

11.8. Approval of Interrelated Contracts of the Company's Surety to the Owners of Corporate Bonds to Secure the Obligations of INTER RAO Finance LLC Arising in Connection with the Issuance by INTER RAO Finance LLC of Bonds

The surety contracts proposed for approval aim to secure the obligations of INTER RAO Finance LLC arising in connection with the issuance by INTER RAO Finance LLC of bonds. Bonds can be issued in two forms – bonds with mandatory state registration and exchange-traded bonds placed as part of a program.

The validity of the issue documentation on these issues expires on November 13, 2016. New financing instruments will need to be used if there are not appropriate market conditions for bond issuance. It is therefore necessary to prepare new issue documents.

Pursuant to amendments to the Listing Rules of CJSC "MICEX Stock Exchange", INTER RAO Finance LLC can place exchange-traded bonds as well. It is therefore possible to provide for 2 instruments at once and choose the optimal one when preparing the transaction.

It is thereby suggested that borrowing be increased to 100 billion rubles and that the placement period be reduced to 5 years instead of 10 years in accordance with the issue documentation in effect.

The suggested maximum amount of borrowing is conditioned by the amount of refinancing of the current part of the Group's credit portfolio and financing of the current and investment activities of Inter RAO Group companies. In accordance with the statements under IFRS for 2015, Inter RAO Group's credit portfolio amounts to RUB 76.3 bln, including RUB 33.7 bln of short-term credits and loans and RUB 42.6 bln of long-term obligations.

The Group's investment program deficit during 2016, in accordance with the 2015-2020 medium-term investment program which was approved by the Management Board of PJSC "Inter RAO", will amount to no more than RUB 32.9 bln. The need for external financing therefore amounts to approximately 100 billion rubles.

Earlier, surety for the registered issues was approved by a resolution of the Shareholders Meeting of PJSC "Inter RAO" (Minutes of the Annual General Shareholders Meeting No. 15 dated June 1, 2015) under terms similar to the current ones.

It is suggested that the validity of this approval be extended to 3 years, as the new issue documentation can be extended after registration to 3 years. In accordance with Decree No. 28 of the Plenum of the High Arbitration Court of the Russian Federation dated May 16, 2014, a resolution on approval can set the validity term of such approval; in this case, only a transaction executed within this term is deemed to be duly approved.

Bond placement without this approval is impossible, as the terms for securing a loan guaranteed to investors in accordance with the issue documentation will be violated.

Under the surety contracts: the obligations of INTER RAO Finance LLC to debt borrowers will be secured by the surety(ies)/guarantee(s) of PJSC "Inter RAO" in the amount of the bondholders' property rights, which involve the right to receive, within the set period, the accrued coupon yield and the nominal value for bonds in series 05 to 08 or exchange-traded bonds, as well as possible penalties arising during bond issue servicing.

Pursuant to the entry into force on January 1, 2012, of Federal Law No. 227-FZ dated July 18, 2011, "On Amendments to Individual Legislative Acts of the Russian Federation Improving the Principles of Determination of Prices for Taxation Purposes" and transfer pricing rules, PJSC "Inter RAO" must execute intracompany sureties on a paid basis.

The borrowing entity obtains economic benefits from the received surety in the form of saved interest, and the guarantor company accepts commercial risks related to the need for loan servicing in case of the deterioration of the borrower's financial standing.

The amount of payment for providing surety securing the obligations of subsidiary companies of PJSC "Inter RAO" is determined by Order of PJSC "Inter RAO" No. IRAO/335 dated July 7, 2015, "On Establishing Internal Credit Ratings of Inter RAO Group Companies and the Range of Market Interest Rate" and corresponds to a certain range of the internal credit rating of INTER RAO Finance LLC, taking into account the validity term of the obligations under the attracted debt set by this resolution (no more than 12 years).

In accordance with Article 81 of Federal Law No. 208-FZ "On Joint-Stock Companies" dated December 26, 1995, the transactions offered for consideration are (or can be further recognized as) non-arm's-length transactions:

- The surety contract(s) is (are) a related-party transaction (several interrelated transactions) and is subject to approval by the Company's General Shareholders Meeting based on Article 81 Clause 1 of the Federal Law "On Joint Stock Companies" and Article 10 Clause 10.4 of the Articles of Association of PJSC "Inter RAO", as Member of the Management Board of PJSC "Inter RAO" D. N. Palunin is simultaneously a Board Member of INTER RAO Finance LLC.

