



INVESTOR PRESENTATION

Acquisition of OJSC Bashkirenergo's Generating Assets by
OJSC INTER RAO UES

12 May 2012



Executive Summary

- n 12/05/12 OJSC INTER RAO UES (“**INTER RAO**” or the “**Company**”) and AFK Sistema (“**Sistema**” and, jointly, the “**Parties**”) signed an agreement on terms and conditions of OJSC Bashkirenergo (“**Bashkirenergo**”) reorganisation.
- n According to transaction terms, INTER RAO would acquire up to 40% of ordinary shares of Bashkirenergo from Sistema for a cash payment of up to RUB 14 bln.
- n Following the sale, Bashkirenergo will be reorganized via non-proportional division into two companies – OJSC “Bashenergoaktiv” comprising generation and non-core assets of Bashkirenergo (“**Bashkir Generation**” or “**GenCo**”) and OJSC “Bashkir Grid Company” comprising grid assets of Bashkirenergo (“**Bashkir Power Grids**” or “**GridCo**”)
- n After completion of both steps INTER RAO becomes an owner of more than 75% of ordinary shares of Bashkir Generation (with subsequent merger of GenCo with the Company) and Sistema – an owner of more than 75% of Bashkir Power Grids
- n Funding will be phased over one year using proceeds from sales of minority stakes owned by INTER RAO in various energy assets and cash generated from operations
- n Bashkirenergo EGSM to approve reorganization will take place on 20 June 2012
- n The Transaction is to be closed in 4 Q 2012, following discontinuation of Bashkirenergo’s operations and establishment of new companies, subsequent merger of GenCo with INTER RAO and an associated share issue by the Company



1. Transaction Overview



Bashkirenergo – Business Overview

- n Bashkirenergo is engaged in electricity generation and transmission as well as heat generation, transmission and distribution in the Republic of Bashkortostan
- n Bashkirenergo is currently undergoing corporate reorganization by splitting its generation and power grid assets due to the Russian statutory prohibition for one legal entity to control both generating and distribution operations
- n Bashkirenergo is listed on MICEX-RTS. Its principal shareholders are Sistema and INTER RAO

GenCo's Production Highlights

Item	2009	2010	2011
Installed power capacity ² , MW	4,556	4,248	4,296
Installed heat capacity, Gcal/h	15,204	13,255	13,141
Power generation, mm kWh	19,834	22,612	22,779
Heat supplies, '000 Gcal	23,889	24,128	25,118
ICUF, %	50%	61%	61%
Specific equivalent fuel consumption per unit of power supplied, g/kWh	326	323	320
SEFC per unit of heat supplied, kg/Gcal	146	145	143

Source: Bashkirenergo data for 2009–2011

² Net of PGU TEC-5 CHPP (440 MW design capacity)

Bashkirenergo's Financial Highlights

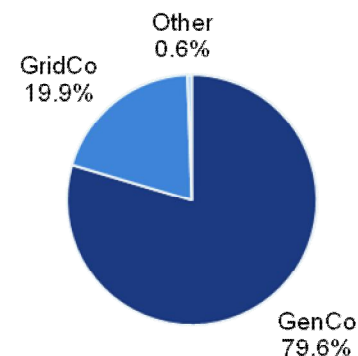
Item	2009	2010	2011
Revenue (RUB mm)	50,295	62,852	56,261
EBITDA (RUB mm)	7,354	7,256	8,810
% margin	15%	12%	16%
EBIT (RUB mm)	3,057	4,020	4,386
% margin	6%	6%	8%
Net income (RUB mm) ¹	2,135	2,719	3,409
% margin	4%	4%	6%

Source: IFRS accounts for 2009–2011

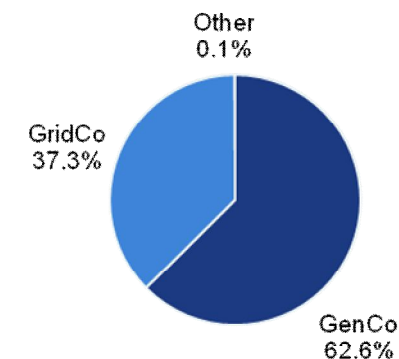
¹ Net of proceeds from distribution company sale

