

Information translation

JSC Inter RAO 2014 Annual Report

**Preliminarily approved by the Board of Directors of JSC Inter RAO on April 07, 2015
(Minutes No. 138 of the meeting of the Board of Directors dated April 09, 2015).**

Management Board
Chairman

Boris Kovalchuk

Chief Accountant

Alla Vaynilavichute

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1 Report overview

The JSC Inter RAO 2014 Annual Report (hereafter referred to as the Report) features a comprehensive description of Inter RAO Group's financial and non-financial performance results for this reporting period. The Report aims to update stakeholders on all significant aspects of Inter RAO Group's business activity, as well as on the Group's objectives and development prospects for the immediate future. The 2014 report has retained the structure adopted previously, but has been supplemented and updated pursuant to new financial reporting requirements and growing stakeholder expectations.

Inter RAO Group's Annual Report has been compiled in accordance with the recommendations and regulatory requirements listed below:

- Decree of the Russian Government No. 1214 dated December 31, 2010 *On the improvement of the procedure for management of open joint stock companies with shares in federal ownership and federal state unitary enterprises*;
- Regulation on Information disclosure by issuers of securities No. 454-P, approved by the Bank of Russia on December 30, 2014;
- Order of the Federal Financial Markets Service of the Russian Federation No. 11-46/pz-n dated October 4, 2011¹;
- Federal Law No. 208-FZ dated December 26, 1995 (revised on December 22, 2014) *On Joint Stock Companies*;
- Letter No. 11/2035 dated January 23, 2015 of the Federal Agency for State Property Management;
- Letter No. 06-52/2463 of the Central Bank of the Russian Federation dated April 10, 2014 *On the Code of Corporate Governance*;
- Regulations governing business procedure for compiling the Company's Annual Report, approved by JSC Inter RAO, Order No. IRAO/905 dated December 02, 2010;
- G4 Sustainability Reporting Guidelines (hereafter referred to as GRI Guidelines) and the corresponding Electric Utilities Sector Disclosures.

The scope of information about the Group's subsidiaries included in the Report complies with the scope set by the IFRS (International Financial Reporting Standards). In this reporting period, LLC Omsk Power Supply Company, JSC RTS Aktiv, LLC Inter RAO – SP, LLC Inter RAO – Distributed Generation, Cosy House LLC, LLC Engineering center «Gas turbine technologies» all joined the Group, and TomskRTS JSC, OmskRTS JSC formed out of JSC TGK-11. LLC EnergoTeploRemont, LLC Transavto, INTER RAO Middle East B.V., and Khrami HPP III were divested from the Group. LLC ENERGIYA HOLDING was incorporated into JSC PSK (St. Petersburg Power Supply Company) and CPP TPP-5 became a branch of LLC BGC².

The information with regard to HR management, occupational health and safety, industrial safety and the environment is disclosed in the Report with the boundaries for data collection set by JSC Inter RAO.

¹ Registered by the Ministry of Justice of the Russian Federation on February 12, 2015 under No. 35989.

² The exhaustive list of Inter RAO Group companies is available in Section 5. Inter RAO Group's business operations.

Internal and external stakeholders' opinions were assessed to define the most relevant topics for inclusion in the Group's report. The following tools were used:

- Analysis of the information field;
- Analysis of the best reports of peer companies;
- Assessment and evaluation of the significance of the Group's business areas by top management of JSC Inter RAO;
- Analysis of external and internal stakeholders' feedback and preferences with regard to the disclosure of information.

An extensive range of questions based on GOST R ISO 26000 – *Social Responsibility* standard, was used to provide the methodology to assess the relevance and importance of the Group's economic, environmental and social business areas.

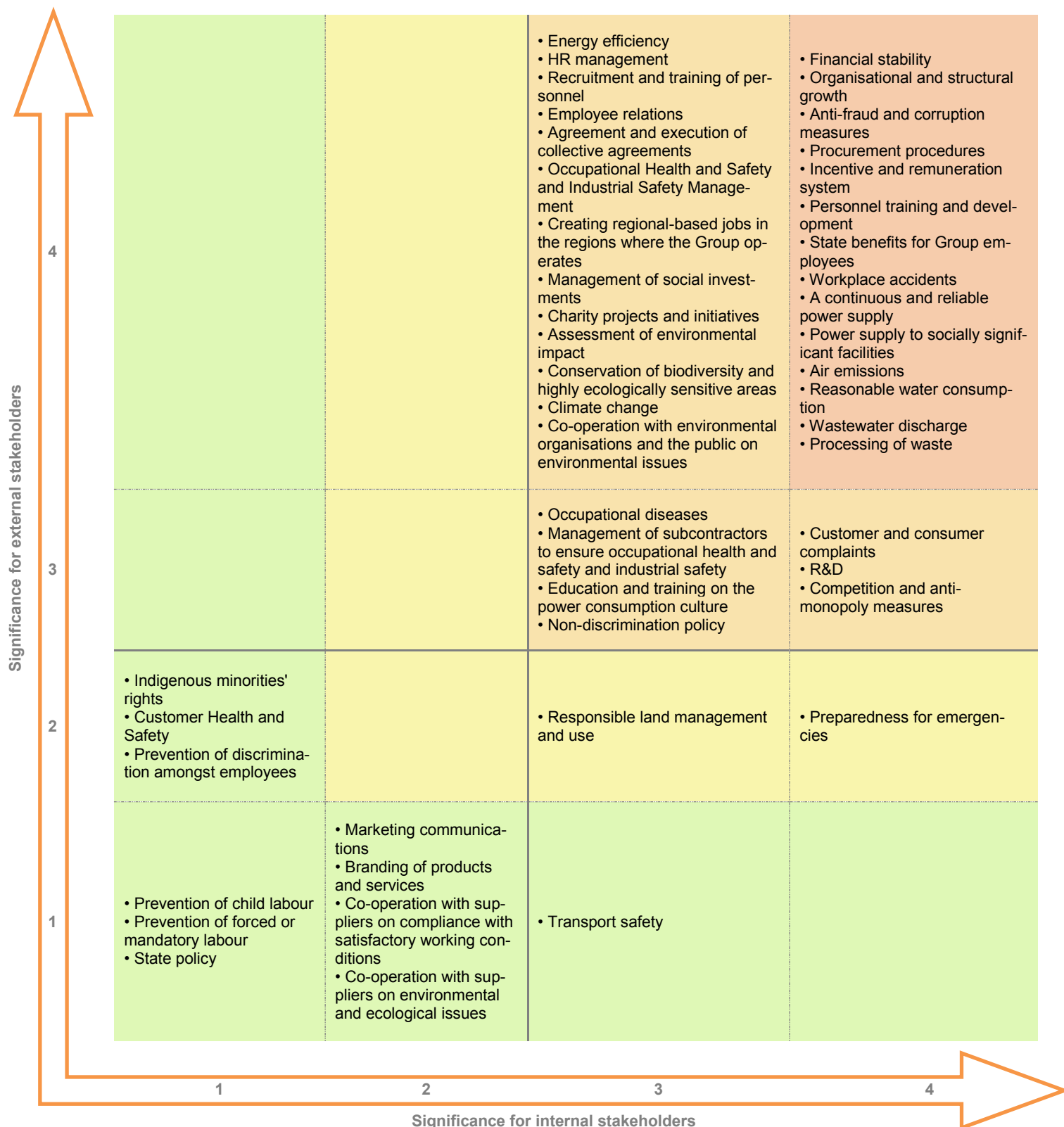
The analysis of external and internal stakeholders' feedback and preferences with regard to the disclosure of information was completed by researching and assessing the answers provided in the online feedback forms compiled following the 2013 Annual Report. The results from over 100 submitted online feedback forms showed that stakeholders highly appreciated a joint Annual and Sustainability and Environmental Responsibility Report; the substantive issues reflected in the 2013 Annual Report complied in line with the information requirements of the target audience. Stakeholders' recommendations on improving the previous year's report included a more detailed disclosure of information on the following key issues:

- risk management;
- procurement;
- salaries and remuneration;
- development of a personnel talent pool;
- graduate training schemes and co-operation with higher education institutions; social programmes employees; assessment of the efficiency of charity initiatives;
- the amount of the Group's social investments;
- engagement with retired professionals of energy industry;
- S&A investments, the introduction of a new technology and equipment in the S&As.

All stakeholder comments and suggestions were taken into account during the drafting of the Report.

A list of topics was drawn up based on the survey results, taking into consideration the principles of completeness, materiality, as well as the sustainability context. The topics that scored three out of four points or higher with both stakeholder groups were found to be material and are disclosed in detail in the Report.

Figure 1 Outline of material topics



The corresponding aspects of the GRI Guidelines were used to disclose material topics in the Report. In comparison with the previous reporting period the Report's scope has undergone several changes in line with stakeholder expectations and the updated requirements and recommendations

of the GRI Guidelines. Information regarding the supply chain and complaints concerning employment relations are covered in the Report for the first time. In addition, issues that do not concern Inter RAO Group and its stakeholders, such as child labour, the rights of indigenous minorities, and the branding of products and services are not included in this Report.

The boundaries of aspects and issues covered in the Report reflect their relevance for the Group's companies and business areas. These boundaries did not change significantly in 2014.

Table 1. Material GRI aspects and their boundaries

Category / Sub-category		Aspects	Boundaries
Economic		<ul style="list-style-type: none"> Economic performance Market presence 	All Group companies
		<ul style="list-style-type: none"> Indirect economic impact 	(Power) Generation, Supply and Distribution Companies, Trading, several Engineering companies and other S&As.
		<ul style="list-style-type: none"> Availability and reliability (of electricity) Systems efficiency R&D 	(Power) Generation and Supply
		<ul style="list-style-type: none"> Demand-side management 	Supply and Distribution Companies
Environmental		<ul style="list-style-type: none"> Materials Energy Water Biodiversity Emissions Effluents and waste Compliance Overall 	(Power) Generation
Social	Labour practices and decent work	<ul style="list-style-type: none"> Employment Labour/management relations Training and education Diversity and equal opportunity Labour practices grievance mechanisms Equal remuneration for women and men 	All Group companies
	Society	<ul style="list-style-type: none"> Anti-corruption Compliance Grievance mechanisms for impacts on society Anti-competitive behaviour 	All Group companies
		<ul style="list-style-type: none"> Local communities 	(Power) Generation, Supply, Distribution Companies, Trading, several Engineering companies and other S&As.
		<ul style="list-style-type: none"> Disaster/emergency planning and response 	(Power) Generation, Supply, Distribution Companies
	Product responsibility	<ul style="list-style-type: none"> Compliance 	(Power) Generation, Supply, Distribution Companies
		<ul style="list-style-type: none"> Customer privacy Access (to electricity) provision 	Supply and Distribution Companies

2 General information on Inter RAO Group

2.1 About Inter RAO Group

Inter RAO Group is a diversified energy holding operating in various power industry segments in Russia and abroad. The Group holds leading positions in Russia in the area of electricity export and import, and it is dynamically expanding its activities in the segments of electricity and heat generation and electricity supply, while developing new business lines.

Table 2. Inter RAO Group Operations

Generation	<p>The Group's assets include:</p> <ul style="list-style-type: none"> • 40 thermal power plants; • 12 hydropower plants (including 7 small HPPs); • 6 low-capacity power plants (gas-turbine and gas-piston units) • 2 wind farms. 	<p>The Group's assets are located in the Russian Federation, Kazakhstan, Georgia, Armenia, Lithuania, Moldavia and Turkey.</p> <p>The total installed capacity of its generating assets as at the end of 2014 equals 35,035 MW³, and installed heat capacity is 26,164 Gcal/h.</p>
Trading	The Group is the leading Russian electricity import-export operator.	The Group's supply chain comprises 14 countries, including Finland, Belarus, Norway, Ukraine, Lithuania, Latvia, Estonia, Poland, Georgia, Azerbaijan, Kazakhstan, South Ossetia, Mongolia, and China.
Supply	The Group's power supply companies work in 29 regions of the Russian Federation, acting as a guaranteed supplier in 11 regions.	The Group's overall share of the Russian retail electricity supply market equals 16.1%.
Distribution	The Group's assets are represented by two grid companies: JSC Telasi and CJSC Power Grids of Armenia.	The total length of the Group's transmission and distribution lines is over 36,330km
Engineering	As one of its core business areas, the Group offers integrated engineering services ranging from design to construction of turnkey power facilities.	LLC Inter RAO – Engineering completed the construction of four generating units with total installed capacity of 1.4 GW

The history of Inter RAO Group goes back to 1997, when it was founded as subsidiary of RAO Unified Energy System that specialised in international electricity trade (trading). Since 2002, the company has been independently exporting electricity from Russia and has expanded into power generation, having leased a generating unit on Irikhinskaya TPP (JSC Orenburgenergo). In 2007, reorganisation of CJSC Inter RAO UES into JSC INTER RAO UES was launched as part of the reform of the Russian power industry. In this regard, JSC Sochinskaya TPP was chosen as the structure for the reorganisation (the plant was commissioned in 2004).

Having acquired a number of assets in the spheres of electric power and heat generation and electricity supply, Inter RAO Group has expanded areas of operation into key segments of the competitive power supply industry. The period of active mergers and acquisitions ended in 2014, marking a new period in the Group's development. After the Updated Development Strategy for 2020 had been approved by the Board of Directors, Inter RAO Group saw a period of organic growth and set

³ For Russian generating assets, in accordance with the Registry of power generation facilities of the Wholesale Market as at 01.01.2015.

a course for realisation of the potential for improving the assets efficiency and optimisation of investment activities.

Fig. 2 History of Inter RAO Group and 2014 Milestones



Table 3. Inter RAO Group Milestones 1997–2013

International Electricity Trade	Electric Power and Heat Generation Development	Rapid Growth	Assets Consolidation
1997–2002	2003–2006	2007–2011	2012–2013
<ul style="list-style-type: none"> - Launch of projects for electricity trade on non-Russian international markets; - Establishment of first subsidiaries to ensure operation on foreign power markets; - Commencement of independent export of electricity from Russia. 	<ul style="list-style-type: none"> - Commencement of electricity generation with the use of a leased generating unit at Irikhinskaya TPP; - Active purchase of power assets in Russia and abroad; - Consolidation of Russian and foreign assets, including JSC Ekibastuzskaya TPP-2 (Kazakhstan), CJSC Moldavskaya TPP (Moldavia), Severo-Zapadnaya CHPP (Russia), and TGR Enerji (Turkey). 	<ul style="list-style-type: none"> - Merger of the Group's generating assets: Severo-Zapadnaya CHPP, Ivanovskiye CPP, Kaliningradskaya CHPP-2, and Sochinskaya TPP; - Acquisition of majority shareholder status of JSC OGK-1, JSC OGK-3, JSC TGK-11, as well as five energy supply companies, including JSC Mosenergosbyt (Moscow Power Supply Company), JSC St. Petersburg Power Supply Company, and JSC Altayenergosbyt, etc.; - Reorganisation of Inter RAO into an Open Joint Stock Company; - Public share offering on MICEX and RTS stock exchanges; - Inter RAO's Global Depository Receipts are listed on the London Stock Exchange's International Order Book (IOB) platform. 	<ul style="list-style-type: none"> - Completion of the reorganisation, which results in transfer of Russian generating assets of JSC OGK-1 and JSC OGK-3 into 100% control of Inter RAO - Electricity Generation Group; - Purchase of a range of promising assets, including those of Bashkirenergo Group, Trakya Elektrik A.S. in Turkey, and JSC Tomskenergosbyt (Tomsk Power Supply Company).

Table 4. 2014 Milestones

February	March	April	June	September	October	November-December
New power plant construction: commissioning of the first Yuzhnouralskaya TPP-2 combined cycle generating unit with installed capacity of 408MW.	The Board of Directors of Inter RAO has approved the Updated Company Development Strategy for 2020.	Commissioning of the third unit of Nizhnevartovskaya TPP with installed capacity of 413MW.	On June 30, 2014, a new version of the Dividend Policy Regulations of JSC Inter RAO was approved by the Board of Directors of Inter RAO.	Price bids for power capacity of Russian Inter RAO plants have successfully passed competition for 2015 held by the System Operator of the Unified Power System.	LLC Russian Gas Turbines, a joint venture of Inter RAO Group, GE and JSC United Engine Corporation has launched a new factory in the city of Rybinsk in the Yaroslav Region for production, sales, and maintenance of 6FA-type (6F.03) gas turbines with a capacity of 77 MW.	After integrated trials, commissioning of the second unit of Yuzhnouralskaya TPP-2 was approved on 21.11.2014. Unit №2 was certified in the Registry of Power Generation Facilities for the Wholesale Electricity Market starting on 01.01.2015 with installed capacity of 416.6 MW. Commissioning of the eighth unit of Cherepetskaya TPP with installed capacity of 225 MW. Completion of the reconstruction of turbine-generator unit № 1 at Omskaya CHPP-5 with a capacity gain of 20 MW, installed capacity of 100 MW.

Credit ratings:

- Fitch Ratings: BB+ on the global scale, outlook stable, AA (rus) on the national scale;
- Moody's Investors Service: Ba2 on the global scale⁴, outlook negative, Aa2.ru on the national scale⁵.

Inter RAO Group is an exclusive Russian electricity import and export operator. Nowadays, the Group's supply chain includes 26 regions in Russia, as well as Finland, Norway, Belarus, Poland, Lithuania, Latvia, Estonia, Ukraine, Georgia, Azerbaijan, South Ossetia, Moldavia, Kazakhstan, China, and Mongolia



The Group is managed by parent company JSC Inter RAO. Since 2010, JSC Inter RAO has been included in the List of Strategic Enterprises and Strategic Joint-Stock Companies of the Russian Federation⁶.

⁴ As of 25.02.2015.

⁵ As of 26.02.2015.

⁶ In accordance with Decree of the President of the Russian Federation No. 1190 dated 30.09.2010, JSC Inter RAO was included in the List of Strategic Enterprises and Strategic Joint-Stock Companies (Section 2 of the List of Open Joint-Stock Companies, with assets being in federal ownership and managed by the Russian Federation in order to ensure the strategic interests of defence and security, moral values, healthcare, rights and legitimate interests protection of the citizens of the Russian Federation).

Table 5. Inter RAO Group Major Companies as at the End of 2014, by Type of Activity

Power Generation	Supply	Trading	Foreign Assets
<u>LLC Inter RAO– Management of Electric Power Plants (100%)</u> JSC – Inter RAO Electric Power Plants (100%) <u>(20,841 MW)</u> Verkhnetagilskaya TPP – 1,497 MW Gusinoozyorskaya TPP – 1,130 MW Dzhubginskaya TPP – 200.7 MW Ivanovskiye CPP – 325 MW Irkilinskaya TPP – 2,430 MW Kaliningradskaya CHPP-2 – 875 MW Kashirskaya TPP – 1,910 MW Kostromskaya TPP – 3,600 MW Permskaya TPP – 2,400 MW Pechorskaya TPP – 1,060 MW Severo-Zapadnaya CHPP – 900 MW Sochinskaya TPP – 158 MW Urengoyanskaya TPP – 484 MW Kharanorskaya TPP – 655 MW Cherepetskaya TPP – 1,510 MW Yuzhnouralskaya TPP – 1,706.6 MW ⁸ <u>CJSC Nizhnevartovskaya TPP (75%)</u> <u>(2,013 MW)</u> <u>JSC TGK-11 (100%)</u> <u>(2,036 MW)</u> Omskaya CHPP-3 – 400.2 MW Omskaya CHPP-4 – 435 MW Omskaya CHPP-5 – 715 MW ⁸ Tomskaya CHPP-1 – 14.7 MW Tomskaya CHPP-3 – 140 MW Tomskaya TPP – 331 MW JSC OmskRTS JSC TomskRTS <u>LLC Bashkir Generation Company</u> <u>(100%)</u> <u>(4,156 MW)</u> Karmanovskaya TPP – 1,831.1 MW 10 TPP – 2,089.2 MW 4 Gas Turbine Generator Packages and Turbine-generator Units – 21 MW 9 HPP (including 7 small HPP) – 212.5 MW 1 Wind Farm – 2.2 MW <u>LLC BashRTS</u>	<u>Guaranteed Suppliers:</u> JSC Mosenergosbyt (50,92%) JSC St. Petersburg Power Supply Company (100%) JSC Saratovenergo (56,23%) JSC Altayenergosbyt (100%) JSC Tambov Power Supply Company (59,38%) JSC Inter RAO – Oryol Power Supply Company (100%) JSC Tomskenergosbyt (59,18%) ⁷ <u>Independent Retail Companies:</u> LLC RN – Energo (100%) JSC Promyshlennaya Energetika (51%) LLC RT – Energotrading (50%)	RAO Nordic Oy (Finland) (100%) AB Inter RAO Lietuva (Lithuania) (51%) SIA Inter RAO Latvia (Lithuania) (51%) Inter RAO Eesti OU (Estonia) (51%) IRL Polska Sp. z o.o. (Poland) (51%) Inter Green Renewables and Trading AB (75%) JSC Eastern Energy Company (100%)	<u>Moldavia:</u> CJSC Moldavskaya TPP (100%) – 2,520 MW <u>Georgia:</u> LLC Mtkvari Energy (100%) – 600 MW JSC Khrami HPP-1 (100%) – 112.8 MW JSC Khrami HPP-2 (100%) – 114.4 MW JSC Telasi (75%) <u>Armenia:</u> CJSC HrazTES (Razdan TPP) (100%) – 1,110 MW CJSC Power Grids of Armenia (100%) <u>Kazakhstan:</u> JSC Ekibastuzskaya TPP-2 (50%) – 1,000 MW <u>Lithuania:</u> Vydmantai Wind Park (51%) – 30 MW <u>Turkey:</u> Trakya Elektrik A.S. (100%) – 478 MW
Engineering LLC Inter RAO – Engineering (100%) LLC Quartz – New Technologies (50.1%) LLC Inter RAO Export (100%) LLC Quartz Group (100%) LLC Engineering Centre - Gas Turbine Technologies (53.94%) ⁹ LLC Russian Gas Turbines (25%) ⁹			
Innovations and Energy Efficiency Non-for-profit Fund Energy beyond borders (100%) LLC Inter RAO UES Power Efficiency Centre (50%)			

⁷ Including 24.8% of shares sold under REPO agreement.

⁸ In accordance with the Registry of Power Generation Facilities on the Wholesale Market as of 01.01.2015.

⁹ Segment values do not include financial performance of LLC Engineering Centre - Gas Turbine Technologies and LLC Russian Gas Turbines that are associated companies, included into the Group's consolidated financial statement by equity principle.

