reasons while current assets increased by RUB 2.3 bln, primarily due to the increase of cash and cash equivalents (including deposits with 3 to 12 months maturity).

On the results of 2015, all the **rates of return** showed a growth tendency. The main factor that had a material effect on the positive values of the rates was the net profit of RUB 23.9 bln as compared to RUB 9.8 bln at the end of 2014 due to the revenue increase (by RUB 64.2 bln (8.7%) faster than the increase of operating costs and earnings (increase by RUB 58.7 bln (8.1%)).

Table 96. Business activity ratios in 2014–2015

Name of the parameter	31.12.2014	31.12.2015	Change, %
Equity turnover rate	2.17	2.26	4.0
Accounts receivable and accounts payable turnover rate	1.19	1.16	-1.9
Accounts receivable turnover rate in days	37.41	37.06	-0.9
Accounts payable turnover rate in days	48.18	43.50	-9.7

The **equity turnover rate** is the ratio of the sales to average annual equity; in 2015, it increased by 4.0%, which is due to the revenue increase in the reported period by RUB 64.2 bln (8.7%).

The **accounts receivable and accounts payable turnover rate** reduced by 1.9% down to 1.16, primarily due to the reduction of accounts payable.

The **accounts receivable and accounts payable turnover rates** are sufficient, and there were no significant changes as compared to 2014. It must be noted that the accounts receivable turnover rate is less than the accounts payable turnover rate, which is a positive factor.

Table 97. Dynamics of net assets in 2013–2014

Name of the parameter	31.12.2014	31.12.2015	Change, %
Net assets, RUB bln	348.2	365.4	4.9

The net asset value is a key parameter for any business company. On the results of 2015, the net assets amounted to RUB 365.4 bln, which was a RUB 17.1 bln (4.9%) in comparison with the same

period in 2014, primarily due to the increase of retained earnings due to the Group's results in the reported period (the profit for the shareholders of PJSC Inter RAO amounted to RUB 22.7 bln).

12 Annexes

12.1 Report of the Revision Commission

To the Meeting of Shareholders
of PJSC Inter RAO

REPORT OF THE REVISION COMMISSION OF PUBLIC JOINT STOCK COMPANY Inter RAO UES No. 2

April 22, 2016

Moscow

Pursuant to Articles of Association of PJSC Inter RAO (hereinafter referred to as the Company), the Federal Law of the Russian Federation "On joint stock companies" dated 26.12.1995 No. 208-FZ, pursuant to Regulations on the Revision Commission of JSC Inter RAO as adopted by the annual General Meeting of Shareholders of Inter RAO on 25.05.2014 (Minutes dated 25.05.2014 No.14), and pursuant to the resolution of the Revision Commission of PJSC Inter RAO dated August 12, 2015 (Minutes dated 12.08.2015 No. 2), the Revision Commission of the Company in the period from 19.02.2016 to 18.03.2016, consisting:

- Svetlana Ray, Vice President, Head of the Procurement Service of JSC Rosneft, Chairman of the Revision Commission;

Member of the Commission:

- Dmitry Shishkin, Member of the Management Board, Internal Control Director, PJSC Federal Grid Company of the Unified Energy System;
- Izumrud Alimuradova, Internal Audit Director, Head of the Internal Audit Department, PJSC Federal Grid Company of the Unified Energy System;
- Yekaterina Kheymits, Head of the Complaint Monitoring Department, Internal Audit Department, PJSC Mining and Metallurgical Company Norilsk Nickel;
- Yury Shcherbakov, Head of the Treasury Department, PJSC Inter RAO UES,

conducted an audit of the financial and business operations of PJSC Inter RAO on the results of 2015.

During the audit the PJSC Inter RAO 2015 Annual Report was reviewed and analysed.

The Revision Commission has stated the following:

- The Company's Annual Report for 2015 includes not only the data for PJSC Inter RAO as a legal entity but also for legal entities in Inter RAO Group.
- The Company's Annual Report for 2015 was made using data from IFRS consolidated financial statements of Inter RAO Group.

The Report of the Revision Commission is made based on the following materials:

1. Consolidated report on the implementation of the business plan of Inter RAO Group for 2015;
2. Consolidated report on the implementation of the investment programme of PJSC Inter RAO for 2015;
3. Report on fulfilment of the orders of the President and the Government of the Russian Federation.

The audit was conducted on a selective basis and included analysis of the implementation of the business plan, the investment programme, the Annual Comprehensive Procurement Programme for 2015, fulfilment of the orders of the President and the Government of the Russian Federation by Inter RAO Group for 2015 and other data.

The audit conducted by the Revision Commission was based on the documents and information, including but not limited to the following:

- Report of the independent auditor (LLC Ernst & Young) dated February 29, 2016;
- Audit Report on the Report on the Implementation of Inter RAO Group Strategic Development Priorities for 2015 dated April 22, 2016;
- results of the Company's internal audit procedures.

The Revision Commission while conducting the audit and preparing the Report relied on the fact, that pursuant to the Russian legislative requirements, the management of PJSC Inter RAO is responsible for preparing and accuracy of the Company's Annual Report for 2015 and compliance with legal regulations of the Russian Federation.

Based on the results of the audit, the Revision Commission has stated the following:

a) We have found no cases of material non-compliance with legal regulations of the Russian Federation and local regulations;

b) Company's Annual Report was prepared in compliance with the Russian legislative requirements.

Based on our audit, the Revision Commission has sufficient grounds to confirm that the information in the Annual Report of PJSC Inter RAO for 2015 is true and fair.

Members of the Revision Commission of PJSC Inter RAO:

Vice President, Head of the Procurement Service,
JSC Rosneft

Svetlana Ray

Chairman of the Revision Commission

Member of the Management Board, Internal Control
Director, PJSC Federal Grid Company of the Unified
Energy System

Dmitry Shishkin

Internal Audit Director, Head of the Internal Audit
Department, PJSC Federal Grid Company of the
Unified Energy System

Izumrud Alimuradova

Head of the Complaint Monitoring Department,
Internal Audit Department, PJSC Mining and
Metallurgical Company Norilsk Nickel

Yekaterina Kheymits

Head of the Treasury Department, PJSC Inter RAO
UES

Yury Shcherbakov

We are familiar with this report:

Chairman of the Management Board, PJSC Inter
RAO

Boris Kovalchuk

Chief Accountant

Alla Vainilavichute

12.2 IFRS Financial Statements



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Independent auditors' report

To the shareholders and the Board of Directors of
PJSC Inter RAO

We have audited the accompanying consolidated financial statements of PJSC Inter RAO and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLC

29 February 2016

Moscow, Russia

PJSC Inter RAO

Consolidated financial statements
for the year ended 31 December 2015**Consolidated statement of financial position***(in millions of RUR)*

	Note	31 December 2015	31 December 2014
Assets			
Non-current assets			
Property, plant and equipment	6	277,565	298,625
Intangible assets	7	12,868	12,514
Investments in associates and joint ventures	8	31,125	34,407
Deferred tax assets	9	4,412	2,236
Available-for-sale financial assets	10	5,865	7,260
Other non-current assets	11	8,721	10,094
Total non-current assets		340,556	365,136
Current assets			
Inventories	12	15,898	14,903
Accounts receivable and prepayments	13	81,841	81,703
Income tax prepaid		1,925	946
Cash and cash equivalents	14	65,840	75,599
Other current assets	16	19,131	9,154
		184,635	182,305
Assets classified as held-for-sale	15	38,048	38,057
Total current assets		222,683	220,362
Total assets		563,239	585,498
Equity and liabilities			
Equity			
Share capital	17	293,340	293,340
Treasury shares	17	(56,184)	(56,229)
Share premium	17	69,312	69,312
Hedge reserve	17	(12)	38
Actuarial reserve	17	(91)	(34)
Fair value reserve	17	865	626
Foreign currency translation reserve		7,041	8,422
Retained earnings		48,392	27,426
Total equity attributable to shareholders of the Company		362,663	342,901
Non-controlling interest		2,705	5,348
Total equity		365,368	348,249
Non-current liabilities			
Loans and borrowings	19	42,617	64,185
Deferred tax liabilities	9	12,911	15,034
Other non-current liabilities	21	6,032	11,448
Total non-current liabilities		61,560	90,667
Current liabilities			
Loans and borrowings	19	33,712	42,947
Accounts payable and accrued liabilities	20	95,143	96,836
Other taxes payable	22	6,596	5,872
Income tax payable		870	927
Total current liabilities		136,311	146,582
Total liabilities		197,871	237,249
Total equity and liabilities		563,239	585,498

Chairman of the Management Board

Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer

Palunin D.N.

29 February 2016

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

PJSC Inter RAO

Consolidated financial statements
for the year ended 31 December 2015**Consolidated statement of comprehensive income***(in millions of RUR)*

	Note	For the year	
		2015	2014
Revenue	23	805,344	741,101
Other operating income	24	8,655	7,243
Operating expenses, net	25	(788,539)	(728,398)
Operating income		25,460	19,946
Finance income	26	12,090	5,068
Finance expenses	26	(10,560)	(12,308)
Share of (loss)/profit of associates and joint ventures, net	8	(125)	4,292
Income before income tax		26,865	16,998
Income tax expense	27	(2,929)	(7,224)
Income for the period		23,936	9,774
Other comprehensive (loss)/income			
<i>Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss when specific conditions are met</i>			
Actuarial (loss)/gain, net of tax	17	(66)	261
Gain/(loss) on available-for-sale financial assets, net of tax	10, 17	239	(16)
Net (loss)/gain on hedge instruments, net of tax	17	(48)	92
Exchange (loss)/gain on translation to presentation currency		(1,249)	8,520
Other comprehensive (loss)/income, net of tax		(1,124)	8,857
Total comprehensive income for the period		22,812	18,631
Income attributable to:			
Shareholders of the Company		22,715	7,837
Non-controlling interest	33	1,221	1,937
		23,936	9,774
Total comprehensive income attributable to:			
Shareholders of the Company		21,466	16,178
Non-controlling interest		1,346	2,453
		22,812	18,631
Basic and diluted income per ordinary share for income attributable to the shareholders of the Company	18	RUR 0.269	RUR 0.088

Chairman of the Management Board

Kovalichuk B.Yu.

Member of the Management Board, Chief Financial Officer

Palunin D.N.

29 February 2016

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

Consolidated statement of cash flows*(in millions of RUR)*

	Note	For the year	
		2015	2014
Operating activities			
Income before income tax		26,865	16,998
<i>Adjustments to reconcile income before tax to net cash flows from operating activities:</i>			
Depreciation and amortisation	25	22,978	21,224
Provision for impairment of accounts receivable	25	6,193	5,487
Other provisions charge/(release)	12, 20, 25	2,134	(1,251)
Impairment of available-for-sale financial assets and assets classified as held-for-sale	25	19	1,356
Impairment of property, plant and equipment, intangible assets and goodwill	6, 7, 25	14,766	5,194
Share of loss/(profit) of associates and joint ventures	8	125	(4,292)
Loss from electricity derivatives, net	24, 25	305	104
Foreign exchange (gain)/loss, net	26	(2,061)	3,280
Interest income	26	(7,455)	(3,754)
Other finance income	26	(1,425)	(353)
Interest expense	26	10,242	5,310
Other finance expenses	26	318	1,141
Dividend income	26	(1,149)	(961)
Income from sale of available-for-sale financial assets and assets classified as held-for-sale	24	(1,365)	(423)
Put and call option agreement	26	—	2,577
Loss/(gain) from disposal of Group entities, net	5, 8, 24, 25	951	(30)
Other non-cash operations/items		147	479
Operating cash flows before working capital adjustments and income tax paid		71,588	52,066
Increase in inventories		(870)	(840)
Decrease/(increase) in accounts receivable and prepayments		1,958	(13,031)
Decrease in value added tax recoverable		2,939	1,988
Decrease/(increase) in other current assets		408	(383)
(Decrease)/increase in accounts payable and accrued liabilities		(2,843)	21,174
Increase in taxes other than income tax prepaid/payable, net		648	3,740
Other working capital adjustments		251	70
		74,079	64,784
Income tax paid		(7,770)	(4,678)
Net cash flows from operating activities		66,309	60,106

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

PJSC Inter RAO

Consolidated financial statements
for the year ended 31 December 2015**Consolidated statement of cash flows (continued)***(in millions of RUR)*

	Note	For the year	
		2015	2014
Investing activities			
Proceeds from disposal of property, plant and equipment		185	221
Purchase of property, plant and equipment and intangible assets		(28,773)	(35,990)
Purchase of controlling interest, net of cash acquired	5	94	—
Proceeds from disposal of controlling interest, net of cash disposed	5	8	31
Proceeds from disposal of associate	8	70	—
Proceeds from disposal of available-for-sale financial assets and assets classified as held-for-sale	10, 15, 24	3,285	5,192
Proceeds from repayment of loans issued		385	963
Loans issued		(481)	(870)
Bank deposits placed		(34,300)	(20,166)
Bank deposits returned and proceeds from promissory notes repayment		22,614	15,616
Interest proceeds for bank deposits placed		5,925	2,658
Purchase of bonds		—	(74)
Dividends received		2,117	3,274
Purchase of shares in the associate	8	—	(50)
Cash flows from other investing activities		708	443
Net cash flows used for investing activities		(28,163)	(28,742)
Financing activities			
Proceeds from loans and borrowings		40,137	82,372
Repayment of loans and borrowings		(73,103)	(43,995)
Repayment of finance leases		(857)	(725)
Interest paid		(9,296)	(3,853)
Dividends paid		(318)	(226)
Purchase of non-controlling interest in subsidiaries	5	(5,411)	—
Disposal of non-controlling interest in subsidiary	5	—	100
Execution of the call and put option agreement	17	—	(31,374)
Proceeds from treasury shares sold		—	7
Net cash flows (used for)/from financing activities		(48,848)	2,306
Effect of exchange rate fluctuations on cash and cash equivalents		943	2,047
Net (decrease)/increase in cash and cash equivalents		(9,759)	35,717
Cash and cash equivalents at the beginning of the period		75,599	39,882
Cash and cash equivalents at the end of the period	14	65,840	75,599

Chairman of the Management Board

Member of the Management Board, Chief Financial Officer

29 February 2016

Kovalchuk B.Yu.

Palunin D.N.

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

Consolidated statement of changes in equity

(in millions of RUR)

Attributable to shareholders of the Company											
Note	Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Fair value reserve	Hedge reserve	Actuarial reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2014	293,340	(41,363)	69,312	413	642	(64)	(280)	9,522	331,522	3,067	334,589
Total comprehensive income/(loss) for the year ended 31 December 2014	—	—	—	8,009	(16)	102	346	7,837	16,178	2,453	18,631
Dividends to shareholders	17	—	—	—	—	—	—	—	—	(274)	(274)
Undrawn dividends returned	17	—	—	—	—	—	—	12	12	27	39
Disposal of non-controlling interest in subsidiaries	5	—	—	—	—	—	—	25	25	75	100
Sale of treasury shares	—	6	—	—	—	—	—	—	6	—	6
Put and call option agreement	17	(14,872)	—	—	—	—	—	10,030	(4,842)	—	(4,842)
Balance at 31 December 2014	293,340	(56,229)	69,312	8,422	626	38	(34)	27,426	342,901	5,348	348,249
Balance at 1 January 2015	293,340	(56,229)	69,312	8,422	626	38	(34)	27,426	342,901	5,348	348,249
Total comprehensive (loss)/income for the year ended 31 December 2015	—	—	—	(1,381)	239	(50)	(57)	22,715	21,466	1,346	22,812
Dividends to shareholders	17	—	—	—	—	—	—	(91)	(91)	(429)	(520)
Undrawn dividends returned	17	—	—	—	—	—	—	109	109	5	114
Acquisition of controlling interest in subsidiary	5	—	—	—	—	—	—	—	—	50	50
Acquisition of non-controlling interest in subsidiaries	5	—	—	—	—	—	—	(1,796)	(1,796)	(3,615)	(5,411)
Sale of treasury shares	17	45	—	—	—	—	—	29	74	—	74
Balance at 31 December 2015	293,340	(56,184)	69,312	7,041	865	(12)	(91)	48,392	362,663	2,705	365,368

Chairman of the Management Board

Kovalchuk B.Yu.

Member of the Management Board, Chief Financial Officer

Palunin D.N.

29 February 2016

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out in Notes 1-34.

12.3 RAS Financial Statements

Translation of the original in Russian language

Independent auditors' report on the condensed financial statements

To the Shareholders and the Board of Directors of
PJSC Inter RAO

The accompanying condensed financial statements, which comprise the statement of financial position as at 31 December 2015, statement of income for the year then ended and Appendix 1, were prepared on the basis of audited financial statements of PJSC Inter RAO for the year ended 31 December 2015. We expressed an unmodified audit opinion on these financial statements in our audit report dated 12 February 2016. These financial statements and accompanying condensed financial statements do not reflect the effect of events that occurred subsequent to the date of our audit report on the financial statements.

The condensed financial statements do not comprise all the disclosures required by the financial reporting rules effective in the Russian Federation. Thus, the review of the condensed financial statements does not replace the review of the audited financial statements of PJSC Inter RAO.

Management's responsibility for the condensed financial statements

Management of PJSC Inter RAO is responsible for the preparation of these condensed financial statements prepared on the basis of audited financial statements based on criteria as described in Appendix 1.

Auditors responsibility

Our responsibility is to express an opinion on these condensed financial statements based on conducting our audit procedures in accordance with Federal Standards on Auditing effective in the Russian Federation and International Standards on Auditing.

Opinion

In our opinion, the accompanying condensed financial statements derived from the financial statements of PJSC Inter RAO for the year ended 31 December 2015 are consistent, in all material respects, with the financial statements, in accordance with the criteria established in Appendix 1.

Translation of the original in Russian language

Other matters

The accompanying condensed financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Russian Federation. Accordingly, the accompanying condensed financial statements are not designed for those who are not informed about accounting principles, procedures and practices in the Russian Federation.

D.E. LOBACHEV
General director
Ernst & Young LLC

2 March 2016

Details of the audited entity

Name: PJSC Inter RAO
Record made in the State Register of Legal Entities on 1 November 2002; State Registration Number 1022302933630.
Address: Russia, 119435, Moscow, ul. Bolshaya Pirogovskaya, 27, bld. 2.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia, 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors "Russian Audit Chamber"(Association) ("SRO APR"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 10201017420.

Translation of the original in Russian language

Attachment No.1 to Order No.66n of the
RF Ministry of Finance dated July 2,
2010

BALANCE SHEET
As of 31 December 201 5 year

Entity Public Joint-Stock Company Inter RAO UES
Taxpayer's identification number _____
Type of activity resale of electricity
Legal/ownership form _____

OKUD Form
Date (DDMMYY) _____
OKPO code _____
TIN _____
OKVED code _____

Codes		
0710001		
31	12	2015
33741102		
2320109650		
51.56.4		
12247	49	
385		

Public Joint-Stock Company/Joint private and foreign ownership OKOPF/OKFS code _____
Measurement unit: RUB mln OKEI code _____
Location (address) 119435, Moscow, ul. Bolshaya Pirogovskaya, 27, bld. 2

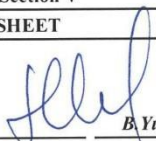
	Description	Code	At 31 December 2015	At 31 December 2014	At 31 December 2013
	ASSETS				
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	21	9	147
	Research and development results	1120	-	-	-
	Property, plant and equipment	1150	1,188	848	1,348
	including construction in progress	1151	1,143	726	433
	Income-bearing investments in tangible assets	1160	4	9	20
	Financial investments	1170	306,466	281,326	276,347
	Deferred tax assets	1180	2,152	2,877	2,764
	Other non-current assets	1190	3,857	10,713	32,108
	including long-term accounts receivable	1191	3,848	10,672	31,992
	TOTAL for Section I	1100	313,688	295,782	312,734
	II. CURRENT ASSETS				
	Inventory	1210	3	5	7
	VAT on purchased assets	1220	336	575	668
	Accounts receivable	1230	16,260	23,355	11,889
	including <input type="checkbox"/> trade accounts receivable	1231	4,337	4,353	2,366
	Financial investments (other than cash equivalents)	1240	3,977	10,484	4,228
	Cash and cash equivalents	1250	20,395	23,164	16,708
	Other current assets	1260	40	51	75
	TOTAL for Section II	1200	41,011	57,634	33,575
	BALANCE SHEET	1600	354,699	353,416	346,309

Translation of the original in Russian language

Form 0710001 p. 2

	Description	Code	At 31 December 2015	At 31 December 2014	At 31 December 2013
	CAPITAL AND LIABILITIES				
	III. CAPITAL AND RESERVES				
	Charter capital	1310	293,340	293,340	293,340
	Treasury shares	1320	-	-	-
	Revaluation of non-current assets	1340	-	11	103
	Additional capital (without revaluation)	1350	195,416	195,416	195,416
	Reserve capital	1360	318	296	296
	Retained earnings (loss), including	1370	(154,707)	(158,298)	(158,824)
	Retained earnings (loss) of prior years	1371	(158,428)	(158,732)	(105,136)
	Retained earnings (loss) of current year	1372	3,721	434	(53,688)
	TOTAL for Section III	1300	334,367	330,765	330,331
	IV. LONG-TERM LIABILITIES				
	Loans and borrowings	1410	950	-	5,335
	Deferred tax liabilities	1420	41	47	46
	Provisions	1430	10,096	-	-
	Other long-term liabilities	1450	99	39	402
	TOTAL for Section IV	1400	11,186	86	5,783
	V. SHORT-TERM LIABILITIES				
	Loans and borrowings	1510	1	9,178	6
	Accounts payable	1520	7,629	12,471	8,601
	including:				
	trade accounts payable	1521	3,639	4,806	2,317
	accrued payroll	1522	1	-	-
	taxes and levies payable	1524	1	1	9
	advances received	1525	2,683	5,901	4,633
	other accounts payable	1526	1,305	1,763	1,642
	Provisions	1540	1,516	916	1,588
	Other short-term liabilities	1550	-	-	-
	TOTAL for Section V	1500	9,146	22,565	10,195
	BALANCE SHEET	1700	354,699	353,416	346,309

Chief Executive Officer



B.Yu. Kovalchuk

" 2 " March 201 6 year

Translation of the original in Russian language

Attachment No.1 to Order No.66n of the
RF Ministry of Finance dated July 2, 2010STATEMENT OF INCOME
for the period from January 01 through December 31, 2015

Entity Public Joint-Stock Company Inter RAO UES
 Taxpayer's identification number _____
 Type of activity resale of electricity
 Legal/ownership form _____

OKUD Form _____
 Date (DDMMYY) 31 12 2015
 OKPO code 33741102
 TIN 2320109650
 OKVED code 51.56.4

