

## **16.8. Approval of a transaction (several related transactions) on the provision of a guarantee for the obligations of INTER RAO finance B.V. related to the issue and placement of INTER RAO Finance B.V. bonds on international capital markets classified as interested-party transaction(s).**

The transactions submitted for approval have to do with the plans of the Inter RAO group to continue to issuing guaranteed bonds (Eurobonds) in the international capital markets.

The proposed financing scheme will make it possible to reduce the total debt of the group as well as the debt of each subsidiary and affiliate by procuring borrowed funds in a centralised manner through the group, using its full borrowing and debt potential rather than through each subsidiary or affiliate. This approach will also reduce the cross default risk of the group as a whole.

Raising financing by issuing Eurobonds by offering them to a broad range of international investors will make sure the group can get the best offer on the interest rate.

In addition, this transaction needs to be approved to ensure an effective and balanced debt financing portfolio for the Inter RAO group, which is one of the key conditions for maintaining good international credit ratings.

Currently JSC Inter RAO has a confirmed international credit rating of B++ on the global scale and an AA (rus) rating on the national scale from the Fitch Ratings agency as well as a Ba2 corporate credit rating on the global scale and an Aa1.ru national rating from the agency Moody's.

In addition to reducing the cost of borrowed funds, issuing international bonds will allow the company to better manage its debt portfolio on a day to day basis, regulating the liquidity of the group and giving it competitive advantages when raising more borrowed financing.

JSC Inter RAO is not expected to have to perform its obligations under the Deed of Guarantee, however, if expenses are incurred, they will be financed from the Company's own funds (depreciation will be the source shown on the books).

At the same time it has to be noted that the terms and conditions to be approved are framework terms and when the decision is taken a whole set of factors are going to be taken into account as well as the advisability of specific financial instruments to be used to raise financing for the Inter RAO group. The specific instrument, i.e. bonds, is only going to be used if competitive interest rates are available in the international debt capital market and on condition that the company is not exposed to any FOREX risks when it floats the bonds.

JSC Inter RAO will make money off the deal and thus the deal will have a positive impact on the Company's financial performance. The price of the deal is no more than 0.3% per year of the obligation secured by the guarantee.


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

- Member of the Management Board of JSC Inter RAO D. Palunin is director A of INTER RAO Finance B.V., at the same time the Member of the Management Board of JSC Inter RAO A. Pakhomov is the director of Inter RAO Management B.V. that is director B of INTER RAO Finance B.V.
- Members of the Management Board of JSC Inter RAO V. Murgulets and A. Boris are members of the Supervisory Board of Inter RAO Finance B.V.

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 Deed of Guarantee, entered into by means of*

*(i) the Company as the guarantor entering into a Deed of Guarantee (hereinafter the Guarantee) with a trusted manager which can be any of the following companies (i) Citicorp Trustee Company Limited or its affiliate, (ii) BNY Mellon Corporate Trustee Services Limited or its affiliate (iii) Deutsche Trustee Company Limited or its affiliate, (iv) TMF Trustee Limited or its affiliate or (v) another person usually hired as trusted manager and a representative of bond holders in similar transactions (hereinafter the Trustee), such that under the Deed of Guarantee (a) the Company provides a guarantee for the obligations of the issuer regarding the issuance and flotation of guaranteed bonds on international capital markets (hereinafter the Bonds) under the terms and conditions the guarantee is provided under and (b) the Company offers warranties and representations and assumes other obligations stipulated by the Guarantee Agreement,*

*(ii) The company entering into a guarantee provision agreement with the issuer under which the Company pledges to provide a guarantee for the obligations of the issuer related to the issuance and flotation of bonds for a fee agreed in the provision of guarantee agreement.*

*(iii) The Company offering warranties, representations and assuming other obligations related to the issuance of bonds as well as obligations to indemnify losses and expenses incurred by the banks underwriting the bond issue, which can include any of the following banks: (i) Deutsche Bank AG, London Branch, (ii) GPB-Financial Services Ltd, (iii) Raiffeisen Bank International AG, (iv) SIB (Cyprus) Limited, (v) Societe Generale Corporate and Investment Banking and/or their affiliates or other persons specified in the subscription agreement (hereinafter the underwriters) in the event of the Company violating its warranties, representations or other obligations (indemnity) stipulated in the subscription agreement entered into between the issuer, the Company and the underwriters as well as other persons specified in the agreement (hereinafter the guarantee documents),*

*In the amount of no more than RUR 82,290,280,000 (eighty two billion two hundred ninety million two hundred eighty thousand rubles) or USD 1,285,785,625 (one billion two hundred eighty five million seven hundred eighty five thousand six hundred twenty five dollars US) or an equivalent amount in another currency throughout the entire period the bonds are in circulation, where:*