Power Generation	Supply	Trading	Foreign Assets
(24 MW)			

2.2 Group's key performance indicators

Key indicators	UOM	2012	2013	2014	2014–2013
Revenue	RUB bn	556.2	662.3	741.1	+11.9%
Net loss / income	RUB bn	-22.3	-24.0	9.8	
Net assets	RUB bn	353.2	334.6	348.2	+4.1%
Intangible assets (book value as at December 31)	RUB bn	8.9	9.8	12.5	+27.9%
EBITDA	RUB bn	26.6	39.2	57.8	+47.4%
EBITDA per 1kWh	RUB bn/kWh	0.15	0.23	0.31	+32.9%
Installed capacity, total	MW	33,501	33,587	35,035 ¹⁰ 29,070 ¹⁰	+4.3%
including installed capacity in Russia	MW	27,535	27,622	Ошиб- ка! За- кладка не опре- делена.	+5.2%
Capacity commissioning	MW	1,010	544	1,505 ¹⁰	+176.0%
Electricity generation	kWh bn	127.438	147.468	146.047	-1.0%
Electricity sales	kWh bn	152.957	153.234	166.184	+8.5%
Average price of electricity sales	RUB/kWh	1.37	1.69	1.72	+2.2%
Number of employees at the end of the year ¹¹	people	57,069	59,670	58,479	-2%
Average number of employees per 1 MW of installed capacity (segment – Generation in Russia)	people/ MW	1.06	1.03	1.14	+10.7%
Wages, benefits and payroll taxes	RUB bn	33.7	39.1	42.9	+9.7%
Percent of young specialists	%	6.0	5.4	5.4	–
Employee average age	years	41	41	41	–
Expenditures on employees training	RUB bn	0.24	0.21	0.21	–
Expenditures on implementation of social programmes	RUB bn	3.95	4.93	5.77	+17.0%
Occupational injury rate		0.40	0.33	0.29	-12.1%

¹⁰ In accordance with the Registry of Power Generation Facilities on the Wholesale Market as of 01.01.2015.

¹¹ The number of Inter RAO Group employees is calculated within the boundary of JSC Inter RAO's consolidated financial statements for the year ended December 31, 2014.

Key indicators	UOM	2012	2013	2014	2014–2013
Specific greenhouse gas emissions per unit of energy produced	t CO ₂ -eq/MWh	0.49	0.50	0.49	-2.0%
Expenditures on environmental safety	RUB bn	4.28	2.41	2.98	+24.0%
Procurement costs excluding agency fees and procurement within the Group	RUB bn	109.3	315.6	191.0	-39.5%
Payments to the government	RUB bn	49.0	34.5	25.8	-25.2%
Charity	RUB bn	0.62	0.65	0.26	-60.0%
Retained economic value ¹²	RUB bn	-91.0	-63.8	-17.5	-72.6%

2.3 Inter RAO Group on the energy market

Inter RAO Group holds a stable position on the markets where the Group operates.

Having passed the way from an export and import electricity operator to a large integrated energy company, Inter RAO Group sees stable revenue growth and a considerable increase in business efficiency as its main task.

Inter RAO Group's long-term objective is to become one of the key players in the international energy market and a global company among the top-10 largest energy companies in the world in terms of installed capacity and size of business. By 2020, Inter RAO sees itself as an equal partner of the world's largest energy companies, managing a diversified portfolio of assets and ensuring the targets of its shareholders and the energy policy of Russia. The Group aims to take a leading position among generating companies in Russia in terms of efficiency, reliability and security rates.

2.4 Associations and partnerships

Inter RAO Group, as one of the largest public energy companies in Russia, is actively engaged in the operation of manufacturing and business associations and ensures the development of transregional and international cooperation in the field of electric power sector by forming strategic partnerships both in Russia and abroad.

Table 6. Participation of Inter RAO Group in Non-Profit Associations and Partnerships in 2014

Organisation	Group Companies
Chamber of Commerce and Industry of the Russian Federation and its regional branches	JSC Inter RAO JSC TGK-11 JSC Altayenergosbyt (Altay Power Supply Company) LLC Bashkir Generation Company
Non-profit partnership (NP) Market Council for organizing efficient system of trading at wholesale and retail electricity and capaci-	JSC Inter RAO JSC – Inter RAO Electric Power Plants JSC TGK-11 LLC Bashkir Generation Company

¹² Retained economic value is a parameter provided by the GRI Sustainability Reporting Guidelines (EC1) and calculated as the difference between the Group's generated and distributed economic value that shows the amount of funds after creation of material values for shareholders. The data for 2012 and 2013 has been adjusted due to the improvement of calculation methods.

Organisation	Group Companies
ty market	LLC RN – Energo JSC Mosenergosbyt (Moscow Power Supply Company) JSC PSK (St. Petersburg Power Supply Company) LLC RT – Energotrading JSC Tomskenergosbyt (Tomsk Power Supply Company) JSC Inter RAO – Oryol Energy Sales Company JSC Promyshlennaya Energetika
Non-profit partnership (NP) of Guaranteeing Electricity Suppliers and Power Supply Companies (GS and PSC)	JSC Mosenergosbyt (Moscow Power Supply Company) JSC PSK (St. Petersburg Power Supply Company) JSC Tambov Power Supply Company
Non-profit partnership Center of innovative energy technologies (NP CIET)	JSC Inter RAO JSC TGK-11 CJSC Moldavskaya TPP JSC Eastern Energy Company
The National Association for Energy and Environment of Georgia	JSC Khrami HPP-1 JSC Khrami HPP-2 LLC Mtkvari Energy
Non-profit partnership (NP) SRO Guild of Energy Auditors	LLC Inter RAO UES Power Efficiency Centre JSC Mosenergosbyt (Moscow Power Supply Company) JSC PSK (St. Petersburg Power Supply Company) JSC Altayenergosbyt (Altay Power Supply Company) JSC Inter RAO – Oryol Energy Sales Company JSC Tambov Power Supply Company JSC Saratovenergo (Saratov Power Supply Company) LLC Omskenergoremont
Non-profit partnership (NP) SRO Union of General Contractors in Construction	LLC Inter RAO – Engineering LLC Quartz Group LLC PermGRESenergoremont LLC REM LLC Inter RAO – WorleyParsons
SRO Energostroy	LLC Inter RAO UES Power Efficiency Centre JSC TGK-11
SRO Energoproekt	LLC Inter RAO UES Power Efficiency Centre JSC TGK-11
Non-profit partnership (NP) SRO Union for Town Planning and Design	LLC Quartz Group LLC Inter RAO – Engineering
Non-profit partnership (NP) Expert Organi-	JSC Mosenergosbyt (Moscow Power Supply Com-

Organisation	Group Companies
sations of Electric Power	pany) JSC PSK (St. Petersburg Power Supply Company) JSC Petroelectrosbyt JSC Saratovenergo (Saratov Power Supply Company)
The Siberian Energy Association	JSC TGK-11 JSC Altayenergosbyt (Altay Power Supply Company) LLC Omskenergoremont
Non-profit partnership (NP) SRO Transregional Union of Designers and Architects of Siberia	LLC Omskenergoremont LLC Energoservice
Non-profit partnership (NP) SRO Union of Builders of Omsk Region	LLC Omskenergoremont LLC Engineering and Construction Company LLC Energoservice
Non-profit partnership (NP) SRO Saint Petersburg Center for Energy Conservation and Energy Efficiency PeterburgEnerg-Audit	JSC Petroelectrosbyt
Non-profit partnership (NP) SRO for Upgraded Construction Quality Improvement of Tomsk and Tomsk Region	JSC Tomskenergosbyt (Tomsk Power Supply Company) JSC Tomskenergobalance
Non-profit partnership (NP) SRO of Employers Union of Builders of the Republic of Bashkortostan	LLC Energoremont LLC Energoavtomatca LLC Bashkir Generation Company

3 Statement for JSC Inter RAO shareholders and other stakeholders

Dear Shareholders,

By 2014 year-end, Inter RAO Group had both consolidated and strengthened its leadership in Russia's electricity sector. Despite the difficult conditions of the external environment, the company successfully improved its position in all business areas, significantly enhancing its operational efficiency and demonstrating outstanding financial performance on the market.

In 2014, the company recorded a profit for the first time in recent years; its revenue and EBITDA growth exceeded market expectations once again.

The strong results seen over this reporting period have allowed us to remain confident that the company's chosen course is both correct and accurate. The financial and business performance achieved this year are a true reflection of the company's operations in accordance with the revised Development Strategy, which enabled the company to significantly increase business stability to external factors.

2014 is associated with a number of events that have had a huge impact on the strategic sectors of Russia's economy, and the power generation sector, undoubtedly, is no exception. However, in accordance with the approved Development Strategy, Inter RAO Group has achieved sound performance results in three priority development areas: efficiency improvement, optimisation of investment activities and implementation of measures to increase the company's value. The focus on the implementation of the mandatory investment programme, introduction of optimisation solutions and responsible and cautious approach to cost management have enabled the company to secure independent financial stability at a time when the sector as a whole is seeking to curtail its development plans. As a result of measures adopted in advance, Inter RAO Group is continuing to develop at a pace stated previously and becomes country's power sector leader in terms of efficiency.

In 2015, the company intends to keep a focus on the implementation of its priority projects, and the mandatory investment programme will continue to be a priority development area. These are investments which will secure the company's stability in the future.

The heat energy market is another important business area; the model for which was approved in 2014. Here, as in the Supply segment, the most significant strategic task of the company is management of its receivables. The level of arrears in the sector is currently critically high and in order to maintain financial stability, the Group needs to develop and implement debt-reducing programmes and solutions. The sector is still governed by uncertainty about long-term regulations in Russia's power generation market; this is one of the Group's principal challenges, which can only be met with increased efficiency and Inter RAO's provision for financial stability.

Inter RAO Group is a highly diversified holding company and this significantly expands the company's ability to optimise its business processes. Due to the synergy effect from operating in different industry segments, Inter RAO manages to increase its profitability in all business areas year after year and this is the absolute priority, which the company will adhere to in the future.

Igor Sechin

Chairman of the Board of Directors of JSC Inter RAO

Dear Shareholders!

For Inter RAO Group, 2014 was a turning point and a defining year. Despite the various macroeconomic complications and a significant drop in power consumption in the country, the company managed to successfully consolidate its position in all business areas and record a profit.

One of the key achievements and results of 2014 was the approval of the company's updated and revised Development Strategy covering the period ending in 2020 by Inter RAO's Board of Directors. We were already headed in the new direction for most of the year and today we can see that this has brought positive results.

In 2014, we actively implemented the Group's investment programme – over 1,500 MW of power generating capacity were introduced. In particular, we built two power plant units at Yuzhnouralskaya TPP-2 with a total capacity of 825 MW – a completely new power plant, commissioning of which enables to bring inefficient and outdated equipment at the Yuzhnouralskaya TPP out of service. A unique power generation unit with a capacity of 413 MW was commissioned at Nizhnevarovskaya TPP – this is an exceptional project with our strategic partner, Rosneft Oil Company. In December, the eighth power generation unit was commissioned at Cherepetskaya TPP, with a capacity of 225 MW – a complex and ambitious project which took us much time and effort, designed to improve and maintain the reliability of the power supply system in the Central Regions of Russia.

By 2014 year-end, Inter RAO Group had maintained its position, and, as seen previously, is now one of the top three Russian companies in terms of installed capacity, which has exceeded 35 GW.

One of the key strategic aims, highlighted in Inter RAO's Development Strategy, was to be acknowledged as the industry leader in terms of business performance. The positive financial performance results achieved in 2014 were largely due to the implementation of an extensive range of measures aimed at optimizing costs and securing business development.

In the Generation segment, the key objective of the company is to improve operational efficiency and performance on the electricity and power wholesale market. In 2014 we systematically reduced the unprofitable capacity load and stepped up energy and power output at our most efficient power plants. This increased our profits from electricity sales in Russia by 30% compared to the previous year, despite the drop in electricity and power consumption in the country.

In addition, we continued to diversify our gas suppliers – the Group's Bashkir Generation segment signed a contract with Rosneft companies to supply 2.4 bn cubic metres of gas in 2014. Inter RAO Group's participation in the organised trading of gas on the St. Petersburg International Mercantile Exchange (SPIMEX) enabled us to procure 326 mln cubic metres of gas from October through December. This year we intend to continue the practice of buying fuel on the mercantile exchange, increasing the volumes of purchased fuel and consequently obtaining additional economic results.

Management efforts to reduce coal prices in 2014 also had a far-reaching economic impact: it resulted in a reduction of contract prices for the supply and transportation of coal by an average of 4% against the year 2013.

The unification and standardisation of operating procedures were Inter RAO's key tasks in the Supply segment. A comprehensive series of measures to redistribute the load on supply company employees, to cut back on overlapping functions and to optimise office-based operations, thereby significantly cutting costs and increasing profitability, was launched in 2014, and this process is set to continue in 2015. In addition, we are planning to implement projects aimed at centralizing a range of

business functions, which include billing, call centre and others. We also intend to implement projects on developing additional paid services for our customers.

In 2013 and 2014, the company was able to improve subcontractor management during the construction of new power plants. Changes were made to the payments system, advance payments were abolished which had a significant impact on the time required to complete the work and, as a result, on the Group's revenue earned under capacity supply agreements.

The business environment in 2015 is going to be even more challenging than in the previous years. Macroeconomic instability, the drop in electricity and power consumption and uncertainty regarding the market's long-term regulations are all risks for which the Group needs to be prepared.

Inter RAO's overall objective remains unchanged – to develop a global and diversified electricity and power holding. Today we are able to see the first results of the synergy effect from operations in different industry sectors; the Group's key task is to strengthen and monetise this effect in 2015 and in the long term.

We will continue to work in line with Inter RAO's Development Strategy to achieve the core objective, highlighted by shareholders and the Board of Directors: improvement of financial performance, mainly by consolidating the Group's leading position in terms of operational efficiency and by increasing the Group's shareholder value.

Boris Kovalchuk

Chairman of the Management Board, JSC Inter RAO

4 Development strategy of Inter RAO Group and its implementation

4.1 Strategy of the Company

Mission and strategic goals of Inter RAO Group

The mission of Inter RAO Group is to contribute to sustainable economic development and better living standards of the people in every region of the Company's presence by providing reliable power supply, meeting the growing electricity demand, and using innovative technologies in energy efficiency and energy savings.

The strategic goals of the Group are as follows:

- Maintain leadership in the Russian energy industry;
- Become the leading Russian energy company by efficiency of energy asset management through focus on innovative technologies and energy efficiency;
- Contribute to energy safety and strategic interests of the Russian Federation;
- Generate shareholder value;
- Expand to target foreign markets and promote Russian energy solutions and practices in the international arena.

In the Development Strategy of JSC Inter RAO until 2015 with an Outlook Until 2020, which was adopted in late 2010, the Company stated ambitious goals, which it planned to achieve, in particular, through inorganic growth, raising the efficiency of existing assets, and developing new businesses including engineering services, equipment supply, energy efficiency services, fuel business, etc. Although the market environment in 2011-2013 was less favourable than expected while planning, the Group made a number of significant achievements in the implementation of the strategy, in particular:

- The process of consolidation of the Group assets was completed, being one of the most important projects in the Russian economy in recent years, which resulted in increasing of the Company's installed capacity up to 33.6 GW¹³ (19.7 GW in 2010);
- The Group entered new markets both inside and outside of Russia (Bashkortostan and Turkey, respectively);
- The Group's share on the electricity supply market of Russia reached 15% (in early 2010, it was under 1%);
- A full-scale engineering competency managed by Inter RAO - Engineering was established;
- The approach to the management of innovations was systematised, which included, in particular, the establishment of the Energy Beyond Borders Fund, etc.

The EBITDA and margin reduction in 2012–2013 was primarily due to changes in the principles of pricing on the retail market, because of which consumer differentiation by the number of hours of power use was abolished¹⁴. By 2014, the efficiency of the Group was restored at the account of the Generation segment (primarily due to CDA commissioning) and obtaining economically justi-

¹³ Installed capacity of the Group as at the beginning of 2014.

¹⁴ Russian Government Order No. 877 of 04.11.2011.

fied supply margins, the entry of new companies in the perimeter, expansion of its presence, and obtaining the status of a guaranteed supplier (GS).

Table 7. Dynamics of the Group's strategic indicators in 2010–2014 with a focus on 2020

Rate	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Target 2020
EBITDA, RUB mln	33,628	41,657	26,600	39,187	57,763	> RUB 100 bn
EBITDA margin, %	7.2%	7.8%	4.8%	5.9%	7.8%	>8.7%
Installed electric capacity, GW	19.7	31.1	33.5	33.6	35.0	>34.6, GW ¹⁵
Share on the Russian retail market, %	14.0%	15.0%	14.7%	15.1% ¹⁶	16.1%	>16%

In March 2014, the Board of Directors of JSC Inter RAO adopted Strategy of JSC Inter RAO with an Outlook till 2020¹⁷ in a revised version (hereinafter referred to as the Strategy). The key factors, which determined the degree of implementation of the previous version of the Group's Development Strategy and the need to update it in 2014, were as follows:

- Significant amendments of regulations in the retail segment and imperfection of regulations in the heat segment;
- Delay of commissioning in a number of CDA projects;
- Unfavourable business conditions in key export areas;
- Decisions of local regulators on key assets of the Group (in particular, Georgia and Armenia);
- Poor economic environment in Europe and therefore lower purchasing activity, etc.

In its updated Strategy, the Group is focusing on raising the efficiency of existing assets and organic growth, for which reason in the next two to three years the Group will implement a moderate M&A policy and concentrate efforts on investment liabilities in the Russian Federation including commissioning of CDA projects. At the same time, the Company has not changed the general list of key areas of development or management approach in its updated Strategy.

In each of its area of development, the Group has specified a list of necessary measures.

Table 8. Key achievements of the Group in 2014 by strategic initiative

Key areas of development	Key strategic initiatives	Main achievements in 2014 by the results of completed steps
Electricity and heat generation	Promotion of market model proposals	Proposals were drafted concerning the regulations of the operation of the wholesale market of electricity, capacity and heat markets. There is cooperation on that matter with the Ministry of Energy of Russia, NP Market Council, NP Council of Energy Producers,

¹⁵ Reduction of installed electric capacity is due, in particular, to the decommissioning of approximately 3 GW of inefficient capacity before 2020, which is stipulated by the Group's Strategy.

¹⁶ For data compatibility for calculation of the Share on the Russian Retail Market, JSC Tomskenergosbyt is accounted for in the Group's Strategy from January 01, 2013.

¹⁷ As adopted by the Resolution of the Board of Directors of JSC Inter RAO of 13.03.2014 r. (minutes of 17.03.2014 No. 110).

Implementation of construction and modernisation projects including CDA	<p>the Federal Tariff Service of Russia, the Ministry of Construction of Russia, etc.</p> <p>The developed initiatives are being discussed on the relevant sites and were partially included in legal regulations and other industry documents that were adopted in 2014¹⁸.</p> <p>A new coal power unit No. 8 (installed capacity: 225 MW) was commissioned at the Cherepetskaya TPP in Tula region.</p> <p>A large-scale investment project of construction of the Yuzhnouralskaya TPP-2 was completed. Two combined-cycle generating units (total installed capacity: 825 MW) were commissioned.</p> <p>Power unit No. 3 (installed capacity: 413 MW) was commissioned at the Nizhnevartovskaya TPP (a joint venture of Inter RAO Group and OC Rosneft).</p> <p>Retooling of the units No. 13 (capacity: 60 MW) at the Omskaya CHPP-3 and No. 1 at the Omskaya CHPP-5 (capacity: 100 MW) was completed (JSC TGGK-11).</p>
Raising the operating efficiency of core assets	<p>Steps were taken in the framework of the cost management programmes, energy efficiency and energy conservation, and generating asset efficiency that was adopted for 2014¹⁹.</p> <p>Electricity generation was increased at efficient plants in an environment of power excess and reduction of total energy consumption (the increase at the Sochinskaya TPP amounted to 5.0%; Urengoyanskaya TPP, 3.3%).</p> <p>During the year, the load of inefficient generating facilities at the Kashirskaya TPP was reduced (by 27.4%) and the first line of the Cherepetskaya TPP (by 3.8%), which reduced the marginal loss for these plants by RUB 217 mln.</p> <p>The total marginal profit from electricity sales of the Russian assets of Inter RAO Group in 2014 reached RUB 14.2 bn (annual increase: 28%).</p> <p>After the completion of the modernisation of the Pochinki-Yaroslavl main pipeline in the 3rd quarter of 2014, gas supply restrictions for the Kostromskaya TPP were lifted, which enabled the plant to operate at full capacity (3,600 MW) on gas. In the second half of 2014, the load of the Kostromskaya TPP exceeded 60%, which increased the marginal profit from electricity sales in the comparable period by RUB 103 mln.</p>
Optimisation of fuel costs for Russian assets	<p>In the framework of supplier diversification, the economic effect from gas supplies by OC Rosneft to plants of LLC Bashkir Generation Company in 2014 amounted to RUB 475 mln, and under contracts with JSOC Bashneft for accompanying gas supplies, RUB 64 mln (as compared to the FTS prices).</p> <p>Due to the purchase of 326 mln m³ of gas at the St. Petersburg International Commodity Exchange, the total economic effect from price reduction due to absence of energy value recalculation and free supply services amounted to RUB 18.6 mln.</p> <p>Due to the reduction of contract prices of coal supply and</p>

¹⁸ In particular, the order of the Federal Tariff Service of Russia of 28.08.2014 No.210-э/1 entitled *On the Adoption of the Formulas for Indexation of Regulated Prices (Rates) of Electricity (Capacity) As Applied in Electricity (Capacity) Sale Agreements, the Procedure of Their Application, and the Procedure of Establishment of Planned and Actual Rates That Are Used in Such Formulas*.