Financial Performance by Business Segment (2011)

Revenue: RUB 56,261 mm



EBITDA: RUB 8,810 mm

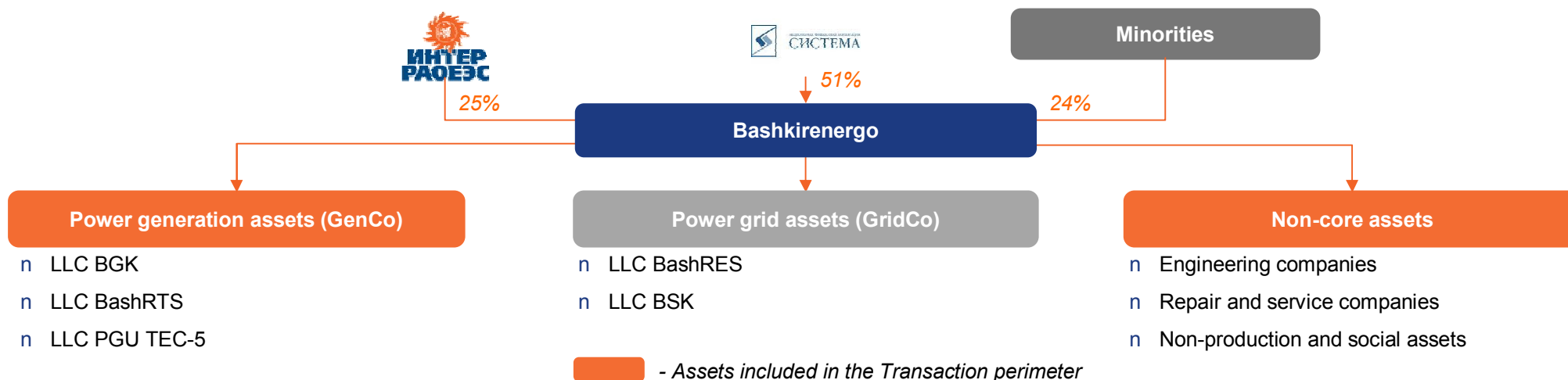


Source: Calculated based on Bashkirenergo IFRS accounts for 2011



Bashkirenergo – Business Overview (cont'd)

Bashkirenergo – Corporate and Shareholder Structure¹



¹ Bashkirenergo's shareholder structure based on ordinary (voting) shares

Bashkirenergo's Generation Assets

LLC BGK	<ul style="list-style-type: none"> n Bashkirenergo's main generation asset comprising 29 heat and thermal power plants n Power: 4,296 MW installed capacity; heat: 8,162 Gcal/h installed capacity
LLC PGU TEC-5	<ul style="list-style-type: none"> n New investment project for construction of a combined-cycle gas power plant TEC-5 in Ufa n Design installed capacity: 440 MW n Commissioning: 2014. Projected capex to complete construction: RUB 7.4bn
LLC BashRTS	<ul style="list-style-type: none"> n Heat generation, transmission and distribution; power equipment maintenance n 2,031 km heat grid system; water heating and steam boilers: 4,979 Gcal/h combined capacity