- JSC ROSNEFTEGAZ may also be acknowledged as a related party as a shareholder owning, jointly with its affiliates, more than 20% of voting shares of PJSC "Inter RAO", because an affiliate of JSC ROSNEFTEGAZ (PJSC "Inter RAO") owns 100 percent of the shares of INTER RAO Finance LLC.

According to Article 49 Clause 3 of the Law "On Joint Stock Companies", the resolutions of the General Shareholders Meeting on the approval of non-arm's-length transactions shall be made only at the suggestion of the Board of Directors.

In accordance with Article 83 Clause 7 and Article 77 of the Law "On Joint Stock Companies", when the General Shareholders Meeting approves a related-party transaction, the price of such transaction shall be approved by the Board of Directors.

☞ Recommendations to the annual General Meeting on approving such transactions were given by the Board of Directors at the meeting on April 7, 2016 (Minutes No. 165 dated April 7, 2016); in addition, the price (monetary value) of the property (monetary funds) under these transactions was determined in the following amount:

➔ 1. Surety contract(s) concluded between PJSC "Inter RAO" and holders of non-convertible interest-bearing certificated bearer bonds of INTER RAO Finance LLC series 05 to 11 with mandatory centralized custody, in the amount of one hundred million (100,000,000) bonds with a nominal value of one thousand (1,000) rubles each, with a total nominal value of one hundred billion (100,000,000,000) rubles, with a maturity period ending on the one thousand eight hundred and twentieth (1,820-th) day from the date of commencement of placement of the bonds by open subscription (hereinafter the "Bonds"), or exchange-traded non-convertible interest-bearing certificated bearer bonds with mandatory centralized custody, with a total nominal value equal to the total nominal value of all issues of exchange-traded bonds placed as part of the series 001P exchange-traded bonds program, up to one hundred billion (100,000,000,000) Russian rubles, with a maturity period ending on the one thousand eight hundred and twentieth (1,820-th) day from the date of commencement of placement of the issue of exchange-traded bonds within the exchange-traded bonds program by open subscription (hereinafter the "Exchange-Traded Bonds"), in order to secure the obligations of INTER RAO Finance LLC arising in connection with the issue of the Bonds or Exchange-Traded Bonds by INTER RAO Finance LLC in the amount of up to one hundred billion (100,000,000,000) rubles and with the total coupon yield for the Bonds or Exchange-Traded Bonds determined according to the procedure established by the Resolution on Issuance and the Prospectus of the Securities, but no more than fifteen (15) percent per annum in Russian rubles.

2. Surety contract(s) for the obligations of INTER RAO Finance LLC (Debtor) arising in connection with the issuance of Bonds or Exchange-Traded Bonds by INTER RAO Finance LLC, in the amount of the remuneration for PJSC "Inter RAO" (Guarantor) for the provision of surety of up to zero point three (0.3) percent per annum of the total nominal value of the Bonds or Exchange Bonds, not exceeding one hundred billion (100,000,000,000) rubles, and the total coupon yield for the Bonds or Exchange Bonds established by the Resolution on Issuance and the Prospectus of Securities, but no more than fifteen (15) percent per annum in Russian rubles or up to six hundred and nineteen million five hundred thousand (619,500,000) rubles (including VAT of eighteen (18) percent).

It is proposed that the annual general shareholders meeting approve the following resolution:

11.8. Approve the following agreements as non-arm's-length transactions (several interrelated transactions):

11.8.1. Surety contract(s) concluded between PJSC "Inter RAO" and the owners of the Bonds or Exchange-Traded Bonds to secure the obligations of INTER RAO Finance LLC arising in connection with the issue of non-convertible interest-bearing certificated bearer

bonds of INTER RAO Finance LLC series 05 to 11 with mandatory centralized custody in the amount of one hundred million (100,000,000) shares with a nominal value of 1,000 (one thousand) rubles each, with a total nominal value of one hundred billion (100,000,000,000) and a maturity period ending on the one thousand eight hundred and twentieth (1,820-th) day from the date of commencement of placement of the bonds by open subscription (hereinafter the "Bonds"), or exchange-traded non-convertible interest-bearing certificated bearer bonds with mandatory centralized custody with a total nominal value equal to the total nominal value of all issues of exchange-traded bonds placed within the series 001P exchange bonds program, up to one hundred billion (100,000,000,000) rubles, with a maturity period ending on the one thousand eight hundred and twentieth (1,820 th) day from the date of commencement of placement of the issue of exchange-traded bonds as part of the exchange-traded bonds program by open subscription (hereinafter, the "Exchange-Traded Bonds"), on the following fundamental terms:

11.8.1.1. Parties to the agreement:

- PJSC "Inter RAO" — the Guarantor,
- Holders of Bonds or Exchange-Traded Bonds — the Creditors,
- INTER RAO Finance LLC — the Issuer (the Debtor).