¹⁹ Read more about the implementation of the Energy Efficiency and Energy Savings Program of Inter RAO Group in 2014–2018 in section 4.5 Energy Efficiency.

		shipping, the price of coal for Russian assets of the Group in 2014 reduced by 4% on average. The greatest price reduction was achieved at the Cherepetskaya TPP (10%), Kashirskaya TPP (6%), and Yuzhnouralskaya TPP (4%).
Fuel supply	Mitigation of fuel supply risks of generation facilities	The coal supply from own deposits of LLC Ugolny Razrez for generation facilities of Inter RAO Group exceeded 1.5 mln tons of fuel equivalent.
Retail business in the Russian Federation	Promotion of proposals on the regulations for the retail market model	Proposals were drafted concerning the regulations of the operation of the retail market of electric power and capacity. There is cooperation on that matter with the Ministry of Energy of Russia, NP Market Council, the Federal Tariff Service of Russia, the Ministry of Construction of Russia, etc. At present, the developed initiatives are being discussed.
	Obtaining GS status in case of regular/extraordinary tenders	JSC Inter RAO – Oryol Energy Sales Company and JSC St. Petersburg Power Supply Company extended the field of their operation by obtaining the guaranteed supplier status in the Oryol and Leningrad Oblasts.
	Extension of the list of extra paid services	Power supply companies of Inter RAO Group have developed and are implementing middle-term Programmes of Development and Promotion of Extra Paid Services (EPS).
	Standardisation of the management system at power supply companies of the Group	In 2014 steps were taken for a transfer to a targeted system of management of power supply assets and establishment of a targeted model of a power supply company including a standard organisation structure, staffing specifications, business processes, and their automation.
Energy efficiency services	Services in energy efficiency and energy conservation	LLC Inter RAO UES Power Efficiency Centre was at the top of the rating of the RBC research agency among companies providing services in energy efficiency and energy conservation.
Import and export business	Preservation and strengthening of existing positions as a single export/import operator	The total amount of trading operations of JSC Inter RAO including agency agreements with JSC EEC (100% subsidiary of JSC Inter RAO) reached 17.5 bn kWh.
	Expansion of economically efficient areas of trade	JSC Inter RAO began electricity supplies to the power system of Georgia for resale to Turkey. The supplies became possible after the commissioning of the 400 kV Akhaltsikhe-Borchkha interstate power line that connected the power systems of Georgia for resale to Turkey and also due to cooperation with energy infrastructure companies of Georgia.
International business development	Expanding the presence on foreign markets	LLC Inter RAO – Export and an Argentinian consortium of companies headed by Helport S.A. were announced winners of the tender for the contract to build the 637 MW Chihuido-1 HPP in the Neuquén province, Argentina (the total project cost is \$2.2 mln). LLC Inter RAO – Engineering signed a contract with the Bangladesh Power Development Board for major repair of the 210 MW power unit No. 5 at the Ghorashal CHPP in Bangladesh (the total project cost is \$29.9 mln).
Engineering	Organisation of production of modern power equipment in the Russian Federation	LLC Russian Gas Turbines, a joint venture of GE, Inter RAO Group, and JSC United Engine-Building Corporation (UEC, a company of the Rostech State Corporation) opened a plant for production, sale, and maintenance of 77 MW 6FA (6F.03) type gas turbines in Rybinsk, Yaroslavl Oblast. The planned production capacity of the company will be up to 20 6FA gas turbine generator packages per year. The first two packages for

		delivery to OC Rosneft companies will already be assembled in 2015.
	Receipt of international certificates of the quality management system	LLC Inter RAO – Engineering obtained certificates of compliance of the company management system with the international standards ISO 9001:2008, ISO 14001:2004, and OHSAS 18001:2007 (the certification audit of the Company was performed by TUV NORD CERT GmbH, the international certification authority).
Innovations	Participation in funding and implementation of major sectoral projects, also in partnership with leading Russian companies and research centres	JSC Inter RAO and the Fund of Infrastructure and Education Programmes (Rosnano), NP Center of Innovative Energy Technologies, and NPO Saturn are implementing a project of developing a GTD-110M and GTE-110M production technology with the use of nanotechnologies.
	Implementation of the Innovative Development and R&D Programme	In the Innovative Development and R&D Programme, the Group is taking steps in the following areas, namely, raising the energy efficiency and environmental friendliness of processes, implementation of new technologies in processes, implementation of quality control systems, better organisation of innovations, development of cooperation with entities of the innovative environment, etc. ²⁰
Promising lines of business	Participation in projects in the distributed generation segment	<p>The Board of Directors of JSC Inter RAO approved the basic principles of participation in this segment. The Group will implement construction projects of generation facilities for industrial companies, individual energy districts, infrastructure projects, and the housing sector (modernisation of inefficient boiler facilities).</p> <p>With that, the Group will prefer projects where Inter RAO will provide construction, maintenance, and management of distributed generation facilities followed by transfer of the main equipment to the customer.</p> <p>LLC Inter RAO – Engineering and JSC UEC – Gas Turbines made an agreement of cooperation in the small and distributed generation sectors, which stipulates the development of a long-term strategic partnership between the parties in Russia and abroad in design and implementation of high-tech projects in the field of construction and modernisation of generation facilities.</p>
Management of minority ownership stakes	Sale of minority ownership stakes that have no signs of strategic blocks of shares	Minority ownership stakes in Volzhskaya TGK (7.5%) and TGK-9 (1.75%) were sold.

In December 2014, the Strategy of Inter RAO Group for the period until 2020 was reviewed by the Government Commission on Matters of Electric Power Sector Development as a Long-Term Development Programme and was approved without any alteration²¹. An audit of the Programme implementation is planned in 2015.

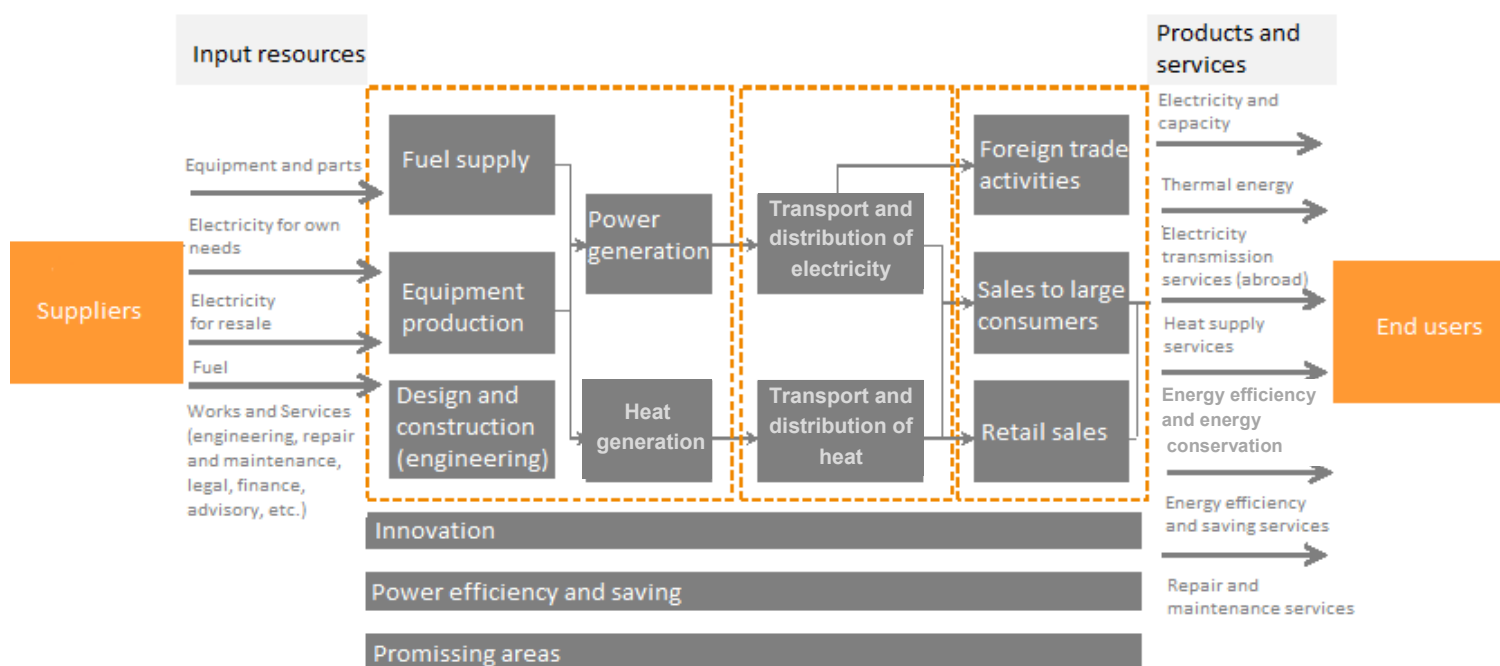
²⁰ Read more about the implementation of the Innovative Development and R&D Program in section 4.4. Innovation.

²¹ Approved by the Resolution of the Government Commission on development of electric power dated December 17, 2014 (Minutes of December 27, 2014, № 18).

4.2 Business model

At present, Inter RAO Group is a diversified energy holding which operates in various segments of the electric power sector in Russia and abroad. The business model stipulates preservation of the Group's operation at each segment of the value chain from design and construction of power facilities to the supply of electricity and heat to end consumers. In an environment of uncertainty of the long-term development of laws and regulations that are applicable to the industry (including the rules of operation of the wholesale market of electric power and capacity, the retail market of electric power and capacity, and the heat market), the selected Business Diversification Strategy is a key factor of hedging the power sector risks for the Group.

Fig. 3 Inter RAO Group's business model



The synergy effects between various segments of the value chain give extra stability to the Group's business model, in particular:

- Operation in the Engineering segment enables higher control over CDA project implementation in electricity and heat generation segments and mitigation of the risks of breaching CDA terms. Operation in this segment also enables using our own engineering experience gained through project implementation inside the Group for its capitalisation on the outside market;
- Development of own production of modern equipment serves as an import substitution tool if the Group does projects of construction/modernisation of generation assets, which is especially important in the current political environment and creates competitive benefits for the engineering system of Inter RAO on the outside market;
- Fuel assets in the Group framework provide conditions for uninterrupted fuel supplies and enables reliable operation of generating facilities, minimise logistical and price risks, and are a tool for influencing third party fuel suppliers at negotiations;

- Operation of an organisation with competencies in energy efficiency and energy conservation services within the Group contributes to more efficient realisation of such services within the Group's assets. In addition, it creates conditions for making profits on the outside market including cooperation with the Company's energy supply assets while searching third party customers.

4.3 Investment

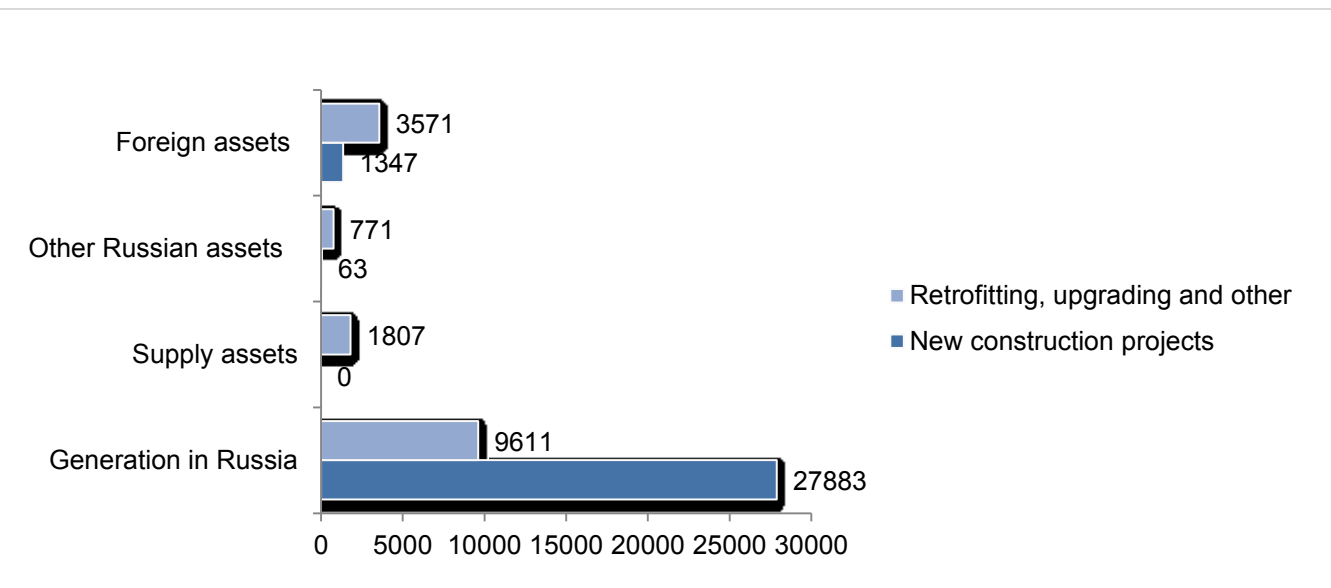
The investment programme of Inter RAO Group concerning capital investment aims at achieving its strategic goals of production capacity extension and ensuring reliability and safety of the Group's assets.

The main areas of the Group's investment programme in the part of capital investment are as follows:

- investment projects of building new generation facilities;
- investment projects of retooling and modernisation of power plant equipment.

In 2014, the total funding of the Group's investment programme in the part of capital investment amounted to RUB 45,053.3 mln including VAT²². The sources of the funding of the Group's investment programme were its own and borrowed funds, the ratio between which in the reported period was 67% and 33%, respectively. By 2019, the Group is planning to fund its investment programme independently.

Fig. 4 Most of the funding in 2014 was spent on construction and the commissioning of new power capacities (RUB mln, including VAT)



In 2014, the main field of capital investments of the Group, which accounts for 56% of the investment programme funding, was the construction and commissioning of new power capacities in the Generation segment in Russia. The Group is focusing on the construction of properties with which capacity will be supplied under capacity delivery agreements (CDA).

²² The data does not include the purchase of property of JSC Inter RAO by JSC Inter RAO - Electricity Generation Group in 2014.

Table 9. Implementation of investment projects (CDA) of Inter RAO Group in 2014 and with an outlook for in 2015–2017

Project		Parameters of new facility construction			
Summary		Type	Fuel	MW ²³	Commissioning date
2014					
CDA projects					
Construction of power unit No. 8 at the Cherepetskaya TPP	Power unit commissioned in Q4 2014	new	coal	225	18.12.2014
Construction of CCGT-400 unit No. 1 at the Yuzhnouralskaya TPP	Power unit commissioned in Q1 2014	new	gas	408	14.02.2014
Construction of CCGT-400 unit No. 2 at the Yuzhnouralskaya TPP	Power unit commissioned in Q4 2014	new	gas	416.6	21.11.2014
Reconstruction of steam turbine with generator at plant No. 13 of the Omskaya CHPP-3	Power unit commissioned in Q4 2014	modernisation	gas, fuel oil	60/10 ²⁴	30.11.2014
Reconstruction of steam turbine No. 1 at the Omskaya CHPP-5	Power unit commissioned in Q4 2014	modernisation	coal	100/20 ²⁵	31.12.2014
Construction of power unit No. 3 at the Nizhnevartovskaya TPP	Power unit commissioned on March 20, 2014 (certified capacity: 388 MW). At warranty tests, the design capacity (413 MW) was reached. The power unit was re-graded from 388 MW to 413 MW and included on the Register of the Actual Parameters of Generation Facilities of Participants of the Wholesale Market from 01.07.2014 with 413 MW installed capacity.	new	gas	413	20.03.2014
Non-CDA					
Replacement of a turbo generator at plant No. 4 (capacity: 10 MW) at the Ufimskaya CHPP-3 (LLC BGC)	Commissioned after replacement in Q1 2014	modernisation	gas	10	01.03.2014
Reconstruction of a gas piston unit at plant No. 5 at the Zauralskaya CHPP (LLC BGC)	Commissioned after replacement in Q3 2014	modernisation	gas	2.492	Q3 2014
CDA projects					
2015					
Construction of unit No. 9 at the Cherepetskaya TPP	Construction of unit No. 9 at the Cherepetskaya TPP (Suvorov, Tula region) will be continued. The main equipment has been determined;	new	coal	225 ²⁶	31.03.2015

²³ Capacity under CDA projects at the stage of construction is stated according to capacity delivery agreements, and under actually commissioned properties, by the actually commissioned capacity.

²⁴ 60/10 shall be read as follows: 60 MW, capacity commissioning, 10 MW, capacity increase as a result of turbine reconstruction. Other numbers in a similar form in the table shall be interpreted similarly.

²⁵ Extra 20 MW of capacity is included in installed capacity since 01.01.2015.

²⁶ According to the investment program of JSC Inter RAO – Electricity Generation Group for the period of 2014-2019, as adopted by the Board of Directors (minutes No. 134 of 30.06.2014).

	startup-setup is in progress.				
Reconstruction of steam turbine of plant No. 2 at the Omskaya CHPP-5	General contractor agreement has been made. Working documents have been developed, a positive conclusion of the industrial safety expert examination has been received. The general contractor is purchasing equipment and materials.	modernisation	coal	98/18	Q4 2015
2016					
Installation of T-120 turbine instead of PT-50-130 at plant No. 10 at the Omskaya CHPP-3	Project documents have been developed. The following equipment has been installed: TДЛ 160 MVA, overhead crane, generator, system water heater. The preparatory stage of the job is in process including disassembly of the turbo unit foundation and removal of equipment and communications that continue operation.	modernisation	gas	120	Q4 2016
Construction of power units No. 1, 2 CCGT at CHPP-5 in Ufa, Bashkortostan²⁹	Passport of project entitled <i>Completion of Construction of CCGT Units at CHPP-5</i> (installed capacity: 456 MW) has been approved. Contracts for supply of main equipment have been made with the following companies, namely, LLC Energopromspetsstservis, Power Machines OJSC, CJSC Lonas Tekhnologiya, CJSC Elektrotekhnicheskaya Kompaniya. A positive conclusion of the Chief State Expert Examination Office of Russia has been received. The main equipment has been delivered.	new	gas	456 ²⁷	31.12.2016
2017					
Construction of CCGT-800 at the Permskaya TPP²⁸	Commissioning time under CDA was moved to 30.06.2017. Currently, steam and gas turbines have been delivered to the plant; a recycling boiler is being delivered. Due to a default of the contractor general, OJSC Group E4, the contract with the contractor general is being terminated.	new	gas	800	Q2 2017
Non-CDA					
Construction of CCGT-420 at the Verkhnetagilskaya TPP (unit No. 12)²⁹	Project documents have been developed. Steam and gas turbines have been delivered. A contract for supply of recycling boiler has been made.	new	gas	420	Q3 2016
Extension and reconstruction of the Ekibastuzskaya TPP-2 with installation of unit No. 3 (Kazakhstan)	Construction and assembly have been suspended due to stoppage of current funding. Project resuming will depend on guarantees of return of investments in construction of the power unit.	new	coal	636	Q4 2017

As a result of implementation of investment projects in the reported period, the installed capacity increase amounted to 1,505 MW²⁹, which is the greatest annual increase according to target indicators that are planned in the Group's Investment Programme for the period of 2013-2017.

²⁷ The expected installed capacity of CCGT under ISO (at a temperature of 15 degrees) in condensation mode.

²⁸ Pursuant to the Russian Government Order of 30.12.2014 No. 2784-p, amendments were made to the list of CDA objects, in particular, the commissioning timing for power unit No. 4 of the Permskaya TPP under CDA was moved to 30.06.2017; Unit No. 12 at the Verkhnetagilskaya TPP (CCGT-420) was replaced with an item entitled *Construction of power units No. 1, 2 CCGT at CHPP-5 in Ufa, Bashkortostan* with 31.12.2016 commissioning time (420 MW).

²⁹ In accordance with the Registry of Power Generation Facilities on the Wholesale Market as of 01.01.2015.

4.4 Innovations

The innovative activity of the Group is implemented in the framework of the Innovative Development Programme of JSC Inter RAO until 2017 with an Outlook till 2021 (hereinafter referred to as the Programme) and targets the achievement of the following goals:

- Reliability, safety, and efficiency of operation of the Group's generating assets;
- Raising the technical level of the Group's assets up to the best international peers;
- Raising the environmental and industrial safety of processes;
- Reducing the production cost of electricity and heat;
- Saving energy resources;
- Developing scientific, engineering, and manufacturing basis for innovative development of the Group and the Russian power sector.

Monitoring of achievement of these goals is based on target indicators that have been developed based on the Group's strategic guidelines and results of comparative analysis of the Group and leading foreign and Russian power companies. The fulfilment of one indicator may contribute to the achievement of several goals of the Programme.

Table 10. Target indicators of the Innovative Development Programme³⁰

Indicators	Measurement unit	2014	2015	2016	2017	2021
Fuel equivalent efficiency for electricity generation	g/kWh	317.82	315.89	305.97	303.00	294.00
Fuel equivalent efficiency for heat generation	kg/Gcal	144.41	144.11	143.34	142.94	142.94
CO ₂ emissions per unit of generated electric power	gCO ₂ /kWh	607.9	603.01	598.33	591.93	553.22
Share of completed projects recommended for implementation at the Group's assets	%, at least	69	70	75	75	80
Number of intellectual property rights registered based on the discoveries made during the implementation of innovation projects	pcs	22	10	10	8	6
Number of applications submitted by outside contractors for R&D projects	pcs	181	200	220	230	400
Number of employees per 1 MW of installed capacity	persons/MW	0.81	0.79	0.78	0.77	0.74
Profit from sale of extra paid services on the retail market	RUB k	3,191,155	292,000	376,000	437,000	685,000
Percentage of R&D expenditures in total revenue of the Group's generating assets	%	0.04	1.4	1.4	1.4	1.4
Group revenues per employee	RUB k/year	18,844	19,702	21,993	24,111	27,200
Average operating efficiency	%	38.66	38.89	40.15	40.54	41.79
Percentage of new advanced technologies in total TPP capacity of the Group	%	13.30	13.84	16.59	19.23	23.54

³⁰ Includes the following generation assets: LLC Inter RAO – Management of Electric Power Plants, JSC TGK-11, LLC Bashkir Generation Company, and JSC Ekibastuzskaya TPP-2

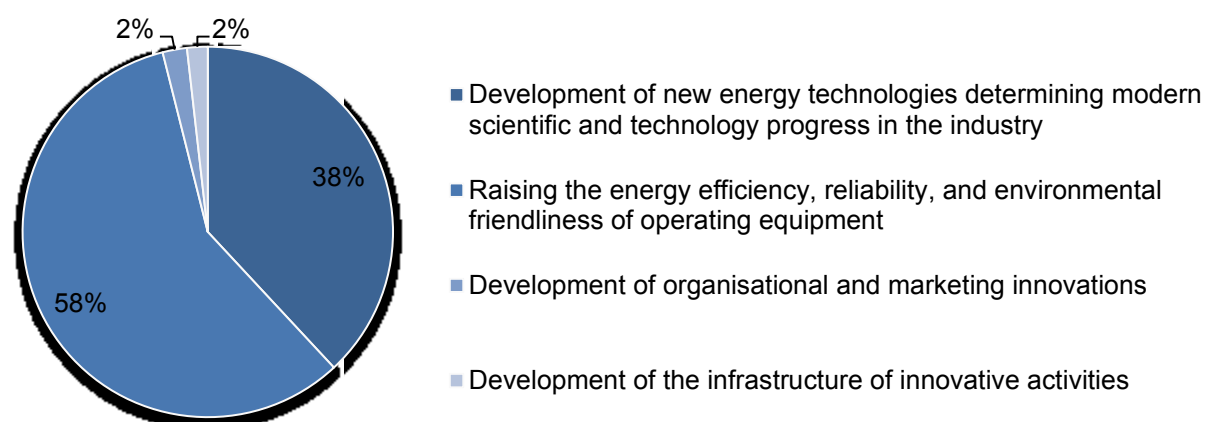
For achievement of key indicators, the Programme Implementation Plan has been developed by the Group. The Plan is updated annually and includes actions regulated by the investment programme of the Group, the R&D programme, and the energy conservation and energy efficiency programme.