Codes		
0710002		
31	12	2015
33741102		
2320109650		
51.56.4		
12247	49	
385		

Public Joint-Stock Company/Joint private and foreign ownership OKOPF/OKFS code _____
 Measurement unit: RUB mln OKEI code _____

	Description	Code	January - December 2015	January - December 2014
	Revenue from the sale of goods, products, works and services, net (less VAT, excise duties and similar obligatory payments), including:	2110	45,953	32,646
	export of energy	2111	32,621	20,385
	domestic sales of energy (capacity)	2112	8,847	9,673
	sales of power generation equipment	2113	4,367	2,507
	other	2114	118	81
	Cost of sales of goods, products, works and services	2120	(33,370)	(25,338)
	purchase of energy (power) from domestic market	2121	(28,144)	(19,864)
	import of energy	2123	(1,539)	(3,244)
	sales of power generation equipment	2124	(3,687)	(2,230)
	other	2125	-	-
	Gross profit	2100	12,583	7,308
	Selling expenses	2210	(4,084)	(3,110)
	Administrative expenses	2220	(5,562)	(4,665)
	Profit (loss) from operations	2200	2,937	(467)
	Income from equity participation	2310	1,691	1,626
	Interest receivable	2320	5,765	4,433
	Interest payable	2330	(550)	(595)
	Other income	2340	58,453	47,215
	Other expenses	2350	(62,216)	(50,822)
	Profit (loss) before tax	2300	6,080	1,390
	Current profit tax	2410	(1,736)	(1,126)
	including permanent tax liabilities (assets)	2421	1,290	999
	Deferred tax liabilities change	2430	6	(1)
	Deferred tax assets change	2450	(438)	175
	Other	2460	(191)	(4)
	Profit (loss) after tax	2400	3,721	434
	FOR REFERENCE			
	Cumulative financial result for the period	2500	3,721	434
	Basic earnings (loss) per share (kop.)	2900	0.0356	0.0042
	Diluted earnings (loss) per share (kop.)	2910	0.0356	0.0042

Chief Executive Officer

 B.Yu. Kovalchuk" 2 " March 201 6 year

Translation of the original in Russian language

PJSC Inter RAO

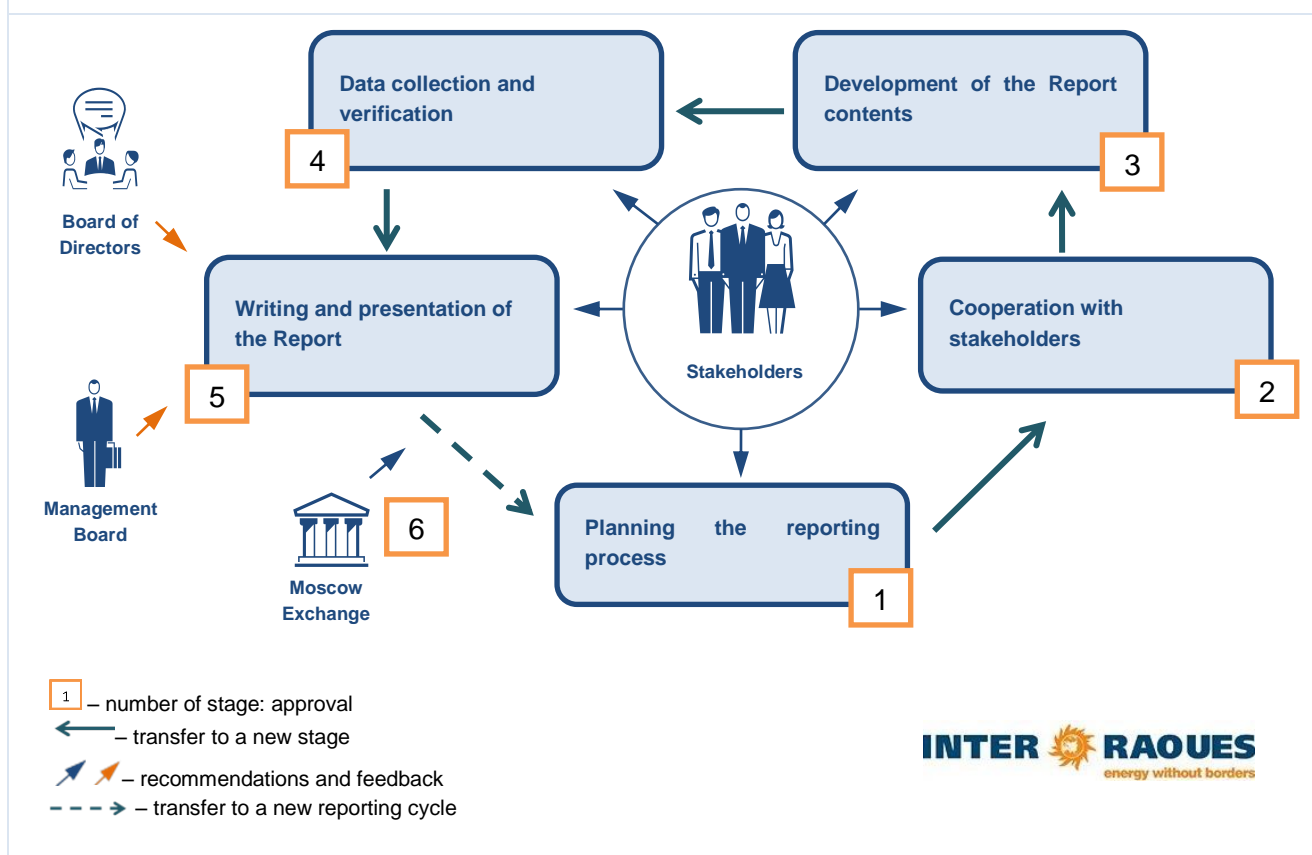
Condensed financial statements
for the year ended 31 December 2015**Appendix 1**

These condensed financial statements include the balance sheet and the statement of financial results derived from the audited financial statements, presented in thousands of Russian rubles, and are prepared in accordance with accounting principles and practices generally accepted in the Russian Federation. All amounts in these condensed financial statements are presented in millions of Russian rubles (except for earnings (loss) per share). These condensed financial statements do not include all the disclosures required by accounting principles and practices generally accepted in the Russian Federation.

12.4 Principles of determination of the Report contents and stakeholder engagement

Building efficient communications and long-term relations with stakeholders is a key element of non-financial risk management and a tool for implementation of the development goals of the Inter RAO Group. PJSC Inter RAO is guided by the principle of openness²⁹⁸, is working consistently with the stakeholders, and analyzes and takes account of their requests carefully in information disclosure. The Company realizes its responsibility for development of mutually advantageous relations with all stakeholder groups based on regular and constructive dialog.

Fig. 59 Stages of preparation of the Annual Report of the PJSC Inter RAO



²⁹⁸ Subject to objective restriction of the power sector.

Stage	Description
1. Planning the reporting process	<ul style="list-style-type: none"> • Organization of a work group headed by the head of the reporting process • Analytical review of reports of equivalent companies and the information environment • Development of the Report concept in accordance with international standards and the Russian law
2. Cooperation with stakeholders	<ul style="list-style-type: none"> • Analysis of stakeholder feedback on the results of previous reports obtained by polls and consultations during the year • Organization of special events related to the reporting process (presentations, forums, focus groups, individual meetings with stakeholder representatives) • Amendments to the report concept on the results of cooperation with stakeholders
3. Development of the Report contents	<ul style="list-style-type: none"> • Designing a structural layout of the Report and its analysis from the viewpoint of the materiality principles, the GRI G4 Guidelines, Russian and foreign law, and best practices • Coordination of a single approach to disclosure and preparation of an information request for structural divisions and subsidiaries of PJSC Inter RAO
4. Data collection and verification	<ul style="list-style-type: none"> • Data collection for the Report according to the material aspects as determined at the previous stage • Analysis and verification of the obtained data in order to prevent incorrect disclosure in the Report • Maximum integration of the process of data collection for the Report with adjacent report drafting processes (accounting statements, collection of statistical and operation data, etc.)
5. Writing and presentation of the Report	<ul style="list-style-type: none"> • Drafting the text of the Report • Discussion and approval of the draft report by the Management Board of PJSC Inter RAO and the Board of Directors of PJSC Inter RAO • Approval of the Report at the annual General Meeting of Shareholders • Publication of the approved Report at the Group's official Web site
6. Transition stage	<ul style="list-style-type: none"> • Collection and analysis of feedback from stakeholders on the results of the Report publication • Participation in competitions of annual reports organized by the Moscow Exchange and other industry and state institutions • Collection and analysis of recommendations on the Report improvement in the framework of feedback with stakeholders • Using the results of the stage in preparation of the Report for the next period

An important stage of the Report preparation is determining its contents. For that purpose, the Company uses a procedure for evaluating the materiality of business aspects developed in accordance with the GRI G4 Guidelines. Opinions of external and internal stakeholders are evaluated to determine the most important subjects and events that need to be disclosed in the Report with use of the following tools:

- analysis of the information environment;
- analysis of reports of similar companies who won Russian and international competitions for annual reports in 2014;
- assessment of materiality of the fields of the Group's business by the top management of PJSC Inter RAO;
- analysis of preference and wishes of external and internal stakeholders regarding information disclosure.

For improvement of the Annual Report of the Company for 2015, annual reports of Russian and international companies selected from more than 100 winners of the Annual Competition of Annual Reports of the Moscow Exchange and RCB Media Group, the Competition of the Russian Regional Network for Integrated Reports, IR Society 2015 Best Practice Awards we analysed.

As a methodological basis for evaluating the materiality of economic, environmental, and social directions of the Group's operation, the top management used a broad range of questions based on the GOST R ISO 26000 Social Responsibility Guideline standard.

Analysis of preference of external and internal stakeholders in the part of information disclosure was performed based on feedback in the form of online questionnaires that were used for evaluation of the 2014 Report and on the results of open dialogs with the investment community, government representatives, and other stakeholders. In addition, analysis of recommendations of PJSC Moscow Exchange MICEX-RTS was performed for improvement of the Report contents.

Results of feedback analysis showed that the material issues shown in the Annual Report for 2014 correspond with the information needs of the stakeholders. Recommendations on improvement of previous year's report included more detailed disclosure of the following subjects:

- assessment of risks and their impact on the Group's business, risk management scheme;
- comprehensive analysis of the Group's financial results;
- analysis of implementation and change of KPI;
- implementation of the investment programme, planned amount of investment, and distribution of investments by projects;
- efficiency of the procurement system;
- description of work in the research and development area;
- main directions and targets of the updated development strategy;
- raising the operating efficiency of key business segments;
- information on the methods for resolving labor conflicts;
- personal opinion of manager PJSC Inter RAO on material aspects of the business of the Inter RAO Group.

All the wishes and comments of stakeholders were taken into account in preparation of the Report. On the results of the evaluation, a list of topics to be disclosed in the Report was created. Topics evaluated three of four points or higher were recognized as material and must be covered in detail in the Report.

Fig. 60 Chart of material topics of the Inter RAO Group



Table 98. List of significant subjects of the Inter RAO Group

No.	Aspect number	No.	Aspect number
1	Financial sustainability	2	Organizational growth
3	Fraud and Corruption fighting	4	Procurement practices
5	Reward system	6	Emissions
7	Efficient water use	8	Personnel training and development
9	Social benefits for staff	10	Industrial injuries
11	Continuity and reliability of power supply	12	Power supply to socially important facilities
13	Wastewater discharge	14	Waste management
15	Energy efficiency	16	Human resource management
17	Selection and adaptation of personnel	18	Employee relations
19	Conclusion and fulfillment of collective agreements	20	Management of labor protection and industrial safety
21	Establishment of jobs in regions of presence	22	Management of social investments
23	Charity projects and programmes	24	Management on the environmental impact
25	Conservation of biodiversity and areas with high ecological sensitivity	26	Climate change
27	Cooperation with environmental organisations and the public on environment protection issues	28	Occupational diseases
29	Management of contractors work in occupational health and safety	30	Education on energy consumption culture
31	Non-discrimination	32	Complaints of consumers and the public
33	Research and development (R&D)	34	Maintenance of competition and antimonopoly practices
35	Responsible land use	36	Readiness for action in emergency situations
37	Rights of indigenous peoples	38	Health and safety of consumers
39	Non-discrimination among workers	40	Transport safety
41	Marketing Communications	42	Labeling of products and services
43	Interaction with suppliers on decent working conditions	44	Interaction with suppliers on their environmental impact
45	Prevention of child labor	46	Prevention of forced or compulsory labor
47	State policy		

The aspect boundaries represent their relevance for companies or segments of the Group. In 2015, the aspect boundaries did not change significantly.

Table 99. Material aspects of GRI and their boundaries

Category / Subcategory		Aspects	Aspect boundaries
Economic		<ul style="list-style-type: none">Economic performanceMarket presence	All companies of the Group
		<ul style="list-style-type: none">Indirect economic impacts	Generation, Supply, Grids, Trading, some companies in Engineering, and a number of other subsidiaries
		<ul style="list-style-type: none">Availability and reliability (of electricity)System efficiencyR&D	Generation and Supply
		<ul style="list-style-type: none">Demand-side management	Supply, Grids
Environmental		<div><ul style="list-style-type: none">EmissionsEffluents and wasteComplianceOverall<ul style="list-style-type: none">MaterialsEnergyWaterBiodiversity</div>	Generation
Social	Labor practices and decent work	<ul style="list-style-type: none">EmploymentOccupational health and safetyTraining and educationDiversity and equal opportunityLabor practices grievance mechanismsEqual remuneration for men and women	All companies of the Group
	Society	<ul style="list-style-type: none">Anti-CorruptionComplianceGrievance mechanisms for impacts on societyAnti-competitive Behaviour	All companies of the Group
		<ul style="list-style-type: none">Local communities	Generation, Supply, Grids, Trading, some companies in Engineering, and a number of other subsidiaries
		<ul style="list-style-type: none">Disaster/emergency planning and response	Generation, Supply, Grids
	Product responsibility	<ul style="list-style-type: none">Compliance	Generation, Supply, Grids
		<ul style="list-style-type: none">Customer privacyAccess (to electricity) provision	Supply, Grids

12.5 GRI Content Index

Aspect	Parameter No.	Parameter name	Subsection in the report	Page in the report
		Strategy and Analysis		
	G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	3. To the shareholders and other stakeholders of PJSC Inter RAO	
	G4-2	Description of key impacts, risks, and opportunities.	1. About the Report 4.1. Group Strategic review 9. Main Risks Related to Operations of Inter RAO Group	
		Organizational Profile		
	G4-3	Name of the organization	2.1. About the Inter RAO Group	
	G4-4	Primary brands, products, and services	2.1. About the Inter RAO Group	
	G4-5	Location of the organization's headquarters.	Bld. 2, 27 Bolshaya Pirogovskaya St., Moscow 119435	
	G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	2.1. About the Inter RAO Group	
	G4-7	Nature of ownership and legal form	7. Company on the Capital Markets and Investment Community Relations	

	G4-8	Markets served	2.3. Position of Inter RAO Group in the Energy Market	
	G4-9	Scale of the organization	2.1. About the Inter RAO Group	
	G4-10	Total number of employees	<p>8.2. HR Management</p> <p>In 2012-2015, most of the Group's personnel (98%) were fully employed. The prevailing employment contract at the Group is an indefinite term agreement. In 2015, the share of employees with indefinite term agreements increased by 2.3 p.p. in comparison with 2014 and amounted to 93.1%.</p>	
	G4-11	Percentage of total employees covered by collective bargaining agreements	8.2. HR Management	
	G4-12	Describe the organization's supply chain	4.1. Group Strategic review	
	G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	2.1. About the Inter RAO Group	
	G4-14	Whether and how the precautionary approach or principle is addressed by the organization	<p>The precautionary principle is a basic principle of PJSC Inter RAO UES Declaration of Environmental Responsibility. A strategic goal of the Group is not only achieving compliance with environmental regulatory requirements but continued reduction of impact down to technically achievable and economically feasible levels, as well as constant improvement of the environment quality in the Group's regions of presence. An example of adherence to the precautionary principle is the Group's practice of replacing asbestos-containing materials with alternative building materials.</p>	

	G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	In the reported period, the Group did not subscribe to any economic, environmental and social charters, principles, or other initiatives.	
	G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations	2.4. Associations and partnerships	
	EU1	Installed capacity, broken down by energy source and regulatory regime	5.1. Operating and financial results of the Group	
	EU2	Net energy produced, broken down by primary source and regulatory regime	5.1. Operating and financial results of the Group	
	EU3	Number of residential, industrial, institutional and commercial customer accounts	5.3. Electricity supply 5.6. Development of international activity, Georgia 5.6. Development of international activity, Armenia	
	EU4	Length of above and under-ground transmission and distribution lines by regulatory regime	5.2. Electricity and heat generation 5.6. Development of international activity, Georgia 5.6. Development of international activity, Armenia 5.6. Development of international activity, Moldova	
		Identified Material Aspects and Boundaries		

	G4-17	Entities included in the organization's consolidated financial statements	2.1. About the Inter RAO Group	
	G4-18	Process for defining the report content and the Aspect Bound-aries and implementation of the Reporting Principles for Defining Report Content	1. About the Report	
	G4-19	List of all the material Aspects identified in the process for defining report content	1. About the Report	
	G4-20	Description of Aspect Boundary for each material Aspect within the organisation	1. About the Report	
	G4-21	Description of Aspect Boundary for each material Aspect out-side the organisation	8.3. Occupational Health and Industrial Safety The impact boundaries of all aspects except the Workplace Health and Safety cover the Inter RAO Group companies only. The boundaries of the Workplace Health and Safety aspect also cover employees of the Group's contractors.	
	G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	The restatements of information provided in previous reports, and the reasons for such restatements are disclosed in the report section.	
	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	1. About the Report	
		Stakeholder Engagement		
	G4-24	List of stakeholder groups engaged by the organization	Appendix 12.4. Principles of determination of the Report contents and stakeholder engagement	

	G4-25	Basis for identification and selection of stakeholders with whom to engage	1. About the Report 8.1. Approach to Sustainable Development 6.8 Information Disclosure and External Communications	
	G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	1. About the Report 8.1. Approach to Sustainable Development	
	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	1. About the Report 8.1. Approach to Sustainable Development	
		Report Profile		
	G4-28	Reporting period (such as fiscal or calendar year) for information provided	1. About the Report	
	G4-29	Date of most recent previous report	1. About the Report	
	G4-30	Reporting cycle (such as annual, biennial)	1. About the Report	
	G4-31	Contact point for questions regarding the report or its contents	14. Contacts	
	G4-32	GRI Content Index	12.4 GRI Content Index	

	G4-33	Policy and current practice with regard to seeking external assurance for the report	The Group has decided not to seek external assurance for the report.	
		Governance		
	G4-34	Governance structure of the organization, including committees of the highest governance body and any committees responsible for decision-making on economic, environmental and social impacts	6.1. Corporate Governance System 6.2. Corporate Governance Model	
	G4-38	Composition of the highest governance body and its committees	6.4. The Board of Directors	
	G4-39	Whether the Chair of the highest governance body also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	6.4. The Board of Directors The Chairman of the Board of Directors of PJSC Inter RAO is not an executive officer.	
	G4-40	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	6.4. The Board of Directors	
	G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	6.4. The Board of Directors 6.6. Corporate control and risk management	
	G4-51	Remuneration policies for the highest governance body and senior executives	6.4. The Board of Directors 6.5. Management Board	
		Ethics and Integrity		

		Transnistria (Moldova)	585,700	689,007	+18%	
		Russia	16,483,665	31,966,317	+94%	
		Turkey	60,336	4,112,166	+6715%	
		Finland	1,249,498	343,796	-72%	
		Other	77,506	-66,520	-186%	
		Local community investments	1,003,732	478,842	-52%	
		Retained economic value	-17,959,090	-34,578,936	-92.2%	
	EC3	Coverage of the organization's defined pensions and benefit plan obligations	<p>The Group companies have a Programme for Non-Government Pensions to Employees. In 2015, the number of members of the programme increased by 19.7% as compared to last year up to 2,205. Information on the liabilities is available in the Notes to the consolidated financial statements of PJSC Inter RAO for the year ended December 31, 2015.</p> <p>Http://www.interrao.ru/upload/docs/IRAO_konsfo_2015_208_fz_1A_rus.pdf</p>			
	EC4	Financial assistance received from government	Appendix 12.12. Government support			
Market presence	G4-DMA	Disclosure on management approach	8.2. HR Management			
	EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	<p>8.2. HR Management</p> <p>In most companies of the Group, the standard salary exceeds the minimum wage in the locations of operation by 13% or more.</p>			
	EC6	Proportion of senior management hired from the local community at significant locations of operation	<p>The Group's main hiring criterion is the candidate's qualification and professional experience. If candidates from the region of operations do not meet the Group company's qualification requirements, labor is hired from other regions.</p> <p>In 2015, the share of local employees in the total number of</p>			

			the Group employees exceeded 94%. The number of management from the local community amounted to 77% (in 2014, 97% and 88% respectively) ²⁹⁹ .	
Indirect economic impacts	G4-DMA	Disclosure on management approach	8.2. HR Management	
	EC7	Development and impact of infrastructure investments and services supported	8.4. Contribution to the Development of the Regions of the Group's Operation The Group companies assess needs and do research of the perception of their charity activities in the locations of operation by the stakeholders on a regular basis. The results of such activity are used to raise the efficiency of investments of regional infrastructure and social projects.	
	EC8	Significant indirect economic impacts, including the extent of impacts	8.4. Contribution to the Development of the Regions of the Group's Operation 8.5 Environmental Policy The Group's activities including those of its city-forming enterprises provide goods conditions for local suppliers' development, development of the resource base in the locations of operation, establishment of jobs at own enterprises and supply chains, and better quality of services through employee education and high demands to suppliers of products, jobs, and services.	
Availability and reliability	G4-DMA	Disclosure on management approach	5. Implementation of the Strategy by Business Areas The Group companies do repair, upgrade equipment, and take other steps to assure short-term and long-term reliability and availability of electricity.	

²⁹⁹ Due to improvement of the calculation method, the 2014 data was adjusted.