*(i) the principal secured by the guarantee does not exceed RUR 40,000,000,000 (forty billion rubles) or USD 625,000,000 (six hundred twenty five million dollars US) or an equivalent in another currency;*

*(ii) the period of all key obligations guaranteed by the Company does not exceed 7 (seven) years;*

*(iii) the interest rate on the bonds does not exceed 15% per year of the principal and the interest on the bonds does not exceed RUR 42,000,000,000 (forty two billion rubles) or USD 656,250,000 (six hundred fifty six million two hundred fifty thousand dollars US) or an equivalent in another currency throughout the whole period of the bonds are in circulation;*

*(iv) The fee payable by the Issuer to the Company for the guarantee does not exceed RUR 290,280,000 (two hundred ninety million two hundred eighty thousand rubles) or an equivalent in another currency, including VAT.*

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

*16.8. Approve the transaction on the provision of a guarantee as a related interested-party transaction(s) and that is conducted by means of*

*(i) the Company as the guarantor entering into a Deed of Guarantee (hereinafter the Guarantee) with a trusted manager which can be any of the following companies (i) Citicorp Trustee Company Limited or its affiliate, (ii) BNY Mellon Corporate Trustee Services Limited or its affiliate (iii)*

*Deutsche Trustee Company Limited or its affiliate, (iv) TMF Trustee Limited or its affiliate or (v) another person usually hired as trusted manager and a representative of bond holders in similar transactions (hereinafter the Trustee) , such that under the Deed of Guarantee (a) the Company provides a guarantee for the obligations of the issuer regarding the issuance and flotation of guaranteed bonds on international capital markets (hereinafter the Bonds) under the terms and conditions the guarantee is provided under and (b) the Company offers warranties and representations and assumes other obligations stipulated by the Guarantee Agreement,*

*(ii) The company entering into a guarantee provision agreement with the issuer under which the Company pledges to provide a guarantee for the obligations of the issuer related to the issuance and flotation of bonds for a fee agreed in the provision of guarantee agreement, and*

*(iii) The Company offering warranties, representations and assuming other obligations related to the issuance of bonds as well as obligations to indemnify losses and expenses incurred by the banks underwriting the bond issue, which can include any of the following banks: (i) Deutsche Bank AG, London Branch, (ii) GPB-Financial Services Ltd, (iii) Raiffeisen Bank International AG, (iv) SIB (Cyprus) Limited, (v) Societe Generale Corporate and Investment Banking and/or their affiliates or other persons specified in the subscription agreement (hereinafter the underwriters) in the event of the Company violating its warranties, representations or other obligations (indemnity) stipulated in the subscription agreement entered into between the issuer, the Company and the underwriters as well as other persons specified in the agreement on the following key terms and conditions:*

*(i) Parties: the Company, the Issuer, the underwriting banks as leading underwriters of the flotation as well as other persons specified in the guarantee agreement documents;*

*(ii) Subject of the transaction:*

*i. Under the Deed of Guarantee (a) the Company provides a guarantee for the obligations of the Issuer related to the issuance and flotation by the Issue of bonds in the international capital markets in accordance with the terms and conditions of the Deed of the Guarantee and (b) the Company offers warranties and representations and assumes other obligations stipulated in the Deed of the Guarantee*

*ii. Under the Deed of Guarantee the Company pledges to offer a guarantee for the obligations of the Issuer related to the issuance and flotation of bonds for a fee agreed in the Deed of Guarantee, and*

*iii. Under the Subscription Agreement, the Company offers warranties and representations as well as assumes other obligations related to the issuance of bonds and indemnification of losses and expenses incurred by the underwriters if the Company violates its warranties, representations and obligations (indemnity) under the subscription agreement;*

*(iii) The principal secured by the guarantee does not exceed RUR 40,000,000,000 (forty billion rubles) or USD 625,000,000 (six hundred twenty five million dollars US) or an equivalent in another currency*

*(iv) The period of all key obligations guaranteed by the Company does not exceed 7 (seven) years;*

*(v) The interest rate for the bonds will correspond to current market conditions at the time it is determined and will not exceed 15% per year of the loan principle on the bonds;*

*(vi) The interest on the bonds does not exceed RUR 42,000,000,000 (forty two billion rubles) or USD 656,250,000 (six hundred fifty six million two hundred fifty thousand dollars US) or an equivalent in another currency throughout the whole period of the bonds are in circulation;*

*(vii) The fee payable by the Issuer to the Company for the guarantee does not exceed RUR 290,280,000 (two hundred ninety million two hundred eighty thousand rubles) or an equivalent in another currency, including VAT;*

*(viii) The documents for the Deed of Guarantee shall be governed by British law.*

*16.8.1. The approval is valid for 5 (five) years.*