Research and Development (R&D)

R&D is managed by the Energy Beyond Borders Fund (hereinafter referred to as the Fund), which was established in 2011 to support research, technology, and innovative activities of the Group. In 2014, the Fund continued the implementation of the R&D Programme which reflects the main trends in development of academic knowledge in the electric power sector and meets the needs of functional divisions, subsidiaries, and assets of the Group.

In 2014, the funding of R&D amounted to RUB 345.2 mln. Most of the funding was invested in the development of advanced technologies significant for scientific and technology progress in the industry (58%) and for raising the efficiency and reliability of operating equipment (38%) that is currently used by the Group's energy assets. The Programme was funded primarily by allowances made by companies of the Group.

Fig. 5 Development of advanced technologies significant for scientific and technology progress in the industry is a priority of funding of the R&D Programme



In 2014 the system of R&D co-funding under existing Federal Target Programmes (FTP) that are run by the Ministry of Energy, Ministry of Industry and Trade, and Ministry of Education and Science was used intensively, which raised the efficiency of spending on development of research and technology products.

In 2014 the Fund's attention was focused on a programme entitled Research and Development in Priority Areas of Development of the Research and Technology System of Russia in 2014-2020, which was developed for the Ministry of Education and Science. The Fund selected over 20 mid-term projects for participation in contests under the above-mentioned FTP as an industrial partner, five of which won; the ratio of project funding by the industrial partner (the Fund) to state budget and other non-budget funds in 2014 was approximately 1:9.

The Fund focuses on projects of ensuring reliability and improving quality of power supply to consumers. In 2014 project entitled Development of a Technology and Control System Ensuring Stable Operation of Generators at Power Plants Connected to the Power System and Equipped with Com-

bined Cycle Generating Units and Gas Turbine Units was implemented, the results of which will raise the reliability of the Group's generation sources. The last two steps of this programme involved special research of the operation of the Kaliningradskaya CHP-2 in case of severe system accidents with a deep frequency decline in the Kaliningrad power system. The developed steps for raising the viability of the plant will secure its ability to supply power to consumers in the region in almost all situations including separation of the regional power system from adjacent power systems of the Baltic States.

Table 11. The basic R&D projects implemented in 2014

Project	Effect	Application
Details of the Comprehensive Innovative Programme of Construction of CCGT Heat Generation Power Units Based on 6FA Gas Turbines by General Electric for the Period until 2020 and Afterwards and the preparatory stage of the Programme implementation in 2014–2015.	The Programme was first developed in 2012 and presented to the Ministry of Energy of Russia. The specification of the Programme enabled a deeper analysis of projects from the point of view of their necessity for the modes and balance, infrastructure readiness, and economical efficiency, and relevant ranking of the projects. In its turn, ranking makes it possible to identify the most attractive projects for further development. An assessment of the price consequences of the Programme implementation has also been obtained for the case if it is covered by the guaranteed investment return plan. Such an assessment is mandatory for further promotion of the Programme, giving it a national status, and development of government support measures.	The results of the work are used at LLC Inter RAO – Engineering as basic materials for planning further development and structuring of projects of CHPP based on 6FA on a bilateral basis with generation companies. In particular, project ranking has shown that CHPP modernisation at subcritical parameters by installing CCGT and recycling boiler superstructures. Based on that, in 2014 LLC Inter RAO – Engineering with LLC Bashkir Generation Company and JSC Inter RAO Production Unit developed superstructure projects for the Ufimaskaya CHPP-3 and Salavatskaya CHPP, which are a part of the Comprehensive Programme.
Research and development of a project of using heat batteries at CHPPs for raising the capacity and fuel utilisation rates	Saving fuel by optimising the modes of co-generation of electricity and heat. Revenue from electricity generation in peak hours and payment for extra peak capacity at CHPPs, which are provided by using heat batteries.	Using at CHPPs with low heat load in the heating period (low load of the heat generation outtakes) at CCGT units and power units with type T turbines.
Development of a system of planning of operation modes of the power plant by units depending on their technical condition, environmental friendliness, and varying electric and heat loads	Accurate forecast of the fuel component and dynamics of its change in the operation range of the plants which is necessary for reducing financial losses when working on the wholesale power and capacity market on the account of fuel saving.	Innovative software and technology systems for mode planning have been installed at power plants.
Development of steps of modernisation of existing coal power boilers for achievement	Raising economic and environmental rates of boiler unit operation, provision of stable and	The most efficient technical solutions for modernisation of coal boiler units are chosen

<p>of their design capacity rates, less slagging, and better environmental parameters and control range based on innovative fuel burning technologies with launch of pilot projects, by types of power boilers at power plants of JSC Inter RAO</p>	<p>responsible generation facilities, establishment of conditions for diversification of the fuel balance of power plants, and raising the share of coal in the fuel balance of CHPPs up to 100% substitution of natural gas.</p>	<p>operation of individually for each power plant.</p>
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The Fund is paying great attention to development, registration, and use of intellectual property objects (IPO), which is an important indicator of the results of innovative activity. In 2014, the Fund got 23 IPO, in particular:

- Documentation (the know-how mode), 3 pcs;
- Inventions, 8 pcs;
- Utility models, 10 pcs;
- Software, 2 pcs.

Development of an all-mode 20–25 MW CCGT unit for use in the small distributed power segment for supply of electricity and heat to consumers

In the reported period, a project of an all-mode 20–25 MW CCGT unit, which is important for the small distributed power segment, reached its final stage. Co-generation of electricity and heat in CCGT units is known to save over 30% of fuel as compared to separate generation of electricity at modern TPPs and heat in boiler facilities. In the case of the small distributed power segment, the development of the Fund will save over 50% of fuel as compared to electricity consumption from grids or its production with low-efficiency equipment.

Using technical solutions that have been developed for the project will enable a quality change of technical characteristics and an implementation of the operation parameters of the equipment of the designed all-mode CCGT unit and will provide the following:

- High flexibility of CCGT units with capacity change in start-up and stoppage modes;
- Deep unloading of CCGT units of electricity production with no change in heat output;
- High economic efficiency of electricity and heat generation in a broad range of heat output (from zero to maximum);
- Better environmental situation around the CCGT units due to lower fuel consumption and nitrogen oxide concentration in exhaust gases;
- Lower cost and shorter time of power plant construction by using standard project solutions and block delivery of CCGT systems and equipment.

In 2014 Inter RAO Group continued international cooperation in the research, technology, and innovative fields.

In particular, in the reported period Inter RAO Group participated in establishment of multilateral economic cooperation in the BRICS framework. The Group presented a Roadmap designed by the Russian section of the BRICS Contact Group on Economic and Trade Issues, and proposals on the following projects:

- Construction of 100–120 MW coal CHPP power units with enhanced technical and economic parameters for new construction or replacement or existing equipment;
- Development of an international centre for research and development in the products based on the Skolkovo Foundation using the Foundation's infrastructure and tools for experience exchange in the field of energy and energy efficiency.

4.5 Energy efficiency

The objective of Inter RAO Group in energy efficiency and energy conservation management is to improve the energy efficiency rates of individual energy-intensive production assets and the Group as a whole through optimisation of operating costs and mitigation of the negative impact on the environment.

In the reported period, the Group continued implementing a consistent approach to energy efficiency management based on the ISO 50001 series standard. The main goal for 2014 was replicating the energy management system at LLC Inter RAO – Management of Electric Power Plants including 16 power plants that are branches of the company. Assets of this segment are the most energy-intensive and have a big effect on the total energy intensity rate of the Group. For the system implementation, a number of organisational steps were taken, in particular:

- Training and developing competency of the staff of the managing company and controlled its power plants according to the requirements of the international ISO 50001 standard Energy Management Systems – Requirements with Guidance;
- Establishment of an institution of innovations and energy efficiency managers at power plants of LLC Inter RAO – Management of Electric Power Plants; including a position of Leading Innovations and Energy Efficiency Manager in the staffing specifications;
- Establishment of collegial management bodies, namely, Commissions on Energy Efficiency and Energy Savings, on the level of the managing company and controlled power plants;
- Development of tutorial documents regulating business processes, procedures, and functional duties in the framework of the energy management system within the limits of LLC Inter RAO – Management of Electric Power Plants.

The energy efficiency steps are being implemented by the Group in the framework of the Energy Efficiency and Energy Savings Programme of Inter RAO Group for 2014–2018 (hereinafter referred to as the Programme) for the following generation assets, namely, LLC Inter RAO – Management of Electric Power Plants, JSC TGK-11, LLC Bashkir Generation Company, and JSC Ekibastuzskaya TPP-2. The main target indicator of the Programme is the electricity fuel efficiency and the heat fuel efficiency.

Table 12. The results of fulfilment of the Energy Efficiency and Energy Savings Programme indicators for 2014

Target indicator	Target indicator	Actual	Norm	Analogue in 2013
Fuel efficiency				
electricity, g/kWh	319.83	317.82	318.20	322.41
heat, kg/Gcal	144.17	144.41	144.58	144.58
Electricity consumption for own needs				
electricity generation, %	4.27	4.21	4.39	4.28

heat generation, kWh/Gcal	33.63	33.61	34.43	33.84
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By the results of 2014, three target indicators out of four were fulfilled successfully. The reason of non-fulfilment of the fourth indicator, namely, the heat fuel efficiency, was a reduction of the heat output. However, the indicator did not exceed the normative value that was calculated according to the equipment characteristics for the actual heat output.

In 2014, companies of the Group implemented a number of energy efficiency and energy saving projects with high effectiveness.

Table 13. Examples of energy efficiency and energy saving projects in the Group's assets in 2014

Asset	Project	Economic effect per lifecycle, k RUB	Costs, k RUB	Effectiveness indicator ³¹
Kashirska ya TPP	Reconstruction of steam pipelines and condensate pipelines for fuel oil discharge to enable disabling fuel oil discharge in the fall and winter in the 'cold' reserve mode	224,817.00	5393.45	41.69
Ufimskaya CHPP-4	Reconstruction of cooling tower No. 2	576,762.00	26,082.00	22.11
Ufimskaya CHPP-3	Modernisation of heat insulation with enhanced heat insulation properties based on condensate treatment tanks No. 3, 4, 5, UOS	4,771.00	258.00	18.49
Nizhnevarovskaya TPP	Modernisation of high and medium pressure cylinders of power unit No. 1 with installation of cellular above-shroud compactions	294,655.32	17,500.00	16.84
Verkhnetagil'skaya TPP	Modernisation of the vacuum system of the turbine of the steam station No. 11 with modernisation of the 11B ejector	61,390.92	4,861.00	12.63

In future, the Group is planning to use a comprehensive approach to improving its production performance. In particular, in the reported period a concept of consolidating the energy efficiency programme, cost management and operating efficiency programme was approved. That will enable the optimisation of the Group's operating efficiency and a comprehensive assessment of measures taken by the Group's assets on both technology and economic indicators.

In addition to the above, for gaining an optimal ratio in the "equipment reliability" and "equipment efficiency" balance, in 2012 the JSC Inter RAO Production unit initiated a project entitled A System of Management of Production Assets and Funds Based on Lifecycle Cost Minimisation, which reached its final stage in 2014. The first stage of the project was funded via the Energy Beyond Borders Fund.

³¹ The efficiency indicator is calculated as the ratio of the economic effect per lifecycle and the total money costs.

The project entitled A System of Management of Production Assets and Funds Based on Lifecycle Cost Minimisation

In the reported period, a project of management of production assets and funds based on lifecycle cost minimisation, which is important for the Russian practice, reached its final stage.

In the framework of the first stage, a universal methodology was developed for assessing the technical condition of equipment, methods were designed for forecasting failure probability and for designing programmes of process impacts in view of potential risks, and algorithms for minimising the ownership costs. Mechanisms for implementation of the system of management of production assets and funds were proposed in the part of business processes and requirements to their automation. An intellectual property object was developed that is eligible for registration.

As a result of the first stage, normative and reference documents were designed, in particular, a classifier of the main production assets of the pilot energy property, namely, the Kashirskaya TPP, detailed down to structural elements of equipment (over 540 equipment groups); a reference book of production and technology units of the pilot energy property (over 2,400 units); an algorithm of ranking equipment groups by priorities based on the methodology of the system of management of production assets and funds based on lifecycle cost minimisation (111 equipment groups); the methodology of the system of management of production assets and funds based on lifecycle cost minimisation (2,000 parameters for technical condition assessment, a set of methods and reference books); a list of key parameters of the efficiency of the system of management of production assets and funds based on lifecycle cost minimisation; technical requirements for subsequent automation of the developed methodology.

The developed methodology was tested on the pilot energy property including tests of the programme of process impacts on the power property equipment. Preliminary results of the Project suggest its potential positive effect and benefits for the Group as concerns raising the operating efficiency of generation equipment.

At the second stage, automation of the system of management of assets and funds based on lifecycle cost minimisation is planned. Implementation of the system will enable raising process efficiency from the 'risk-cost-efficiency' point of view by optimising the costs of maintaining the serviceability of production assets, raising the efficiency of investments, transparency of the process of management of repairs and operations, raising objectivity by reducing the importance of the human factor in the decision making process, and reducing the number of failures and flaws.

The results of LLC Inter RAO UES Power Efficiency Centre in 2014

LLC Inter RAO UES Power Efficiency Centre is a joint venture of JSC Inter RAO and Rosatom State Corporation, which has been in business since late 2010.

The main goal of the company at its establishment was becoming a leader on the Russian market of energy efficiency and energy saving services by revenue and order portfolio. In 2014, the company managed to strengthen its market positions. According to a marketing research of the Industrial Information Agency, by the results of 2013–2014, the company's share on the market of engineering services in the energy efficiency and energy savings field, which is evaluated at RUB 100 bn, amounted to 8%.

The high market ratings of the company were also confirmed by a study of the RBC research agency. According to the RBC rating, LLC Inter RAO UES Power Efficiency Centre was number one among companies operating in the energy efficiency and energy savings field.

The second strategic goal of the Power Efficiency Centre was entering outside markets and raising the share of revenue among clients who would be outsiders in relation to Rosatom State Corporation and Inter RAO Group. In the first year of the company's operation, the share of outside revenue amounted to 2%, in 2012, 8%, and it reached 19% in 2013. As at the end of the reported period, the share of clients at outside markets was growing quickly at the same time as the revenue, reaching nearly 40%. In 2015, the share of outside orders is planned to reach 70%.

In 2014, the list of key competencies of the Power Efficiency Centre was finally established. The business will be focused on three basic areas, in particular:

- Engineering services in the field of energy efficiency raising;
- Engineering services in the field of infrastructure project development;
- Services in the field of process management optimisation.

The competitive advantages of the Power Efficiency Centre is its ability to offer comprehensive complete-cycle engineering services including consulting, engineering, automation and IT, equipment supply, and after-sale services.

The growing competencies in adjacent industries and business diversification in the reported period enabled the Power Efficiency Centre to enter new markets of engineering services and make new long-term contracts. As at the end of 2014, the company's order portfolio reached RUB 75.5 bn.

Participation of the Power Efficiency Centre in solving the 'digital inequality' problem in Russia

The 'digital inequality' problem is understood as a disproportion in the rate of availability of broadband Internet access in various categories of inhabited areas. Enabling Internet access in small and remote villages is a priority of the Russian Government; by 2018, the Internet penetration rate is to reach 80% nationwide (as compared to 62% in the end of 2014).

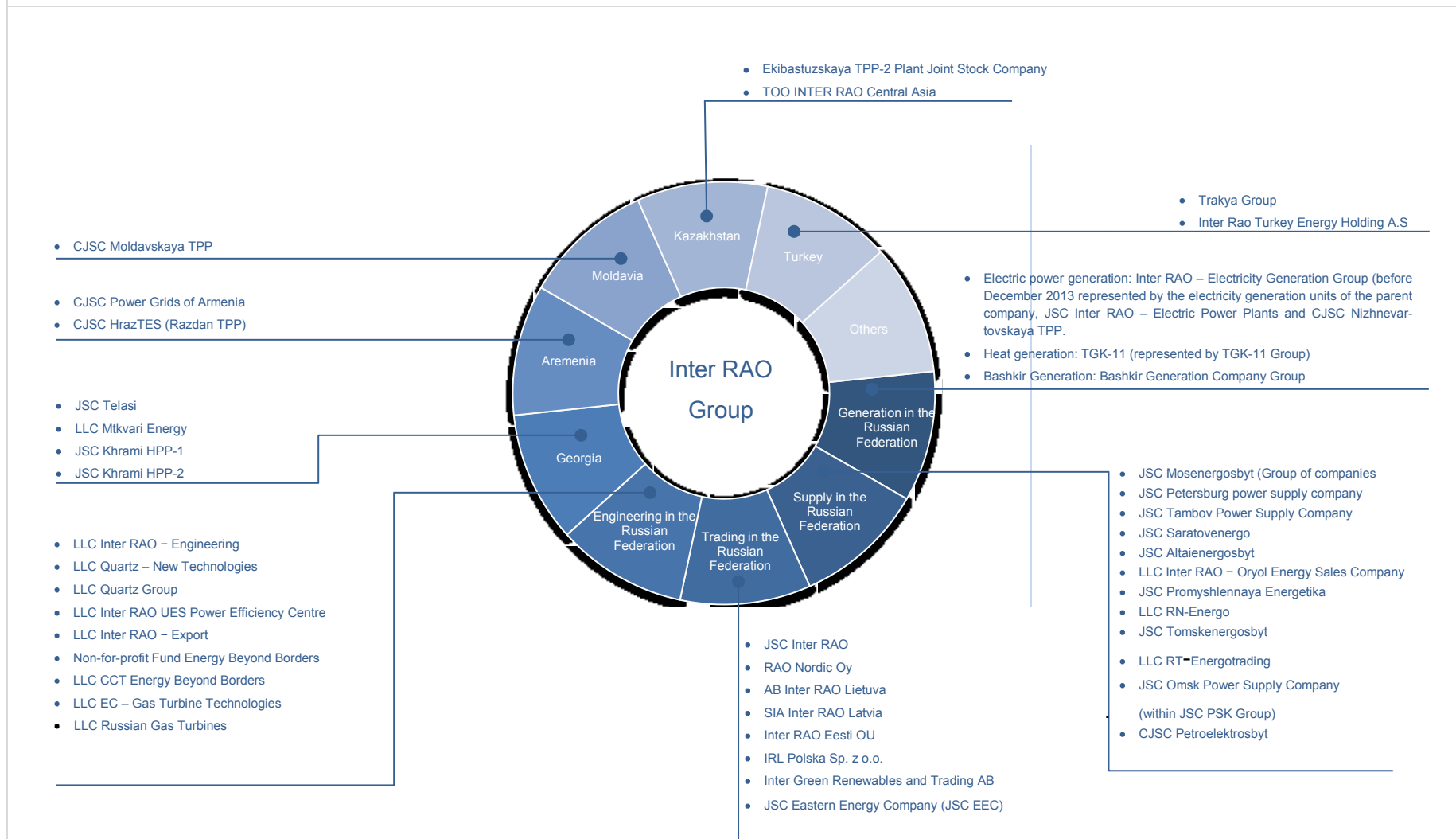
LLC Inter RAO UES Power Efficiency Centre was selected as the general contractor of JSC Ros-telecom for construction of new fiber-optic communication lines (FOCL). The Power Efficiency Centre proposed an optimal solution that enabled cutting the costs and time of the project implementation, namely, laying FOCL on existing power lines. In the framework of the project, the company will build 200,000 km main lines to provide data transfer services at a speed of 10 Mbit/sec or more in access points located in villages with 250 to 500 inhabitants. The total number of villages where Internet access points will be arranged is over 13,600.

Using the global experience of cooperation of communication operators and power companies with engagement of distribution grids will give the Russians a new quality of Internet access.

5 Inter RAO Group's business operations

5.1 Segments

Fig. 6 Segments in accordance with IFRS



JSC Inter RAO's management considers the Group activities from both geographical (by countries of the Group entities' jurisdiction) and business perspective (generation, trading, supply, distribution, engineering and others) meaning that each operating segment represents a certain type of business activities or legal entities in a certain country.

The following reporting segments have been identified based on the requirements of IFRS 8 Operating Segments (taking into consideration aggregation criteria as well as quantitative thresholds on revenue and EBITDA):

- The generation Segment in the Russian Federation Segment is represented by the following reporting sub-segments:
 - Electricity generation: Inter RAO – Electricity Generation Group (before December 2013 represented by the electricity generation units of the parent company, JSC Inter RAO – Electric Power Plants and CJSC Nizhnevartovskaya TPP;
 - Heat generation: TGK-11 (represented by TGK-11 Group);
 - Bashkir Generation: Bashkir Generation Company Group;
- The Supply in the Russian Federation Segment is represented by JSC Mosenergosbyt (Group), JSC PSK (Group), JSC Tambov Energy Sales Company, JSC Saratovenergo, JSC Altaienersosbyt, JSC Inter RAO – Oryol Energy Sales Company, JSC Promyshlennaya Energetika, LLC RN-Energo, JSC Tomskenergosbyt, LLC RT-Energotrading, LLC Omsk Energy Sales Company (part of JSC PSK Group), and CJSC Petroelektrosbyt;
- The Trading in the Russian Federation and Europe Segment is represented by the trading operations of JSC Inter RAO, RAO Nordic Oy, AB Inter RAO Lietuva, SIA Inter RAO Latvia, Inter RAO Eesti OU, IRL Polska Sp. z o.o., Inter Green Renewables and Trading AB, and JSC Eastern Energy Company (JSC EEC);
- The Engineering in the Russian Federation Segment is represented by LLC Inter RAO – Engineering, LLC Quartz – New Technologies, LLC QURTZ Group, LLC Inter RAO UES Power Efficiency Centre, LLC Inter RAO – Export, Non-for-Profit Fund Energy Beyond Borders, and LLC CKT Energy Without Borders;
- The Georgia Segment is represented by JSC Telasi, LLC Mtkvari Energy, JSC Khrami HPP-1, and JSC Khrami HPP-2;
- The Armenia Segment is represented by CJSC Power Grids of Armenia and CJSC Hraz-TES (Razdan TPP);
- The Moldavia Segment is represented by CJSC Moldavskaya TPP;
- The Kazakhstan Segment is represented by JSC Ekibastuzskaya TPP-2 and TOO Inter RAO Central Asia;
- The Turkey Segment is represented by Trakya Group and Inter Rao Turkey Energy Holding A.S;
- Others.