	EU10	Planned capacity against projected electricity demand over the long-term, broken down by energy source and regulatory regime	5.2. Electricity and heat generation	
Demand regulation	G4-DMA	Disclosure on management approach	5.3. Electricity supply 5.6. Development of international activity, Georgia 5.6. Development of international activity, Armenia	
R&D	G4-DMA	Disclosure on management approach	5.7. Innovation	
System efficiency	G4-DMA	Disclosure on management approach	5. Implementation of the Strategy by Business Areas	
	EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime	5.1. Operating and financial results of the Group	
	EU12	Transmission and distribution losses as a percentage of total energy	5.6. Development of international activity, Georgia 5.6. Development of international activity, Armenia	
		Environmental		
Materials	G4-DMA	Disclosure on management approach	8.5. Environmental Policy	

	EN1	Materials used by weight or volume	This parameter is not material to the Group as a whole. At the Group's production enterprises, the main raw material for heat and electricity generation is fuel, namely, gas (78.4%), coal (20.8%), mazut (0.5), and other fuels (0.3%).	
	EN2	Percentage of materials used that are recycled input materials	8.5. Environmental policy / Key areas of environmental impact of the Group / Production waste management	
Energy	G4-DMA	Disclosure on management approach	8.5. Environmental policy	
	EN3	Energy consumption within the organisation	PJSC Inter RAO is a parent managing company of a diversified energy holding; in the reported period, it did not buy energy resources for its business. The cost of energy resources (electricity, engine and other fuel) that are necessary for the Company's business are included in the cost of lease of non-residential (office) premises, car services, and aircraft operation and maintenance services in the framework of contracts with third parties. Information on the amount of each energy resource type used by the Company's subsidiaries in the reporting period is shown in the table.	

		Amount of each type of energy resources used by subsidiaries of the Company in 2014-2015, thousand GJ*				
		Energy type	2014	2015		2015/2014
		Fuel, total	1,457,499,946	1,405,219,206		-4%
		Petroleum fuel, in particular:	6,393,100	7,634,963		+19%
		Residual fuel	5,497,976	6,119,320		+11%
		Diesel fuel	882,496	1,513,241		+71%
		Gas turbine fuel	293	381		+30%
		Other petroleum fuel	12,335	2,022		-84%
		Gas, in particular:	1,142,434,985	1,110,608,405		-3%
		Natural gas	1,016,953,604	967,774,875		-5%
		Factory gas	1,584,105	1,150,172		-27%
		Accompanying gas	123,897,276	141,683,358		+14%
		Coal, in particular:	308,671,862	286,975,838		-7%
		Black coal	208,618,470	188,822,295		-9%
		Brown coal	99,987,539	98,104,513		-2%
		Anthracite	65,852	49,030		-26%
		*Data on the annual consumption of energy resources by the Group subsidiaries were calculated by the form No. 6-TP "Data on the production of heat and electricity by generation units (power plants)". The data in this 2015 report slightly differs (1.4%) from similar data in the annual report of PJSC Inter RAO for 2014 due to elaboration of boundaries for evaluation.				
Water	G4-DMA	Disclosure on management approach	8.5. Environmental Policy			
	EN8	Total water withdrawal by source	8.5. Environmental Policy / Key Areas of the Environmental Impact of the Group / Usage of Water Resources			
	EN9	Water sources significantly affected by withdrawal of water	The main water reservoirs affected by the Group are the basins of Volga, Kama, and Ural Rivers.			
	EN10	Percentage and total volume of water recycled and reused	8.5. Environmental Policy / Key Areas of the Environmental Impact of the Group / Usage of Water Resources			

Biodiversity	G4-DMA	Disclosure on management approach	8.5. Environmental Policy	
	EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The Group companies own and lease a total of 23 ha of recreation land. This land is used for healthcare and resort centers of the Kostromskaya TPP, Permskaya TPP, Ufinskaya CHPP-4, and Karmanovskaya TPP. There is no production activity on this land.	
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	The Group's production facilities and healthcare and resort centers owned by the Group companies have no material effect on the biodiversity of protected areas and areas of high biodiversity value.	
	EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization	8.5. Environmental Policy Some water reservoirs where the Group's facilities are located are habitats of starlet, which is an endangered Acipenseridae species, which are included in the Red Book of Russia and the IUCN Red List.	
Emissions	G4-DMA	Disclosure on management approach	8.5. Environmental Policy	
	EN15	Direct greenhouse gas emissions	8.5. Environmental Policy / Key Areas of the Environmental Impact of the Group / Greenhouse Gas Emissions	
	EN19	Reduction of greenhouse gas emissions	8.5. Environmental Policy / Key Areas of the Environmental Impact of the Group / Greenhouse Gas Emissions	
	EN21	NO _x , SO _x , and other significant air emissions	8.5. Environmental Policy / Key Areas of the Environmental Impact of the Group / Air Protection	
Effluents and Wast	G4-DMA	Disclosure on management approach	8.5. Environmental Policy	

	EN22	Total water discharge by quality and destination	8.5. Environmental Policy / Key Areas of the Environmental Impact of the Group / Usage of Water Resources	
	EN23	Total weight of waste by type and disposal method	8.5. Environmental Policy / Key Areas of the Environmental Impact of the Group / Usage of Water Resources	
	EN24	Total number and volume of significant spills	In 2015, there were no material oil spills registered at the Group.	
	EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	The Group has no waste and no runoff to protected water reservoirs.	
Compliance	G4-DMA	Disclosure on management approach	8.5. Environmental Policy	
	EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	8.5. Environmental Policy / Key Areas of the Environmental Impact of the Group / Environment Protection Costs / Compensation for the Negative Environmental Impact	
Overall	G4-DMA	Disclosure on management approach	8.5. Environmental Policy	
	EN31	Total environmental protection expenditures and investments by type	8.5. Environmental Policy / Key Areas of the Environmental Impact of the Group / Environment Protection Costs	
		Labor Practices and Decent Work		
	G4-DMA	Disclosure on management approach	8.2. HR Management	

Employment	G4-DMA	Programmes and processes for engaging and retaining qualified workforce	<p>8.2. HR Management</p> <p>The Group companies have a social policy for engaging and retaining qualified workforce. The tools of these programmes include:</p> <ul style="list-style-type: none"> · professional training of employees at colleges; · development of employees on the executives talent pool; · individual development plans based on performance evaluation; · support and development of young professionals; · mentorship for new employees; · internships for college students. 	
	G4-DMA	Disclosure on management approach	9.3. Occupational health and safety	
	LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	8.2. HR Management	
	LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	<p>8.2. HR Management</p> <p>Social benefits, warranties, compensations, and their amounts are stated in collective agreements signed by employees of the Group.</p>	
	EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region	<p>8.2. HR Management</p> <p>In 2015, the percentage of employees eligible to retire in the next 5 and 10 years exceeded 13% and 23% respectively. In both cases, over 50% are workers, 30%, performers, and 10%, managers.</p>	

	EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	The Group does not train contractor employees on occupational health and safety issues. According to the Russian law, this is a responsibility of the immediate employer. Proper qualifications and training in occupational health and safety is a mandatory condition of the contracts. As a result, all contractor employees who are allowed to work at the Group's facilities have the necessary education in occupational health and safety.	
Occupational health and safety	G4-DMA	Disclosure on management approach	8.3. Occupational Health and Industrial Safety	
	LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	8.3. Occupational Health and Industrial Safety Labor protection committees represent the interests of all the Group staff. In 2015, the number of employees engaged in the work of such Committees increased significantly (39.5%), reaching a total of 720 subsidiary employees for the Group, which includes 336 employees (46.6%) in Generation, 284 employees (39.4%) in Supply, and 90 employees (12.5%) in Engineering.	
	LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	8.3. Occupational Health and Industrial Safety / Injury Control and Prevention In evaluation of occupational safety activities, the Group primarily uses absolute values. Analysis of injury rate dynamics is based on the injury frequency factor. Long-term goals to reduce the injury frequency factor have been set.	
	LA7	Workers with high incidence or high risk of diseases related to their occupation	High rates of injury are typical for all elevated jobs and jobs with road vehicles. The most serious risk of occupational diseases for the Group employees is related to jobs with a high noise level in the work area.	

	LA8	Health and safety topics covered in formal agreements with trade unions	8.2. HR Management Health and safety issues are covered by social programmes of the Group. Implementation of these programmes is stipulated by collective agreements.		
Training and education	G4-DMA	Disclosure on management approach	8.2. HR Management		
	LA9	Average hours of training per year per employee by gender, and by employee category			
		Average hours of training per employee by employee category in 2014-2015			
		Position category	2014	2015	Change 2015/2014, %
		Management	45.6	124.5	+173.0%
		Performers	17.0	29.2	+71.8%
		Workers	16.0	28.9	+80.6%
	LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	8.2. HR Management A number of social programmes of the Group target professional skill maintenance and transfer of experience from experience industry professionals to young specialists.		

	LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	8.2. HR Management In 2015, the number of people in the talent pool of the Group companies exceeded 2,570. Activities with the talent pool include planning and monitoring of the candidates' careers, assessment of their performance, and development plans. In 2015, the percentage of employees receiving regular performance and career development reviews increased by 7.5 p.p. as compared to 2014, reaching 61.4%.		
Diversity and equal opportunity	G4-DMA	Disclosure on management approach	8.2. HR Management		
	LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	8.2. HR Management Due to industry specifics of the Group, most of the staff are men (59.9%). In average, the share of men among the Group managers is 74.6%. In 2015, the share of men among the Group employees as compared to 2014 reduced by 1.1 p.p., while the share of men on management positions increased by 0.3 p.p.		
	The average age of personnel in the General Director category and the categories classified as nomenclature in 2015 amounted to 41 years				
	Share of personnel in the General Director category and the categories classified as nomenclature, by age (%)		2014	2015	Change
	Under 30 (and including)		4.1	3.9	-0.2 p.p.

		31-40 41-50 51-55 Over 55	27.6 36.3 17.0 15.0	29.1 37.9 14.7 14.4	+1.5 p.p. +1.6 p.p. -2.3 p.p. -0.6 p.p.		
Equal remuneration for women and men	G4-DMA	Disclosure on management approach	8.2. HR Management				
	LA13	Ratio of basic salary and remuneration of women to men by employee category	8.2. HR Management There is no gender discrimination in the Group's salaries. The basic salaries for men and women are the same for all personnel categories of the Group companies.				
Labour practices grievance mechanisms	G4-DMA	Disclosure on management approach	8.2. HR Management				
	LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	In 2015, the Group employees made 30 formal complaints. 100% of the complaints were processed, and for 18 complaints, the resolution was positive.				
		Society					
Local communities	G4-DMA	Disclosure on management approach	5.2. Electricity and heat generation 5.3. Electricity supply 8.4. Contribution to the Development of the Regions of the Group's Operation 8.5. Environmental Policy The Group has developed and adopted a Charity Concept and NGO Relations Concept, which enables accounting of stakeholders opinions and a systemic approach at planning and implementation of charity activities and implementation				

			<p>of the Group's Development Strategy.</p> <p>In the reported period, no local people were physically or economically displaced.</p>	
	SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	<p>8.4. Contribution to the Development of the Regions of the Group's Operation</p> <p>8.5. Environmental policy</p> <p>As a major taxpayer and a responsible employer in the locations of operation, the Group has a material positive effect on the local population. The Group cooperates intensively with the stakeholders on impact control issues, also in the framework of resolving socially significant objectives, construction, and upgrading of facilities.</p>	
	EU22	Number of people physically or economically displaced and compensation, broken down by type of project	In the reported period, no people were physically or economically displaced due to activities of the Group.	
Anti-corruption	G4-DMA	Disclosure on management approach	<p>6.7. Corporate Control and Risk Management</p> <p>10. Procurement</p>	
	SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	<p>6.7. Corporate Control and Risk Management</p> <p>All the persons controlled by the Group were analyzed.</p>	
	SO4	Communication and training on anti-corruption policies and procedures	<p>6.7. Corporate Control and Risk Management</p> <p>10. Procurement</p>	
	SO5	Confirmed incidents of corruption and actions taken	<p>6.7. Corporate Control and Risk Management</p> <p>10. Procurement</p>	

Anti-competitive behaviour	G4-DMA	Disclosure on management approach	In order to prevent monopolistic practices, the Group monitors the antimonopoly legislation, examines its internal regulations, drafts legal opinions on possible antimonopoly risks, and provides recommendations on their elimination on a regular basis. The Group also analyses protocols and prescripts of antimonopoly authorities that are received by the Group companies and contested if they do not comply with the law.																					
	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	In 2015, territorial authorities of the Federal Antimonopoly Service (FAS) registered 11 cases of violation of antimonopoly law (in 2014, there were 19 cases). This number is disclosed in the table “Total number of legal actions against the Group for anti-competitive behavior”																					
		Total number of legal actions against the Group for anti-competitive behavior																						
		<table><tr><th rowspan="2">Name of the subsidiary</th><th colspan="2">Number of cases</th><th rowspan="2">Resolutions</th></tr><tr><th>2014</th><th>2015</th></tr><tr><td>JSC Altayenergosbyt</td><td>-</td><td>1</td><td>Order on rectification of violations of article 10 of the law 135-FZ received. Fine: RUB 15 thousand</td></tr><tr><td>JSC Mosenergosbyt</td><td>0</td><td>8</td><td>8 orders on rectification of violations received, no fines received.</td></tr><tr><td>JSC PSK</td><td>0</td><td>1</td><td>No orders and fines received.</td></tr><tr><td>JSC Tomskenergosbyt</td><td>0</td><td>1</td><td>Order on rectification of violations received.</td></tr></table>	Name of the subsidiary	Number of cases		Resolutions	2014	2015	JSC Altayenergosbyt	-	1	Order on rectification of violations of article 10 of the law 135-FZ received. Fine: RUB 15 thousand	JSC Mosenergosbyt	0	8	8 orders on rectification of violations received, no fines received.	JSC PSK	0	1	No orders and fines received.	JSC Tomskenergosbyt	0	1	Order on rectification of violations received.
Name of the subsidiary	Number of cases			Resolutions																				
	2014	2015																						
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JSC PSK	0	1	No orders and fines received.																					
JSC Tomskenergosbyt	0	1	Order on rectification of violations received.																					
Compliance	G4-DMA	Disclosure on management approach	6.7. Corporate Control and Risk Management																					

	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Appendix 12.13. Disclosure of material litigations	
Grievance mechanisms for impacts on society	G4-DMA	Disclosure on management approach	Written grievances and letters can be sent via special channels including mail, fax, email, books of complaints at the customer office, and the company site. There are letterforms with examples of their completion on Web sites of the subsidiaries. Grievances, claims and letters of consumers are processed in the time specified by the applicable law of the Russian Federation.	
	SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	The total number of grievances about impacts on society filed in the reported period through formal grievance mechanisms to internal structures (legal department, compliance department, procurement department, and human resource department) was 20,876. The total number of grievances filed in the previous and current year and processed during the reported period was 18,871.	
Disaster/emergency management plan	G4-DMA	Disclosure on management approach	8.6. Asset Security	
		Product Responsibility		
Customer privacy	G4-DMA	Disclosure on management approach	In the reported period, there were no substantiated complaints regarding breaches of customer privacy and losses of customer data.	

	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	In the reported period, there were no substantiated complaints regarding breaches of customer privacy and losses of customer data.	
Compliance	G4-DMA	Disclosure on management approach	6.7. Corporate Control and Risk Management	
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Appendix 12.13. Disclosure of material litigations	
Access	G4-DMA	Disclosure on management approach	5. Implementation of the Strategy by Business Areas 5.7. Innovations 8.6 Asset Security	
	EU27	Number of residential disconnections for non-payment, broken by duration of disconnection and by regulatory regime	5.3. Supply in the Russian Federation	
	EU28	Power outage frequency	5.6. Development of international activity, Georgia 5.6. Development of international activity, Armenia	
	EU29	Average power outage duration	5.6. Development of international activity, Georgia 5.6. Development of international activity, Armenia	
	EU30	Average plant availability factor by energy source and by regulatory regime	5.2. Electricity and heat generation	

12.6 Report on compliance with the principles and recommendations of the Corporate Governance Code³⁰⁰

Statement of the Company Board of Directors on compliance with the corporate governance principles as stipulated by the Corporate Governance Code, and if such principles are not complied with by the Company to any extent, description of such principles and brief explanations of why they are not complied with.

The Board of Directors confirms that the information in this Report is complete and true.

Of the 79 principles below, the Company complies with 60 (76%), 14 principles are complied with in part, and only six principles (a little less than 8%) are not complied with.

Therefore, one can state that the Company complies with more than 92% of corporate governance principles to a certain extent.

Level 2 principles that are not complied with

1.3.2. The Company takes no action that will or may lead to artificial redistribution of corporate control **as concerns the recommendation on the absence of quasi-treasury shares or their non-participation in voting.**

2.8.4. In view of the scale of business and risk, the Board of Directors of the Company is assured that the composition of its Committees matches the goals of the Company's operation fully. Additional Committees were either established or ruled unnecessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, Health, Safety, and Environment Committee, etc.) **as concerns the recommendation on the need for the Board of Directors to address the issue of whether the composition of its Committees matches the objectives of the Board of Directors and the goals of the Company's operation. Additional Committees were either established or ruled unnecessary.**

3.1.1. The Corporate Secretary has the knowledge, experience, and qualifications sufficient for his/her duties, an impeccable reputation, and the trust of shareholders **as concerns the recommendation on the adoption of the Corporate Secretary Regulations and disclosure of data on the person that holds the title of Corporate Secretary.**

7.1.2. The Board of Directors plays a key role in decision-making and development of recommendations regarding significant corporate acts; the Board of Directors is guided by the attitude of independent Directors of the Company **as concerns the recommendation on existence of a procedure under which independent Directors state their attitude on significant corporate acts before they are approved.**

7.2.2. The rules and procedures related to significant Company corporate acts are stated in internal Company documents **as concerns the recommendation on the engagement of valuers for approval of interested party deals, deals of acquisition and repurchase of shares, and existence of an extended list of grounds on which members of the Board of Directors of the Company and other persons stipulated by the law are recognized as interested parties in the Company's deals.**

³⁰⁰ Report on compliance with the principles and recommendations of the Corporate Governance Code, included in the 2015 Annual Report, was approved by the Board of Directors' Resolution dated May 5, 2016 (Minutes No. 168 dated May 6, 2016).

Level 2 principles that are complied with in part

1.1.3. In the course of preparation and implementation of the General Meeting of Shareholders, the shareholders were able to obtain information about the meeting and materials for it, to ask questions of executive bodies and members of the Board of Directors, and to communicate with each other, all freely and in due time, **as concerns the recommendation on the statement of the attitude of the Board of Directors (including special opinions included in the minutes) on each item of the agenda of the General Meetings in the reported period and inclusion of this information in the materials for the General Meeting of Shareholders.**

1.1.6. The procedure of the General Meeting at the Company enables all persons who are present at the meeting equally to express their opinion and to ask questions **as concerns the recommendation on the consideration by the Board of Directors of the issue of using telecommunications to enable remote access of the shareholders for participation in the General Meeting of Shareholders in the reported period.**

2.1.1. The Board of Directors is responsible for decisions related to appointment and dismissal of executive bodies, in particular, for the reason of improper fulfillment of their duties. The Board of Directors also controls that the executive bodies of the Company, act in accordance with the adopted development strategy and main directions of the operations of the Company **as concerns the power of the Board of Directors to appoint and dismiss the single-member executive body.**

2.1.3. The Board of Directors determines the principles of and approaches to the organization of the risk management and internal control systems at the Company **as concerns the evaluation of the risk management and internal control systems by the Board of Directors in 2015.**

2.5.1. An independent Director has been elected Chairman of the Board of Directors or a senior independent Director has been appointed from among the elected independent Directors and he/she coordinates the work of the independent Directors and cooperates with the Chairman of the Board of Directors **as concerns the recommendation that the Chairman of the Board of Directors shall be an independent Director or there shall be a senior independent Director among the elected independent Directors.**

2.6.3. Members of the Board of Directors have enough time to fulfill their duties **as concerns notification by members of the Board of Directors of their intention to become members of management bodies of other organisations.**

2.8.1. For preliminary review of matters related to control over the financial and business operations of the Company, there is an Audit Committee consisting of independent Directors **as concerns an independent Director in the Audit Committee with experience and knowledge in the field of drawing, analysis, evaluation, and audit of financial (accounting) statements.**

2.8.5. The composition of the Committees is such that it enables comprehensive discussion of matters that are reviewed preliminarily with respect to different opinions **as concerns independent Directors heading the Committees.**

2.9.1. Evaluation of the quality of work of the Board of Directors aims to determine the efficiency of the work of the Board of Directors, Committees, and Members of the Board of Directors, compliance of their work with the needs of the Company's development, intensification of work of

the Board of Directors, and identification of areas where their work can be improved **as concerns the review of the self-evaluation results at an *in presentio* meeting of the Board of Directors.**

2.9.2. Evaluation of the work of the Board of Directors, Committees, and Members of the Board of Directors is performed on a regular basis, at least once a year. For independent evaluation of the quality of work of the Board of Directors, an external organization (adviser) is engaged at least once in three years **as concerns the engagement of an external organization for evaluation of the Board of Directors.**

3.1.2. The Corporate Secretary has enough independence from Company executive bodies and has the necessary power and resources for his/her objectives **as concerns the actual election of the Corporate Secretary.**

4.3.1. Remuneration to the members of executive bodies and other key officials is determined so as to provide a reasonable and justified ratio of the fixed portion of the remuneration and its variable part, which depends on the Company's results and the employee's personal contribution to the ultimate result **as concerns the ratio of the variable part of remuneration of executive bodies and its fixed part. In addition, the policies do not stipulate repayment of illegitimately received bonus payments.**

4.3.2. The Company has implemented a programme for long-term motivation of members of executive bodies and other key officials of the Company using the company shares (options or other financial derivatives with shares of the Company as the underlying asset) **as concerns the recommendation that the right of sale of shares or other financial instruments shall arise not earlier than three years after they are granted, and the right to sell them shall be conditional upon achievement of certain parameters of the Company's business.**

7.1.3. In significant corporate acts that affect the rights and legitimate interests of shareholders, there are equal conditions provided for all the shareholders of the Company and, if the legal remedies for protection of the rights and legitimate interests of shareholders are insufficient, also additional measures protecting the rights and legitimate interests of shareholders of the Company. In this, the Company is guided not only by compliance with formal legal requirements but also by the corporate governance principles as stated in the Code **as concerns the approval of all major deals before they are made.**

Summary of the most significant aspects of the model and practice of corporate governance at the joint stock company

PJSC Inter RAO uses a governance model (hereinafter referred to as the Model) that meets the requirements of Russian law and regulations for issuers of securities whose shares are included on the Level One section of the list of securities allowed for trading at the MICEX Stock Exchange. The Company's governance model ensures the efficiency of the corporate governance system, respect of the best interests of the shareholders, and high disclosure standards. The Model also includes development and maintenance of an effective risk management and internal control system, clear distinction between authorities and responsibilities of each management body of the Company, and a system for evaluation of their functions and duties.

Pursuant to the Articles of Association of PJSC Inter RAO, the Company's management bodies are as follows:

- General Meeting of Shareholders;

- Board of Directors;
- Management Board;
- Chairman of the Management Board.