Source: Bashkirenergo data

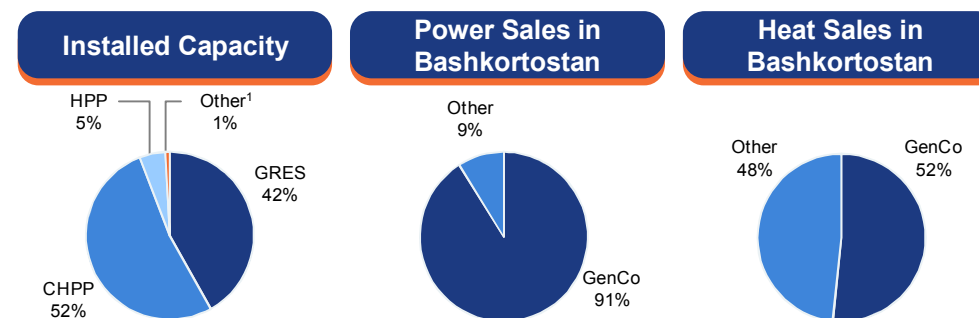


Bashkir Generation – Business Overview

- n GenCo comprises one regional high-power condensing thermal power plant (GRES), ten combined heat and power plants (CHPP, TEC), four gas turbine mini CHPPs, three gas engine mini CHPPs, nine hydro power plants (HPP), including seven small-scale hydro power plants, and one wind farm
- n 100% of Bashkirenergo's generation assets are located within Price Zone 1 (European part of Russia, Urals)
- n Capacity is sold in the Urals free power transfer zone falling under no price caps in competitive capacity outtakes
- n Regulated tariffs for 2012 are as follows:
 - n Power retail sales to households under regulated contracts: RUB 1,181 per MWh
 - n Capacity sales under regulated bilateral contracts: RUB 95,537 per MW
 - n Heat retail sales: RUB 508 per Gcal
- n Gas is the core fuel (about 98%)
 - n OJSC Gazprom Mezhhregiongaz Ufa is GenCo's main supplier (>90% of total supplies).
- n BGK's and BashRTS' capex programme for the next 5 years is mainly focused on replacement of obsolete capacity and requires about RUB 14bn of investment

Capex (RUB mm)	2012–2016
BGK	12,520
PGU TEC-5 CHPP (completion of construction)	7,399
BashRTS	1,619
Total	21,538

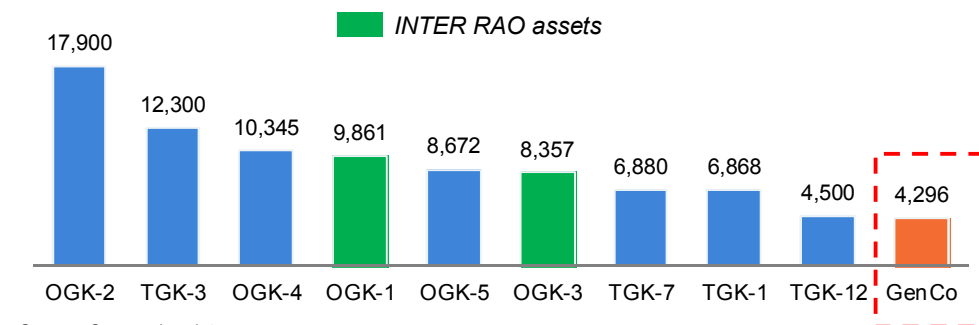
Source: Bashkirenergo data



Source: Bashkirenergo, UES System Operator, RB Ministry for Housing and Public Utilities

¹ Gas turbine or gas engine mini CHPPs, wind farms

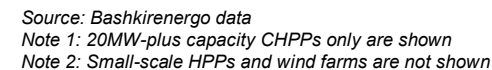
Top 10 Russian Wholesale Gencos (OGKs) and Regional Gencos (TGKs) by Installed Capacity in 2011 (MW)



Source: Companies data



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Transaction Overview

Transaction Summary

- n Bashkirenergo's reorganization is due to the Russian statutory prohibition for one legal entity to control both generating and distribution operations
- n The Transaction provides for acquisition of 40% of ordinary shares of Bashkirenergo from Sistema by INTER RAO for a cash payment of up to RUB 14 bn and subsequent reorganization of Bashkirenergo via non-proportional division into Bashkir Generation and Bashkir Power Grids
- n As the result of the Transaction INTER RAO becomes an owner of more than 75% of ordinary shares of Bashkir Generation (with subsequent merger of GenCo with the Company) and Sistema – an owner of more than 75% of ordinary shares of Bashkir Power Grids