Assessment of Segments performance

The managing body responsible for operations decision-making assesses the performance of operation Segments based on the following indicators:

- **EBITDA:** calculated as profit/(loss) for the period before finance income and finance expenses, income tax expense, depreciation and amortisation of property, plant and equipment and intangible assets, impairment of property, plant and equipment and investment property, impairment of goodwill and provisions for doubtful debts and for inventory obsolescence, share in profit/(loss) of associates and acquisition effects such as excess of the acquired share in the fair value of the identifiable assets and liabilities over the cost of investment and other similar effects)³²;
- **Depreciation and amortisation** of plant, property and equipment and intangible assets, interest income and expenses;
- **Revenue** of the Segments which is mainly revenue from the sales of electricity, capacity and heat distributed by the reporting Segments;

Moreover joint ventures (investment assets accounted for using the equity method) are analysed to identify the Group's share in their profit/(loss).

Unallocated items and eliminations include the transactions between the Segments eliminated on consolidation (*Eliminations*) and management expenses, interest income and expenses of JSC Inter RAO, and liabilities related to credits and loans obtained by JSC Inter RAO or other subsidiaries which cannot be allocated to a specific reporting Segment Segment on a reasonable basis (*Unallocated Items and Eliminations*).

³² The Group's methodology for determining EBITDA can differ from the that used by other companies.

5.2 Group's key performance indicators

2014 is characterised by positive growth in a number of key financial and economic indicators of Inter RAO Group, driven by efficient performance of generating, supply, and engineering assets.

Table 14. Key financial and economic results of the Group for the year ended December 31, 2014

Indicator	UOM	Supply	Generation			Trading	Armenia	Georgia	Moldavia	Kazakhstan	Turkey	Engineering in Russia	Other	Unallocat- ed ex- penses	TOTAL
		The Russian Federa- tion	The Russian Federation			The Rus- sian Fed- eration and Europe									
			Electricity generation	Heat generation											
			Inter RAO – Electrici- ty Generation Group	TGK-11	BGC										
Revenue	RUB mln	450,864	147,553	27,240	49,400	56,679	14,687	6,803	6,929	109	14,708	6,746	1,987	(42,604)	741,101
Share of Segment reve- nue Total	%	61	20	4	7	8	2	1	1	0	2	1	0	-6	100.0
Operating expenses, includ- ing:															
Purchased electricity and capacity	RUB mln	(246,788)	(7,837)	(2,493)	(3,635)	(46,434)	(7,465)	(720)	-	(64)	-	-	(152)	36,403	(279,185)
Fuel	RUB mln	-	(82,172)	(12,743)	(28,869)	-	(2,418)	(1,930)	(4,074)	-	(12,796)	-	-	-	(145,002)
Electricity transmission	RUB mln	(177,820)	-	-	(44)	(3,991)	(629)	(555)	(45)	(40)	-	-	(1)	-	(183,125)
Share of profit/loss of joint ventures	RUB mln	19	2,325	-	-	-	-	-	-	1,101	-	(10)	178	-	3,613
EBITDA	RUB mln	10,071	30,265	3,217	6,855	4,388	969	1,668	1,692	1,108	869	(270)	761	(3,830)	57,763
Depreciation and amortisa- tion	RUB mln	(1,311)	(10,566)	(1,655)	(4,434)	(56)	(603)	(425)	(146)	(3)	(937)	(161)	(490)	(437)	(21,224)
Interest income	RUB mln	1,393	458	-	78	124	24	63	-	-	9	216	487	902	3,754
Interest expenses	RUB mln	(504)	(3,280)	(1,047)	(85)	(111)	(626)	(176)	(221)	-	(338)	(74)	(1,131)	2,283	(5,310)
Share of Segment EBITDA, total	%	17.4	52.4	5.6	11.9	7.6	1.7	2.9	2.9	1.9	1.5	-0.5	1.3	-6.6	100.0
EBITDA margin	%	2.2	20.5	11.8	13.9	7.7	6.6	24.5	24.4	1016.5	5.9	-4.0	38.3	9.0	7.8

Table 15. Key operating performance indicators of the Group as at December 31, 2014

Indicator	UOM	Electricity supply	Generation			Trading	Armenia	Georgia	Moldavia	Kazakhstan	Turkey	Engineering in Russia	Other	TOTAL
		The Russian Federation	The Russian Federation			The Russian Federation and Europe								
			Electricity generation		Heat generation									
			Inter RAO – Electricity Generation Group	TGK-11	BGC									
Installed capacity ³³	MW	-	22,854	2,036	4,180	-	1,110	827	2,520	478	1,000	-	30	35,035
Electricity generation	mln kWh	-	102,740	9,234	19,596	-	957	1,732	3,893	3,084	4,755	-	57	146,047
Electricity supply	mln kWh	166,184	-	-	-	-	-	-	-	-	-	-	-	166,184
except for inter-segment revenue	mln kWh	160,331	-	-	-	-	-	-	-	-	-	-	-	160,331
Heat output	k Gcal	-	4,390	13,708	27,139	-	-	-	91	-	44	-	-	45,371
except for inter-segment revenue	k Gcal	-	3,403	13,708	19,356	-	-	-	91	-	44	-	-	36,602
Installed capacity utilisation rate	%	-	53.0	52.5	53.6	-	9.8	23.9	17.6	73.6	54.3	-	23.1	48.7
Fuel consumption in kind		-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	mln m ³	-	21,758	2,026	7,139	-	276	333	1,097	606		-	-	33,234
Coal	k tons	-	9,653	4,681	680	-	-	-	2	-	2,981	-	-	17,997
Fuel oil	k tons	-	90	19	25	-	-	-	2	22	4	-	-	162
Other	k tons	-	-	-	116	-	-	-	-	-		-	-	116

³³ In accordance with the details in the Register of actual parameters of power generation equipment for wholesale market participants as at January 01, 2015 for Inter RAO – Electricity Generation Group and TGK-11 Group.

5.3 Generation in the Russian Federation

Segment description

Generating Companies in the Russian Federation Segment are situated in 19 constituent entities of the Russian Federation. The Segment includes the following assets:

- LLC Inter RAO – Management of Electric Power Plants: a management company which supports the efficient operations of JSC Inter RAO – Electricity Generation and CJSC Nizhnevartovskaya TPP.
- JSC Inter RAO – Electricity Generation includes the Russian power generation assets of Inter RAO Group, except for power plants in the Omsk and Tomsk Regions and Bashkiria. JSC Inter RAO – Electricity Generation has 16 largest power plants with a total installed capacity of 20,841 MW³⁴.
- TKG-11 Group: JSC TKG-11, JSC OmskRTS, and JSC TomskRTS. Electric installed capacity is 2,036 MW³⁴ and thermal – 7,544 Gcal per hour.
- Bashkir Generation: Bashkir Generation: LLC Bashkir Generating Company (LLC BGC): Installed capacity for electricity is 4,156 MW and for heat – 8,851 Gcal per hour. LLC Bashkir Distribution Thermal Networks (LLC BashRTS): Installed capacity for electricity is 24 MW and for heat – 3,593 Gcal per hour.

The total installed capacity of the Segment energy facilities increased by 5.2% in the reporting period and reached 29,070 MW by the end of 2014³⁴.

Segment market position

As of January 01, 2015 the installed capacity of UES of Russia's power plants increased by 5,982 MW (2.6%) to 232,452 MW. The increase in installed capacity was the result of the commissionings of new power generation equipment (7,296 MW) which was mainly energy units powered by steam and gas technology and an upgrade of the existing power generation equipment (398.53 MW). The generation equipment of Russia UES power plants (obsolete heat-producing and low-capacity condensation turbines) with a total capacity of 1,763 MW was decommissioned.

Table 16. Installed capacity of the Generation in the Russian Federation Segment and share in the total mix of the UES

Indicator	UOM	UES of Russia, total	UES of Centre	UES of North-West	UES of South	UES of Urals	UES of Siberia
UES installed capacity as at January 01, 2015³⁵	MW	232,451.8	52,891.7	23,286	20,170	49,165.9	50,947.7
including TPP	MW	158,403.4	38,268.9	14,570.4	11,453.4	46,712	25,676.3
Installed capacity of the Segment as at January 01, 2015³⁴	MW	29,070	5,835	2,835	358.7	16,240.4	3,800.9
Share of Segment capacity of UES installed capacity							

³⁴ In accordance with the Registry of power generation facilities of the Wholesale Electricity Market as at January 01, 2015.

³⁵ Report on UES of Russia Functioning in 2014 published on the website of JSC SO UES (www.so-ups.ru).

Indicator	UOM	UES of Russia, total	UES of Centre	UES of North-West	UES of South	UES of Urals	UES of Siberia
as of January 01, 2015	%	12.5	11.0	12.2	1.8	33.0	7.5
as of January 01, 2014	%	12.2	13.8	12.1	1.9	28.4	7.7
Share of Segment capacity of TPP UES installed capacity	%	18.3	15.2	19.5	3.1	34.8	14.8
Share of UES in the capacity mix of the Segment	%	100	20	10	1	56	13

Operating performance

During 2014, the installed capacity of the Segment increased by 1,448.4 MW³⁶. Changes have been due to the following:

- Completion of construction of steam and gas energy unit 1 with installed capacity of 408 MW (commissioned on March 01, 2014) and of unit 2³⁷ with capacity of 416.6 MW (commissioned on December 01, 2014) – Yuzhnouralskaya TPP in the Chelyabinsk region (total installed capacity of the power plant increased by 824.6 MW);
- Commissioning of CCP-3 at Nizhnevartovskaya TPP with installed capacity of 413 MW in the Khanty-Mansiysk Autonomous District;
- Commissioning of new coal energy unit 8 of Cherepetskaya TPP (branch of JSC Inter RAO – Electricity Generation) with capacity of 225 MW in Tula region;
- Reconstruction of generator-driven steam turbine 13 at Omskaya CHPP-3 (JSC TGK-11) with a power increase by 10 MW (to 60 MW);
- Change in installed capacity of CCP-90 to 85.2 MW (+3.3 MW) at Omsk CHPP-3 (JSC TGK-11);
- Commissioning after replacement of 10 MW turbine unit 4 at Ufimskaya CHPP-3 (LLC BGK);
- Commissioning after reconstruction of turbine unit 5 with installed capacity of 2.492 MW at Zauralskaya TPP (LLC BGC);
- Change of capacity of TG-1 at Omskaya CHPP-5 after reconstruction with a capacity increment of 20 MW (to 100 MW)³⁶;
- Decommissioning of turbine units 1 and 2 (PT-30-90/10) at Ufimskaya CHPP-4 with total capacity of 60 MW since they were not in demand on the thermal and electric energy market.

There was an increase in installed capacity in the reporting period of 1,467.3 Gcal per hour mainly driven by an increase in power of a number of facilities of LLC BGC. Electricity generation in the Segment in 2014 was 131.6 bn kWh, which is 0.4% below the previous year's indicators. The growth of power generation at newly launched CDA facilities at a number of power plants was part of optimisation of the loading profile through the reduction of electricity generation during non-

³⁶ In accordance with the Registry of power generation facilities of the Wholesale Electricity Market as at January 01, 2015.

³⁷ Re-certification of unit 2 of Yuzhnouralskaya TPP from January 01, 2015 to be rated to 416.6MW.

profitable periods. That contributed to a reduction in margin loss. As a result, per unit fuel consumption required for electricity output decreased by 4.1 goe per kWh. Heat output in 2014 amounted to 45.2 mln Gcal, which is 6.6% above the 2013 level. This growth was driven by direct contracts LLC BashRTS signed with consumers that had previously received thermal energy from municipal heat supply companies.

In 2014 the fuel supply mix for the Group's Russian electricity generation facilities included 79.7% of gas, 19.6% of solid fuel, 0.4% of fuel oil and 0.3% of other liquid fuels. The reduction in the gas and coal supply in 2014 versus the previous year was 0.8% and 11% accordingly. This was due to reduced consumption of coal imported from Kazakhstan by the Omsk Branch of TKG-11, Verkhnetagilskaya TPP, and Yuzhnouralskaya TPP, as well as reduced coal supply to Kharanorskaya TPP and Kashirskaya TPP pro rata reduced electricity generation.

The main gas suppliers for Group facilities in 2014 were OAO NOVATEK, OAO Gazprom, and OJSC Oil Company Rosneft. Gas prices grew by 7.3% on average. The commitments of standard fuel reserve replenishment established by an order of the Ministry of Energy of the Russian Federation were fully complied with in 2014.

The Company implemented a number of activities aimed at optimising fuel expenses related to its assets in Russia in the reporting period:

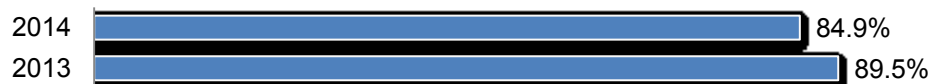
- Diversification of gas suppliers. Under an annual contract for gas supplies to BGC Group, Rosneft Oil Company delivered 2.3 bn m³ of gas in 2014. The economic effect from gas supplies by Oil Company Rosneft to BGC Group facilities totalled RUB 475 mln in 2014. The economic effect under contracts with ANK Bashneft for associated gas versus the FTS price was RUB 64 mln.
- Gas purchase at the commodity exchange. Inter RAO Group purchased 326 mln m³ of gas at the St. Petersburg International Commodity Exchange in October – December 2014. The aggregate economic effect related to the gas purchasing price decrease as calorific value and payment for procurement and sales services not recalculated amounted to RUB 18.6 mln.
- Reduction of per unit fuel consumption. Per unit fuel efficiency equivalent related to electricity output to the Russian assets of Inter RAO Group were reduced thanks to the launch of new capacities under a CDA and streamlining of power plant utilisation rates as follows: Yuzhnouralskaya TPP – 18.6%; Dzhubginskaya TPP – 4.8%; Nizhnevartovskaya TPP – 4.4%; and Cherepetskaya TPP – 1.8%.

The repair plans for the manufacturing assets in the Russian sector were based on the Electric Energy Generation Business Strategy, reliability and safety³⁸ management of mid-term (5 year) and annual plans in 2014, and took into account the results of the multi-factor analysis of key manufacturing asset conditions (current and target uptime, process impacts, and fault rates of equipment, assemblies (elements) etc.) as well as a number of statutory activities.

In 2014, a total of 19 energy units were subjected to major and light overhauls and 50 km of thermal grids were re-installed. The cost of the repair plan amounted to RUB 11.1 bn, which was 19% higher YOY. The cost growth was driven by major scheduled repairs at the facilities of LLC BashRTS and Kaliningradskaya TPP-2 (Branch of JSC Inter RAO – Electric Power Plants).

³⁸ Protocol of the Government No. 421 dated January 25, 2013

Fig. 7 The actual availability ratio of electricity generation equipment for Generation in the Russian Federation Segment decreased by 4.6 p.p. in 2014 YOY.



Preparations for the autumn and winter utilisation peaks took place when making repairs in the reporting period. Availability certificates were issued to all electricity generation assets of the Group on time.

Table 17. Operational information for the year ended December 31, 2013/2014 for the Generation in the Russian Federation Segment, by asset

Indicator	UOM	2013	2014	2014/2013
Installed capacity at the end of the period	MW	27,622	29,070 ³⁹	+5.2%
Fuel balance mix:				
• Gas	%	79.0	79.7	+0.7 p.p.
• Coal	%	20.3	19.6	-0.7 p.p.
• Fuel oil	%	0.4	0.4	0 p.p.
• Other fuel	%	0.3	0.3	0 p.p.
Electricity generation in Russia ⁴⁰	mln kWh	1,023,537	1,024,943	+0.1%
Electricity generation by the Segment	mln kWh	132,152	131,570	-0.4%
Share of the Russian assets of Inter RAO of electricity generation in Russia	%	12.9	12.8	-0.1 p.p.
Fuel efficiency equivalent for electricity output	goe kWh	319.8	315.7	-1.3%
Installed capacity utilisation rate	%	55.1	53.1	-2 p.p.
Heat output by the Segment	k Gcal	42,405	45,237	+6.7%
Fuel efficiency equivalent for heat output	kg oe/Gcal	145.5	145.3	-0.1%

Financial performance

An increase in revenue of the Segment (23% of the total change) in the reporting period was mainly driven by the growth of revenue from electricity (power) sales resulting from the commissionings of new generation capacity under CDA, growth of electricity spot prices in the first and second price zones, as well as an increase in heat tariffs.

Expenses related to the purchase of process fuel taking into account optimisation of the fuel balance increased by RUB 4,898 mln (4.1%) mainly due to gas price growth.

Purchased electricity and capacity expenses grew by RUB 1,131 mln mainly attributable to Group TGK-11 (+RUB 728 mln). The growth of similar costs for BGC Group amounted to RUB 387 mln (through an increase in purchase volumes and price growth).

EBITDA growth in the Segment was RUB 9,664 mln, which was driven by a number of factors such as the commissioning of new and upgraded capacity under CDA, growth of regulated capacity tariffs and KOM's capacity prices as well as electricity spot prices in the first and second price zones, optimisation of load profile of generation equipment, and streamlining of the fuel balance.

³⁹ In accordance with the Registry of power generation facilities of the Wholesale Electricity Market as at January 01, 2015.

⁴⁰ Report on UES of Russia Functioning in 2014 published on the website of JSC SO UES (www.so-ups.ru).

Table 18. Financial performance for the year ended December 31, 2013/2014 (electricity generation)

Indicator	UOM	Inter RAO – Electric Power Plants Group		
		2013	2014	2014 /2013
Revenue	RUB mln	138,612	147,553	+6%
Share in Inter RAO Group revenue	%	21	20	-1 p.p.
Operating expenses, including:				
• Purchased electricity and capacity	RUB mln	(7,821)	(7,837)	0%
• Fuel	RUB mln	(79,623)	(82,172)	+3%
• Share of profit/loss of joint ventures	RUB mln	1,014	2,325	+129%
EBITDA	RUB mln	23,745	30,265	+27%
EBITDA margin	%	17	21	+4 p.p.
Share in Inter RAO Group EBITDA	%	61	52	-9 p.p.

Table 19. Financial performance for the year ended December 31, 2013/2014 (heat generation)

Indicator	UO M	TGK11			BGC		
		2013	2014	2014 /2013	2013	2014	2014 /2013
Revenue	RUB mln	24,885	27,240	+9%	42,908	49,400	+15%
Share in Inter RAO Group revenue	%	4	4	0 p.p.	6	7	+1 p.p.
Operating expenses, including:							
• Purchased electricity and capacity	RUB mln	(1,765)	(2,493)	+41%	(3,248)	(3,635)	+12%
• Fuel	RUB mln	(11,575)	(12,743)	+10%	(27,688)	(28,869)	+4%
• Share of profit/loss of joint ventures	RUB mln	-	-	0%	-	-	0%
EBITDA	RUB mln	2,930	3,217	+10%	3,998	6,855	+71%
EBITDA margin	%	12	12	0 p.p.	9	14	+5 p.p.
Share in Inter RAO Group EBITDA	%	7	6	-1 p.p.	10	12	+2 p.p.

Development prospects

The strategic goal for Segment development is regular improvement of the condition of generation assets and their energy efficiency to ensure long-term competitiveness and financial stability, including:

- Optimisation of energy and natural resources use, improvement of technical process management;
- Upgrade of automatic control and diagnostics systems for thermal mechanical and electrical equipment;
- Use of innovative energy saving and energy efficiency improvement technologies and solutions;
- Prevention of adverse environmental and social consequences of operations.

Table 20. Development prospects of generating assets in the Generation in the Russian Federation Segment till 2020

Company	Area of development
JSC Inter RAO –	• reduction of fuel efficiency equivalent per unit for electricity output by 2020

Company	Area of development
Electricity Generation, CJSC Nizhnevar-tovskaya TPP	<ul style="list-style-type: none"> through electricity generation equipment upgrades; growth of installed capacity through the commissioning of CDA facilities; improvement of the equipment availability ratio to 93%; growth of the operation's environmental safety level, including achieving a level of recovery and reuse of ash and slag waste of 30% of their annual generation volumes by 2020.
JSC Inter RAO – Electricity Generation	<ul style="list-style-type: none"> decommissioning of inefficient electricity generation equipment; optimising utilisation rate of efficient electricity generation equipment.
JSC TGK-11, JSC OmskRTS, and JSC TomskRTS.	<ul style="list-style-type: none"> reconstructing and replacing steam turbine units at Omsk CHPP-3, CHPP-4, and CHPP-5, including an increase in their installed capacity; relocating thermal loads from boiler houses to CHPP; improving environmental safety levels at power plants, implementation of state-of-the-art technologies for flue gas and wastewater treatment.
LLC BGC and LLC BashRTS	<ul style="list-style-type: none"> reduction of per unit fuel consumption through the implementation of low-cost actions (optimising operation modes of cogeneration plants, installing plate-type heat exchangers, optimising heating circuits with reduced hydraulic resistances, and installing adjustable drives on pump equipment); retrofitting key manufacturing assets by building and starting up CHPP-5 steam and gas units with installed capacity of 456 MW⁴¹).

5.4 Supply in the Russian Federation

Segment description

The Supply in the Russian Federation Segment includes Inter RAO Group which specialises in electricity sales to consumers. The Segment includes seven energy sales companies (ESC) that are guaranteeing suppliers (GS)⁴² of electricity with operations in 11 regions of the Russian Federation, and three non-regulated energy sales companies (USC)⁴³ responsible for electric energy sales to large industrial consumers.

Table 21. Operating territory of energy supply companies of Inter RAO Group as at the end of 2014

Company	Status	Coverage
JSC Altaienergosbyt	Guaranteed supplier	Altai Territory, Altai Republic
JSC Mosenergosbyt	Guaranteed supplier	Moscow, Moscow Region
JSC St. Petersburg Power Supply Company	Guaranteed supplier	St. Petersburg, Leningrad Region, Omsk Region
JSC Saratovenergo	Guaranteed supplier	Saratov Region
JSC Tambov Power Supply Company	Guaranteed supplier	Tambov Region

⁴¹ Expected installed capacity of the steam and gas unit with ISO (at 15 C) in the condensation mode.