Committees of the Board of Directors that are established by resolution of the Board of Directors develop recommendations, evaluate the efficiency of corporate governance procedures, and perform other functions for maintaining the high standards of the work of the Board of Directors. All the Committees are subordinate to the Company Board of Directors.

Management of everyday Company business is performed by a single-member executive body, namely, the Chairman of the Management Board, and the collegial executive body, namely, the Management Board. The Chairman of the Management Board and the Management Board are subordinate to the General Meeting of Shareholders and the Company Board of Directors.

The Revision Commission is elected by the General Meeting of Shareholders and control financial and business operations of the Company. If serious violations are discovered, the Revision Commission is entitled to demand an extraordinary General Meeting of Shareholders to be convened.

Read more about Company corporate governance in section 6 “Corporate governance” in the PJSC Inter RAO Annual Report.

Description of the methodology that the joint stock company has used to evaluate compliance with the corporate governance principles as stipulated by the Corporate Governance Code:

Evaluation of compliance with the corporate governance principles as stipulated by the Corporate Governance Code was performed in accordance with the Recommendations on Reporting on Compliance with the Principles and Recommendations of the Corporate Governance Code (letter of the Central Bank of Russia dated 17.02.2016 No. IN-06-52/8).

Explanation of the key reasons, factors or/and circumstances due to which the joint stock company does not fully comply with the corporate governance principles as stipulated by the Corporate Governance Code, and description of the algorithms and tools of corporate governance that the joint stock company uses instead of the ones that are recommended by the Corporate Governance Code, and acts and planned events (expected) by the joint stock company for improving the model and practice of corporate governance with statement of the timing of such acts and events:

See the attached table.

N o.	N o.	Corporate governance principles	Criteria for evaluation of compliance with corporate governance principles	Status of compliance with the corporate governance principle	Explanation of the deviation from Criteria for evaluation of compliance with the corporate governance principle
	1.1	The Company shall provide an equal and fair attitude to all shareholders to exercise their right to participate in management of the Company.			
1.	1.1.1	The Company provides the best possible conditions for shareholders to participate in the General Meeting, conditions for development of a justifiable attitude towards the agenda items at the General Meeting, coordination of their acts, and ability to express their opinions on the items discussed.	<p>1. An internal Company document adopted by the General Meeting of Shareholders and governing the procedures of the General Meeting is publicly available.</p> <p>2. The Company enables available methods of communication, such as a 'hot line', e-mail or Internet forum enabling shareholders to express their opinion and send questions about the agenda in the course of preparation for the General Meeting. That was done by the Company before each General Meeting in the reported period.</p>	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
2.	1.1.2	The notification procedure of the General Meeting and delivery of materials for it, enables the shareholders to properly prepare for participation in the General Meeting.	<p>1. Notice of the General Meeting of Shareholders is published on the Internet at least 30 days before the General Meeting date.</p> <p>2. The meeting notification states its place and the required identification for entrance to the room.</p> <p>3. The shareholders were provided access to information on who proposed the agenda items and who nominated candidates for the Board of Directors and the Revision Commission of the Company.</p>	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
3.	1.1.3	In the course of preparation and implementation of the General Meeting of Shareholders, the shareholders were able to obtain information about and materials for the meeting , to ask questions of executive bodies and members of the Board of Directors, and to communicate with each other, all freely and in due time.	<p>1. In the reported period, the shareholders were able to ask questions of members of executive bodies and members of the Board of Directors on the eve and at the time of the annual General Meeting.</p> <p>2. The attitude of the Board of Directors (including special opinions included in the minutes) on each agenda item of the General Meetings in the reported period were included in the materials for the General Meeting of Shareholders.</p>	<input type="checkbox"/> complied <input checked="" type="checkbox"/> partially complied <input type="checkbox"/> not complied	<p>The attitude of the Board of Directors was not provided for two agenda items of the General Meeting in 2015, in particular:</p> <p>On payment of remuneration and compensation to the members of the Board of Directors;</p> <p>On election of members of</p>

			3. The Company provided the shareholders entitled thereto with access to the list of persons authorized to participate in the General Meeting starting from the date of its receipt by the Company, in all cases when General Meetings were held in the reported period.		the Revision Commission of the Company. Although the issue of such recommendations is not stipulated by law and Company internal documents, the algorithm was not developed completely by the Company, the Company is planning to adopt recommendations on all agenda items starting from the annual General Meeting of Shareholders in 2016.
4.	1.1.4	Exercise of the shareholder's right to demand that a General Meeting be convened, to nominate candidates to management bodies, and to make proposals for inclusion on the the General Meeting agenda was not related to unjustified difficulties.	1. In the reported period, the shareholders were able to make proposals for inclusion on the agenda of the annual General Meeting for at least 60 days after the end of the relevant calendar year. 2. In the reported period, the Company did not refuse to accept proposals for the agenda or candidates to bodies of the Company for the reason of misprints or other immaterial flaws in the shareholder's proposal.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
5.	1.1.5	Every shareholder was able to exercise their voting right using the easiest and most convenient method.	1. The Company internal document (internal policy) contains provisions according to which, every participant of the General Meeting may before its completion, demand a copy of their completed ballot certified by the counting commission.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
6.	1.1.6	The Company General Meeting procedure enables all persons who are present at the meeting to express equally, their opinions and to ask questions.	1. At <i>in presentio</i> meetings within the reported period, there was time for reports and discussion on the agenda items. 2. Candidates to Company management and control bodies were available to answer shareholders' questions at the meeting where their nominations were put to vote. 3. When making decisions related to preparation and holding of the General Meeting of Shareholders, the Board of Directors considered	<input type="checkbox"/> complied <input checked="" type="checkbox"/> partially complied <input type="checkbox"/> not complied	The Board of Directors did not consider the issue of using telecommunications to enable shareholders remote access for participation in the General Meetings for two reasons: (1) Increase of the Company's costs of holding the meeting; (2) Low shareholder interest

			the issue of using telecommunications to enable shareholder remote access for participation in the General Meeting.		in remote access, which is proven by the intermediate results of implementation of "personal offices" of shareholders in the Company Registrar system and results of meetings with the Company shareholders at their place of residence. With the current structure of the Company shareholder capital (nearly 400,000 passive shareholders (individuals) owning just 2% of the authorized capital of the Company), additional costs are not reasonable.
	1.2	The shareholders have an equal and fair opportunity to participate in the profits of the Company by receiving dividends.			
7.	1.2.1	The Company has designed and implemented a transparent and clear mechanism for determination of the amount and payment procedure of the dividends.	1. The Company has a dividend policy that has been approved and disclosed by the Board of Directors 2. If the dividend policy uses numbers from the Company's statements to determine the dividend amount, then the relevant provisions of the dividend policy are based on the consolidated numbers of the financial statements.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
8.	1.2.2	The Company shall make no decision on dividend payment if such a decision is economically unreasonable and may lead to false assumptions about the business of the Company even though it does not formally violate the legal restrictions.	1. The Company dividend policy contains clear indications on the financial/business circumstances, in the case of which, the Company should pay no dividends.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
9.	1.2.3	The Company allows no impairment of dividend rights of existing shareholders.	1. In the reported period, the Company did not do anything leading to impairment of dividend rights of existing shareholders.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
10.	1.2.4	The Company aims to exclude any other methods for the shareholders to receive	1. In order to exclude any other methods for the shareholders to receive income (profit) from the	<input checked="" type="checkbox"/> complied	

		income (profit) from the Company's account except dividends and liquidation value.	Company's account except dividends and liquidation value, the Company internal documents stipulate control algorithms, which provide for timely identification and approval of deals of affiliates with material shareholders (persons authorized to dispose of votes vested in voting shares) in cases when the law does not formally regard such deals as interested party deals.	<input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	1.3	The system and practice of corporate governance provide equal conditions for all shareholders who hold shares of the same category (type) including minor shareholders and foreign shareholders and equal attitude to the same from the side of the Company.			
11.	1.3.1	The Company has developed conditions for a fair attitude to each shareholder from the side of Company management bodies and controlling entities, including conditions disabling any abuse of major shareholders in relation to minor shareholders.	1. In the reported period, the procedures of handling potential conflict of interest of existing shareholders are effective, and the Board of Directors has paid due attention to conflicts between shareholders (if any).	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
12.	1.3.2	The Company takes no action that will or may lead to artificial redistribution of corporate control.	1. Quasi-treasury shares do not exist or did not participate in voting in the reported period.	<input type="checkbox"/> complied <input type="checkbox"/> partially complied <input checked="" type="checkbox"/> not complied	On the of the subsidiary JSC Inter RAO Capital balance sheet, there is a significant number (18.98%) of quasi-treasury shares. Treasury shares are used for nomination of independent candidates to the Board of Directors, voting for such candidates, and voting on other meeting agenda items in the absence of conflict of interest. Voting of JSC Inter RAO Capital enables election of independent members to the Board of Directors without determining the results of voting on other agenda items. The issue of voting with quasi-treasury shares will be discussed in 2016-2017.
	1.4	The shareholders have reliable and efficient methods for accounting of their share rights and are able to dispose of their shares freely and			

		easily.			
13.	1.4	The shareholders have reliable and efficient methods for accounting of their share rights and are able to dispose of their shares freely and easily.	1. The quality and reliability of maintenance of the security holder by the Company registrar match the needs of the Company and its shareholders.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	2.1	The Board of Directors performs the strategic management of the Company, determines the basic principles of and approaches to the organization of risk management and the internal control system at the Company, controls the operation of the executive bodies of the Company, and performs other key functions.			
14.	2.1.1	The Board of Directors is responsible for decisions related to appointment and dismissal of executive bodies, in particular, for the reason of improper fulfillment of their duties. The Board of Directors also controls the actions of Company executive bodies in accordance with the adopted development strategy and main directions of Company operations.	1. Pursuant to the Articles of Association, the Board of Directors has the power to appoint and dismiss members of executive bodies and to determine the terms and conditions of their contracts. 2. The Board of Directors has reviewed the report(s) of the single-member executive body and members of the collegial executive body on the fulfillment of the Company strategy.	<input type="checkbox"/> complied <input checked="" type="checkbox"/> partially complied <input type="checkbox"/> not complied	Pursuant to the Articles of Association of the Company, the matter of election and early dismissal of the Chairman of the Management Board is a competency of the General Meeting of Shareholders. Relevant amendments to the Articles shall be proposed for resolution to the General Meeting either after amendment of the Federal Law "On joint stock companies", which do not allow the shareholders to demand repurchase of shares in the event of relevant change in the General Meeting's competency or if the General Meeting does other business that entails the right to demand repurchase of shares.
15.	2.1.2	The Board of Directors sets the main guidelines for the Company's business in the long term, evaluates and approves the key parameters of the operation and main business goals of the Company, evaluates and approves the strategy and business	1. In the reported period, issues related to the progress of implementation and updating of the strategy, approval of the Company financial and business plan (budget) , and review of criteria and parameters (including intermediate ones) of the fulfillment of Company strategy and business plans	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	

		plans on the main types of Company business .	were reviewed at the Board of Directors meetings.		
16.	2.1.3	The Board of Directors determines the principles of and approaches to the organization of the risk management and internal control system sat the Company.	<p>1. The Board of Directors has determined the principles of and approaches to the organization of the risk management and internal control systems at the Company.</p> <p>2. In the reported period, the Board of Directors has evaluated the risk management and internal control system at the Company.</p>	<input type="checkbox"/> complied <input checked="" type="checkbox"/> partially complied <input type="checkbox"/> not complied	The Board of Directors evaluated the risk management and internal control systems at the Company for the first time in 2016 after the relevant amendments to the Articles were made at the annual General Meeting of Shareholders in 2015. This evaluation was included in the 2015 Annual Report.
17.	2.1.4	The Board of Directors determines the Company's policy in remuneration or/and compensation of costs for members of the Board of Directors, executive bodies, and other Company key officials .	<p>1. A policy (policies) for remuneration and compensation of costs for members of the Board of Directors, executive bodies, and other key Company officials has been developed, implemented, and approved by the Company Board of Directors.</p> <p>2. In the reported period, matters related to such policy (policies) were reviewed at the Board of Directors meetings.</p>	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
18.	2.1.5	The Board of Directors plays a key role in prevention, identification, and settlement of internal conflicts between bodies of the Company, shareholders of the Company, and employees of the Company.	<p>1. The Board of Directors plays a key role in prevention, identification, and settlement of internal conflicts.</p> <p>2. The Company has implemented a system for identification of transactions that involve a conflict of interest and a system of measures for resolving such conflicts.</p>	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
19.	2.1.6	The Board of Directors plays a key role in enforcing transparency of the Company, timely and full disclosure by the Company, and easy access for shareholders to the Company documents.	<p>1. The Board of Directors has adopted regulations on the information policy.</p> <p>2. The company has determined persons who are responsible for the implementation of the information policy.</p>	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
20.	2.1.7	The Board of Directors controls the corporate governance practice at the Company and plays a key role in	1. In the reported period, the Board of Directors reviewed the matter of the Company corporate governance practice .	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied	

		significant corporate events of the Company.		<input type="checkbox"/> not complied	
	2.2	The Board of Directors is reporting to the shareholders of the Company.			
21.	2.2.1	Information on the operation of the Board of Directors is disclosed and provided to the shareholders.	<p>1. The Company Annual Report for the reported period contains information on the attendance of meetings by the Board of Directors and Committees by individual Directors.</p> <p>2. The Annual Report contains information on the main results of evaluation of the work of the Board of Directors that was performed in the reported period.</p>	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
22.	2.2.2	The Chairman of the Board of Directors is available for communications with the shareholders of the Company.	1. The Company has a transparent procedure enabling shareholders to send their questions and attitude to the Chairman of the Board of Directors.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	2.3	The Board of Directors is an efficient and professional management body of the Company that is able to make objective independent judgments and make resolutions in the best interest of the Company and its shareholders.			
23.	2.3.1	Only persons with an impeccable business and personal reputation and with the knowledge, skills, and experience that are necessary for making resolutions in the competency of the Board of Directors and for efficient implementation of its functions are elected members of the Board of Directors.	<p>1. The Company's procedure of evaluation of the efficiency of the Board of Directors includes, in particular, the evaluation of professional qualifications of the members of the Board of Directors.</p> <p>2. In the reported period, the Board of Directors (or its Nomination Committee) evaluated the candidates for the Board of Directors from the viewpoint of the necessary experience, knowledge, business reputation, absence of conflict of interest, etc.</p>	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
24.	2.3.2	Members of the Board of Directors are elected by a transparent procedure enabling the shareholders to be informed about the candidates in a sufficient scope to establish an idea of their personal and professional qualities.	1. In all cases of General Shareholders Meetings in the reported period, the agenda of which, includes matters of election of the Board of Directors, the Company provided biographical data of all the candidates to the shareholders, results of evaluation of such candidates by the Board of Directors (or its Nomination Committee) and information on the candidate's compliance with the independence criteria as per recommendations 102 – 107 of the Code as well as the candidates'	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	

			written consent for election to the Board of Directors.		
25.	2.3.3	The composition of the Board of Directors is balanced, in particular, in terms of the qualifications, experience, knowledge, and business qualities of its members, and is trusted by the shareholders.	1. Within the framework of the Board of Directors evaluation procedure in the reported period, the Board of Directors analyzed its own needs as regards professional qualifications, experience, and business skills.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
26.	2.3.4	The number of members of the Board of Directors enables the most efficient organization of its work including establishment of Committees of the Board of Directors and enables material minor shareholders to elect a candidate to the Board of Directors for whom they vote.	1. Within the framework of the Board of Directors evaluation procedure in the reported period, the Board of Directors reviewed the matter of conformity of the number of members of the Board of Directors and the best interest of shareholders.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	2.4	The Board of Directors includes a sufficient number of independent Directors.			
27.	2.4.1	An independent Director is a person with sufficient professionalism, experience, and independence to establish an independent attitude, and who is able to make objective and fair judgments independent from the influence of executive bodies of the Company, individual shareholder groups or other stakeholders. It must be taken into account that a candidate (an elected member of the Board of Directors) who is affiliated with the Company, its significant shareholder, significant counterparty or competitor of the Company or is affiliated with state may not be regarded as independent under ordinary conditions.	1. In the reported period, all the independent members of the Board of Directors met all the criteria of independence as per the recommendations 102-107 of the Code or were declared independent by resolution of the Board of Directors.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
28.	2.4.2	An evaluation of compliance of candidates for members of the Board of Directors with the independence criteria is performed as well as a regular analysis of compliance of independent members of the Board of Directors with the independence criteria. In such evaluation, the content shall take priority over the	1. In the reported period, the Board of Directors (or its Nomination Committee) made an evaluation of the independence of each candidate to the Board of Directors and presented the relevant opinion to the shareholders. 2. In the reported period, the Board of Directors (or its Nomination Committee) reviewed the independence of existing members of the Board of	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	

		form.	<p>Directors, which the Company states in the annual Report as independent Directors, at least once.</p> <p>3. The Company has procedures determining the necessary acts of a member of the Board of Directors if he/she is no longer independent including the duty to inform the Board of Directors of such fact in due time.</p>		
29.	2.4.3	Independent Directors account for at least one third of the elected members of the Board of Directors.	1. Independent Directors account for at least one third of the elected members of the Board of Directors.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
30.	2.4.4	Independent Directors play a key role in the prevention of internal conflicts at the Company and performance of significant corporate actions by the Company.	1. Independent Directors (having no conflict of interest) make a preliminary evaluation of significant corporate actions that may involve conflict of interest, and the results of such evaluation are delivered to the Board of Directors.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	2.5	The Chairman of the Board of Directors contributes to the most efficient exercise of the functions that are delegated to the Board of Directors.			
31.	2.5.1	An independent Director has been elected Chairman of the Board of Directors or a senior independent Director has been appointed from among the elected independent Directors and he/she coordinates the work of the independent Directors and cooperates with the Chairman of the Board of Directors.	<p>1. The Chairman of the Board of Directors is an independent Director or a senior independent Director has been appointed from among the independent Directors.</p> <p>2. The role, rights, and liabilities of the Chairman of the Board of Directors (and, if applicable, the senior independent Director) are duly defined in the internal Company documents .</p>	<input type="checkbox"/> complied <input checked="" type="checkbox"/> partially complied <input type="checkbox"/> not complied	The Chairman of the Board of Directors is not an independent Director, and, although the competency of senior independent Director is defined by the Regulations on the Board of Directors, the Company currently believes this institution to be unnecessary, as the work of the Committees, the Borrower covers all the most materials issues of the operation of the Board of Directors. However, the Company considers it possible that the senior independent Director may be elected in the mid-term.

32.	2.5.2	The Chairman of the Board of Directors provides a constructive atmosphere for the meetings, free discussion of the agenda items, and control over fulfillment of the resolutions of the Board of Directors.	1. The efficiency of the work of the Chairman of the Board of Directors was evaluated in the framework of the Board of Directors efficiency evaluation in the reported period.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
33.	2.5.3	The Chairman of the Board of Directors takes the necessary action for timely delivery of all the information that is necessary for resolving on the agenda items to the members of the Board of Directors.	1. The duty of the Chairman of the Board of Directors to take the necessary action for timely delivery of all the information on the agenda items stipulated by the internal Company documents	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	2.6	Members of the Board of Directors act fairly and reasonably in the best interest of the Company and its shareholders based on sufficient awareness and with due care and prudence.			
34.	2.6.1	Members of the Board of Directors make resolutions in consideration of all the available information, in the absence of a conflict of interest, with equal attitude to the shareholders of the Company, in the framework of ordinary entrepreneurial risk.	<p>1. It is stipulated by internal Company documents that a member of the Board of Directors must notify the Board of Directors if he/she has a conflict of interest in relation to any agenda item for the meeting of the Board of Directors or its Committee before the beginning of the discussion of the relevant agenda item.</p> <p>2. It is stipulated by internal Company documents, that a member of the Board of Directors must refrain from voting on any matter where he/she has a conflict of interest.</p> <p>3. There is a Company procedure , which enables the Board of Directors to obtain professional advice on matters within its competency at the Company's expense.</p>	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
35.	2.6.2	The rights and duties of the members of the Board of Directors are clearly worded and stated in internal Company documents .	1. An internal document that clearly defines the rights and duties of the members of the Board of Directors has been adopted and published at the Company.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	

36.	2.6.3	Members of the Board of Directors have enough time to fulfill their duties.	<p>1. Individual attendance of the Board of Directors and Committee meetings and the time spent on preparation for the meetings was accounted for in the framework of the Board of Directors evaluation procedure in the reported period.</p> <p>2. Pursuant to the internal documents, members of the Board of Directors must notify the Board of Directors of their intention to become members of management bodies of other organisations (save for the ones controlled or affiliated with the Company) and on the fact of such appointment.</p>	<input type="checkbox"/> complied <input checked="" type="checkbox"/> partially complied <input type="checkbox"/> not complied	The internal documents do not oblige members of the Board of Directors to notify the Company of their intention to become members of management bodies of other organisations. The Company believes this provision to be unnecessary, because intention is not equivalent to election and does not cause a conflict of interest. The Company will consider this matter again in 2016-2017
37.	2.6.4	All the members of the Board of Directors are equally able to access Company documents and data. Newly elected members of the Board of Directors are provided sufficient information about the Company and the operation of the Board of Directors as soon as possible.	<p>1. Pursuant to internal Company documents, members of the Board of Directors are entitled to access documents and make enquiries concerning the Company and the organisations that it controls, and the executive bodies of the Company must deliver such data and documents.</p> <p>2. The Company has a formal programme of introductory events for newly elected members of the Board of Directors.</p>	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	2.7	Meetings of the Board of Directors, preparation for them, and participation of members of the Board of Directors provide for efficient operation of the Board of Directors.			
38.	2.7.1	Meetings of the Board of Directors are held as necessary subject to the scale of business and objectives of the Company from time to time.	1. In the reported year, the Board of Directors had at least six meetings.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
39.	2.7.2	The internal Company documents stipulate a procedure for preparation and holding of meetings of the Board of Directors, which enables the members of the Board of Directors to prepare for them properly.	1. The Company has adopted an internal document stipulating the procedure of preparation for and holding of meetings of the Board of Directors, which stipulates, in particular, that notification of the meeting shall be made at least five days before the meeting.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	

40.	2.7.3	The form of a meeting of the Board of Directors is determined in view of the importance of the agenda items. The most important business is done at meetings <i>in presentio</i> .	1. It is stipulated by the Articles of Association or an internal document of the Company that the most important business (as per the list in recommendation 168 of the Code) shall be done at meetings <i>in presentio</i> .	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
41.	2.7.4	Resolutions on the most important issues of the Company's business shall be made at the meeting of the Board of Directors by a qualified majority or a majority of votes of all the elected members of the Board of Directors.	1. It is stipulated by the Articles of Association Resolutions on the most important issues (as stated in recommendation 170 of the Code) shall be made at the Board of Directors meeting by a qualified majority of at least three quarters or a majority of votes of all the elected members of the Board of Directors.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	2.8	The Board of Directors establishes Committees for preliminary review of the most important matters of the Company's business.			
42.	2.8.1	For preliminary review of matters related to control over the financial and business operations of the Company, there is an Audit Committee consisting of independent Directors.	<p>1. The Board of Directors has established an Audit Committee consisting solely of independent Directors.</p> <p>2. Internal Company documents define the objectives of the Audit Committee including objectives as per the recommendation 172 of the Code.</p> <p>3. At least one member of the Audit Committee, which is an independent Director, has experience and knowledge in drawing, analysis, evaluation, and audit of financial (accounting) statements.</p> <p>4. In the reported period, meetings of the Audit Committee were held at least once a quarter.</p>	<input type="checkbox"/> complied <input checked="" type="checkbox"/> partially complied <input type="checkbox"/> not complied	On the results of self-evaluation, the Board of Directors decided that the competency of the Audit Committee with regard to practical experience in drawing, analysis, evaluation, and audit of financial (accounting) statements is insufficient. Pursuant to the recommendations of the Nominations and Remuneration Committee, the Company was advised to consider engaging a third party expert with special competencies in drawing, analysis, evaluation, and audit of financial (accounting) statements who will not be entitled to vote at meetings of the Audit Committee. The Company is planning to fulfill this recommendation in 2016.