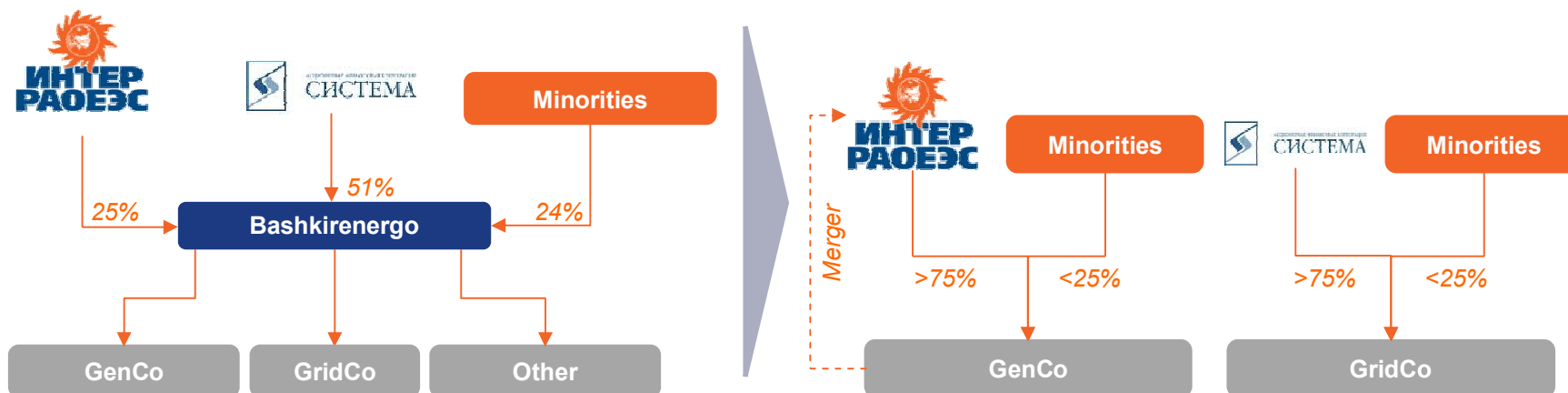
Voluntary Offer

- n INTER RAO is considering a voluntary tender offer to be made to shareholders of Bashkirenergo

Financing

- n Funding will be phased over one year using proceeds from sales of minority stakes owned by INTER RAO in various energy assets and cash generated from operations. INTER RAO will not raise new debt to finance the Transaction.

Deal Structure





2. Rationale for Acquisition of GenCo



Acquisition of GenCo as an Integral Part of INTER RAO's Long-Term Strategy

Strategic Objectives

- Shareholder value creation
- Leadership in Russian power sector
- Expansion of presence and operations abroad
- Leadership in innovations and energy efficiency
- Ensuring safety of Russian power supply

Strategic Steps and Priorities

- Organic growth through construction of new power generation capacity in Russia
- Expansion into key global markets
- Improved efficiency and upgrading existing assets
- **Integration of core assets in power generation and supply**
- **Efficient management of minority stakes in the asset portfolio**
- **Improved shareholder structure's transparency and stock performance**

Key Targets

	2011	2015E
Installed electricity capacity, GW	29	40
Share of installed electricity capacity abroad	22%	25%
Consolidated revenue, \$ bn	18	32
Consolidated EBITDA, \$ bn	1.4	3.9
Foreign trading volume, TWh	26	45
Share of market share in Russia	15%	25%
Electricity supplied, TWh	154	250

Milestones

2012–2013

- n Reorganisation of INTER RAO to convert shares held by OGK-1 and OGK-3 minority shareholders into INTER RAO shares
- n Merger of GenCo with INTER RAO
- n Prospective international SPO to give existing shareholders an exit option

2015–2017

- n Prospective privatization of the state-owned stake in INTER RAO as envisaged Russian government privatization programme (until 2017)

Source: INTER RAO data



Transaction Advantages to INTER RAO and Shareholders

I

DEVELOPMENT AND EXPANSION OF HEAT GENERATION SEGMENT

- n The Transaction encourages further growth of INTER RAO's heat generation segment in line with the company's long-term development strategy
- n Total generating capacity to be acquired by INTER RAO in the Transaction is 4,7 GW (including PGU TEC-5 CHPP), which is about 16% of INTER RAO's combined installed capacity as of the end of 2011