⁴² A guaranteed supplier (GS) is a sales company that shall enter into a power supply agreement with an individual or legal entity it is approached by within its jurisdiction. The GS operates within a specific area by selling electric energy (power) on the retail market which it has purchased on the wholesale market using a group(s) of supply points (SPG) within its coverage, or on the retail markets from energy sales (energy supply) companies and companies generating electric energy (power) on the retail market.

⁴³ An unregulated (independent) energy sales company (USC) is an energy sales company that enters into a power supply agreement with a legal entity at its request. The USC independently sells electric energy (power) from a GS in the retail energy market (REM) or provides access for consumers to the wholesale energy market (WEM) by purchasing electric energy (power) on the WEM for consumers.

Company	Status	Coverage
	plier	
JSC Tomskenergosbyt	Guaranteed supplier	Tomsk Region
LLC Inter RAO – Oryol Energy Sales Company	Guaranteed supplier	Oryol Region
LLC RN-Energo	Independent energy sales company	Krasnodar Territory, Stavropol Territory, Udmurt Republic, Samara Region, Komi Republic, Tyumen Region (including Khanty-Mansisk Autonomous District – Yugra and Yamalo-Nenets Autonomous District), Tomsk Region, Irkutsk Region, Krasnoyarsk Territory, Sakhalin Region, Altai Territory, Altai Republic, Belgorod Region, Moscow, Moscow Region, Oryol Region, Primorsky Territory, St. Petersburg, Leningrad Region, Saratov Region, Tambov Region, and Khabarovsk Territory
JSC Promyshlennaya Energetika	Independent energy sales company	Sverdlovsk Region
LLC RT-Energotrading	Independent energy sales company	Samara Region, Moscow Region, Nizhny Novgorod Region, Leningrad Region, Novosibirsk Region, Udmurt Republic, Bashkortostan Republic, Tatarstan Republic, Sverdlov Region and Bryansk Region

Segment market position

ESCs within Inter RAO Group are entities of the wholesale and retail energy markets in the Russian Federation (REM and WEM). REM and WEM functioning did not suffer significant changes in 2014, by creating a sustainable environment for main market players.

Changes in the legal framework had a positive effect on the financial performance of Inter RAO Group ESCs in 2014. In 2015 there will be approval of a new pattern for determining GS required gross proceeds (RGP)⁴⁴.

Table 22. Key changes in the regulatory framework pertaining to electricity that impacted the financial performance of Inter RAO Group sales companies in 2014 and expected changes in 2015

Regulation	Key provisions	Consequences of regulation enactment
Amendments made in 2014		
Resolution of the Government of the Russian Federation No. 1178 dated December 29, 2011⁴⁵	<ul style="list-style-type: none"> Including RGP in the corporate income tax and other statutory taxes and charges pertaining to ownership of property and payable in accordance with legislation of the Russian Federation. Revision of rules applicable to determining and applying electricity prices (tariffs) within and beyond social standard electricity 	<ul style="list-style-type: none"> RGP increase and minimisation of income shortfalls. Minimisation of tariff regulation risks when social standard consumption rates are introduced. Reduction of tariff imbalance and increase in RGP performance.

⁴⁴ Required gross proceeds – feasible expenses to carry out GS functions determined by an executive authority of the constituent entity of the Russian Federation pertaining to stage regulation of tariffs.

⁴⁵ Resolution of the Government of the Russian Federation No. 1178 dated December 29, 2011 On pricing pertaining to regulated prices (tariffs) in the electricity generation sector.

Regulation	Key provisions	Consequences of regulation enactment
	<ul style="list-style-type: none"> (power) consumption rates. Expansion of the range and use of a reduction factor of 0.7 to 1 when approving prices (tariffs) for electricity supplied to the community and consumer groups classified as the community. Establishment of rules for revision of GS sales mark-ups (SM) in case of GS replacement in the regulation period. Regulating rules for determining and accounting for cross-subsidy when setting GS SM for the community and grid companies (GC). 	<ul style="list-style-type: none"> Increase in GS margin.
Resolution of the Government of the Russian Federation No. 861 dated December 27, 2011⁴⁶	<ul style="list-style-type: none"> Detailing of the rules for determining a load level to calculate and use the electricity transmission fee (tariff) differentiated by voltage level. Approval of the rules for determining the cost of electricity losses when transferred in electricity grids. 	<ul style="list-style-type: none"> Reduction of GS costs related to the payment for GC services. Minimisation of disputes with GC and acceleration of payments.
Order of the Federal Tariff Service of Russia No. 1442-e dated September 16, 2014⁴⁷	<ul style="list-style-type: none"> Approval of new practical guidelines that set stringent boundaries and rules for zonal pricing within and above the social standard consumption rates. 	<ul style="list-style-type: none"> Risk mitigation, minimisation, and liquidation of tariff imbalance (cross-subsidy). Support of RGP performance of GS (payments from the community).
Expected changes in 2015		
Electricity-related regulations	<ul style="list-style-type: none"> Tightening of consumer discipline in REM. Revision of the procedure for determining loan service costs required to maintain a sufficient working capital level of GS. Approval of a new GS RGP determination based on benchmark costs. 	<ul style="list-style-type: none"> Increase in funds performance in REM and reduction of loan exposure. RGP increase through growth of GS loan service expenses Minimisation of income shortfalls. RGP increase and growth in sales margin.

The number of competitors of Group energy sales companies in the regional market directly depends on the social and economic development of each constituent entity of the Russian Federation.

Table 23. Key competitors of Inter RAO sales companies that are guaranteed suppliers in the regional market in 2014

Company	Competitors in the area
JSC Altayenergosbyt	Rusenergosbyt LLC, CJSC Sistema, CJSC Energy Industrial Company, and CJSC MAREM+

⁴⁶ Resolution of the Government of the Russian Federation No. 891 dated December 27, 2004 on *Approval of Rules for non-discriminate access to electricity transmission services and rendering of these services, Rules for non-discriminate access to ongoing dispatcher control services in the electricity generation sector and rendering of these services, Rules for non-discriminate access to trade system administrator services in the wholesale market and rendering of these services and Rules for technological connection of energy receivers of electrical consumers, electricity generation sites, and electrical facilities owned by grid companies and other persons to electrical grids.*

⁴⁷ Order of the Federal Tariff Service of Russia No. 1442-e dated September 16, 2014 on *Approval of the Practical Guidelines for calculating electricity (power) tariffs for the community and consumer groups classified as the community, tariffs for electricity supplied to the community, and consumer groups classified as the community.*

Company	Competitors in the area
JSC Mosenergosbyt	Rusenergosbyt LLC, OJSC AtormEnergoPromSbyt, and EES Garant LLC, OJSC TNS Energo Group, and CJSC Contract PM
JSC St. Petersburg Power Supply Company	Rusenergosbyt LLC, Disage M LLC, Baltic Sales Company LLC, EnergoROK-1 LLC, Sales Energy Company LLC
JSC Saratovenergo	Rusenergosbyt LLC and EES Garant LLC
JSC Tambov Power Supply Company	Rusenergoresurs LLC
JSC Tomskenergosbyt	Rusenergosbyt LLC and OJSC Mezhregionsbyt
LLC Inter RAO – Oryol Energy Sales Company	Rusenergosbyt LLC

Operating performance

The Segment showed 8.5% growth in electricity output in 2014 versus 2013, including that of the following companies (groups):

- PSK Group – 14.5% (4,425 mln kWh) as JSC St. Petersburg Power Supply Company was assigned the status of GS in the Omsk Region.
- LLC INTER RAO – Oryol Energy Sales – 163.3% (1,355 mln kWh) through the expansion of its area of operations from February 01, 2014 as a result of assigning GS status for an earlier serviced area of JSC MRSK Center – Oryolenergo.
- LLC RN-Energo – 6.7% (1,330 mln kWh) mainly in the course of the contracting campaign, an increase in the number of consumers of JSC NC Rosneft, and implementation of the customer base.
- LLC RT-Energotrading – 13.8% (340 mln kWh) through an increase in the number of consumers thanks to entering new contracts both with Rostekh Group and with outside companies driven by better electricity supply conditions.
- JSC Tomskenergosbyt – 374%. Electricity sales totalled 5,256 mln kWh in 2014 (the indicator in 2013 was taken into account for Q4 only with an electricity sales volume of 1,109 mln kWh).

The main share of electricity sales in the reporting period in the Segment was generated by MES Group (50.9%), PSK Group (21%), and RN-Energo (12.7%). The number of customers of energy sales companies increased 10.6% to 12,093k individuals, 411k legal entities, and 383 grid companies. The Group's market share from the Segment in the Russian Federation amounted to 16.1% in 2014.

Table 24. Operating performance for the year ended December 31, 2013/2014

Indicator	UOM	2013	2014	2013/2014
Electricity sales in Russia ⁴⁸	bn kWh	1,031.2	1,035.2	+0.4%
Electricity sales by Segment	bn kWh	153.2	166.2	+8.5%
Share of electricity sales by the Segment in Russia	%	14.9	16.1	+1.2 p.p.
Number of customers of energy sales companies (guaranteed suppliers), including:	customers	11,303,851	12,503,873	+10.6%
• individuals	people	10,928,276	12,092,841	+10.7%

⁴⁸ Electricity consumption in Russia in general provided by JSC SO UES.

Indicator	UOM	2013	2014	2013/2014
• legal entities	companies	375,272	410,649	+9.4%
• grid companies	companies	303	383	+26.4%
Number of customers of energy sales companies (independent suppliers), including:				
• individuals	people	154	192	+24.7%
• legal entities	Companies	793	1,118	+41%
• grid companies	Companies	4	6	+50%

Inter RAO Group implemented the following measures to ensure sustainable and safe electricity supplies:

- Compliance with consumer service quality standards in line with Resolution of the Government of the Russian Federation No. 442 dated May 04, 2012⁴⁹;
- Participation in meetings and working groups to discuss energy supply to the regions where the company operates held by government authorities and public associations.

In order to harmonise settlements with Inter RAO Group ESCs, build the opportunity for forming package offers to consumers, and reduce aggregate costs of billing operations, the Company initiated the Unified Billing of Legal Entities project. Its key deliverables in 2014 were as follows:

- Development of a Common Billing Methodology for the legal entities within Inter RAO Group ESCs as part of business procedures;
- Project development (implementation of an IT-solution) in JSC St. Petersburg Power Supply Company and in LLC Inter RAO – Oryol Energy Sales Company.

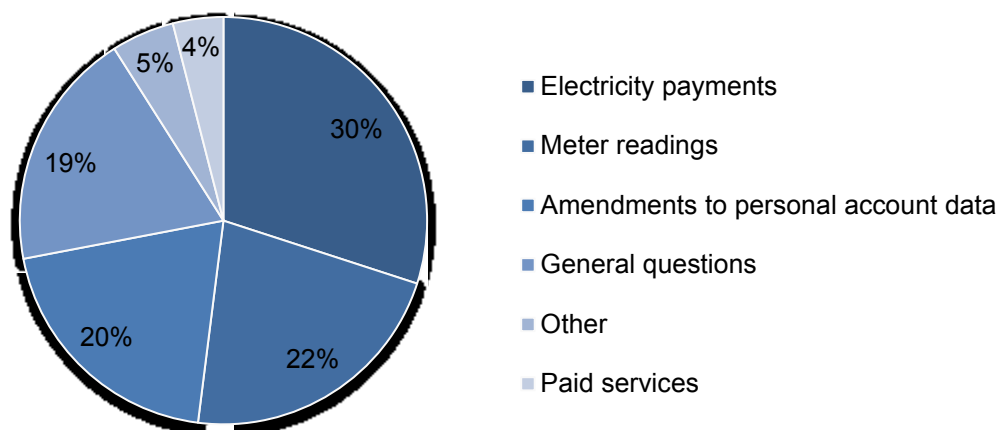
There were signs during the reporting period of positive growth in demand for additional for-a-fee services of Inter RAO Group ESCs. Sales revenue in 2014 was RUB 2,719 mln (16% growth vs. 2013). This result was due to an increase in demand for the Automated Information and Measuring System of Commercial Energy Metering – LIGHT by major customers of JSC Mosenergosbyt in 2014.

Currently there are projects aimed at optimising call-centre performance, which provides for centralisation at two sites: in Oryol (based on JSC Mosenergosbyt) and in the Tomsk Oblast (based on JSC Tomskenergosbyt). The centralisation of GS contact centres of Inter RAO Group will make it possible to reduce consumer servicing costs, addressing the contact centre and improving the quality of services.

The customer satisfaction level has been assessed in order to improve the service quality of Inter RAO Group ESCs on a regular basis. Customer surveys in the Company's offices, over the phone, and through Customer Account online-service are means of assessing consumer satisfaction with the quality of rendered energy supply services and access to additional for-a-fee services. The survey results of JSC Mosgorenergosbyt are representative for the Segment. As at 2014, more than half of all consumers of Inter RAO Group ESCs are the customers of JSC Mosenergosbyt.

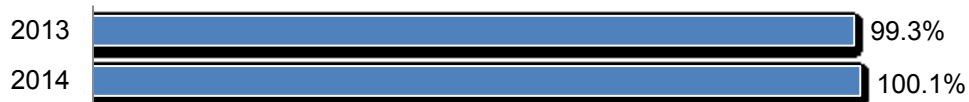
⁴⁹ Resolution of the Government of the Russian Federation No. 442 of May 04, 2012 (rev. on January 23, 2015) on the *Functioning of Retail Electricity Markets, Complete and/or Partial Limitation of Electricity Consumption Modes*.

Fig. 8 The key subjects of consumer calls to JSC Mosenergosbyt in 2014 were issues related to paying for electricity



Payment discipline of consumers in REM is a key characteristic that determines the operating performance of sales companies. There are positive changes in the payment discipline of consumers in REM.

Fig. 9 Changes in payment performance in relation to electricity in 2014/2013 equalled 0.8 p.p.



Based on the 2014 results, the accounts receivable for energy sold to Inter RAO group GS amounted to RUB 36,256 mln, which is a 4% increase year-on-year. The growth was driven by the expansion of LLC Inter RAO – Oryol Energy Sales Company, and the discharge by JSC PSK of GS functions in the Omsk Region since 2014.

In accordance with the provisions of applicable Russian legislation, one of the levers that can be used with consumers in the case of non-compliance with payment deadlines for electricity consumed is discontinued electricity supplies.

Fig. 10 Electricity supply was resumed within several days after settlement of payables by consumers in 2014

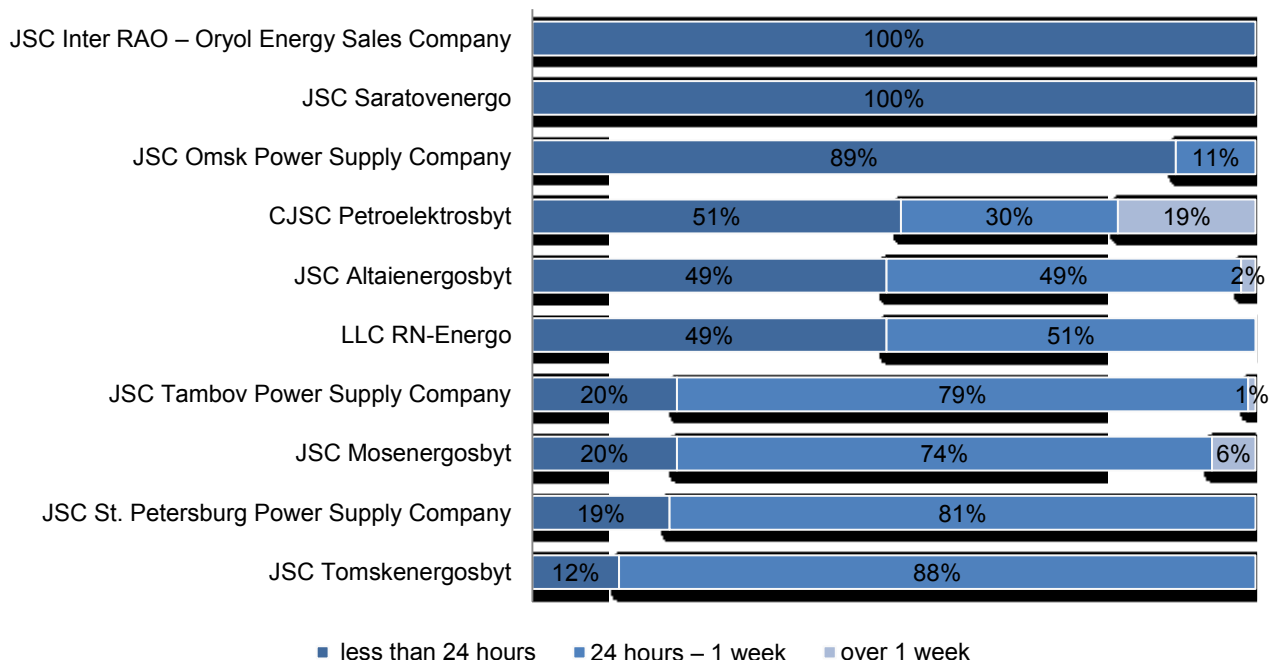
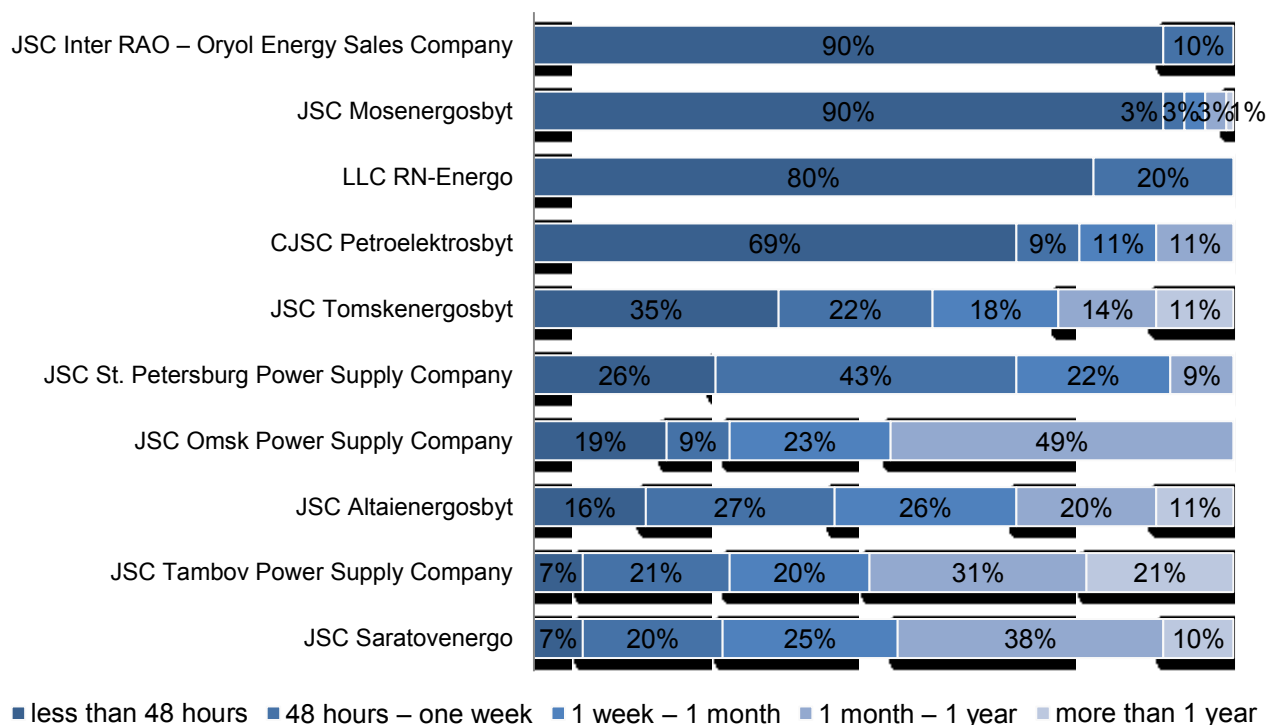


Fig. 11 Payments after disconnection from energy supply were made within 48 hours in 2014



In order to strengthen our partnership with consumers, in 2014 Inter RAO Group's ESC implemented a number of activities related to the functioning of electricity (power) markets and promoting a culture of energy and resources conservation, including:

- electricity (power) consumption accounting, pricing, and optimisation seminars;
- round tables and energy saving activities for individuals and legal entities, including housing cooperatives and associations;
- energy surveys in high-rise houses and state-funded organisations;
- energy service contracts for energy and resource saving activities.

Financial performance

The sales financials of the Group versus 2013 changed as follows:

- increase in the Segment revenue by RUB 46,574 mln (12%);
- growth of purchased electricity and capacity expenses by RUB 27,937 mln (13%);
- increase in electricity transmission expenses by RUB 14,298 mln (9%);
- increase in Segment EBITDA by RUB 3,011 mln (43%).

The key drivers of growth are: an increase in the average selling prices of Group energy sales companies, growth of third-party electricity (power) market prices, an increase in the fee for grid companies, including JSC Tomsenergosbyt, in the consolidation plan (Q4 2013), and expansion of the service coverage (LLC Inter RAO – Oryol Energy Sales Company and JSC St. Petersburg Power Supply Company received the status of guaranteed suppliers in the Orlov and Omsk Regions).

Table 25. Financial performance for the year ended December 31, 2013/2014

Indicator	UOM	2013	2014	2014/2013
Revenue	RUB mln	404,290	450,864	+12%
Revenue share of Inter RAO Group	%	61	61	0 p.p.
Operating expenses, including:				
• Purchased electricity and capacity	RUB mln	(218,851)	(246,788)	+13%
• Electricity transmission	RUB mln	(163,522)	(177,820)	+9%
EBITDA	RUB mln	7,060	10,071	+43%
EBITDA margin	%	2	2	0 p.p.
EBITDA share of Inter RAO Group	%	18	17	-1 p.p.

Development prospects

In accordance with the business development strategy of JSC Inter RAO, there are four areas of development of the Supply Segment, namely:

- Participation in the development of regulations applicable to the electricity and housing & utilities sector. Resolution of the existing controversies in legislation causing disputes between market participants.
- Improvement of operational efficiency. The drivers of Supply Segment development are: building and implementation of a target model for energy sales companies based on expected changes in the Procedure for determining required gross proceeds of GS using

benchmark costs, improved accounts payable settlement performance, as well as automation of business processes in the retail business.

- Customer base development. Building an efficient system for assessing customer satisfaction with the quality of rendered services for the purpose of keeping the existing customer base. Development of a set of measures aimed at increasing the share of JSC Inter RAO in the retail market segment to improve the capitalisation of its Supply Segment, including purchasing new supply assets and IESCs to attract large customers in the industry and large holdings.
- Development of additional services provided for a fee. Development and implementation of development programmes and programmes aimed at promoting additional services for a fee in Inter RAO Group ESCs considering their regional characteristics are a source of additional profit. The key objectives of the development strategy for these services are: sharing best practices of additional services for a fee in Inter RAO Group ESCs, trainings for personnel involved in provision of additional services for a fee, and development of an efficient incentives system.