43.	2.8.2	For preliminary review of matters related to the establishment of an efficient and transparent remuneration policy, there is a Remuneration Committee consisting of independent Directors and headed by an independent Director who is not the Chairman of the Board of Directors.	<p>1. The Board of Directors has established a Remuneration Committee consisting solely of independent Directors.</p> <p>2. The Chairman of the Remuneration Committee is an independent Director who is not the Chairman of the Board of Directors.</p> <p>3. Internal documents of the Company determine the objectives of the Remuneration Committee including objectives as per the recommendation 180 of the Code.</p>	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
44.	2.8.3	For preliminary review of matters related to human resource planning (succession planning), professionalism and efficiency of the Board of Directors, there is a Nominations Committee (Appointment Committee, Human Resource Committee), most members of which are independent Directors.	<p>1. The Board of Directors has established a Nominations Committee (or its objectives as per the recommendation 186 of the Code are resolved in the framework of another Committee), most members of which are independent Directors.</p> <p>2. Internal documents of the Company determine the objectives of the Nominations Committee (or a different Committee with combined functionality) including objectives as per the recommendation 186 of the Code.</p>	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	The objectives of the Nominations Committee are resolved in the framework of the Nominations and Remuneration Committee.
45.	2.8.4	In view of the scale of business and risk, the Company Board of Directors is assured that the composition of its Committees matches the goals of the Company's operation fully. Additional Committees were either established or ruled unnecessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, Health, Safety, and Environment Committee, etc.).	1. In the reported period, the Board of Directors addressed the issue of whether the composition of its Committees matches the objectives of the Board of Directors and the goals of the Company's operation. Additional Committees were either established or ruled unnecessary.	<input type="checkbox"/> complied <input type="checkbox"/> partially complied <input checked="" type="checkbox"/> not complied	The Company sees no reason not to observe this recommendation. The issue of conformity to the composition of the Committees of the Board of Directors with its objectives and the goals of the Company's operation is planned for discussion at the meeting of the Board of Directors after the 2016 Annual General Meeting of Shareholders when new compositions of the Committees are established.
46.	2.8.5	The composition of the Committees is such that it enables comprehensive discussion of matters that are reviewed	1. The Committees of the Board of Directors are headed by independent Directors	<input type="checkbox"/> complied <input checked="" type="checkbox"/> partially complied	The Strategy and Investment Committee is headed by Yelena S.

		preliminarily with respect to different opinions.	2. Internal Company documents (policies) contain provisions, pursuant to which, persons who are not members of the Audit Committee, Nominations Committee, and Remuneration Committee, may attend meetings of such Committees on invitation of their corresponding Chairman only.	<input type="checkbox"/> not complied	Bezdenezhnykh who is not a member of the Board of Directors. There is no requirement that all members of this Committee be members of the Board of Directors. The Company's practice shows that election of the Committee members from professionals proposed by members of the Board of Directors provides for a deeper review of the most important issues in the competency of the Board of Directors.
47.	2.8.6	Chairmen of the Committees inform the Board of Directors and its Chairman, on a regular basis, about the operation of their Committees.	1. In the reported period, the Chairmen of the Committees report to the Board of Directors on a regular basis about the operation of their Committees.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	2.9	The Board of Directors provides for evaluation of the quality of work of the Board of Directors, its Committees, and members of the Board of Directors.			
48.	2.9.1	Evaluation of the quality of work of the Board of Directors aims to determine the efficiency of the work of the Board of Directors, Committees, and Members of the Board of Directors, compliance of their work with the needs of the Company's development, intensification of work of the Board of Directors, and identification of areas of improvement.	1. Self-evaluation or third party evaluation of the work of the Board of Directors in the reported period included evaluation of the work of the Committees, individual members of the Board of Directors, and the Board of Directors as a whole. 2. The results of self-evaluation or third party evaluation of the Board of Directors in the reported period were discussed at an <i>in presentio</i> meeting of the Board of Directors.	<input type="checkbox"/> complied <input checked="" type="checkbox"/> partially complied <input type="checkbox"/> not complied	The results of self-evaluation were ???? at an <i>in absentia</i> meeting of the Board of Directors. The form of the meeting is determined by the Chairman of the Board of Directors in view of the schedule and business of the members of the Board of Directors.
49.	2.9.2	Evaluation of the work of the Board of Directors, Committees, and Members of the Board of Directors is performed on a regular basis, at least annually. For independent evaluation of the quality of	1. For independent evaluation of the quality of work of the Board of Directors, an external organization (adviser) was engaged by the Company at least once in the last three reported periods.	<input type="checkbox"/> complied <input checked="" type="checkbox"/> partially complied <input type="checkbox"/> not complied	It is stipulated by internal Company documents that third party evaluation must be performed once in three years. In 2014, 2015, self-

		work of the Board of Directors, an external organization (adviser) is engaged at least once in three years.			evaluation of the Board of Directors was performed; in 2016, there will be a third party evaluation with the engagement of an independent adviser ³⁰¹ .
	3.1	The Corporate Secretary of the Company provides efficient everyday cooperation with shareholders, coordination of the Company's acts for protecting the rights and interests of shareholders, and support of efficient work of the Board of Directors.			
50.	3.1.1	The Corporate Secretary has the knowledge, experience, and qualifications sufficient for his/her duties, an impeccable reputation, and the trust of shareholders.	1. An internal document entitled the Regulations on the Corporate Secretary has been adopted and disclosed by the Company. 2. Biographical data of the Corporate Secretary is available at the Company's Internet site with the same detail as the members of the Board of Directors and executive management of the Company.	<input type="checkbox"/> complied <input type="checkbox"/> partially complied <input checked="" type="checkbox"/> not complied	Due to the specification of the Corporate Secretary's functions in the listing rules of MICEX Stock Exchange, these issues are planned for discussion by the Board of Directors in 2016-2017.
51.	3.1.2	The Corporate Secretary has enough independence from Company executive bodies and has the necessary power and resources for his/her objectives.	1. The Board of Directors approves the appointment, dismissal, and additional remuneration of the Corporate Secretary.	<input type="checkbox"/> complied <input checked="" type="checkbox"/> partially complied <input type="checkbox"/> not complied	Due to the specification of the Corporate Secretary's functions in the listing rules of MICEX Stock Exchange, these issues are planned for discussion by the Board of Directors in 2016-2017. Pursuant to the Articles of Association of the Company, these functions are a competency of the Board of Directors.
	4.1	The level of remuneration paid by the Company is sufficient to engage, motivate, and retain persons with the competency and qualifications that the Company needs. Remuneration to the members of the Board of Directors, executive bodies, and other key officials of the Company is performed in accordance with the Company's remuneration policy.			
52.	4.1.1	The level of remuneration that is paid by the Company to the members of the Board of Directors, executive bodies, and other key officials of the Company provides sufficient motivation for their efficient work, enabling the Company to	1. The Company has an internal document (internal documents) or a policy (policies) for remuneration to the members of the Board of Directors, executive bodies, and other key officials, which defines the approaches to remuneration of such persons clearly.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	

³⁰¹ Resolution of the Board of Directors dated 24.03.2016 (Minutes dated March 28, 2016 No. 164).

		engage and retain competent and qualified employees. At the same time, the Company does not pay unreasonably high remuneration and avoids unjustifiably large differences between remuneration of such persons and Company employees .			
53.	4.1.2	The Company's remuneration policy was developed by the Remuneration Committee and adopted by the Company Board of Directors. With support of the Remuneration Committee, the Board of Directors controls the implementation of the Company remuneration policy and adjusts and amends it as necessary.	1. In the reported period, the Remuneration Committee has reviewed the remuneration policy (policies) and the practice of its (their) implementation and, if necessary, provided corresponding recommendations to the Board of Directors.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
54.	4.1.3	The Company's remuneration policy contains transparent algorithms for determining the amounts of remuneration to the members of the Board of Directors, executive bodies, and other key Company officials f the and regulates every type of payment, benefit, and privilege granted to such persons.	1. The Company's remuneration policy (policies) contains (contain) transparent algorithms for determining the amount of remuneration to the members of the Board of Directors, executive bodies, and other key Company officials and regulates (regulate) every type of payment, benefit, and privilege granted to such persons.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
55.	4.1.4	The Company defines a policy for cost compensation (compensation policy), which specifies a list of costs that are compensated and the level of service that members of the Board of Directors, executive bodies, and other key officials of the Company may expect. Such a policy can be a part of the Company's remuneration policy.	1. The Company remuneration policy (policies) or other internal documents specify rules for compensation of costs to members of the Board of Directors, executive bodies, and other key officials of the Company.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	4.2	The system for remuneration to the members of the Board of Directors brings the financial interests of the Directors closer to the long-term financial interests of the shareholders.			
56.	4.2.1	The Company pays a fixed annual remuneration to the members of the Board of Directors. The Company pays no remuneration for participation in individual Board of Directors or Board of Directors Committee meetings. The Company does	1. A fixed annual remuneration was the only monetary form of remuneration to the members of the Board of Directors for their work on the Board of Directors in the reported period.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	

		not use short-term motivation and additional financial stimulus of the members of the Board of Directors.			
57.	4.2.2	Long-term ownership of Company shares is best for bringing the financial interests of the Directors closer to the long-term financial interests of the shareholders. The Company does not condition the right of sale of shares by achievement of certain operation parameters, and members of the Board of Directors do not participate in option programmes.	1. If the Company's internal document (internal documents) or a policy (policies) for remuneration stipulate granting of shares to members of the Board of Directors, clear rules of share ownership by members of the Board of Directors must be provided and disclosed, and such rules should stimulate long-term ownership of such shares.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
58.	4.2.3	The Company makes no extra payments or compensations in respect to early termination of power of members of the Board of Directors due to change of control over the Company or other circumstances.	1. The Company makes no extra payments or compensations in respect of early termination of powers of members of the Board of Directors due to change of control over the Company or other circumstances.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	4.3	The remuneration system for the members of executive bodies and other key Company officials makes their remuneration depend on the Company's results and their personal contribution to the achievement of such result.			
59.	4.3.1	Remuneration to the members of executive bodies and other key officials is determined so as to provide a reasonable and justifiable ratio of the fixed part of the remuneration and its variable part, which depends on the Company's results and the employee's personal contribution to the ultimate result.	<p>1. In the reported period, the annual efficiency indicators that were approved by the Board of Directors, were used to determine the variable remuneration to the members of executive bodies and other key officials.</p> <p>2. In the course of the last evaluation of the remuneration system to the members of executive bodies and other key officials, the Board of Directors (Remuneration Committee) was assured that the Company has a sufficient amount of the fixed part of the remuneration and its variable part.</p> <p>3. The Company has a system providing for return of bonuses to the Company if the members of executive bodies and other key officials received them illegitimately.</p>	<input type="checkbox"/> complied <input checked="" type="checkbox"/> partially complied <input type="checkbox"/> not complied	The Board of Directors did not address the ratio of the fixed part of the remuneration and its variable part, however, the Company is planning to implement this recommendation in the 2016-2017 business years.
60.	4.3.2	The Company has implemented a programme for long-term motivation of members of executive bodies and other key Company officials using company	1. The Company has implemented a programme for long-term motivation of members of executive bodies and other key Company officials using the company shares (financial instruments based on	<input type="checkbox"/> complied <input checked="" type="checkbox"/> partially complied	The programme for long-term motivation was adopted by the Board of Directors on 29.01.2016, but it does not

		shares (options or other financial derivatives with shares of the Company as the underlying asset).	company shares). 2. The programme for long-term motivation of members of executive bodies and other key Company officials stipulates that the right of sale of shares or other financial instruments that are used in this programme shall arise not earlier than three years after they are granted, and the right to sell them shall be conditional upon the achievement of certain parameters of the Company's business.	<input type="checkbox"/> not complied	stipulate the restrictions as per clause 2 of this recommendation.
61.	4.3.3	The compensation (golden parachute), which the Company pays in the event of early termination of power of members of executive bodies and other key officials on the Company's initiative in the absence of misconduct on their side, does not exceed the double fixed part of their annual remuneration.	1. The compensation (golden parachute), which the Company pays in the event of early termination of power of members of executive bodies and other key officials on the Company's initiative in the absence of misconduct on their side, does not exceed the double fixed part of their annual remuneration.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	5.1	The Company has an efficient risk management and internal control system that aims to provide reasonable confidence in the achievement of the Company's goals.			
62.	5.1.1	The Board of Directors of the Company has determined the principles and approaches to the organization of the Company risk management and internal control system.	1. The functions of various management bodies and divisions in the risk management and internal control system are clearly defined in the internal Company documents / relevant policy , which were approved by the Board of Directors.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
63.	5.1.2	The executive bodies of the Company provide the establishment and maintenance of an efficient risk management and internal control system at the Company.	1. The executive bodies of the Company have provided the distribution of functions of divisions and departments.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
64.	5.1.3	The Company risk management and internal control system provides an objective, fair, and clear view of the current condition and prospects of the Company, the integrity and transparency of its statements, and the reasonableness and acceptability of the risks that the Company takes.	1. The Company has adopted an anti-corruption policy. 2. The Company has organized an available method for informing the Board of Directors or its Audit Committee of any violations of laws, internal procedures or the Ethics Code of the Company.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
65.	5.1.4	The Board of Directors of the Company takes due action to assure that the	1. In the reported period the Board of Directors or its Audit Committee evaluated the efficiency of the	<input checked="" type="checkbox"/> complied	

		Company risk management and internal control system complies with the principles and approaches to its arrangement as determined by the Board of Directors and is functioning effectively.	Company risk management and internal control system.	<input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	5.2	For systemic independent evaluation of the reliability and efficiency of the risk management and internal control system as well as corporate governance practices, the Company organizes internal audits.			
66.	5.2.1	For internal audit at the Company, an independent structural division has been established or an independent third party organization has been engaged. The functional and administrative subordination of the internal audit division are divided. Functionally, the internal audit division is subordinate to the Board of Directors.	1. For internal audit at the Company, an independent structural division has been established at the Company, which is functionally subordinate to the Board of Directors or its Audit Committee, or an independent third party organization has been engaged with the same subordination principles.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
67.	5.2.2	The internal audit division evaluates the efficiency of the internal control system, the efficiency of the risk management system, and the corporate governance system. The Company applies the generally accepted standards for internal audit.	1. In the reported period, an evaluation of the efficiency of the risk management and internal control system has been given in the framework of internal audit. 2. The Company applies the generally accepted standards for risk management and internal control.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	6.1	The Company and its operations are transparent to the shareholders, investors, and other stakeholders.			
68.	6.1.1	The Company has developed and implemented an information policy that assures efficient information exchange between the Company, shareholders, investors, and other stakeholders.	1. The Board of Directors has approved the Company's information policy that was designed in view of the recommendations in the Code. 2. The Board of Directors (or one of its Committees) has addressed matters related to the Company's compliance with its information policy at least once in the reported period.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
69.	6.1.2	The Company discloses information on the system and practice of corporate governance including detailed information on compliance with the principles and recommendations of the Code.	1. The Company discloses information on the Company corporate governance system and the general principles of corporate governance at the Company, in particular, on the Company's Internet site. 2. The Company discloses information on the	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	

			<p>composition of its executive bodies and Board of Directors, independence of the Board members, and their membership in Committees of the Board of Directors (as per the definition in the Code).</p> <p>3. If there is a person who controls the Company, the Company publishes the controlling person's memorandum with regard to such person's plan concerning corporate governance at the Company.</p>		
	6.2	The Company discloses full, up-to-date, and truthful information about itself to enable shareholders and investors to make justified decisions.			
70.	6.2.1	The Company discloses information in accordance with the principles of regularity, consistency, and promptness, as well as availability, truthfulness, completeness, and comparability of the disclosed data.	<p>1. The Company's information policy determines approaches and criteria for identifying information that can have a material effect on the evaluation of the Company and the value of its securities, as well as the procedures providing for timely disclosure of such information.</p> <p>2. If Company securities are traded on the organised foreign market, information on such markets and in the Russian Federation is disclosed in a simultaneous and equivalent manner during the reported year.</p> <p>3. If foreign shareholders own a significant number of Company shares, then in the reported year information was disclosed not only in the Russian language but also in one of the most widely spread foreign languages.</p>	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
71.	6.2.2	The Company avoids a formal approach to information disclosure and discloses significant information about its operations even if such disclosure is not required by law.	<p>1. In the reported period, the Company disclosed semi-annual and annual financial statements by the IFRS standards. The Company's Annual Report for the reported period contains the annual financial statements by the IFRS standards and the auditor's report.</p> <p>2. The Company disclosed complete information on the structure of the Company's capital as per the recommendation 290 of the Code in its Annual Report and on its Internet site.</p>	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
72.	6.2.3	Being one of the most important tools for information exchange with shareholders	1. The Company's Annual Report contains information on the key aspects of the Company's	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied	

		and other stakeholders, the Annual Report contains information that makes it possible to evaluate the results of the Company's operations during the year.	operations and its financial results. 2. The Company's Annual Report contains information on the environmental and social aspects of the Company's operations.	<input type="checkbox"/> not complied	
	6.3	The Company provides information and documents on shareholders' requests in accordance with the principles of equal access and ease.			
73.	6.3.1	The Company provides information and documents on shareholders' requests in accordance with the principles of equal access and easiness.	1. The Company's information policy defines an easy procedure for providing access to information to the shareholders, including information on legal entities that are controlled by the Company, upon shareholders' requests.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
74.	6.3.2	In the delivery of information to shareholders, there is a reasonable balance between the interests of specific shareholders and the interests of the Company itself, which needs to protect sensitive trade information, which may have a material effect on its competitiveness.	1. In the reported period, the Company did not deny information on shareholders' requests or such denials were justified. 2. In cases defined by the Company's information policy, shareholders are warned about the confidentiality of information and are obliged to keep it confidential.	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	
	7.1	Actions that influence or may influence the structure of shareholder capital and the Company financial condition and therefore the situation of shareholders (significant corporate actions) to a significant extent are done in fair conditions that respect the rights and interests of shareholders and other stakeholders.			
75.	7.1.1	Significant corporate actions are reorganization of the Company, acquisition of 30 or more percent of voting shares of the Company (affiliation), major transactions made by the Company, increase or reduction of the authorized capital of the Company, listing or delisting of the Company shares, and other actions that may result in a significant change of shareholders' rights or infringement of their interests. The Articles of Association of the Company define the list (criteria) of transactions or other acts that are significant corporate actions, and such actions are a competency of the Board of Directors the Company.	1. The Articles of Association of the Company defines the list of transactions or other actions that are significant corporate actions and their criteria. Decision making with regard to significant corporate actions is a competency of the Board of Directors. In cases when it is expressly stipulated by law that such corporate actions are a competency of the General Meeting of Shareholders, the Board of Directors will give recommendations to the shareholders. 2. The Articles of Association of the Company defines at the very least the following as significant corporate actions, namely, reorganization of the Company, acquisition of 30 or more percent of voting shares of the Company (affiliation), major deals made by the Company, increase or reduction of the authorized capital of the Company, listing or	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied <input type="checkbox"/> not complied	

			delisting of the Company shares.		
76.	7.1.2	The Board of Directors plays a key role in decision making and development of recommendations regarding significant corporate acts; the Board of Directors is guided by the attitude of independent Directors of the Company.	1. The Company has a procedure in which the independent Directors state their attitude on significant corporate actions before their approval.	<input type="checkbox"/> complied <input type="checkbox"/> partially complied <input checked="" type="checkbox"/> not complied	The Company believes that such procedures are unnecessary at the moment, as most significant corporate actions are reviewed by the special Committees of the Board of Directors, two of which consist of independent Directors. However, in the future (2016-2017) the Board of Directors may make a decision that independent Directors should state their attitude on such issues.
77.	7.1.3	In significant corporate actions that affect the rights and legitimate interests of shareholders, there are equal conditions provided for all shareholders of the Company and, if the legal remedies for protection of the rights and legitimate interests of shareholders are insufficient, there are also additional measures protecting the rights and legitimate interests of shareholders of the Company. In this, the Company is guided not only by compliance with formal legal requirements but also by the corporate governance principles as stated in the Code.	1. Subject to the features of the Company's operations, its Articles of Association have lower criteria for classifying deals as significant corporate actions that the minimum legally required criteria. 2. In the reported period, all significant corporate actions passed the approval procedure before their implementation.	<input type="checkbox"/> complied <input checked="" type="checkbox"/> partially complied <input type="checkbox"/> not complied	In a number of cases, major deals of controlled persons were reviewed after they had been made. Subject to the timing of corporate procedures and internal approvals, the risks of not making the deals needing approval on time are much greater than the risk related to violation of the procedures. Such cases are few, and in each case management provides comprehensive explanations on the reasons of post-approval to the Board of Directors.
	7.2	The Company provides an order for significant corporate actions that enable the shareholders to obtain full information on such actions in due time and enables them to influence such actions and guarantees respect and adequate protection of their rights in such actions.			
78.	7.2.1	Information on significant corporate acts is disclosed with explanation of the reasons, conditions, and consequences of such	1. In the reported period, the Company disclosed information on significant corporate acts including the reasons, conditions, and consequences of such	<input checked="" type="checkbox"/> complied <input type="checkbox"/> partially complied	

		acts.	acts in due time and in detail.	<input type="checkbox"/> not complied <input type="checkbox"/> complied <input type="checkbox"/> partially complied <input checked="" type="checkbox"/> not complied	
79.	7.2.2	The rules and procedures related to significant corporate acts of the Company are stated in internal Company documents .	<p>1. Internal Company documents stipulate a procedure for engagement of independent valuers for determining the value of property that is sold or bought under major or interested party transactions.</p> <p>2. Internal Company documents stipulate a procedure of engagement of independent valuers for determining the value of acquisition and repurchase of the Company shares.</p> <p>3. Internal Company documents stipulate an extended list of grounds on which members of the Company Board of Directors and other persons stipulated by law are recognized as interested parties in the Company's transactions.</p>		<p>The Company will mandatorily engage a valuator to determine the price of repurchase of shares, which is required by the Federal Law "On joint stock companies". In the last how many? Few? years, the Company made no decisions on approval of major transactions or acquisition of shares. The Company sees no need to include the mandatory condition of engaging a valuator in all cases when shares are acquired in its internal documents, as the cost of services of such valuers in most interested party transactions will be greater than the price of such transactions, which is not feasible from an economic point of view and would cause extra unjustifiable costs for the Company. As for other grounds for interest, there were no cases of such other grounds in the practice except the ones stipulated by the law. Should they appear, the Company will consider changing its approach.</p>



Read more about the Corporate Governance Code at
http://www.interrao.ru/investors/disclosure/corporate_behavior/

12.7 Major transactions and interested party deals.

In 2015, the Company made no major transactions.



