

11.9. Approval of Loan Agreement with INTER RAO Finance LLC

Loan agreements between INTER RAO Finance LLC and PJSC "Inter RAO" involving the distribution of the financing obtained by means of placement of Bonds/Exchange-Traded Bonds in the form of intragroup loans are proposed for approval. The suggested financing scheme will make it possible to reduce the debt cost for the Group and each subsidiary separately by means of attracting and using the loan potential and loan capacity of the entire Group, and not of a separate subsidiary, as well as making it possible to significantly reduce the risks of cross default throughout the Group as a whole.

The attraction of financing by means of placing a bonded loan, by offering to a wide range of investors, ensures that the best competitive offer is received for the price of borrowing.

Furthermore, approval of this transaction is required for the purposes of ensuring that Inter RAO Group's credit portfolio is effective and balanced, which is one of the main conditions for maintaining Inter RAO Group's international credit ratings.

Currently, PJSC "Inter RAO" has a confirmed international Fitch credit rating of BBB-, negative outlook and a Moody's credit rating of Ba2, stable outlook

Furthermore, apart from reducing the debt cost, the bond placement makes it possible to expediently manage the debt portfolio and regulate the Group's liquidity, as well as creating competitive advantages during subsequent lending. Furthermore, a positive public debt history on the internal market creates the required prerequisites for international public debt borrowings and subsequent eurobond issuance.

The loan agreement(s) between PJSC "Inter RAO" and INTER RAO Finance LLC as part of the distribution of bonds of existing issues were approved earlier (Minutes of the Annual Shareholders General Meeting of PJSC "Inter RAO" No. 15 dated June 1, 2015). Attracting this loan will be impossible after the validity term of the issue documentation on the registered issues of bonds expires, which occurs on November 13, 2016.

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.

The draft resolution on this issue differs from the similar (previous) one as follows. As it is suggested that the maximum coupon on new bond issues be approved at a lower rate, the loan rate will also be decreased to 15.5%. The previously approved resolution defined the loan rate as the sum of elements, with a direct reference to the coupon on bonds and transaction costs. Taking into consideration the certainty of the level of the coupon itself and bearing in mind the surety terms, the proposed version determines the agreement price based on the maximum loan rate, taking into account the maximum coupon on bonds and margin (accounted for jointly in one figure) and the compensation of transaction costs of bond attraction (taking into account the costs of servicing the Surety).

Moreover, the term of loan attraction is also reduced from 10 years to 5 years, similarly to the proposed resolution on reducing the term of the bond placements.

In accordance with a decrease in the loan rate, as well as a reduction of the attraction term, the amount of the transaction is significantly decreased, which makes it possible to provide for larger borrowing for the needs of PJSC "Inter RAO". We therefore suggest increasing the loan amount in proportion to the increase in the amount of bonded loans from 40 bln rubles to 60 bln rubles, where the number of bonds issued increased from 60 bln rubles to 100 bln rubles.

The effective rate on a loan in the amount of 60 bln rubles will not exceed 15.67% per annum of the total amount of attraction, whereas the loan interest rate will be no more than 15.5%. The absolute costs for 5 years will amount to no more than 1.02 bln rubles.

The 15.5% rate includes compensation of coupon payments on placed Bonds/Exchange-Traded Bonds of up to 15%, as well as a margin of up to 0.5% per annum aimed at compensation of management costs for INTER RAO Finance LLC to maintain the Issuer at a break-even point. The

final margin level will depend on the actual amount of borrowing. The maximum margin rate of 0.5% corresponds to a borrowing of the minimum amount.

Bond issuance is intended to finance the needs of the Group as a whole. The suggested maximum amount of borrowing is contingent on the amount of refinancing of the 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 in short-term credits and loans and RUB 42.6 bln in 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.

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", resolutions of the General Shareholders Meeting on the approval of related-party transactions shall be made only when proposed by 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:

➔ *To define the price (monetary value) of the property (monetary funds) under the loan agreement(s) between PJSC "Inter RAO" (the Borrower), and Inter RAO Finance LLC (the Lender), in the amount of a loan of sixty billion (60,000,000,000) rubles maximum and loan interest at a rate of no more than fifteen point five (15.5) per cent per annum, as well as the amount of all transaction costs of the Lender, including the fees of the stock exchange, depository, manager, legal and financial adviser, the surety costs, and other expenses related to the cost of attraction, flotation, and repayment of the bonded loan in the amount of no more than one point seven (1.7) percent of the total loan amount.*

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

11.9. To approve the loan agreement between PJSC "Inter RAO" and Inter RAO Finance LLC as a related-party transaction (several interrelated transactions) entered into on the following fundamental terms:

11.9.1. Parties to the Agreement:

INTER RAO FINANCE LLC — the Creditor;

PJSC "Inter RAO" — the Borrower.

11.9.2. Subject matter of the Agreement: The Creditor shall transfer to the Borrower monetary funds in the amount of up to sixty billion (60,000,000,000) rubles, and the

Borrower shall repay the same amount of money within the time limits specified in the Agreement and pay the loan interest and the amount of all transaction costs of the Creditor, including fees of the stock exchange, depository, manager, legal and financial adviser, surety costs, and other expenses related to the cost of attraction, flotation, and repayment of the bonded loan.

11.9.3. The price under the Agreement (the maximum amount for which the agreement(s) may be entered into) shall be no more than sixty billion (60,000,000,000) rubles and the amount of loan interest at a rate of no more than fifteen point five (15.5) per cent, as well as the amount of all transaction costs of the Creditor, including fees of the stock exchange, depository, manager, legal and financial adviser, surety costs, and other expenses related to the cost of attraction, flotation, and repayment of the bonded loan in the amount of no more than one point seven (1.7) percent of the total loan amount.

11.9.4. Effective term of the agreement(s): the agreement shall come into force from the date of the actual transfer of monetary funds by the Creditor to the Borrower and shall be valid for no more than five (5) years from placement of the last series of Bonds or Exchange-Traded Bonds.

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