II

IMPROVED STRATEGIC VALUE OF MINORITY INTEREST IN BASHKIRENERGO

- n The Transaction marks a milestone in INTER RAO's programme to optimize the portfolio of assets acquired within the follow-on offering completed in 2011
- n The Transaction will boost the strategic value of existing minority interest in Bashkirenergo for INTER RAO through transforming it into a controlling stake in INTER RAO's core business segment

III

TAPPING NEW MARKET

- n The Transaction will help INTER RAO access and dominate a new promising geographical market
- n The Republic of Bashkortostan is among the largest industrial hubs and home to major industrial consumers, boasting vast potential for further economic and social growth

IV

PROSPECTIVE BENEFITS FROM IMPROVED ECONOMICS

- n The Transaction will add value through improved operating efficiency and economics of GenCo's assets captured from their integration into INTER RAO's existing platform



Prospective Steps to Improve Economics of GenCo's Business

1 Boost the performance of GenCo's investment programme (shorter payback period, higher operating margins, etc.)

2 Cut transaction costs, including costs to finance operations and reallocate cash flows within INTER RAO Group

3 Streamline GenCo's operations and corporate governance within INTER RAO Group through consolidation of 100% of the company into INTER RAO

4 Centralize fuel supplies within INTER RAO Group to cut costs across GenCo's main expenditure items

5 Use an integrated approach to tariffs for heat and power supplies INTER RAO Group level

6 Streamline procurement

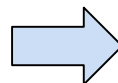
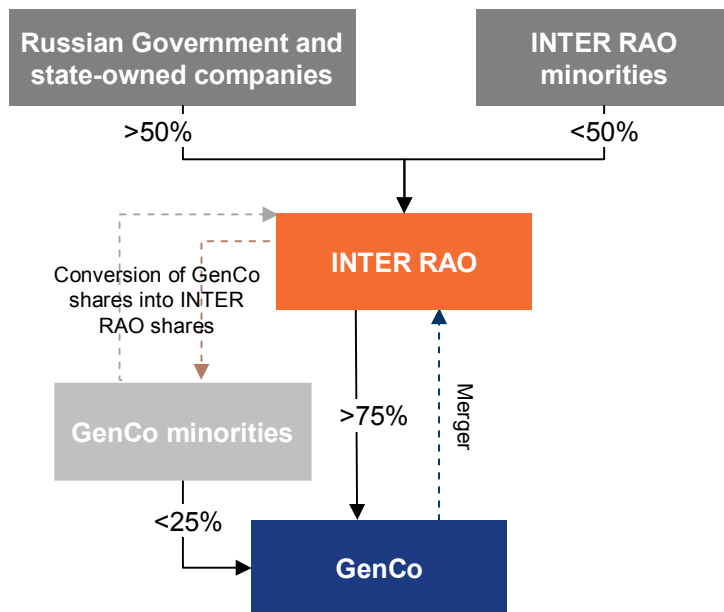