Read more about the Company's interested party deals in 2015 at
http://www.interrao.ru/investors/disclosure/major_deals/

12.8 Information about the Programme of Disposal of Non-Core Assets and the Register of Non-Core Assets

The Company has a Regulation on the Order of Disposal of Non-Core Assets of PJSC Inter RAO adopted by the PJSC Inter RAO Board of Directors³⁰², which determines the general principles and order of the Company's actions in disposal of non-core Company assets (hereinafter referred to as the Regulation).

Pursuant to the Regulation, the PJSC Inter RAO Board of Directors adopted a Register of Non-Core Assets³⁰³ with amendments and supplements³⁰⁴, which contains, in particular, a list of planned actions with non-core assets and a substantiation of the necessity and also has the programme functions for disposal of non-core assets.

In 2015, the Register of Non-Core Assets contained information on four non-core assets, namely, shares (total book value: RUB 633,473 thousand subject to the impairment reserve), in respect to which action for retaining the shares were planned.

In 2015, there were no transactions of disposal of non-core assets on the Register of Non-Core Assets. PJSC Inter RAO did not make any deals for disposal of non-core assets in the reported period.

³⁰² Minutes dated 16.07.2012 No. 74.

³⁰³ Minutes dated 16.07.2012 No. 74.

³⁰⁴ Minutes dated 04.02.2013 No. 86; Minutes dated 14.10.2013 No. 101.

12.9 Information on shareholdings in other companies

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Data on business entities with the share of PJSC Inter RAO in the authorized capital from 2 to 20 %										
1.	JSC Sangtudinskaya HPP-1	14.87%	14.87%	RUB 161,412 thousand	RUB 161,412 thousand		No information	No information	Generation and supply (sale) of electricity	No change
Data on affiliates with the share of PJSC Inter RAO in the authorized capital from 20 to 50%										
2.	PJSC Irkutsk Energy and Electricity	40%	40%	RUB 15,790,416 thousand	RUB 11,289,766 thousand	RUB 1,010,739 thousand	No information	No information	Generation of electricity	No change
3.	LLC Engineering Center of Gas Turbo Technologies	53.94%	53.94%	RUB 695,086 thousand	RUB 474,483 thousand		-	RUB 1,039 thousand	Production of gas turbines except turbojet and turboprop	13.01.2016: authorized capital increased
4.	PJSC Tomsk Power Supply Company	31.27%	24.99%	RUB 104,960 thousand	RUB 104,960 thousand		RUB 12,912,524 thousand	RUB 858 thousand	Purchase and sale of electricity	10.12.2015 share taken out of trust management
5.	Joint LLC Energoconnect	50%	50%	RUB 715 thousand	RUB 2,631 thousand		BYR 62,000 thousand	BYR (561,000) thousand	Sale of cross-border projects of design and installation of DC inserts	No change
6.	JSC Inter RAO Light Diode Systems	17.58%	35.17%	RUB 300,000 thousand	RUB 600,000 thousand		No information	No information	Production of semiconductor elements, devices, including photosensitive and optoelectronic	10.12.2015: sale of 300,000 shares
7.	LLC RT – Energotrade	50%	50%	RUB 9,805 thousand	RUB 9,805 thousand	RUB 9,091 thousand	RUB 6,333,876	RUB 185,797	Wholesale of electricity and heat (without transmission and	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
					thousand		thousand	thousand	distribution). Wholesale through agents (for consideration or on a contractual basis). Business of agents in wholesale of electricity and heat (without generation, transmission, and distribution)	
8.	LLC Inter RAO UES Power Efficiency Centre	50%	50%	RUB 258,250 thousand	RUB 258,250 thousand	RUB 2,177 thousand	RUB 5,028,591 thousand	RUB 1,093 thousand	Jobs/services in the field of energy efficiency and energy saving	No change
9.	LLC Interenergoeffect	50%	50%	0	0		No information	No information	Jobs/services in the field of energy efficiency and energy saving	No change
10.	JSC Ekibastuz TPP-2	50%	50%	RUB 603,311 thousand	RUB 603,311 thousand	0	KZT 25,862,638 thousand	KZT (25,535,337) thousand	Production, transmission and distribution of electricity and heat	No change
11.	CJSC Kambaratinskaya HPP-1	50%	50%	RUB 28,864 thousand	RUB 28,864 thousand	0	0	KGS (52,885) thousand	Production and supply (sale) of electricity	No change
12.	CJSC Industrial Power Company	50%	50%	0	0		No information	No information	Supply of electricity to enterprises of the military industrial complex of the Russian Federation and other consumers	No change
Data on subsidiaries with the share of PJSC Inter RAO in the authorized capital from 50% + 1 share to 100%										

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
13.	JSC Inter RAO Capital	100%	100%	RUB 33,004,516 thousand	RUB 13,769,840 thousand	0	RUB 2,817,540 thousand	RUB 8,444,711 thousand	Participation in investment projects aimed at the acquisition of assets abroad and in Russia including shares of foreign and Russian companies in the energy sector or their management rights, etc.	02.09.2015: reduction of authorized capital 31.12.2015, 03.03.2016: registration of reports on the results of additional security issue
14.	RAO Nordic Oy	100%	100%	RUB 43,410 thousand	RUB 43,410 thousand	0	EUR 132,547 thousand	EUR 4,894 thousand	Electricity trading	No change
15.	Inter RAO Holding B.V.	100%	100%	RUB 4,413,668 thousand	RUB 4,413,668 thousand	0	0	USD (85,689) thousand	Managing company	No change
16.	LLP INTER RAO Central Asia	100%	100%	0	0	RUB 12,580 thousand	KZT 78,784 thousand	KZT 95,507 thousand	Property Lease of the Severny mine and Trudovaya and Udarnaya railway stations; purchase of electricity for the sales purposes ; development of investment projects aimed at the acquisition of assets abroad and in Kazakhstan in the energy sector	No change
17.	JSC Eastern Energy Company	100%	100%	RUB 2,190,290 thousand	RUB 2,190,290 thousand	0	RUB 11,557,426 thousand	RUB 1,362,549 thousand	Wholesale of electricity	No change
18.	JSC Elektroluch	100%	100%	RUB 2,065,573	RUB 2,065,573	0	RUB 827,610 thousand	RUB 92,163 thousand	Lease of owned non-residential real estate	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
				thousand	thousand					
19.	CJSC Moldova TPP	100%	100%	RUB 645,751 thousand	RUB 645,751 thousand	0	PRB 848,566 thousand	PRB 188,808 thousand	Production and supply (sale) of electricity	No change
20.	LLC Inter RAO – WorleyParsons	0	51%	0	RUB 19,384 thousand	0	No information	No information	Architecture, engineering design in industry and construction. Construction of buildings and structures. Installation of engineering equipment in buildings and structures	16.07.2015: sale of share
21.	RAO Intertech B.V.	100%	100%	RUB 891,441 thousand	RUB 891,441 thousand	0	-	EUR (89) thousand	business Project	No change
22.	LLC Inter RAO – Management of Electric Power Plants	100%	100%	RUB 500 thousand	RUB 500 thousand	RUB 39,483 thousand	RUB 1,582,910 thousand	RUB 13,614 thousand	Management of financial and industrial groups and holding companies	No change
23.	JSC Inter RAO – Electricity Generation	100%	100%	RUB 185,648,281 thousand	RUB 185,648,281 thousand	RUB 500,000 thousand	RUB 149,129,316 thousand	RUB (3,306,565) thousand	Generation of electricity and heat	04.03.2015 authorized capital increased
24.	Inter RAO Finance B.V.	100%	100%	RUB 82,748 thousand	RUB 82,748 thousand	0	0	EUR 204 thousand	Establishment, participation in any way, management, control, use, and promotion of businesses, organisations, and companies; financing of enterprises and companies; advisory and other services to companies with which the company forms a group and to	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
									third parties	
25.	JSC Altayenergosbyt	100%	100%	RUB 330,000 thousand	RUB 330,000 thousand	RUB 90,000 thousand	RUB 12,215,547 thousand	RUB 939 thousand	Purchase of electricity on the wholesale and retail electricity (capacity) markets; sale of electricity on the wholesale and retail electricity (capacity) markets to consumers (including private individuals), etc.	No change
26.	PJSC Saratovenergo	56.23%	56.23%	RUB 458,247 thousand	RUB 106,502 thousand	0	RUB 16,812,177 thousand	RUB 18,294 thousand	Purchase of electricity on the wholesale and retail electricity (capacity) markets; sale of electricity on the wholesale and retail electricity (capacity) markets to consumers (including private individuals), etc.	No change
27.	PJSC Tambov Power Supply Company	59.39%	59.39%	RUB 122,205 thousand	RUB 54,754 thousand	0	RUB 4,483,944 thousand	RUB 90 thousand	Distribution of electricity	No change
28.	PJSC Mosenergosbyt	50.92%	50.92%	RUB 5,753,700 thousand	RUB 4,746,803 thousand	0	RUB 265,953,161 thousand	RUB 735,256 thousand	Purchase of electricity on the wholesale and retail electricity (capacity) markets; sale of electricity on the wholesale and retail electricity (capacity) markets to consumers (including private individuals), etc.	No change
29.	JSC Territorial Generation Company No. 11	98.54%	98.54%	RUB 4,978,688 thousand	RUB 7,907,858 thousand	0	RUB 19,097,208 thousand	RUB 197,378 thousand	Generation of electricity and heat	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
30.	JSC PSK	100%	100%	RUB 3,994,714 thousand	RUB 3,994,714 thousand	0	RUB 96,663,300 thousand	RUB 513,574 thousand	Purchase of electricity on the wholesale and retail electricity (capacity) markets; sale of electricity on the wholesale and retail electricity (capacity) markets to consumers (including private individuals), etc.	No change
31.	JSC Razdan Energy Company	50%	100%	RUB 312,290 thousand	RUB 624,579 thousand	0	AMD 21,395,469 thousand	AMD 701,845 thousand	Generation of electricity	08.12.2015: sale of share
32.	LLC Inter RAO – Export	100%	100%	RUB 300,000 thousand	RUB 300,000 thousand	RUB 20,345 thousand	RUB 2,961,749 thousand	RUB 550,378 thousand	Main: wholesale of machinery and equipment	No change
33.	LLC RN-Energo	100%	100%	RUB 4,995,804 thousand	RUB 4,995,804 thousand	0	RUB 59,975,782 thousand	RUB 500,698 thousand	Wholesale of electricity and heat (without transmission and distribution); assembly of engineering equipment of buildings and structures; electrical assembly jobs	No change
34.	JSC Inter RAO – Oryol Energy Sales Company	100%	100%	RUB 60,000 thousand	RUB 60,000 thousand	0	RUB 6,807,816 thousand	RUB 570 thousand	Purchase of electricity on the wholesale and retail electricity (capacity) markets; sale of electricity on the wholesale and retail electricity (capacity) markets to consumers (including private individuals), etc.	No change
35.	LLC Inter RAO –	100%	100%	RUB 775	RUB 775	0	RUB 3,803,390	RUB 65,420	General construction jobs for construction of heat and other	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Engineering			thousand	thousand		thousand	thousand	power plants; general construction jobs for construction of buildings; assembly of miscellaneous engineering equipment	
36.	LLC Inter RAO Finance	100%	100%	RUB 10,000 thousand	RUB 10,000 thousand	0	0	RUB (5,926) thousand	Operations with securities, investment in securities; investment in property; other financial intermediation, advice on financial intermediation, advice on business and management	No change
37.	LLC Ugolny Razrez	100%	100%	RUB 243,074 thousand	RUB 243,074 thousand	0	RUB 2,454,312 thousand	RUB 12,277 thousand	Open-cut production of brown coal	No change
38.	LLC Bashkir Generation Company	100%	100%	RUB 24,038,482 thousand	RUB 24,038,482 thousand	0	RUB 41,836,068 thousand	RUB 1,024,626 thousand	Generation of electricity and heat	No change
39.	LLC Inter RAO – Procurement Management Center	100%	100%	RUB 122,038 thousand	RUB 122,038 thousand	RUB 6,956 thousand	RUB 695,529 thousand	RUB 7,826 thousand	Organization and implementation of centralized procurement for companies of the Group	No change
40.	JSC Tomsk Generation	98.54%	0	RUB 2,929,170 thousand	0	0	RUB 4,129,710 thousand	RUB (167,631) thousand	Generation of electricity by heat power plants	01.04.2015 JSC TGK-11 was reorganized in the form of separation of JSC Tomsk Generation
41.	Ivanovo TPP Test Unit Energy JSC	0	82.84%	0	RUB 155,975 thousand	0	RUB 4,400 thousand	RUB (20,974) thousand	Presentation and delivery tests of serial GTD-110 gas turbo motors and their monitoring, trial	Purchase of 82.83591% of shares of JSC Unit by LLC Gas Turbo

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
									industrial operation of GTD -110; production and sale of electricity (capacity)	Technologies TC
Data on organisations that are part of the holding company structure										
42.	LLC Bashkir Distribution Heat Grids	0	0	0	0		RUB 16,628,022 thousand	RUB 731,955 thousand	Production of heat and electricity	No change
43.	LLC Mosenergosbyt Sergiyev Posad	0	0	0	0		RUB 81,112 thousand	RUB (6,079) thousand	Services related to sale of electricity including collection of payments for the sold products and services, etc.	No change
44.	Silk Road Holdings B.V.	0	0	0	0		0	USD 127 thousand	Managing company	No change
45.	LLC Mosenergosbyt Zhukovsky	0	0	0	0		RUB 41,026 thousand	RUB 1,108 thousand	Services related to sale of electricity including collection of payments for the sold products and services, etc.	No change
46.	LLC Inter RAO Information Tgies	0	0	0	0	0	RUB 1,339,329 thousand	RUB (48,506) thousand	Development and implementation of software and consulting in this field	No change
47.	Inter RAO Management B.V.	0	0	0	0	0	0	USD (295) thousand	Management	No change
48.	Gardabani Holdings B.V.	0	0	0	0	0	0	USD (1,597) thousand	Holding	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
49.	CJSC Power Grids of Armenia	0	0	0	0	0	AMD 181,004,687 thousand	AMD 21,007,336 thousand	Distribution of electricity	08.12.2015: sale of share
50.	LLC Mtkvari Energy	0	0	0	0	0	GEL 123,502 thousand	GEL 123,502 thousand	Generation of electricity and heat	No change
51.	JSC Telasi	0	0	0	0	0	GEL 123,502 thousand	GEL 123,502 thousand	Production and supply (sale) of electricity and heat	No change
52.	JSC Khrami HPP-1	0	0	0	0	0	GEL 123,502 thousand	GEL 123,502 thousand	Generation of electricity	No change
53.	JSC Khrami HPP-2	0	0	0	0	0	GEL 123,502 thousand	GEL 123,502 thousand	Generation of electricity	No change
54.	AB INTER RAO Lietuva	0	0	0	0	0	EUR 157,510 thousand	EUR 16,120 thousand	Any legal business including, without limitation, production, transmission, distribution, and sale of electricity, investment in the energy sector, and implementation of other investment projects	No change
55.	Inter RAO Trust B.V.	0	0	0	0	0	0	RUB (7,146) thousand	Holding	No change
56.	Asia Energy B.V.	0	0	0	0	0	0	USD (56) thousand	Holding	The company was liquidated on 03.06.2015