11.8.1.2. Securities guaranteed:

- Bonds or Exchange-Traded Bonds

11.8.1.3. Subject matter of the contract(s):

PJSC "Inter RAO" shall jointly and severally with the Issuer (INTER RAO Finance LLC) be liable to the Holders of Bonds or Exchange-Traded Bonds issued by the Issuer for failure to perform or improper performance by the Issuer of its obligations in respect of the Bonds or Exchange-Traded Bonds, including obligations in respect of payments by the Issuer to the Bond Holders or Exchange-Traded Bond Holders of the total amount of the nominal value of the Bonds or Exchange-Traded Bonds at their redemption, not to exceed one hundred billion (100,000,000,000) rubles, and the aggregate coupon yield of the Bonds or Exchange-Traded Bonds which is specified in the Securities Issue Resolution and the Prospectus, but no more than fifteen (15) percent per annum in Russian rubles, and also in respect of acquisition by the Issuer of Bonds or Exchange-Traded Bonds as provided for in the Securities Issue Resolution and the Prospectus, and the interest for late payment of the nominal value of Bonds or Exchange-Traded Bonds at their redemption or acquisition, and/or the coupon yield of Bonds or Exchange-Traded Bonds, other penalties as provided by the laws of the Russian Federation, or compensation of potential court expenses.

11.8.1.4. The amount under the contract(s) shall not exceed one hundred billion (100,000,000,000) rubles plus the amount of the aggregate coupon yield of the Bonds or Exchange-Traded Bonds according to the provisions specified in the Securities Issue Resolution and the Prospectus, but no more than fifteen (15) per cent per annum in Russian rubles, which, in total, shall be no more than one hundred seventy-five billion (175,000,000,000) rubles.

11.8.1.5. Validity term of the contract(s)— the contract(s) shall come into force from the placement date of the Bonds or Exchange-Traded Bonds and shall be valid for one (1) year after complete fulfillment by the Issuer of its obligations to the Bond Holders or Exchange-Traded Bond Holders.

11.8.2. The surety contract(s) for the obligations of Inter RAO Finance LLC arising in connection with the issue of Bonds or Exchange-Traded Bonds of Inter RAO Finance LLC under the following fundamental terms:

11.8.2.1. Parties to the agreement(s):

- PJSC "Inter RAO" — the Guarantor,
- INTER RAO Finance LLC — the Issuer (the Debtor).

11.8.2.2. Subject matter of the agreement(s):

The Guarantor shall, for a fee payable by the Issuer, provide a surety for the performance by the Issuer of its obligations arising in connection with the issue of Bonds or Exchange-Traded Bonds by the Issuer to the security holders for a maximum total amount of up to one hundred billion (100,000,000,000) rubles in respect of payments to the Bond Holders of the nominal value of Bonds and the amount of aggregate coupon yield of the Bonds or Exchange-Traded Bonds, in respect of acquisition by the Issuer of Bonds or Exchange-Traded Bonds as provided for in the Securities Issue Resolution and the Prospectus, with a Redemption Date on or prior to the one thousand eight hundred and twentieth (1,820th) day from the placement date of the Bonds or Exchange-Traded Bonds by open subscription, and in respect of payments by the Issuer of interest for late payment of the nominal value of the Bonds or Exchange-Traded Bonds at their redemption or acquisition, and/or the coupon yield of the Bonds or Exchange-Traded Bonds, other penalties as provided for by the laws of the Russian Federation, or compensation of potential court expenses.

11.8.2.3. The period of the surety is: from the incurrance of obligations arising in connection with the issue by the Issuer of the Bonds or Exchange-Traded Bonds to the security holders and up to one (1) year from the expiration date of the surety-secured obligation.

11.8.2.4. The amount of the fee payable by the Issuer to the Guarantor for rendering the surety shall be no more than zero point three (0.3) percent per annum of the total amount of the nominal value of the Bonds or Exchange-Traded Bonds, not to exceed one hundred billion (100,000,000,000) rubles, and the aggregate coupon yield of the Bonds or Exchange-Traded Bonds specified in the Securities Issue Resolution and the Prospectus, but no more than fifteen (15) percent per annum in Russian rubles or no more than six hundred and nineteen million five hundred thousand (619,500,000) rubles (including VAT of eighteen (18) per cent).

11.8.3. The validity period of the approval shall be three (3) years.