3. Merger of GenCo with INTER RAO

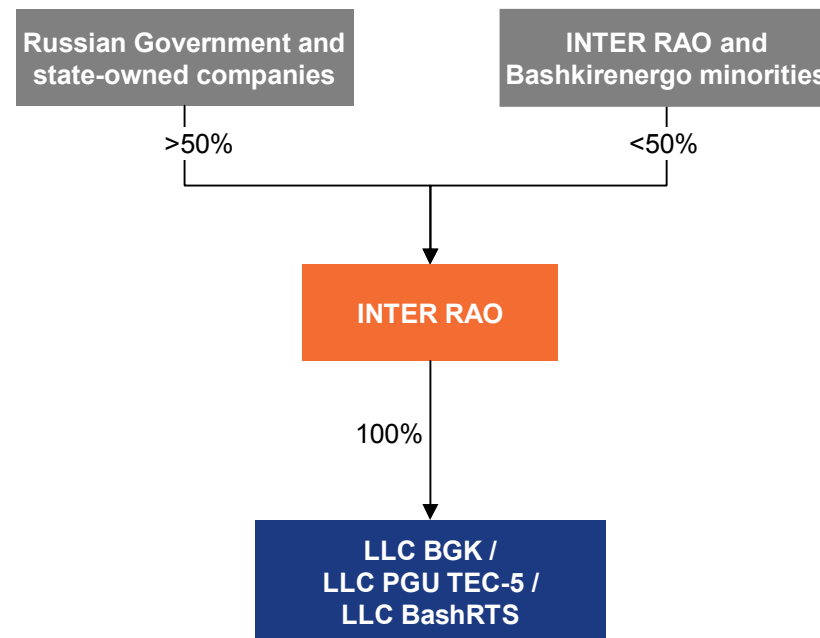


Consolidation of 100% of GenCo into INTER RAO

Merger of GenCo with INTER RAO



Target Capital Structure After GenCo's merger with INTER RAO



- n **Merger of GenCo with INTER RAO is planned as a closing stage of Transaction within the Company's wider programme to shift towards the target generation assets management structure**
- n The final decision to reorganize INTER RAO via merger with GenCo will be made after approval by INTER RAO's and Bashkirenergo's EGSMs

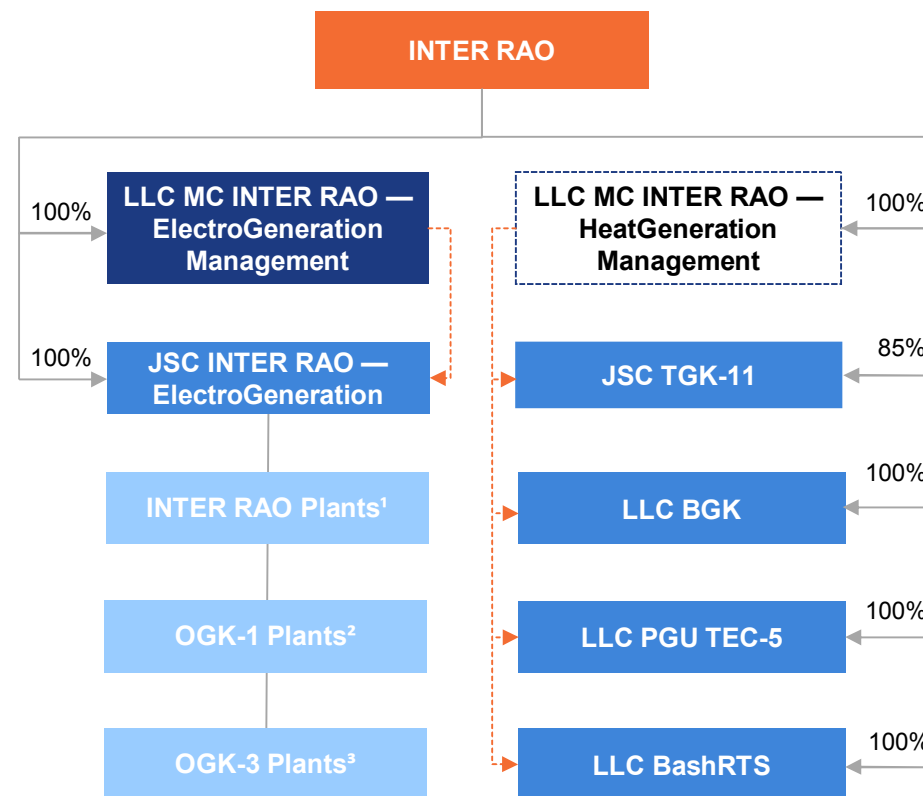


Shift Towards Target Generation Assets Management Structure

Current Management Structure



Target Management Structure



n The target management structure is designed to improve efficiency and performance of operational and corporate control over INTER RAO's generation assets

¹ Kaliningradskaya CHPP-2, Sochinskaya thermal power plant, Severozapadnaya (North-West) CHPP, Ivanovskiye PGU combined-cycle gas power plant