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
57.	Silverteria Holdings Limited	0	0	0	0	0	USD 216 thousand	USD 42,496 thousand	Projects	No change
58.	LLC INTER RAO SERVICE	0	0	0	0	0	RUB 56,645 thousand	RUB 20,562 thousand	Functions of customs agents and customs representatives	No change
59.	CJSC Turbina-YuTEM	0	0	0	0	0	No data	No data	Any business that is not prohibited by law	On 15.12.2015 the company workers reorganized by affiliation with LLC Energospetsobslyuzhivaniye
60.	Orange Wings Ltd	0	0	0	0	0	No data	No data	Project business	04.02.2015: new owner, INTER RAO Trust B.V.
61.	LLC Interstroy	0	0	0	0	0	-	USD (33) thousand	Construction of power facilities, civil engineering; installation, commissioning, and report of power facilities and power equipment	No change
62.	LLC Inter RAO Invest	0	0	0	0	0	RUB 567,779 thousand	RUB 17,683 thousand	Brokerage, dealer business on the securities market; management of securities; depository business; investments in securities, other financial intermediation	No change
63.	SIA INTER RAO Latvia	0	0	0	0	0	EUR 12,078 thousand	EUR 780 thousand	Electricity trading	No change
64.	INTER RAO Eesti OU	0	0	0	0	0	EUR 6,420 thousand	EUR 191 thousand	Electricity trading	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
65.	NVGRES Holding Limited	0	0	0	0	0	RUB 1,426,173 thousand	RUB 1,216,389 thousand	Providing loans to related parties including any activities generating interest earnings	No change
66.	JSC Lukomorye Health Resort	0	0	0	0	0	RUB 108,561 thousand	RUB 2,023 thousand	Health resort business	No change
67.	JSC Technical Transport Administration	0	0	0	0	0	RUB 109,701 thousand	RUB (4,133) thousand	Passenger transportation; freight transportation; organization of operation of special transport and lifting mechanisms; services of vehicle repair and maintenance	No change
68.	CJSC Nizhnevartovskaya TPP	0	0	0	0	0	RUB 18,507,101 thousand	RUB 1,897,518 thousand	Generation of electricity and heat	No change
69.	LLC Quartz Group	100%	100%	0	0	RUB 52,372 thousand	RUB 9,700,449 thousand	RUB 24,542 thousand	Maintenance of power plants	No change
70.	LLC Quartz Technologies	New 50%	50%	0	0	RUB 328,851 thousand	RUB 10,091,507 thousand	RUB 57,014 thousand	Investment and sale of investment projects; construction, reconstruction, modernization and implementation of new technologies in the fuel and energy, oil and gas, petrochemical, machine-building, and building sectors; organization, participation and performance of independent examinations, tenders, bids, offers, drafting contracts for construction, reconstruction, modernization and implementation of new technologies in the fuel and energy, oil and gas,	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
									petrochemical, machine-building, and building sectors	
71.	LLC Verkhnetagilskaya Housing Company	0	0	0	0	0	RUB 41,400 thousand	RUB 699 thousand	Maintenance and operation services	No change
72.	JSC Mosenergosbyt Serpukhov	0	0	0	0	0	RUB 72,956 thousand	RUB 3,619 thousand	Services related to sale of electricity including collection of payments for sold products and services, etc.	No change
73.	LLC Mosenergosbyt Lukhovitsy	0	0	0	0	0	0	RUB (834) thousand	Services related to sale of electricity including collection of payments for sold products and services, etc.	The company was liquidated on 07.12.2015
74.	LLC Mosenergosbyt Chekhov	0	0	0	0	0	RUB 62,563 thousand	RUB 4,516 thousand	Services related to sale of electricity including collection of payments for sold products and services, etc.	No change
75.	LLC Mosenergosbyt Shatura	0	0	0	0	0	RUB 37,430 thousand	RUB 927 thousand	Services related to sale of electricity including collection of payments for sold products and services, etc.	No change
76.	LLC Mosenergosbyt Yegoryevsk	0	0	0	0	0	RUB 43,635 thousand	RUB 1,859 thousand	Services related to sale of electricity including collection of payments for sold products and services, etc.	No change
77.	LLC Mosenergosbyt Orekhovo-Zuyevo	0	0	0	0	0	RUB 64,547 thousand	RUB 2,012 thousand	Services related to sale of electricity including collection of payments for sold products and	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
									services, etc.	
78.	LLC Mosenergosbyt Elektrostal	– 0	0	0	0	0	RUB 66,197 thousand	RUB 3,393 thousand	Services related to sale of electricity including collection of payments for sold products and services, etc.	No change
79.	JSC Mosenergosbyt Pushkino	– 0	0	0	0	0	RUB 60,659 thousand	RUB 1,454 thousand	Services related to sale of electricity including collection of payments for sold products and services, etc.	No change
80.	LLC Mosenergosbyt Domodedovo	– 0	0	0	0	0	RUB 70,916 thousand	RUB 2,001 thousand	Services related to sale of electricity inclu sold products and services, etc.	No change
81.	JSC Mosenergosbyt Podolsk	– 0	0	0	0	0	RUB 67,385 thousand	RUB 2,451 thousand	Services related to sale of electricity including collection of payments for sold products and services, etc.	No change
82.	LLC Mosenergosbyt Naro-Fominsk	– 0	0	0	0	0	RUB 115,123 thousand	RUB 5,562 thousand	Services related to sale of electricity including collection of payments for sold products and services, etc.	No change
83.	LLC IT Integrator	0	0	0	0	0	RUB 390,768 thousand	RUB 39,323 thousand	Secure document control and services for information encryption, maintenance and distribution of encoding (cryptographic) facilities	No change
84.	JSC Enegrosbyt Company	0	0	0	0	0	0	RUB (9,332)	Purchase of electricity on the	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	of Moscow Region							thousand	wholesale and retail electricity (capacity) markets; sale of electricity on the wholesale and retail electricity (capacity) markets to consumers (including private individuals), etc.	
85.	JS PES LTD	0	0	0	0	0	RUB 3,424,406 thousand	RUB 92,641 thousand	Purchase and sale of electricity and heat; Payment for electricity and housing services	No change
86.	JSC Repair and Service of Thermal and Underground Utilities of Kostromskaya TPP	0	0	0	0	0	RUB 249,820 thousand	RUB 17 thousand	Maintenance and repair of heat supply, water-pipe and sewage systems; distribution and sale of heat	No change
87.	JSC Integrated Energy Repair	0	0	0	0	0	0	RUB (33) thousand	Repair of boiler inspection facilities; manufacture of non-standard equipment supervised by Rostekhnadzor; repair and adjustment of lifting facilities	No change
88.	JSC Thermal Service Company	0	0	0	0	0	RUB 345,634 thousand	RUB 380 thousand	Operation and performance assurance of heating grids; maintenance, operation and repair of hot water supply	No change
89.	JSC Kommunalnik	0	0	0	0	0	RUB 105,214 thousand	RUB (31,027) thousand	Operation and performance assurance of heating grids	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
90.	JSC Energy-1	0	0	0	0	0	RUB 154,724 thousand	RUB (5,989) thousand	Operation and performance assurance of heating grids, distribution and sale of heat	No change
91.	JSC Kostromskaya TPP Hotel	0	0	0	0	0	RUB 16,099 thousand	RUB (697) thousand	Hotel services	No change
92.	JSC Yuzhnouralskaya Power Supply Company	0	0	0	0	0	RUB 267,393 thousand	RUB 140,260 thousand	Operation and performance assurance of heat supply network in the city of Yuzhnouralsk; heat supply to consumers	No change
93.	Inter RAO Credit B.V.	0	0	0	0	0	0	EUR 831 thousand	Consulting and other services to companies with which the company forms the Group and to third parties; borrowing, lending and seeking funds, including the issuance of bonds, simple promissory notes or other securities or debt instruments and concluding agreements related to the above mentioned activities; issuing guarantees, binding the company to obligations and pledging its assets to secure the obligations of enterprises and companies with which the company forms the Group, and on behalf of third parties	No change
94.	UAB Vydmantai wind park	0	0	0	0	0	EUR 5,962 thousand	EUR 1,738 thousand	Production and sale of electricity	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
95.	Inter Green Renewables and Trading AB	0	0	0	0	0	-	EUR (12) thousand	Electricity trading	19.01.2016: authorized capital reduction
96.	Inter RAO Europe B.V.	0	0	0	0	0	0	EUR (36) thousand	Project activities	The company was liquidated on 03.06.2015
97.	INTER RAO TURKEY ENERJİ HOLDİNG ANONİM ŞİRKETİ	0	0	0	0	0	0	TRY (56,932) thousand	Holding/operating activities	No change
98.	IRL POLSKA spółka z ograniczoną odpowiedzialnością	0	0	0	0	0	PLN 43,395 thousand	PLN (686) thousand	Production, distribution, electricity trading	No change
99.	LLC Bashenergotrans	0	0	0	0	0	RUB 475,159 thousand	RUB 5,826 thousand	Road transportation services for: - 406k passengers, cargo, oversized cargo, and dangerous goods	No change
100.	LLC Energosnabkomplect	0	0	0	0		-	-	Trading activity of all types [including 5,529k retail, wholesale, commission, itinerant trade, manufactured goods and food products trade, raw material, materials, equipment, devices and spares trade, etc.).	The company was liquidated on 12.05.2015.
101.	LLC Mir Agricultural Enterprise	0	0	0	0	0	RUB 6,288 thousand	RUB 225 thousand	Production, processing, and sale 536k of agricultural products, including: domestic livestock breeding, plant cultivation, poultry breeding, fish breeding, bee	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
									breeding, and horse breeding	
102.	LLC Energetik Health and Leisure Center	0	0	0	0	0	RUB 286,425 thousand	RUB (57,553) thousand	Resort treatment; medical services; operation of buildings and structures; property management	No change
103.	Inter Rao Trakya Enerji A.S.	0	0	0	0	0	0	TRY 2,645 thousand	Managing company	No change
104.	Inter RAO TRAKYA ELTKTRIK Uretim ve Ticaret L.S.	0	0	0	0	0	0	TRY (64) thousand	Managing company	No change
105.	SII Enerji ve Uretim L.S.	0	0	0	0	0	0	TRY 1,475 thousand	Operation and maintenance of the CCGT (Trakya Elektrik)	No change
106.	Trakya Elektrik Uretim ve Ticaret A.S.	0	0	0	0	0	TRY 929,793 thousand	TRY (7,613) thousand	Production and sale of electricity	Group's share reached 100%.
107.	LLC Mosenergosbyt – Solnechnogorsk	0	0	0	0	0	RUB 966 thousand	RUB 323 thousand	Services related to sale of electricity including collection of payments for sold products and services, etc.	No change
108.	JSC Mosenergosbyt-Shcholkovo	0	0	0	0	0	RUB 57,350 thousand	RUB 37 thousand	Services related to sale of electricity including collection of payments for sold products and services, etc.	No change
109.	LLC Mosenergosbyt – Noginsk	0	0	0	0	0	RUB 68,176 thousand	RUB 1,566 thousand	Services related to sale of electricity including collection of payments for sold products and	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
									services, etc.	
110.	LLC Mosenergosbyt Ramenskoye	0	0	0	0	0	RUB 83,474 thousand	RUB 6,026 thousand	Services related to sale of electricity including collection of payments for sold products and services, etc.	No change
111.	LLC Energospetsservisobsluzhivaniye	0	0	0	0	0	PRB 4,596 thousand	PRB 129 thousand	Report of energy equipment, operation of housing grids	No change
112.	CJSC Tomskenergobalans	0	0	0	0	0	RUB 35,734 thousand	RUB (20,393) thousand	Any business not prohibited by the law	No change
113.	JSC Korolyov Electric Grid	0	0	0	0	0	RUB 1,940,791 thousand	RUB 15,777 thousand	Distribution of electricity	No change
114.	LLC Inter SMART	0	0	0	0	RUB 16,000 thousand	0	RUB 26,783 thousand	Production of smart electricity and heat meters	On 10.09.2015, the share of LLC Inter RAO UES Power Efficiency Centre in LLC Inter SMART was increased to 50%, and the par value of the share was changed.
115.	JSC Industrial Energy	0	0	0	0	0	RUB 4,384,652 thousand	RUB 41,646 thousand	Electricity supply services	No change
116.	LLC Mosenergosbyt Kolomna	0	0	0	0	0	RUB 53,799 thousand	RUB 954 thousand	Services related to sale of electricity including collection of	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
									payments for the sold products and services, etc.	
117.	LLC Moscow Oblast United Information and Payment Center	0	0	0	0	0	RUB 608,619 thousand	RUB (189,589) thousand	Services related to sale of electricity including collection of payments for sold products and services, etc.	No change
118.	LLC Mosenergosbyt – Troitsk	0	0	0	0	0	0	RUB (12) thousand	Services related to sale of electricity including collection of payments for sold products and services, etc.	No change
119.	LLC MES-Development	0	0	0	0	0	0	RUB 419,528 thousand	Wholesale of electricity and heat (without transmission and distribution)	The company was established on 07.07.2015
120.	CJSC Svetlana-Optoelektronika	0	0	0	0	0	No data	No data	Development; organization of production and industrial application of semiconductor and optoelectronic devices, sensors and systems on their basis	No change
121.	JSC Svetlana-LED	0	0	0	0	0	No data	No data	Production of LEDs; production of electric lamps and lighting equipment; production of electric lamps and lighting devices	No change
122.	LLC Omsk Energy Supply Company	0	0	0	0	0	RUB 856,133 thousand	RUB 36,603 thousand	Electricity supply services	No change

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company			Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015		01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)		(5)	(6)	(7)	(8)	(9)	(10)	(11)
123.	JSC RTS Aktiv	0	0	0	0		-	-		Asset management.	The company was liquidated on 20.03.2015
124.	JSC Construction and Assembly Administration	0	0	0	0		-	-		General construction jobs for construction of heat and other power plants	Liquidated pursuant to judgment on 18.06.2015
125.	JSC OmskRTS	0	0	0	0	0	RUB 7,668,355 thousand	RUB 143,634 thousand		Asset management	No change
126.	JSC TomskRTS	0	0	0	0	0	RUB 4,198,230 thousand	RUB (237,271) thousand		Asset management	No change
127.	LLC Cosy House	0	0	0	0	0	RUB 55,212 thousand	RUB 97,427 thousand		Real estate management	The share of LLC LOC Energetik in the authorized capital of LLC Cosy House reduced due to the increase of the authorized capital of LLC Cosy House through an additional contribution of its member, LLC LOC Energetik, and through accession of a third party, LLC Bashkir Distribution Electric Grids
128.	CJSC Regional Trading System Administrator	0	0	0	0	0	No data	No data		Miscellaneous services	No change
129.	JSC United Information and Payment Center of the Leningrad Oblast	0	0	0	0	0	RUB 59,641 thousand	RUB (27,936) thousand		Development and use of databases and information resources, delivery of united bills for housing services, and	On 05.02.2015, the share of JSC Inter RAO Capital in the company was increased to 29%

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
									technical support of this operation	
130.	JSC CASCADE	0	0	0	0	RUB 240,031 thousand	RUB 3,396 thousand		Design, production, and sale of electric connectors	No change
131.	LLC Clearing Center	0	0	0	0	RUB 8,054,571 thousand	RUB 201,640 thousand		Electricity trading	No change
132.	LLC Inter RAO – Distributed Generation	0	0	0	0	0	RUB (230) thousand		Generation of electricity	No change
133.	LLC Inter RAO – SP	0	0	0	0	0	RUB 388 thousand		Asset management	07.04.2015: authorized capital increased
134.	LLC National Data Center	0	0	0	0	0	RUB 10,169 thousand	RUB (13,724) thousand	Data processing, electric communications	The company was founded on 21.03.2015
135.	LLC Kaliningrad Generation	0	0	0	0	0	-	-	Generation of electricity by heat power plants	The company was founded on 07.04.2015, authorized capital increase
136.	LLC Fish Farming	0	0	0	0	0	-	RUB (155) thousand	Fish breeding	The company was founded on 21.08.2015
137.	CJSC Energoinvest Holding	0	0	0	0	0	No data	No data		On 25.11.2015, CJSC Energoinvest Holding was established, 100% of its shares belong to JSC

No.	Trade name	Share of PJSC Inter RAO of authorized capital of the company		Book value of Company shares		of dividend Amounts, RUB thousand (unless stated otherwise)	2015 Financial results		Business Type of as per the Articles of Association	Data on shareholdings change in 2015 or share sale agreements
		01.01.2016	01.01.2015	01.01.2016	01.01.2015		Revenue	Net profit		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
										RazTES
138.	RIG RESEARCH PTE. Ltd			0	0	0	No data	No data		Shareholders: – GE Pacific Private Limited (Syngapore) with 50% of outstanding shares; – LLC REGION - Foreign Projects with 45% of outstanding shares;

12.10 Internal regulations of the Company

No.	Internal regulation	Basic Provisions	Governing body that approved the document
1.	Regulations on the procedure for preparing and holding of the General Meeting of Shareholders of PJSC Inter RAO	The Regulations determine the procedure for preparing and holding of the General Meeting of Shareholders (hereinafter referred to as GMS) of the Company, including provisions on: <ul style="list-style-type: none"> • procedure for convening and preparation of GMS; • special aspects of convening an extraordinary GMS; • information support of GMS holding; • <i>in presentio</i> form of GMS; • <i>in absentia</i> form of GMS; • working bodies of the Company's GMS; • financial support of the Company's holding GMS. 	The General Meeting of Shareholders (Minutes dated 29.05.2015 No. 15)
2.	Regulations on the PJSC Inter RAO Board of Directors (new version)	The Regulations determine the procedure for preparing and holding the General Meeting of Shareholders of the Company including provisions on: <ul style="list-style-type: none"> • procedure for convening and holding of meetings; • arrangement of work; • rights, duties and liability of the members of the Board of Directors; • procedure for adopting resolutions by voting <i>in absentia</i>; • procedure for recording minutes of the meetings. 	The General Meeting of Shareholders (Minutes dated 29.05.2015 No. 15)
3.	Regulations on Assessment of Performance of the Board of Directors of PJSC Inter RAO	The Regulations define objectives, procedure, frequency of performance assessment of the Company's Board of Directors, as well as methods of making recommendations on further performance development of the Company's Board of Directors.	The Board of Directors (Minutes dated 24.02.2014 No. 108)
4.	Regulations on the Audit Committee of the Board of Directors of PJSC Inter RAO (new version)	The Regulations define the objectives, functions, and competency of the Committees, procedure for establishment of the Committees, the rights and duties of the Committee members; control the procedure for convening and holding of Committee meetings, as well as handle interagency matters.	The Board of Directors (Minutes dated 24.08.2015 No. 152)
5.	Regulations on the Strategy and Investment Committee of the Board of Directors of PJSC Inter RAO (new version)		The Board of Directors (Minutes dated 16.05.2013 No. 92)
6.	Regulations on the Nominations and Remuneration Committee of the Board of Directors of PJSC Inter RAO (new version)		The Board of Directors (Minutes dated 17.09.2015 No. 153)
7.	Regulations on the Management Board of PJSC Inter RAO	The Regulations define the procedure for establishment of the Management Board, the rights, duties and liability of the members	The General Meeting of Shareholders

No.	Internal regulation	Basic Provisions	Governing body that approved the document
		of the Management Board; establish the procedure for convening and holding meetings in presentio of the Management Board, procedure for adopting resolutions by voting in absentia , and also establish control over execution of the Board resolutions.	(Minutes dated 29.05.2015 No. 15)
8.	Regulations on the Revision Commission of PJSC Inter RAO	The Regulations define the objectives of the Revision Commission, the rights and duties, cover the organization of the Revision Commission's operation, establish audit procedures, and set requirements to the report (protocol) of the Revision Commission.	The General Meeting of Shareholders (Minutes dated 29.05.2015 No. 15)
9.	External Auditor Rotation Policy of PJSC Inter RAO	The Policy controls selection of procedures and criteria for Company auditors based on bidding results, the procedure of auditor approval by the Annual General Meeting of Shareholders, and rotation rules for the heads of audit.	The Board of Directors (Minutes dated 31.07.2015 No. 149)
10.	Regulations on Payment of Remunerations and Compensations to the Members of the Board of Directors of PJSC Inter RAO (new version)	The Regulations establish the amount and manner of payment of remuneration and compensation to the members of the Company Board of Directors .	The General Meeting of Shareholders (Minutes dated 27.06.2012 No. 12)
a.	Corporate Ethics Code of PJSC Inter RAO (with supplements)	The Code contains the standards of conduct accepted by the Company which define fundamental requirements for ethical corporate conduct.	The Board of Directors (Minutes dated 21.10.2011 No. 50) The supplements were adopted by the resolution of the Board of Directors dated 13.02.2012 (Minutes dated 16.02.2012 No. 59)
11.	Regulations on the Information Policy of PJSC Inter RAO	The Regulations define the main principles of disclosure of Company activities, the procedure and terms for its disclosure and presentation, as well as a list of information and documents to be disclosed to shareholders, creditors, potential investors, media personnel and public organisations, professional securities market participants, governmental authorities and other stakeholders.	The Board of Directors (Minutes dated 26.11.2015 No. 157)
12.	Regulations on the Dividend Policy of PJSC Inter RAO	The Regulations define the procedure for determining the dividend amount, procedure for adopting resolutions on declaration (payment) of dividends, terms of payment (declaration) of	The Board of Directors (Minutes dated 03.07.2014 No. 118)

No.	Internal regulation	Basic Provisions	Governing body that approved the document
		dividends and restrictions to their payment (declaration).	
13.	Regulations on the Insider Information Policy of JSC Inter RAO (new version)	The Regulations control matters concerning handling and protection of insider information, establish insider liability and rules of transactions made by insiders with Company financial instruments and also other matters related to handling and protection of insider information.	The Board of Directors (Minutes dated 02.12.2013 No. 104)
14.	The Internal Control Policy of PJSC Inter RAO	The Policy defines the objectives, key principles, and united approaches to organization of internal control at the Company, as well as the roles and liability of internal control subjects.	The Board of Directors (Minutes dated 03.05.2011 No. 41)
15.	The Corporate Risk Management Policy of PJSC Inter RAO	The Policy defines the objectives, key principles, and united approaches to organization of the corporate risk management system at the Company, as well as the liability of the participants of the corporate risk management system.	The Board of Directors (Minutes dated 30.10.2015 No. 155)
16.	Regulations on the Internal Audit Unit of PJSC Inter RAO	The Regulations develop the principles of the Internal Audit Policy in regards to the procedure on the implementation of the internal audit function at PJSC Inter RAO, defines the goals, objectives, and functions of the Unit, its subordination, rights and duties, as well as liability of the Unit personnel.	The Board of Directors (Minutes dated 30.10.2015 No. 155)
17.	Regulations on the Non-Core Asset Management of PJSC Inter RAO	The Regulations define the general principles and procedure of non-core asset management at the Company, and also establishes the principles and procedures for non-core asset sales, and specific features for taking any other action in respect of non-core assets.	The Board of Directors (Minutes dated 03.05.2011 No. 41)
18.	Regulations on Insurance Protection of PJSC Inter RAO	The Regulations specify Company requirements for the acquired insurance protection of each type of insurance, the Company's requirements to insurance companies, and provision of the Company's insurance protection by stages.	The Board of Directors (Minutes dated 17.12.2012 No. 83)

No.	Internal regulation	Basic Provisions	Governing body that approved the document
19.	Declaration of Environmental Liability of PJSC Inter RAO	The Declaration defines the Company's strategic goals in environmental protection and rational nature management, as well as the Company's lines of business for achieving environmental goals.	The Board of Directors (Minutes dated 02.04.2012 No. 64)
20.	Declaration of the Maximum Permissible Debt Load Level of PJSC Inter RAO	The Declaration establishes the procedure for determining limits of the Company's management authority with respect to loan borrowing transactions.	The Board of Directors (Minutes dated 24.06.2013 No. 94)
21.	Compliance Policy of PJSC Inter RAO	The Policy defines goals and objectives of the Group in the framework of its implementation, Group Compliance principles and key processes, is applicable to all employees of the Group companies and is mandatory.	The Board of Directors (Minutes dated 03.04.2014 No. 111)
22.	Regulations on the Procedure of Regulated Procurement of Goods, Jobs, and Services for the Needs of PJSC Inter RAO (new version)	The Regulations govern procurement relations and determine the content, sequence, and terms of procurement procedures and key functions of procurement subjects.	The Board of Directors (Minutes dated 05.05.2015 No. 140)
23.	Fraud and Corruption Management Policy of PJSC Inter RAO	The Policy is a basic document, which defines main goals, objectives, principles, and the Group activities for fraud and corruption management, which is aimed at coordinating operations of employees of business units and Group companies focused on prevention, discovery, and fighting of fraud and corrupt practices within the Group, and ensuring the safety of its business processes.	The Board of Directors (Minutes dated 03.02.2014 No. 107)
24.	Regulations on the Quality Management System of PJSC Inter RAO	The Regulations set the goals, objectives, and principles of the operation of the quality management system, defines key requirements, and provides for the functioning of the system.	The Board of Directors (Minutes dated 30.10.2015 No. 155)
25.	Regulations on Provision of Information to rescue of PJSC Inter RAO	The Regulations ensure observance of shareholders' rights to information by the Company, set the procedure and terms for delivery of information as stipulated by the law to the shareholders at the Company.	The Board of Directors (Minutes dated 30.03.2015 No. 137)

12.11 Information on fulfilment of the orders of the President and Government of the Russian Federation aimed at improving the business activities of PJSC Inter RAO

No.	Type of order	Registration data	Name of order	Execution status	Details and content of the decisions adopted
1.	Order of the Government of the Russian Federation	Dated 26.08.2014 No. 4988p-P9	To develop and deliver to the Board of Directors for approval a Plan of Events (roadmap) for implementation of the provisions of the Corporate Governance Code in the Company's activities.	Implemented	By resolution of the Board of Directors of PJSC Inter RAO dated 07.04.2015 ³⁰⁵ , Plan of Events (roadmap) for implementation of the provisions of the Corporate Governance Code in the Company's activities was adopted.
2.	Order of the President / Government of the Russian Federation	Dated 05.12.2014 No. Pr-2821/ dated 08.12.2014 No. AD-P9-9176	To develop a set of measures (list of steps) for scheduled step-by-step substitution of procurement of foreign products (jobs, services) with Russian products (jobs, services) equivalent in their technical and consumer properties for use in implementation of investment projects and current activities, based on the principles of economical feasibility and technological justification. To include a list of steps and values of the parameters of these steps in the Strategy / Long-term Development Programme of PJSC Inter RAO.	Implemented	By resolution of the Board of Directors of PJSC Inter RAO dated 30.04.2015 ³⁰⁶ , the list of relevant steps in the Strategy / Long-term Development Programme of PJSC Inter RAO as adopted by the Board of Directors of the Company on 13.03.2014 (minutes No. 110), which was supplemented with Subsection 9.3 "Import Substitution", was adopted.
3.	Order of the Government of the Russian Federation	Dated 29.05.2013 No. 867	To adopt the Plan of Steps for Expanding the Access for Small and Medium Businesses to Procurement of the Inter RAO Group, which are customers and whose procurement is governed by the Federal Law dated 18.07.2011 No. 223-FZ "On the Procurement of Goods, Jobs, and Services by Certain Types of Legal Entities".	Implemented	By resolution of the Board of Directors dated 30.04.2015 ³⁰⁷ (Minutes dated 05.05.2015 No. 140), the new version of the Regulations on the Procedure of Regulated Procurement of Goods, Jobs, and Services for the Needs of PJSC Inter RAO was adopted. At the first stage, the Regulations on the Procedure of Regulated Procurement of Goods, Jobs, and Services for the Needs of PJSC Inter RAO were amended as regards a greater share of electric procurement in the total annual volume of open competitive purchases (in 2015, 45% or more; in 2016, 50% or more; in 2017,

³⁰⁵ Minutes dated 09.04.2015 No. 138.

³⁰⁶ Minutes dated 05.05.2015 No. 140.

³⁰⁷ Minutes dated 05.05.2015 No. 140.

