

16.7. Approval of a loan agreement (loan agreements) between JSC Inter RAO and LLC INTER RAO Finance as an interested party transaction (several related transactions).

The proposed for approval loan agreements between LLC INTER RAO Finance and JSC Inter RAO shall provide the distribution of raised funds received by means of corporate bonds offering in the form of intra-group loans.

The proposed model of financing will allow the reduction of the debt cost of the Group and each affiliate and subsidiary/grandchild company by increasing the amount of fundraising and using borrowed potential and borrowed capacity of the whole Group and not just a separate affiliate, subsidiary/grandchild and will also allow significant reduction of cross default risks of the whole Group.

Fundraising through allocation of bonded loan ensures the receipt of the best competitive offer at the price of loan.

Moreover, the approval of this transaction is required to create an efficient and balanced loan portfolio of the Inter RAO Group which is one of the main conditions for maintaining the international credit ratings of Inter RAO Group.

At present JSC Inter RAO has a confirmed international credit rating of BB+ on the global scale and AA(rus) on the national scale from Fitch Ratings and corporate credit rating Ba1 on the global scale and Aa1 on the national scale from Moody's agency.

Apart from debt cost reduction, the bonded loan provides the possibility of prompt management of debt portfolio and the Group's liquidity, creates competitive advantages for subsequent credit financing. Moreover, a positive public debt history on the internal market creates the necessary conditions for international public borrowings and subsequent issue of Eurobonds.

Loan agreements between JSC Inter RAO and LLC INTER RAO Finance were approved on June 26, 2013 by decision of the Annual General Meeting of Shareholders of JSC Inter RAO.

The term of loan approval has expired so the item is again submitted for consideration. It is proposed to extend the duration of the existing approval for two years.

Apart from approval period establishment the draft resolution contains the following significant changes: in connection with the increase of the maximum bond coupon the loan rate has increased and amounts to 18.5%.

In the previous approved resolution the loan rate was determined as a sum of elements with direct reference to bond coupon, margin and transaction expenses.


In the proposed wording, subject to the definite limit of the coupon in accordance with the guarantee conditions, the price of the agreement is determined by the maximum loan rate subject to the maximum bond coupon amount and the margin (one indicator accounts for all) and compensation of transaction expenses on bond attraction.

As per article 81 of the Federal Law on Joint Stock Companies the transactions submitted for approval are classified as interested-party transactions. The interested parties are:

- Member of the Management Board of JSC Inter RAO Dmitry Nikolayevich Palunin as he is a member of the Board of Directors of LLC INTER RAO Finance.

According to clause 3, Article 49 of the Federal Law "On Joint-Stock Companies", the resolution of the General Meeting of Shareholders on approval of the interested party transactions may be adopted at the suggestion of the Board of Directors only.

According to clause 7, Article 83 and Article 77 of the Federal Law "On Joint-Stock Companies" when the interested party transaction is subject to the approval by the General Meeting of Shareholders the price of such transaction shall be determined by the Board of Directors.

 Recommendations to the Annual General Meeting on the approval of these transactions were made at the meeting of the Board of Directors on April 07, 2015 (Minutes dated April 09, 2015 № 138), as well as the price (monetary value) of the property (funds) under the transactions was determined in the following amounts:

→ *Under the loan agreement(s) between JSC Inter RAO (the Borrower) and LLC INTER RAO Finance (the Lender) equal to the loan amount of up to 40,000,000,000 (forty billion) roubles and interest on the loan at the rate of up to 18.5 (eighteen point five) per cent per annum as well as the amount of all transaction expenses of the Lender including the commissions of the stock exchange, depository, arranger, legal and financial advisor and other expenses relating to the cost of raising, turnover and repayment of a bonded loan in the amount of up to 1.3 (one point three) per cent of the total loan amount.*

Annual General Meeting of Shareholders is proposed to adopt the following resolutions:

16.7. Approve the loan agreement between JSC Inter RAO and LLC INTER RAO Finance that constitutes an interested party transaction (a series of interconnected transactions) on the following essential conditions:

16.7.1. Parties to the Agreements:

LLC INTER RAO Finance- the Lender;

JSC Inter RAO – the Borrower.

16.7.2. Subject matter of the Agreement: The Lender lends cash assets to the Borrower in the amount of up to 40,000,000,000 (forty billion) roubles and the borrower undertakes to return the same amount within the period specified in the Agreement and pay interest at the rate of up to 18.5 (eighteen point five) per cent per annum, the amount of all transaction expenses of the Lender, including the commissions of the stock exchange, depository, arranger, legal and financial advisors as well as other expenses relating to the cost of raising, turnover and repayment of the bonded loan in the amount of up to 1.3 (one point three) per cent of the total amount of the loan.

16.7.3. The price of the Agreement amounts up to 40,000,000,000 (forty billion) roubles and interest on the loan at the rate of up to 18.5 (eighteen point five) per cent per annum as well as the amount of all transaction expenses of the Lender including the commissions of the stock exchange, depository, arranger, legal and financial advisor and other expenses relating to the cost of raising, turnover and repayment of a bonded loan in the amount of up to 1.3 (one point three) per cent of the total loan amount.

16.7.4. Term of the Agreement(s): each of the Agreements comes into effect upon the actual transfer of cash assets by the Lender to the Borrower and shall be valid up to 10 years from the offering date of the last series of Bonds.

16.7.5. Approval validity period – 2 (two) years.