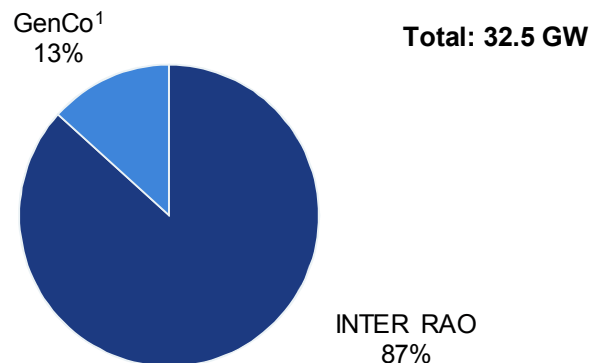
² Permskaya GRES, Verkhnetagil'skaya GRES, Urengoi'skaya GRES, Kashirskaya GRES, Irklinskaya GRES, 75%+1 share of CJSC Nizhnevartovskaya GRES

³ Cherepetskaya GRES, Kostromskaya GRES, Gusinoozyorskaya GRES, Kharanorskaya GRES, Pechorskaya GRES, Yuzhnouralskaya GRES



INTER RAO + GenCo – Production and Financial Highlights

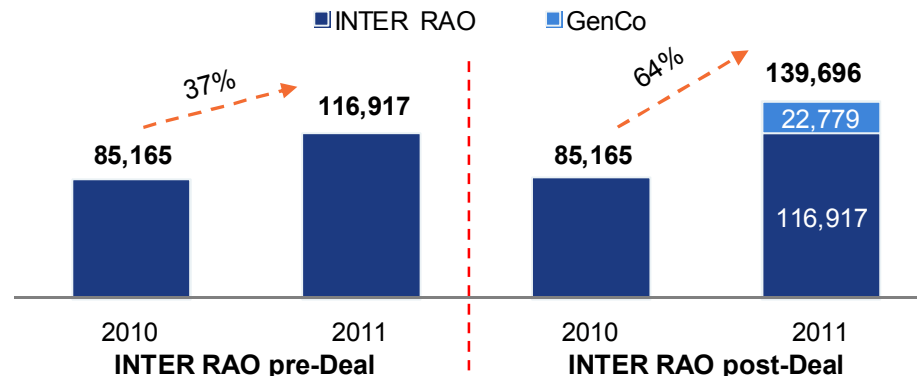
Combined Company's Installed Capacity



Source: INTER RAO, Bashkirenergo data

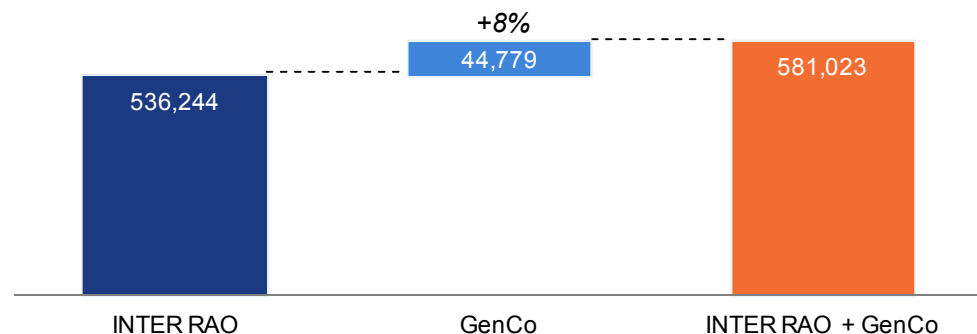
¹ Net of PGU TEC-5 CHPP (440 MW design capacity)

Power Generation (mm kWh)



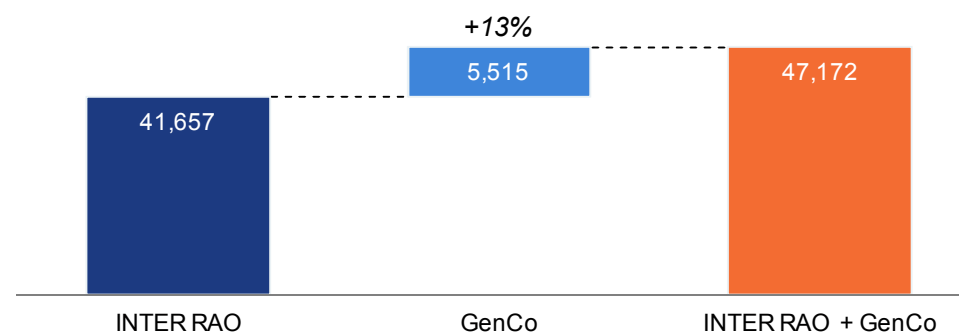
Source: INTER RAO, Bashkirenergo data

Revenue 2011 (RUB mm)