No .	Type of order	Registration data	Name of order	Execution status	Details and content of the decisions adopted
					60% or more; in 2018, 70% or more) and annual allocation in the procurement structure of lots to purchase innovative products from SMB instead of traditional products in an amount of 20% or more of the annual purchase volume of the type of standard product, which can be substituted with the innovative product developed by SMB.
4.	Order of the Government of the Russian Federation	Dated 26.01.2015 No. ISH-P13-321	Analysis of results of the establishment of the united Treasury of the Inter RAO Group on an annual basis	Implemented	By resolution of the Board of Directors of PJSC Inter RAO dated 29.09.2015 ³⁰⁸ , the report on the results of the establishment of the united Treasury of the Inter RAO Group was adopted. The established united Treasury system meets the objectives stated in the Rosimushchestvo Directive dated 01.04.2015 No. OD-11/12472 and matches the general recommendations on specification of Directives to representatives of the interests of the Russian Federation for participation in meetings of the Boards of Directors (Supervisory Boards) of joint stock companies whose shares are federally owned on matters of basic financial management functions at the company, in particular, with regard to establishment of united treasuries, as per the letter of Rosimushchestvo dated 08.07.2015 No. 11/27552 "On the recommendations for establishment of united treasuries", save for clause 3 "Control of Procurement", as this is a function of LLC Inter RAO – Procurement Management Center, a subsidiary of PJSC Inter RAO.
5.	Order of the President of the Russian Federation	Dated 27.12.2014 No. Pr-3013	The Chairman of the Management Board of PJSC Inter RAO shall ensure the delivery of materials that are mandatory for the preparation and holding of annual Company General Meetings of Shareholders, reports on implementation of long-term development programmes,	Implemented	By resolution of the Board of Directors dated 26.11.2015 ³⁰⁹ , a new version of the Regulations on the Information Policy of PJSC Inter RAO was adopted, which defines the requirements to the content and structure of the Annual Report.

³⁰⁸ Minutes dated 01.10.2015 No. 154.

³⁰⁹ Minutes dated 30.11.2015 No. 157.

No .	Type of order	Registration data	Name of order	Execution status	Details and content of the decisions adopted
			and achievement of approved key performance indicators.		
6.	Order of the President / Government of the Russian Federation	Dated 05.12.2014 No. Pr-2821/ 04.12.2014 No. DM-P13-9024	<p>To ensure the following:</p> <ul style="list-style-type: none"> • development of a set of measures (list of steps) for achieving a value of the operating cost reduction parameter by at least 2-3% per year (OC reduction parameter) and determination of target values of parameters of implementation of such steps; • inclusion of the list of steps and values of parameters of implementation of such steps as well as the value of the OC reduction parameter, starting from its 2015 value, on the long-term development programme of the JSC subject to the Systemic Regulations on Development of Long-term Development Programmes of Strategic Joint Stock Companies and Federal State Unitary Enterprises that are included on special lists as adopted by the orders of the Government of the Russian Federation dated 23.01.2003 No. 91-r and 20.06.2011 No. 1060-r, as well as open joint stock companies, the share of the Russian Federation in the authorized capital of which exceeds 50% in total, which were approved by the Order of the Government of the Russian Federation dated 15.04.2014 No. ISH-P13-2583; • inclusion of the of the OC reduction parameter on the list of key parameters of management performance efficiency, 	Implemented	<p>By resolution of the Board of Directors dated 16.06.2015 (Minutes dated 19.06.2015 No. 144), the following decision was made:</p> <p>1.1 To take account of the information that the Company has a consolidated Cost Management Programme (CMP) adopted by the Board of Directors of the Company³¹⁰ for key companies of the Group for 2014-2016 divided by steps, which implies annual reduction of operation costs by at least 2-3% per year. To consider the steps for development of a set of measures (list of steps) for achieving a value of the operating cost reduction parameter by at least 2-3% per year and determination of target values of parameters of implementation of such steps to be completed.</p> <p>1.2. To take account of the information that the Company's approved Strategy / Long-Term Development Programme of PJSC Inter RAO for the period until 2020 contains a set of measures (list of steps) for achieving a value of the operating cost reduction parameter by at least 2-3% per year, as well as values of parameters of implementation of such steps / operating cost reduction parameter.</p> <p>1.3. To take account of the information that the Company's 2015 list of key parameters of management performance efficiency of the Chairman of the Management Board, members of the Management Board of PJSC Inter RAO contains an annual control parameter linked to performance of CMP of controlled persons / Group³¹¹.</p> <p>1.4. To take account of the information that the</p>

³¹⁰ Minutes dated 30.12.2014 No. 132.

³¹¹ Resolution of the Board of Directors of PJSC Inter RAO 29.12.2014 No. 131.

No .	Type of order	Registration data	Name of order	Execution status	Details and content of the decisions adopted
			<p>which must be taken into account for payroll and HR decisions and connection of the OC reduction parameter with the remuneration to the JSC management;</p> <ul style="list-style-type: none"> • amendment of the employment contract with the single-member executive body of the JSC with inclusion of the duty to achieve the values of the OC reduction parameter as stipulated by the Long-term Development Programme of the JSC. 		<p>employment contract of the Chairman of the Management Board³¹² contains clause 4.2.8, "The manager shall provide achievement (performance) of target values of key performance indicators (KPI) that are set for the Company" (clause 4.2.17 of the draft employment contract of the Chairman of the Management Board from June 2015), which provides compliance with the Directive dated 28.04.2015 No. OD-11/16866 as regards "amendment of the employment contract with the single-member executive body of the JSC with inclusion of the duty to achieve the values of the OC reduction parameter as stipulated by the Long-term Development Programme of the JSC".</p>
7.	Order of the President of the Russian Federation	Dated 27.12.2014 No. Pr-3013	<p>To ensure development (amendment) of the following internal Company documents in accordance with the systemic guidelines approved the Government of the Russian Federation:</p> <ul style="list-style-type: none"> • Regulations for Raising the Investment and Operating Efficiency and Cost Reduction; • Regulations on Internal Audit; • Regulations on the Quality Management System; • Regulations on Risk Management System; • Regulations on the Procedure of Development and Implementation of Innovative Development Programmes. 	Implemented	Data in the attached table 12.9 "Local regulations that are effective at the Company"
8.	National Financial Stability Council	Dated 10.04.2015 No. 7	An order to the Management Board of the Company, when defining material conditions of new export contracts, to take account of the need to include a clause on possible settlements in rubles and a reasonable minimum share of settlement	Implemented on an ongoing basis	In 2015, no new export contracts were made.

³¹² Resolutions of the Board of Directors of PJSC Inter RAO (Minutes dated 25.11.2009 No. 21, Minutes dated 24.02.2010 No. 24).

No .	Type of order	Registration data	Name of order	Execution status	Details and content of the decisions adopted
			in Russian rubles in the total export. However, this provision shall not apply to prolongations of contracts that are valid when this decision is made, including negotiation of price parameters of valid contracts for future periods.		
9.	Order of the Government of the Russian Federation	Dated 31.07.2015 No. 5024p-P13 (DSP)	<p>1. Within 10 days after the Company receives the systemic recommendations of the Russian Ministry of Economic Development with regard to development of the Regulations on the Procedure of Establishment and Use of Sponsor Support and Charity Fund, to provide the development of a sponsorship and charity budget and regulations on the order of establishment and use of the sponsor support and charity fund.</p> <p>2. To supplement the Annual Company Report as regards showing information in the areas and amounts of sponsor support and charity of the Company and its subsidiaries and affiliates in the reported period (starting from the statements for the business years 2015-2016) in the Annual Report of the Company.</p> <p>3. To make quarterly reports on the use of funds for sponsor and charity activities of the Company and its subsidiaries and affiliates as part of the matter of review of business plan implementation reports.</p>	Implemented with regard to clauses 1 and 3. Clause 2 will be implemented in the preparation of the Annual Report for 2016.	<p>By resolution of the Board of Directors dated 29.01.2016³¹³, the Regulations on Charity and Sponsor Activities of the Inter RAO Group was adopted.</p> <p>Clause 3 is implemented as part of the matter of review of business plan implementation reports of the Company and the Group for the relevant reported period by the Board of Directors of the Company.</p>
10.	Order of the President of the Russian Federation	Dated 01.07.2014 No. Pr-1627	On the inclusion of the basic parameters of human resource needs in long-term development programmes, including those in engineering and technical	Implemented	The adopted Strategy / Long-term Development Programme of PJSC Inter RAO ³¹⁴ includes the information that is required by this order. In particular, the document stipulates a reduction of

³¹³ Minutes dated 01.02.2016 No. 160.

³¹⁴ Minutes of the Meeting of the Board of Directors dated 17.03.2014 No. 110.

No .	Type of order	Registration data	Name of order	Execution status	Details and content of the decisions adopted
			professions that are necessary for implementation of the main activities of the programme.		the headcount of the Inter RAO Group in 2015-2020 by 10.5%, in particular, at the account of steps for optimization of organization structures, establishment of “flat organization structures” which enable optimization of the number of administrative and management staff in accordance with global equivalents.

12.12 Government support

List of projects that received government support of high-tech equipment and service exports in 2015

Project name / subject matter	Project description
Increase of the capacity of the East Havana TPP in Santa Cruz del Norte, Mayabeque, for 3 units, 200 MW, and the Maximo Gomez TPP in Mariel, Artemisa, for 1 unit, 200 MW, using Cuban crude oil as fuel	<p>Goal and objectives of the investment project: pursuant to the contract, Inter RAO – Export will provide organization and management for the project implementation, comprehensive services of design, delivery, and startup of all the main and auxiliary power equipment made in Russia. The contract price is approximately EUR 1.2 bln, the term of its implementation is 8 years.</p> <p>Form of government support: state export credit granted by the Government of the Russian Federation to the Government of Cuba under an agreement between the Government of the Russian Federation and the Government of Cuba on the granting of a state export credit to the Government of Cuba to fund the construction of four power units at heat power plants in Cuba.</p> <p>Amount of the state export credit granted to the Government of Cuba: EUR 1.08 bln (90% of the total contract price).</p> <p>Events in the reported period: On October 22, 2015, the Contract for construction of four power units at heat power plants in Cuba with single installed capacity of 200 MW (1 at Maximo Gomez TPP and 3 at East Havana TPP) was drafted and signed in Moscow at the meeting of the co-Chairmen of the Russian-Cuban Intergovernmental Commission. Pursuant to the Russian Government Order dated 17.10.2015 No. 2075, on October 22, 2015, the agreement between the Government of the Russian Federation and the Government of Cuba on the granting of a state export credit was signed, and it became effective on February 3, 2016. No funding under the Agreement was provided in 2015.</p>
Deliveries of separate additional equipment items for the electricity infrastructure to Cuba	<p>Goal and objectives of the project: delivery of additional equipment to Cuba in the total amount of EUR 466,555.61 in 2015 by LLC Inter RAO – Export under two contracts.</p> <p>Form of government support: insurance coverage of the state export insurance agency, JSC EXAR (secured by the state guarantee of the Russian Federation) as insurance of the supplier's credit from the risk of the foreign purchaser's non-payment for the delivery with deferred payment, and insurance of short-term accounts receivable (365 days).</p> <p>Amount of insurance: the maximum coverage is EUR 466,555.61.</p> <p>Events in the reported period: under two contracts signed on November 20, 2015, and December 13, 2015, all the equipment was shipped with 360 days deferred payment from the customer secured by the EXAR insurance policy (equipment from the producer was purchased by LLC Inter RAO – Export with own funds). Payment for the supply will be made by the customer, respectively, in November and December 2015.</p>

List of projects that received government support of high-tech equipment and service exports in 2015

Project name / subject matter	Project description
Supply and construction of a gas turbo plant and steam turbine of the Termogas Machala TPP (300 MW) in Ecuador ³¹⁵	<p>Goal and objectives of the investment project: construction, delivery, assembly, and commissioning of a gas turbo generator, implementation of a combined cycle at the Termogas Machala TPP, and construction of the electricity infrastructure under a signed international contract with CELEC E.P. (signed on 15.07.2013) for the total amount of USD 229.7 mln.</p> <p>Form of government support, regulations: government guarantees of the Russian Federation in foreign currency for government support to exports of industrial products, jobs, and services made in Russia. Rules adopted by the Russian Government Order No. 803 dated November 1, 2008.</p> <p>Measure and amount of support: government guarantee of the Russian Federation in a maximum coverage amount of RUB 320 mln for a sovereign guarantee of the Government of Ecuador to secure the liabilities of CELEC E.P., an Ecuadorean company, with regard to repayment of principal and payment of interest under the export loan of JSC Roseximbank to fund 85% of the total contract price, RUB 195.3 mln.</p> <p>Events in the previous and reported period: in 2015, delivery was performed of the set of main production equipment produced on account after advance payments were received in 2013 and 2014.</p>
Supply of electric and hydraulic mechanical equipment for the Toachi Pilaton HPP, Ecuador <small>Ошибка! Закладка не определена.</small>	<p>Goal and objectives of the project: implementation of an international contract between PJSC Inter RAO and the Ecuadorean state company, HYDROTOAPI (currently CELEC E.P.) for the delivery of electric and hydraulic mechanical equipment for the Toachi Pilaton HPP. The contract price is USD 145 mln.</p> <p>Form of government support: government guarantees of the Russian Federation in foreign currency for government support to exports of industrial products, jobs, and services made in Russia.</p> <p>Amount of government support: government guarantee of the Russian Federation for a sovereign guarantee of the Government of Ecuador to secure the liabilities of CELEC E.P., an Ecuadorean company, with regard to repayment of principal and payment of interest under the export loan from JSC Roseximbank to fund 85% of the total contract price, USD 123.3 mln.</p> <p>Events in the reported period: in 2015, design and production of hydraulic turbine plans and electric mechanical equipment was performed and competed equipment was delivered to Ecuador on account after the received advance payment (in September 2013, an advance payment of USD 34.5 mln, 20% of the contract price was received from the customer against an advance payment refund bond for the entire amount of the advance payment).</p>
Construction, reconstruction, and modernisation of the	<p>Goal and objectives of the project: Reduction of the amount of polluted wastewater and more rational use of water resources.</p> <p>Form of government support: government subsidy for reimbursement of interest costs on loans taken for the</p>

³¹⁵ Contracts of LLC Inter RAO – Export signed previously, for which state support was received in 2015.

List of projects that received government support of high-tech equipment and service exports in 2015

Project name / subject matter	Project description
<p>circulating and repeated/recycling water supply and treatment facilities at TKG-11</p>	<p>purpose of implementation of the investment project.</p> <p>Federal target programme: FTP Development of the Water Management System of the Russian Federation in 2012-2020 as per the Russian Government Order dated 19.04.2012 No. 350.</p> <p>Amount of the subsidies: in 2015, the amount of subsidies received was RUB 7,734 thousand</p>
<p>Construction of a 440 MW CCGT at the Zatonskaya CHPP-5</p>	<p>Goal and objectives of the investment project: construction of two CCGTs with combined electricity and heat generation based on modern gas turbo equipment with high economical and environmental performance and a set of off-site infrastructure facilities. The installed electric capacity is 440 MW (in condensation mode), and the installed heat capacity is 290 Gcal/hour.</p> <p>Form of government support: Government guarantee support in the amount of up to 25% of the project cost for borrowing in the form of project financing at an authorized bank at the rate of 11.5%.</p> <p>State programme: Programme of support of investment projects implemented in the Russian Federation based on project financing, as adopted by the Russian Government Order dated October 11, 2014, No. 1044.</p> <p>Amount of support: government guarantee for in the amount of RUB 2,634 mln.</p>

12.13 Disclosure of material litigations

Major pending litigation as at December 31, 2015, in which PJSC Inter RAO was involved as a plaintiff or defendant in 2014-2015

PLAINTIFF	DEFENDANT	Subject matter of the claim	Amount of the claim, RUB	Likelihood of a negative outcome	Current status of the case
GPVD Ukrinterenergo, Ukraine (is at the same time the defendant in a counterclaim)	PJSC Inter RAO (is at the same time the plaintiff in a counterclaim)	The initial claim to PJSC Inter RAO for recovery of overpayment for April 2015; counterclaim of the PJSC Inter RAO to GPVD Ukrinterenergo for recovery of debts and default interest for electricity delivered in April 2015 under the contract; the dispute is related to the Ukrainian party's refusal to take account of electricity crossflows via individual interstate power lines	41,946,550 (initial claim) 380,510,358 (counterclaim)	Below average	Session at the International Commercial Arbitration Court of the Chamber of Commerce and Industry of Russia is due on 21.03.2016
PJSC Inter RAO	JSC Ivenergosbyt	Involvement in bankruptcy proceedings	152,525,891.29	Low	In December 2013, JSC Ivenergosbyt declared bankruptcy and arbitration proceedings were initiated (prolonged until 05.06.2016). Initially, a debt of RUB 190 mln was included on the list of claims, following which PJSC Inter RAO sold (assigned) part of the rights of claim to JSC Ivenergosbyt for RUB 38 mln to LLC Garant Electricity Supply Company. The remaining debt of JSC Ivenergosbyt to PJSC Inter RAO is RUB 152 mln.
PJSC Inter RAO	The Interdistrict Inspectorate No. 4 of the Federal Tax Service of Russia for Major Taxpayers	Invalidation of the tax authority's resolution dated 14.03.2014 No. 03-1-31/006 and demand concerning the business of JSC WGC-3	425,181,526	Medium	The amount according to the protocol is RUB 425,181,526. RUB 87 mln were listed as a result of pretrial and trial work. The case hearing was completed in February 2016. An additional amount of tax (penalties) of RUB 306,245,464 was charged (the tax was paid).

Significant fines and non-monetary sanctions for non-compliance with legal regulations by companies of the Group

Subsidiary	Authority that imposed the penalty	Fines and sanctions imposed on the company
JSC Inter RAO Electric Power Plants	Non-Profit Partnership Market Council Association	<p>Fine, RUB 980,704 thousand</p> <p>For compensation of losses in the form of penalties under CDA, a claim was filed for recovery of such losses from the Contractor, JSC VO Tekhnopromexport, for the period from 01.01.2014 to 30.04.2014; by the judgment dated 06.04.2015 for the case No. A40-105340/14, the claim was dismissed.</p> <p>For the remaining period of losses, a claim for reimbursement in amount of losses has been made to GPB (JSC) under a bank guarantee providing fulfillment of obligation of JSC Technopromexport towards JSC Inter RAO – Electric Power Plants.</p> <p>This claim of JSC Inter RAO – Electric Power Plants has been satisfied by GPB (JSC).</p>
JSC Inter RAO Electric Power Plants	Non-Profit Partnership Market Council Association	<p>Fine, RUB 268,412 thousand</p> <p>GPB (JSC) has satisfied a claim of JSC Inter RAO – Electric Power Plants for reimbursement of losses under a bank guarantee in amount of paid fine.</p>
JSC Inter RAO Electric Power Plants	Non-Profit Partnership Market Council Association	<p>Fine, RUB 125,919 thousand</p> <p>JSC Inter RAO Electric Power Plants filed a claim for recovery of losses from the Contractor, CJSC Atomstroyexport. The Contractor filed a counterclaim, and ultimately the parties reached an amicable agreement on the case No. A40-103785/14 on the absence of claim to each other.</p>

12.14 Glossary

Abbreviations

TSA	Trading system administrator of the electric energy (capacity) wholesale market	UPS	Unified Power Systems
BM	Balancing market	CCPP	Combined cycle power plant unit
GS	Guaranteed Supplier	RGC	Regional Generation Company
SDPP	State district power plant (in Russia - thermal power plants)	RC	Regulated contracts
GTU (GTPP)	Gas turbine unit (gas-turbine power plant)	RDD	Regional dispatching directorates
HPP	Hydraulic power plant	RAS	Russian accounting standards
CDA	Capacity delivery agreement	DAM	Day-ahead market
CPT	Competitive power take-off	ECPSC	Electricity and capacity purchase and sale contract
KPI	Key performance indicators	SOUPS	System Operator of Unified Power System
IDGC	Interregional distribution grid company	TS	Trading schedule
IFRS	International Financial Reporting Standards	TGK	Territorial generating company
NP	Non-profit partnership	TPP	Thermal power plant
OGK	Wholesale Generating Companies	CHPP	Combined heat and power plant
UDD	United Dispatching Directorates	FGC UES	Federal Grid Company of Unified Energy System
AWP	Autumn and winter period	FTS	Federal Tariff Service
WECM	Wholesale Electricity and Capacity Market		

Units

GW	gigawatt	Measurement unit of electric power	kW	kilowatt	Measurement unit of electric power
Gcal	gigacalorie	Measurement unit of heat energy	kWh	kilowatt.hour	Measurement unit of generated electric energy
Gcal/h	gigacalorie/hour	Measurement unit of heat energy	MW	megawatt	Measurement unit of electric power
Hz	Hertz	Frequency of electric current	TNF	tonne of natural fuel	Measurement unit
kV	kilovolt	A unit of voltage	KGOE	kilogram[s] of oil equivalent	Measurement unit
kVA	kilovolt-ampere	Measurement unit of full power	t/h	tonnes per hour	Measurement unit of steam-production capacity

Financial terms

MSCI Emerging Markets Index is a stock markets index for developing countries, calculated and published by Morgan Stanley Capital International. The index consists of 26 indices of developing markets (Russia, Argentina, Mexico, Thailand and others) and is intended to measure equity market performance in emerging market economies.

MSCI Russia Index is the index of companies in the Russian market which is included in the group of indices that constitute the MSCI Emerging Markets. The index is calculated by analytical agency Morgan Stanley Capital International, incorporating Russian mid- and large-cap companies and is the benchmark for many international investors investing in Russian assets, as well as investors following an index investment strategy.

MICEX Index is a price-weighted market capitalization (free-float) composite index of the Russian stock market, which includes the 30 most liquid equities of the largest and most dynamically developing Russian issuers, the economic activities of which relate to major sectors of the economy, and is listed as CJSC MICEX Stock Exchange.

MICEX Mid Cap Index is a price-weighted market capitalization (free-float) index of the most liquid shares of Russian companies with standard capitalization listed on the MICEX stock exchange.

MICEX Power Index is a price-weighted market capitalization (free-float) index, which includes the most liquid stocks of Russian companies in the power industry that are listed on the MICEX Stock Exchange.

RTS Index is a price-weighted market capitalization (free-float) index including shares of the 50 most highly capitalised Russian companies listed on the RTS stock exchange.

Treasury shares (treasury stock in the USA, treasury shares in the UK) are Issuer owned shares. Treasury shares do not have voting rights, are not entitled to preferential rights, and do not

participate in dividend distribution or property partition in case of the Issuer's liquidation. Treasury shares are circulating, they are issued, but not yet paid. However, they may be cancelled in accordance with the procedure established by the Articles of Association and legislation, with a corresponding reduction in the authorised capital.

13 Contact Details

Full company name in the English language:

Public Joint Stock Company Inter RAO UES

Short company name in the English language:

PJSC Inter RAO

State registration details:

Primary State Registration Number (OGRN):

1022302933630

State registration date:

November 01, 2002

Name of the registration authority as specified in the Certificate of Record in the Unified State Register of Legal Entities:

Inspectorate of the Russian Tax Ministry, Sochi, Krasnodar Territory
Series and number of the legal entity's entry in the Uniform State Register of Legal Entities

Series 23 No. 002387411

13.1.1.1 Legal Address:

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13.1.1.2 Postal Address:

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