5.5 Trading in the Russian Federation and Europe

Segment description

Trading operations in the Trading in the Russian Federation and Europe Segment in 2014 focus on the following countries: Lithuania, Finland, Norway, Belarus, Ukraine, Estonia, Latvia, Poland, Georgia, Azerbaijan, Kazakhstan, South Ossetia, Mongolia, and China. The operations were performed by Inter RAO Group companies, including JSC Inter RAO, RAO Nordic Oy, AB INTER RAO Lietuva, SIA INTER RAO Latvia, INTER RAO Eesti OU, IRL Polska Sp. z o.o., and JSC EEC.

JSC Inter RAO (Trading)

JSC Inter RAO acts in this segment as an electric energy export and import operator in the Russian Federation. Electric energy supplies were provided under sales agreements during 2014 and as part of parallel operation of UES of Russia with foreign energy systems and provision of mutual emergency assistance.

RAO Nordic Oy

The Company is registered in Finland and is a Group subsidiary – 100% of Company assets are owned by JSC Inter RAO. The Company operates by purchasing electricity from JSC Inter RAO and selling it in the electricity market of Northern Europe to separate parties under direct contracts.

AB INTER RAO Lietuva

AB INTER RAO Lietuva was founded in 2002 and is an independent electric energy supplier in Lithuania and a leading player in the electric energy market of the Baltic countries. The company trades in the NordPool energy market in Northern Europe. Currently, Inter RAO Lietuva group includes the following subsidiaries: Inter RAO Latvia, Inter RAO Eesti, IRL Polska Sp. z o.o., and UAB Vydmantai wind park⁵⁰.

51% of Inter RAO Lietuva shares are owned by RAO Nordic Oy, 29% of shares are owned by Lithuanian investment company UAB Scaent Baltic, and 20% of shares circulate the market.

⁵⁰ Operating and financial performance of UAB Vydmantai wind park is recorded in the Others Segment.

SIA INTER RAO Latvia

The company was registered in January 2010. Inter RAO Latvia is one of the major independent electric energy suppliers on the Latvian energy market.

INTER RAO Eesti OU

The company was registered in January 2010 and holds a licence for energy sales issued by the Competition Department of Estonia and Elering AS, the Estonian systems operator.

IRL Polska Sp. z o.o. (SOO RL POLSKA – IFRS)

The company was registered in October 2012. In January 2014 the licence of IRL Polska Sp. z o.o. for electric energy trade in Poland issued by the Energy Sector Regulation Department of Poland took effect. IRL Polska Sp. z o.o. entered into its first transactions in the Polish Commodity Energy Exchange (TGE) on May 22, 2014.

JSC Eastern Energy Company (JSC EEC)

The company was founded in 2007 in order to export electric energy to China and Mongolia. The goal of JSC EEC is to expand cooperation in the energy sphere with other countries in Asia and the Asia-Pacific region.

Segment market position

Group trading companies in the Russian Federation trade (sell and purchase) electric energy in WEM, in the countries of Northern Europe and the Baltic states, on the common exchange platform Nord Pool and Nasdaq OMX Commodities.

Legislative changes in Russia in the reporting period mainly favour Segment development in the international energy market.

Table 26. Key changes in 2014 in the regulatory framework applicable to the electricity sector which influence Segment performance

Regulation	Key provisions
Resolution of the Government of the Russian Federation No. 44 dated January 22, 2014⁵¹	Including the power transmission lines functioning in the Kaliningrad Region and crossing the Russian state border in the Unified National Electricity Grid.
Resolution of the Government of the Russian Federation No. 123 dated February 18, 2014⁵²	Amendments to the Wholesale Energy Market Rules and revision of balance solutions for 2014 in the Republic of North Ossetia-Alania.

The company operates on the foreign energy markets in a competitive environment with export/import operators mainly in neighbouring countries, while keeping its leading positions. Estonia-Finland DC electricity transmission systems (EstLink-1 and EstLink-2 underwater cables) make Northern Europe a competitor of the Company. In Kazakhstan, the Company competes with local electricity generating companies and energy systems of Central Asia that generate excessive energy in summer.

⁵¹ Resolution of the Government of the Russian Federation No. 44 dated January 22, 2014 on *Amendments to clause 1(1) of the Resolution of the Government of the Russian Federation No. 41 of January 26, 2006 on Criteria for including electricity grid facilities in the Unified National (All-Russia) Electricity Grid.*

⁵² Resolution of the Government of the Russian Federation No. 123 dated February 18, 2014 on *Amendments to the Wholesale Energy Market Rules and revision of balance solutions for 2014.*

Table 27. Key competitors of the Company in 2014

Competitor	Area of competition	Territorial subordination	Competitor's strengths
Russian electricity generation companies	Electricity import to the Russian domestic market	Russia	Payments for power to domestic electricity generation companies on the Russian market and non-payments for imported power
North-European and Baltic electricity suppliers and traders	Electricity supply to Northern Europe and the Baltic countries	Finland and the Baltic countries	Seasonal (by year) electricity generation capacity with a low cost, periodical favourable energy price environment in the NordPool exchange (in particular in Norway and Latvia)
JSC Azerenergy	Electricity supply to Georgia and Turkey	Trans-Caucasian Region and Turkey	Excessive generating capacity
Hydraulic energy generating companies of Georgia	Electricity supply to Turkey	Turkey	Excessive generating capacity in spring and summer
Electricity suppliers in the Central Asia Region (Kyrgyzstan)	Electricity supply to Kazakhstan	Kazakhstan	Hydraulic energy potential in spring and summer

This Segment's strength is accumulated experience in foreign economic activity and a streamlined system of interface with Russian and foreign partners as well as optimal structure of contract-related quotations with maximum account of customer demands.

Operating performance

In the reporting period, electricity sales in the Segment decreased 5.8% versus 2013 (-1,377 mln kWh). This decline is mainly driven by changes in supply volumes to Belarus due to a changed market environment (-61.6% or -2,287 mln kWh).

Electricity sales to Finland also decreased in 2014 by 26.4% (1,241mln kWh) due to a decrease in prices in the Nord Pool Spot in Finland versus the 2013 price level. A 3.4% reduction of supplies to China by (-120 mln kWh) was due to a reduction in the contracted supply volumes YOY. At the same time, supplies to Lithuania increased by 8.2% (295 mln kWh), impacted by changes in the external and internal market environment. Meanwhile, supplies to Georgia grew by 29.1% (173 mln kWh). The increase in supplies to Georgia was attributable to the energy system demand in Georgia in 2014 and to the start of electric energy supplies to the energy system of the Republic of Georgia in December 2014 for its further sale in Turkey. No significant changes occurred for Kazakhstan (-1.5%, or 25 mln kWh).

Table 28. Operating results of Inter RAO Group for the year ended December 31, 2013/2014

	UOM	2013	2014	2014/2013
Electricity sold, including:	mln kWh	23,854	22,478	-5.8%
• Russia	mln kWh	4,564	6,442	+41.2%
• Lithuania	mln kWh	3,615	3,910	+8.2%
• Finland	mln kWh	4,695	3,454	-26.4%
• China	mln kWh	3,495	3,376	-3.4%

	UOM	2013	2014	2014/2013
• Belarus	mln kWh	3,712	1,425	-61.6%
• Other countries	mln kWh	3,773	3,871	+2.6%

The key exports of JSC Inter RAO taking into account the agency agreements with JSC EEC in 2014 were China (24% of total exports), Lithuania (22.9%), Finland (21.3%), and Kazakhstan (11.7%). Electricity was also supplied to Belarus (10.1%), Georgia (4.5%), Mongolia (2.8%), Ukraine (1.3%), South Ossetia (1%), and Azerbaijan (0.4%). The largest volume reduction was observed for Belarus and Finland due to economic inefficiency of supplies in various periods. The 24.3% reduction in imports of JSC Inter RAO (1,111 mln kWh less) was due to a 21.5% reduction of supplies from Kazakhstan (-846 mln kWh). A 56.8% reduction (211 mln kWh less) of supplies from the Republic of Georgia was due to the export system being oriented towards Turkey, owing to a favourable price environment as compared to the Russian electric energy market.

Table 29. Electricity exports by Inter RAO Group without agency agreements for supplies across the Russian border

	UOM	2013	2014	2014–2013
Export volumes, also by destination⁵³:	mln kWh	17,539	14,043	-19.9%
• China	mln kWh	3,495	3,376	-3.4%
• Lithuania	mln kWh	3,568	3,216	-9.9%
• Finland	mln kWh	4,107	2,995	-27.1%
• Kazakhstan	mln kWh	1,668	1,644	-1.4%
• Belarus	mln kWh	3,597	1,425	-60.4%
• Other countries	mln kWh	1,105	1,388	+25.0%

Table 30. Electricity import by JSC Inter RAO, including agency agreements for supplies across the Russian border

	UOM	2013	2014	2014/2013
Import volumes, also by destination:	mln kWh	4,564	3,453	-24.3%
• Kazakhstan	mln kWh	3,931	3,084	-21.5%
• Georgia	mln kWh	371	160	-56.9%
• Other countries	mln kWh	262	208	-20.6%

Financial performance

There was 19% growth in revenue in the Segment in the reporting year, which is mainly driven by the following factors:

- Revenue from supplies to Lithuania increased by RUB 2,672 mln as a result of an increase in volumes and energy selling prices and in relation to the growth of litas/ RUB FX rate with litas being dependent on EUR;
- Growth of revenue from supplies to China and Mongolia totalled RUB 1,179 mln as the result of selling price growth and an increase of USD/RUB FX rate (USD being the contract currency).

⁵³ Permissible variance of accuracy in final values with an error when rounded to decimals of less than 1.

These effects were partially offset by a reduction in electric energy export to Belarus (RUB 4,109 mln less), Finland, and Norway (RUB 1,658 mln less) due to the absence of economic efficiency of supplies in various periods.

A RUB 663 mln reduction in electric energy transfer in the Segment was driven by the reduction of expenses of JSC Inter RAO by RUB 573 mln and of RAO Nordic Oy by RUB 108 mln due to lower trading transactions volumes.

Significant growth in EBITDA in the Segment (50%) was achieved mainly through the trading operations of JSC Inter RAO.

Table 31. Financial performance for the year ended December 31, 2013/2014

Indicator	UOM	2013	2014	2014/2013
Revenue, including:	RUB mln	47,484	56,679	+19%
• Russian Federation	RUB mln	12,886	22,628	+76%
• Lithuania	RUB mln	6,579	9,251	+41%
• China	RUB mln	5,699	6,705	+18%
• Finland	RUB mln	7,926	6,332	-20%
• Belarus	RUB mln	6,980	2,871	-59%
• Latvia	RUB mln	1,444	1,532	+6%
• Other countries	RUB mln	5,970	7,360	+23%
Revenue share of Inter RAO Group	%	7	8	+1 p.p.
Operating expenses, including:				
• Purchased electricity and capacity	RUB mln	(38,989)	(46,434)	+19%
• Electricity transmission	RUB mln	(4,654)	(3,991)	-14%
EBITDA	RUB mln	2,930	4,388	+50%
EBITDA margin	%	6	8	+2 p.p.
EBITDA share of Inter RAO Group	%	7	8	+1 p.p.

Development prospects

Short-term foreign trade activities of the Segment will be significantly impacted by a change in the RUB FX rate against foreign currencies (USD and EUR). According to analysts' forecasts, this will entail growth in electric energy exports due to the achievement of a competitive value of Russian energy in foreign markets and, therefore, increase in the aggregate sales volumes in the Segment.

An increase in guaranteed electricity sales volumes to Belarus is expected in 2015, with prospects of increasing electric energy supplies to the Republic of Georgia for further sale to Turkey.

Table 32. Risks that influence Segment performance in the short-term

Risks	Risk mitigation activities
Risk: loss of markets by the Segment Factor: nations are striving to achieve energy independence by building their own electricity generation capacities and increasing competition in the regions where they have operations.	Consistent actions aimed at keeping strategic markets. Moreover, the Company's import and export operations are an economic driver of the reliable functioning of UES of Russia with synchronously operated energy systems, in particular those required to enhance sustainable electricity supplies to the cross-border regions of Russia by ensuring mutual backup of capacity with neighbouring energy systems.
Risk: variance between actual and target/planned imports/exports.	Improved accuracy of import/export planning (delivery schedules), interaction with WEM infrastructure organisations on assessment of electricity supply feasi-

Risks	Risk mitigation activities
Factor: improper fulfilment of contractual obligations of transit countries, infrastructure-related causes (electrical grid limitations , especially taking into account repairs, including emergency repairs, and process-related factors due to insufficient scope of flexible capacities).	bility.

5.6 Engineering

Segment description

The Engineering Segment includes the following assets of the Group:

- LLC Inter RAO – Engineering is an engineering company that manages all core engineering assets of the Group, and implements energy construction projects in Russian and abroad. Inter RAO – Engineering also represents the Group's interests in a joint venture with GE and Rostekh Group, responsible for the business manufacturing gas turbine 6FA gas turbine units in Russia – LLC Russian Gas Turbines.
- LLC Quartz – New Technologies (accounted for based on the equity share method) and LLC Quartz Group are companies specialising in the construction, upgrade, and reconstruction of electric energy facilities using state-of-the-art technologies. LLC Quartz – New Technologies includes CJSC Tyumenenergonaladka. The subsidiaries of LLC Quartz Group are JSC Stavenergoremont (bankruptcy stage), JSC Transavto (liquidated on April 04, 2014), and JSC SMU.
- LLC Inter RAO – Export is an engineering company focused on construction and upgrade of energy facilities and supplying various units of energy generation equipment abroad.
- LLC Inter RAO UES Power Efficiency Centre (accounted for based on the equity method) is a joint venture of Rosatom State Corporation and Inter RAO Group which implements energy saving projects.
- Energy Beyond Borders Fund is a non-for-profit organisation which finances applied research, scientific research, experimental design and experimental process surveys with the aim of solving government-assigned tasks of innovation development in the electricity generation industry.
- LLC CCT Energy Beyond Borders is a centre of technology commercialisation.



You can read more detailed information on the activity of LLC Inter RAO UES Power Efficiency Centre, Energy Beyond Borders Fund, and LLC CCT Energy Beyond Borders in section 4, Inter RAO Group Development Strategy and Implementation.

Segment market position

The high degree of wear of electricity generation capacity in the Russian Federation fosters active market development pertaining to the upgrade and reconstruction of electricity generation capacities. Promising electricity generation areas include distributed electricity generation, which is related to the interest of industrial companies in the construction of their own TPP.

Currently LLC Inter RAO – Engineering is one of the leading engineering companies in the electricity generation sector in Russia along with key players in the segment such as: Joint Company JSC NIAEP – CJSC Atomstroyexport, JSC TEK Mosenergo, and JSC VO Technopromexport.

The target growth of electricity generating capacities in Asia, Africa, and Latin America by 65% by 2035 creates the potential for an increase in the Segment share in foreign markets. In order to achieve this goal, LLC Inter RAO – Engineering and LLC Inter RAO – Export actively promotes Russian engineering services and energy equipment on external markets for Inter RAO Group.

Operating performance

As at the end of the reporting period, LLC Inter RAO – Engineering completed construction of four energy units with a total installed capacity of 1,425 MW (CJSC Nizhnevartovskaya TPP, Yuzhnouralskaya TPP-2 (units 1 and 2), and Cherepetskaya TPP). There are mid-term plans to implement eight projects and ensure ramp-up of at least 3,124 MW (Ghorazal TPP, Termogas Machala TPP, Voronezhskaya CHPP-1, Ekibastuzskaya TPP-2, Permskaya TPP, Verkhnetagilskaya TPP, Cherepetskaya TPP, Zatonskaya CHPP).

There were changes in the reporting period in the distribution of shares of the contract portfolio of LLC Inter RAO – Engineering versus 2013 with regard to the customer mix. The share of contracts with external customers of Inter RAO Group increased in 2014. Currently three projects (which are external projects for Inter RAO Group) are being developed by LLC Inter RAO – Engineering:

- Overhaul of unit 5 with a capacity of 210 MW of Ghorazal TPP (Bangladesh). Overhaul of the steam turbine, boiler unit, and generator, including supply of main and auxiliary equipment and commissioning.
- A 170 MW increase in installed capacity with implementation of combined cycle CHPP Termogas Machala (Ecuador). Supply, construction, installation, and start-up of a 6FA additional gas turbine unit and 100 MW steam turbine.
- Reconstruction of Voronezhskaya CHPP-1, involving construction of a 223 MW steam gas energy unit.

Currently there is a project of LLC Quartz – New Technologies involving construction of a coal based generation unit with installed capacity of 660 MW at Troitskaya TPP.

In 2014 the main business areas of LLC INTER RAO – Export were implementation of five excising contracts for the supply of energy equipment. In Latin America (Ecuador, Venezuela, and the Cuban Republic), the Company performed a work scope for thermal and hydraulic generation facilities worth over USD 680 mln.

Currently LLC INTER RAO – Export continues to procure thermal and hydraulic generation facilities in Ecuador (Toachi Pilaton HPP (253 MW) and Machala TPP (308 MW)) and Venezuela (supply of 13 gas turbine plants with a total capacity of 423.8 MW).

Financial performance

The revenue from external orders in the reporting period grew 9.6 times, with a 9% reduction in revenue from internal orders. The largest share in the project portfolio is Engineering Consulting, amounting to 79.8%, with a significant share of the total work scope being performed in the Ural Federal District (44%) and in the Central Federal District (31.8%).

Based on the 2014 results, the sales revenue was earned under concluded contractor agreements, agreements for the supply of equipment, energy technical audit, expert examination of norm setting, and performance of technical agent actions and construction development.

The revenue of the Segment increased by RUB 4,034 mln to make RUB 6,746 mln. The key driver was LLC Quartz Group becoming a Group member. By August 01, 2013 LLC Quartz Group was a joint venture, and its performance was taken into account only as a share of profit in the reporting period. Since August 01, 2013 the company has been fully consolidated as a subsidiary. The increase in revenue of LLC Inter RAO – Engineering was mainly driven by the construction project of 223MW PGU at Voronezhskaya TPP-1 for JSC Quadra – Generation Company.

Segment EBITDA in the reporting period decreased by RUB 157 mln (-139%). The negative EBITDA was due to the specific parameters of the business and namely a long project implementation cycle.

Table 33. Financial performance⁵⁴ of Inter RAO – Engineering, Inter RAO – Export, Energy Beyond Borders Fund, LLC CCT Energy Beyond Borders, and Quartz Group for the year ended December 31, 2013/2014.

Indicator	UOM	2013	2014	2014/2013
Revenue	RUB mln	2,712	6,746	+149%
Revenue share of Inter RAO Group	%	0.4	0.9	+0.5 p.p.
Expenses	RUB mln	-	-	-
EBITDA	RUB mln	(113)	(270)	-139%
EBITDA margin	%	-4.2	-4	+0.2 p.p.
EBITDA share of Inter RAO Group	%	-0.3	-0.5	-0.2 p.p.
Share of profit/loss of joint ventures	RUB mln	7	(10)	-243%

The structure of the contract portfolio of LLC Quartz – New Technologies in the reporting period suffered significant changes versus 2013, involving doubling of external orders, and 99.4% growth of internal orders.

Table 34. The structure of the contract portfolio of LLC Quartz – New Technologies

	UOM	2013	2014	2014/2013
Construction and upgrade of energy facilities:				
• external orders	RUB mln	7,492	15,274	+103.9%
• internal orders	RUB mln	5,008	28	-99.4%
Total	RUB mln	12,500	15,302	+22.4%

Development prospects

The strategic areas for LLC Inter RAO – Engineering and other Group engineering companies are as follows:

- increase in the number of external (for Inter RAO Group) engineering projects in Russia and abroad;
- improvement of the quality of services based on intentional best practices of environmental and occupational health and safety;

⁵⁴ Segment values do not include financial results of LLC Engineering Centre - Gas Turbine Technologies, and LLC Russian Gas Turbines, which are associated companies, included in the Group's consolidated financial statement by the equity principle.

- development of product supplies (equipment, work, and services) to build energy facilities, including innovative/energy efficient products of Inter RAO Group;
- strengthening government relations aimed at export support.

The mid-term plans of LLC Inter RAO – Engineering include focusing on development of the competencies of a general contractor implementing capital construction projects and upgrading energy facilities for energy generating companies and major industrial sites. There are also plans to develop energy facility engineering services on the base of Thermal Energy Project – Ivanovo Branch of LLC Inter RAO – Engineering.