Source: Calculated based on INTER RAO and Bashkirenergo IFRS accounts for 2011

EBITDA 2011 (RUB mm)



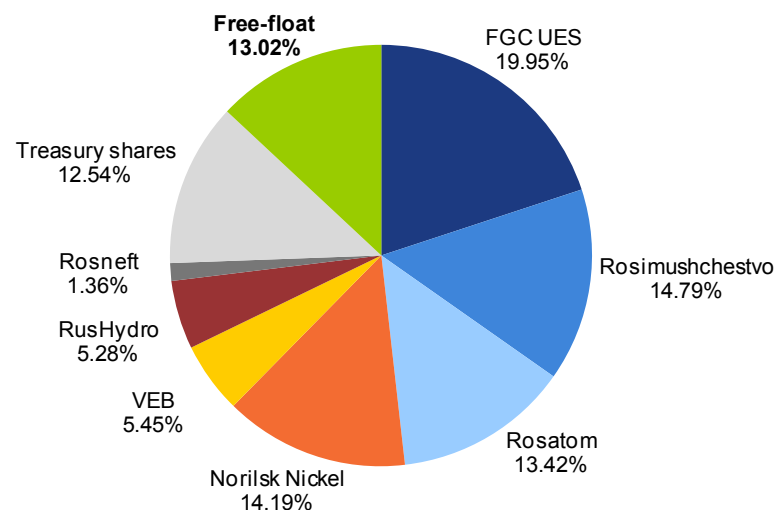
Source: Calculated based on INTER RAO and Bashkirenergo IFRS accounts for 2011

- Merger with GenCo is a milestone in INTER RAO's strategic programme to expand heat generation and boost its operational and financial performance



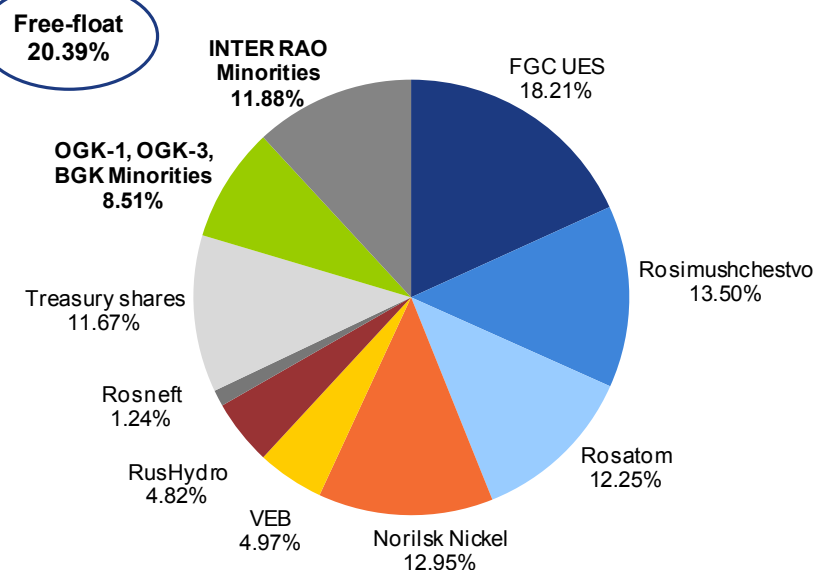
INTER RAO's Capital Structure Evolution

INTER RAO's Ownership Structure Before Reorganization



60%+ held by Russian Government and state-owned companies

INTER RAO's Ownership Structure After Reorganization



55%+ held by Russian Government and state-owned companies

- INTER RAO's generation assets reorganization programme spearheaded by the mergers with OGK-1, OGK-3 and GenCo will improve the Company's ownership structure and stock liquidity by increasing free-float and the share of minorities



THANK YOU!