5.7 Georgia

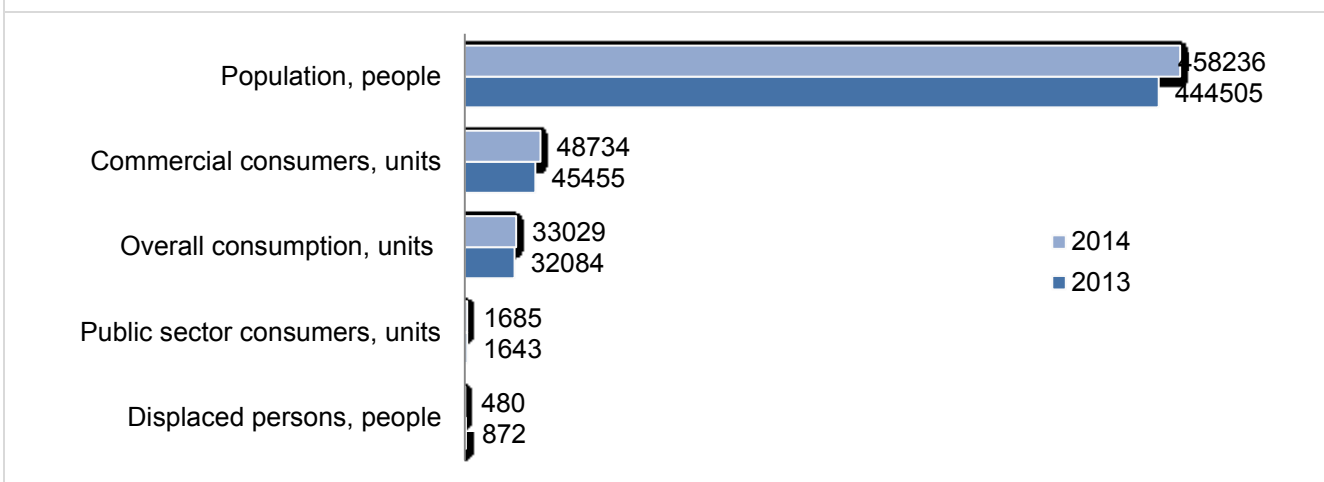
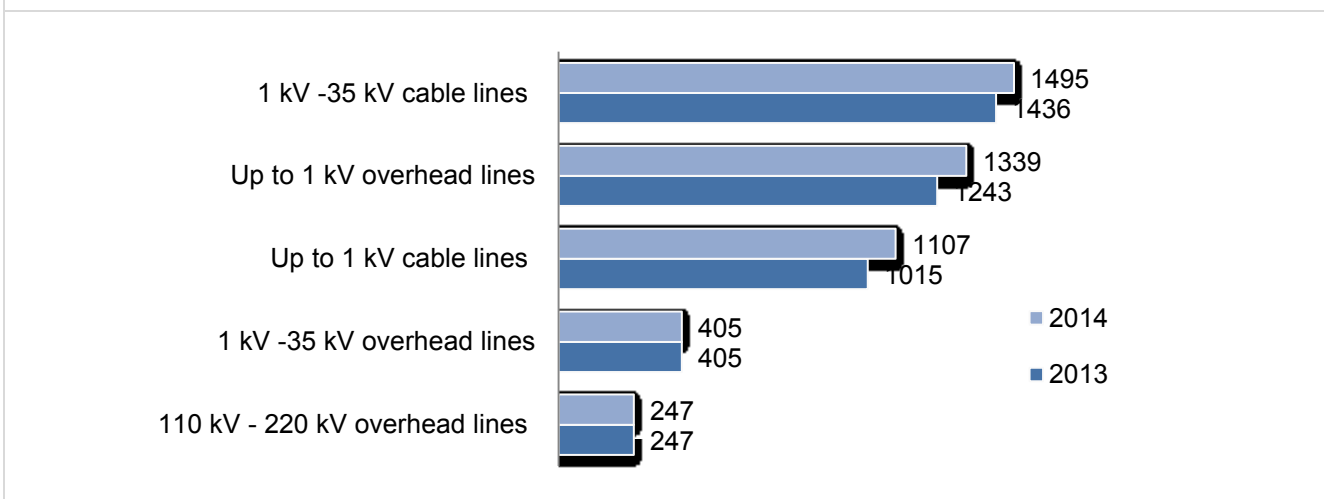
Segment description

The electricity and heat generating segment of the Georgia Segment includes such companies as LLC Mtkvari Energy (thermal power plant), JSC Khrami HPP-1, and JSC Khrami HPP-2 (Hydro power plant cascade). The Segment also includes the distribution company JSC Telasi.

LLC Mtkvari Energy is the newest thermal power plant in Georgia with an annual output of up to 10% of the total electricity in the country. LLC Mtkvari Energy includes two energy units with a total installed capacity of 600 MW. The Group owns 100% of the authorised capital of LLC Mtkvari Energy.

JSC Khrami HPP-1 and JSC Khrami HPP-2 form a hydro power plant cascade in the Khrami River with an annual output of over 5% of all electricity generated in Georgia. The total installed capacity of the two hydro power plants is 227.2 MW. Currently 100% of the shares of JSC Khrami HPP-1, and JSC Khrami HPP-2 are owned by Gardabani Holdings B.V., a subsidiary of JSC Inter RAO.

JSC Telasi is the largest grid and electricity supply company in and around Tbilisi, responsible for the purchase and sale of electricity and rendering of grid services. The company has 16 branches servicing over 500k subscribers. The total length of the Group's transmission and distribution lines is 4,593 km. The company owns 0.4-110 kV grids with a total length of overhead transmission lines of 2,034 km and cables lines of 2,560 km. JSC Telasi owns 1,761 transformer substations. Inter RAO Group has a 75.1% shareholding in JSC Telasi, while 24.5% of shares are owned by the Republic of Georgia.

Fig. 12 The number of JSC Telasi consumers increased by 3.4% in 2014 vs 2013**Fig. 13 The length of electricity transmission lines of JSC Telasi in 2014 increased by 4.3% vs 2013, km**

Segment market position

The energy system of Georgia generates excessive power in spring and summer, while there is a shortage of capacities in winter. The total installed capacity in Georgia approximates 3,800 MW, with energy consumption making up 10.8 mln kWh (2014).

Georgia has significant hydraulic energy generation potential, therefore energy sector development is driven mainly by the construction of hydraulic power plants for generation of cheap electricity for households and industrial sites in autumn and winter and for export in summer.

The main competitor of JSC Telasi in Tbilisi is Energo-pro Georgia, a joint Georgian and Czech company (a subsidiary of Energo Pro, Czech Republic). JSC Telasi has a 21% share in the Georgian market.

Operating performance

The installed capacity of the generating assets of the Segment in the reporting period remained at the 2013 level, at 827.2 MW. The growth in output of the generation assets of the Segment by 25% was driven by the growth of consumption due to a lower annual average temperature versus 2013.

The key factor that influenced electricity generation in the reporting period was the performance of LLC Mtkvari Energy, whereby electricity generation increased by 34.5%. LLC Mtkvari Energy uses natural gas for electricity generation. The electricity supplies of LLC Mtkvari Energy are sold under agreements with JSC Telasi and the commercial electricity market operator of Georgia. LLC Mtkvari Energy implemented 13 scheduled repairs in 2014. The repair costs of the power plant in 2014 increased by 87% versus the previous reporting period due to the repair of boiler 9 and the administrative building. The actual availability ratio of the equipment of LLC Mtkvari Energy in the reporting period was 80.7%.

The total electricity generation of JSC Khrami HPP-1, and JSC Khrami HPP-2 was 522 mln kWh in 2014, with an output increase at the power plant year-on-year amounting to 9.9% and 5.8% accordingly (larger water reserves in Q4 2014).

In 2014, the planned work scope at JSC Khrami HPP-1 and JSC Khrami HPP-2 was completed, in particular: current repair of hydro units 1 and 2, overhaul of hydro unit 3. The result was an actual equipment availability ratio in 2014 of 87% at JSC Khrami HPP-1 and of 86.3% at JSC Khrami HPP.

Electricity delivery to the grids, taking into account the losses of JSC Telasi, was 10.9% higher year on year in 2014 which was driven by an increased consumption, organisational and technical work scope that contributed to the reduction of electricity losses in grids to 6.1% (-1.4 p.p.). The total length of electricity transmission lines increased by 5.7% to 4,593 km as a result of grid development and connection of new subscribers as well as reconstruction and upgrade of grids (overhaul of two HV power transformers).

Table 35. Equipment performance in 2013 and 2014

Indicator	2013	2014
Loss ratio during energy transmission, %	2%	2.1%
Loss ratio during energy delivery, %	7.6%	6.1%
Failure rate index	0.0135 cases	0.012 cases
Index of the average length of failures of electricity transmission per consumer	1.7 min	1.5 min

In 2014 the subscribers of JSC Telasi submitted 3,416 requests. The key subjects of such requests were demands to adjust accrued payables (96%) and reimburse financial losses (4%). The relations between JSC Telasi and consumers is regulated by Resolution of the Georgian National Energy and Water Supply Regulation Commission (GNERC) dated September 18, 2008 Rules for Supply and Consumption of Electricity (Power).

Table 36. Operations information for the year ended December 31, 2013/2014 for the Georgia Segment by asset

Indicator	UOM	2013	2014	2014/2013
Installed capacity	MW	827.2	827.2	0%
Fuel balance mix:				
• Gas	%	100%	100%	
Electricity generation in the country	mln kWh	10,059	10,371	+3.1%
Electricity generation by the Segment	mln kWh	1,385	1,731	+25%
Share of electricity generation by the Segment in the country	%	13.8%	16.7%	+2.9 p.p.

Indicator	UOM	2013	2014	2014/2013
Fuel efficiency equivalent for electricity generation	goe kWh	326.2	332.1	+1.8%
Installed capacity utilisation rate	%	19.1	23.9	+4.8 p.p.
Total length of power transmission lines for the Segment	km	4,347	4,593	+5.7%
Delivery to grids taking into account losses in the Segment ⁵⁵	mln kWh	1,907	2,115	+10.9%
Delivery to grids taking into account losses in the country	mln kWh	9,861	10,154	+3%
Total installed capacity for Georgia	MW	3,363	3,475	+3.3%

Financial performance

The Segment revenue increased by RUB 1,439 mln in the reporting period (2% of the total change) thank to growth in delivery tariffs and positive changes in electricity consumption in Georgia. An increase for the generation assets by 72% was driven by growing generation and an increase of the electricity sales tariff. JSC Telasi Grid Company increased its electricity sales volumes by 25% thanks to consumption growth. The increase in expenses was mainly driven by the growth of electricity purchasing costs due to an increase in consumption volumes and tariff rates as well as fuel costs.

The RUB 129 mln EBITDA growth for the Georgia Segment was mainly driven by higher outputs and tariffs of JSC Khrami HPP-1, and JSC Khrami HPP-2.

Table 37. Financial performance for the year ended December 31, 2013/2014

Indicator	UOM	Electricity and heat generation			Power Grids		
		2013	2014	2014 /2013	2013	2014	2014 /2013
Revenue*	RUB mln	1,840	3,158	+72%	4,902	6,126	+25%
Revenue share of Inter RAO Group	%	0.3	0.4	+0.1 p.p.	0.7	0.8	+0.1 p.p.
Operating expenses, including:							
• Purchased electricity and capacity	RUB mln	(8)	(8)	0%	(2,033)	(3,193)	+57%
• Electricity transmission	RUB mln	(1)	(1)	0%	(392)	(554)	+41%
• Fuel	RUB mln	(1,173)	(1,930)	+65%	-	-	-
EBITDA	RUB mln	340	799	+135%	1,199	869	-28%
EBITDA margin	%	18	25	+7 p.p.	24	14	-10 p.p.
EBITDA share of Inter RAO Group	%	0.9	1.4	+0.5 p.p.	3.1	1.5	-1.6 p.p.
*including inter-segment turnover							
• Revenue	RUB mln	1,378	2,481		-	-	
• Purchased electricity and capacity expenses	RUB mln	-	-		(1,378)	(2,481)	

⁵⁵ Delivery to grids taking into account losses in the Segment, no inter-segment revenue

Development prospects

In the short-term the rates of Segment development can be adversely affected by the following factors: economic recession in the country, unstable GEL/reserve currency FX rate; unstable political environment; frequent amendments to the statutory regulations applicable to the industry in Georgia.

The prospects for JSC Telasi development are related to guaranteed and uninterrupted supply of electricity to all Tbilisi regions as a guaranteed supplier.

In order to improve energy sales performance, JSC Telasi plans to implement deposit accrual and debiting systems when working with consumers to prevent an increase in payables starting from Q1 2015.

5.8 Armenia

Segment description

The Armenia Segment includes the following assets of the Group: JSC Razdan Energy Company and CJSC Power Grids of Armenia.

JSC Razdan Energy Company (JSC HrazTES) is a compensating power plant and one of the largest generating assets of Armenia, with a total design generation capacity of 1,110 MW of electric energy and 560 Gcal per hour of thermal energy. JSC Inter RAO is the single shareholder of JSC HrazTES.

CJSC Power Grids of Armenia (CJSC PGA) is an energy sales and distribution company with 11 branches across the Republic of Armenia. In the reporting period, the length of power transmission lines of CJSC Power Grids of Armenia totalled 31,737 km, 26,003 km of which are overhead lines and 5,734 km – cable lines. JSC Inter RAO owns 100% of the authorised capital of CJSC Power Grids of Armenia.

Fig. 14 There were no significant changes in the consumer mix of CJSC PGA in the reporting period versus 2013

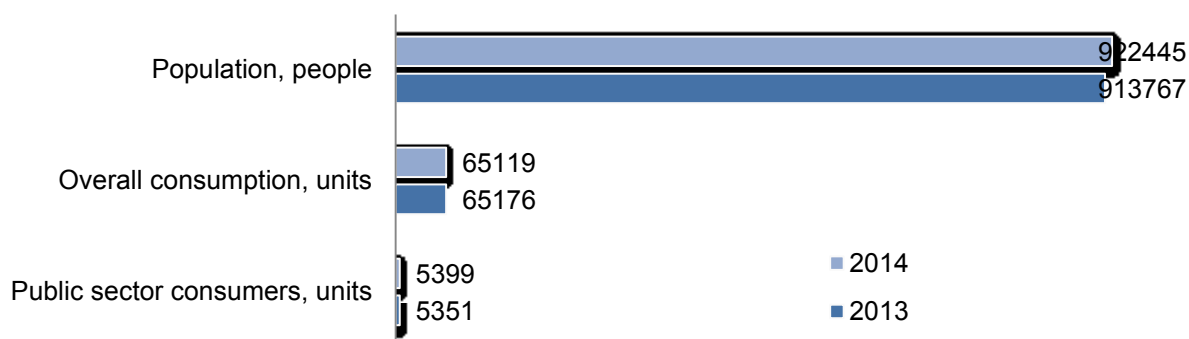
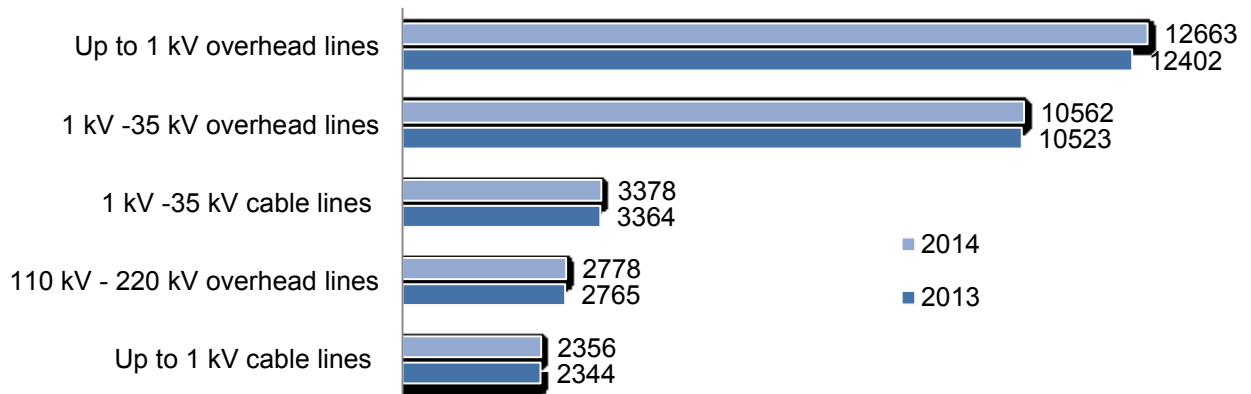


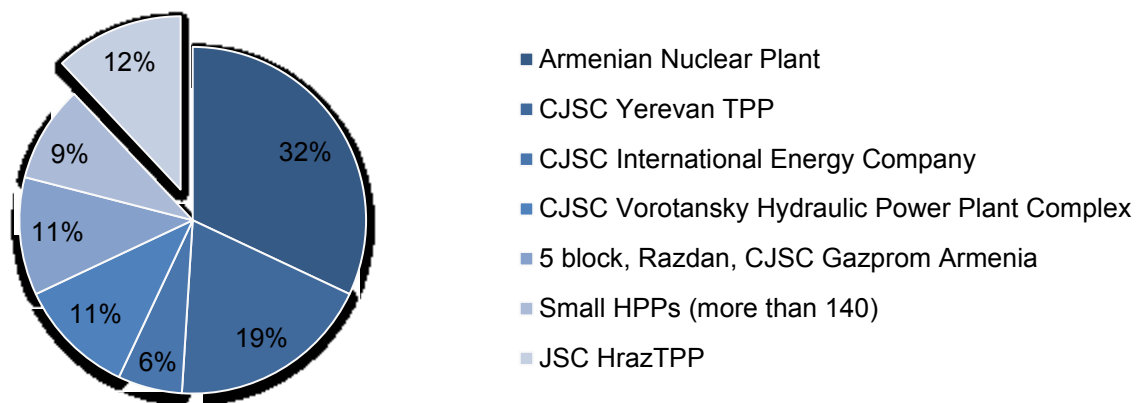
Fig. 15 The total length of power transmission lines of CJSC PGA increased by 1.1% in 2014 versus 2013



Segment market position

Operations on the electricity market of Armenia are regulated by the *Law of the Republic of Armenia On Energy*. Operations in the energy market require relevant licences from the Public Services Regulatory Commission of the Republic of Armenia, which also sets tariffs for electricity sales and purchasing in the domestic market, as well as tariffs for transit and dispatching services. The prices of exported electricity are determined based on contractual obligations, and shall not be regulated.

Fig. 16 The share of electricity and heat generation by JSC HrazTES amounted to 12.3% of the total electricity generated in the Republic of Armenia in 2014.



The electricity delivery tariff (price of electricity for the community in the day time) was raised by 10.1% in 2014. However, the adopted tariff solutions did not help to ensure a break-even point of JSC HrazTES. The key reason is systemic non-compliance by the participants of the electricity market of the planned energy balance, which makes the company purchase electricity at higher tariffs without relevant compensation from consumers.

Operating performance

The installed capacity of the generating assets of the Segment in the reporting period remained unchanged at 1,110 MW. Electricity generation in the Segment increased by 45% through JSC HrazTES due to the extension of repairs above the plan at the Armenian Nuclear Power Plant, and also due to a low-water year and therefore smaller generation of electricity at hydro power plants. Per unit consumption of fuel increased in 2014 due to an uneven equipment utilisation schedule, maximum utilisation during the day, and minimum parameters in the night time. Current repair of main and general energy equipment was completed at JSC HrazTES according to the approved schedule in 2014. The actual availability ratio of the equipment of JSC HrazTES in the reporting period was 99.1%.

Table 38. Equipment performance in 2013 and 2014

Indicator	2013	2014
Loss ratio during energy transmission, %	2%	1.9%
Loss ratio during energy delivery, %	12.9%	12.8%
Failure rate index	0.00426 cases	0.00443 cases
Index of the average length of failures of electricity transmission per consumer	2.5 min	2.5 min

Electricity supplies by CJSC Power Grids of Armenia totalled 5,382 mln kWh in 2014. The wear of CJSC PGA equipment is very high, approximating 80%. In order to ensure energy supply safety and reliability, the company inspected and performed current repair of 5,464 transformer substations and 213 switchgear substations, and inspected and corrected the defects of overhead power transmission lines with a length of 9,560 km and 106 km of cable lines. CJSC PGA implemented power saving programmes in the reporting period (for 16,100k kWh).

Fig. 17 Key subjects in requests sent in 2014 were related to connection to the grid and registration of new subscribers

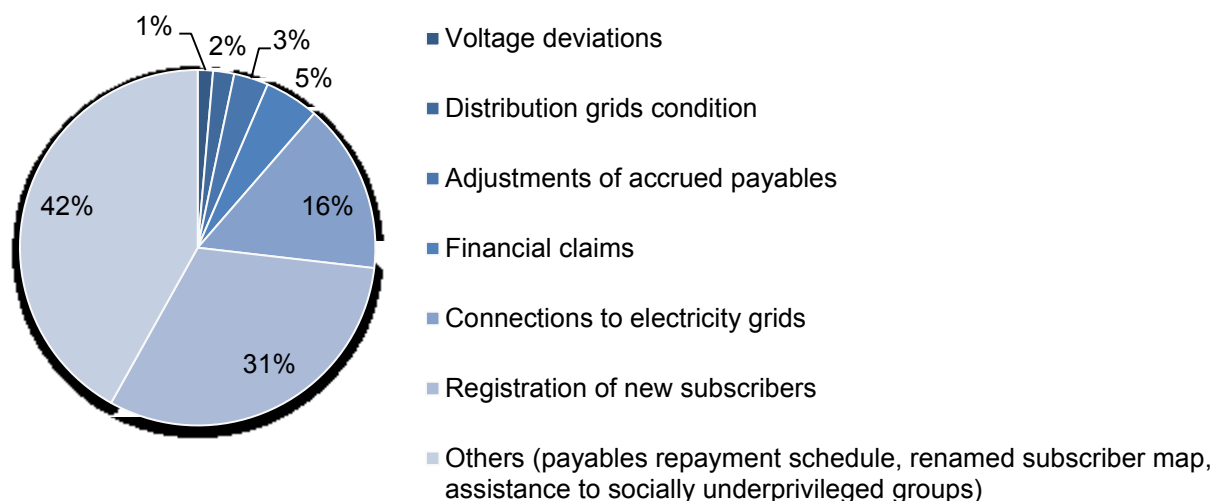


Table 39. Operating performance of JSC HrazTES for the year ended December 31, 2013/2014

Indicator	UOM	2013	2014	2014/2013
Installed capacity	MW	1,110	1,110	0%
Fuel balance mix:				
• Gas	%	100%	100%	
Electricity generation in the country	mln kWh	7,721	7,750	+0.4%
Electricity generation by the Segment	mln kWh	660	957	+45%
Share of electricity generation by the Segment in the country	%	8.5%	12.3%	+3.8 p.p.
Fuel efficiency equivalent for electricity generation	goe kWh	347.9	356.4	+2.5%
Installed capacity utilisation rate	%	6.8	9.8	+3%
Total length of power transmission line for the Segment	km	31,397	31,737	+1.1%
Delivery to grids taking into account losses in the Segment	mln kWh	5,384	5,382	0%
1. except for inter-segment revenue	mln kWh	5,349	5,360	+0.2%
Delivery to grids taking into account losses in the country	mln kWh	5,384	5,382	0%

Financial performance

The increase in Segment revenue by RUB 4,355 mln (6% of the total change) in the reporting period was driven by an increase in tariffs in July 2013 and in August 2014 in accordance with the resolutions of the tariff regulator and growth in the number of consumers.

42% revenue growth of CJSC Power Grids of Armenia was driven by an increase in the electricity sales tariff and changes in the national currency (AMD)/RUB FX rate.

72% revenue growth of JSC HrazTES was attributable to an increase in electricity by 45% based on the given mode of operation of the power plan by the energy system Operator of the Republic of Armenia and changes in the national currency (AMD)/RUB FX rate.

Fuel expenses increased by 80% mainly due to an increase in electricity generation volumes and 5.8% growth of gas prices with gas purchasing increased by 43%.

38% growth in purchased electricity and capacity costs of CJSC Power Grids of Armenia was driven by the growth of the average electricity transportation tariff. A 104% increase in electricity transmission expenses was also driven by higher infrastructure services tariffs in the electric energy market in the Republic.

The growth of Segment EBITDA amounted to RUB 644 mln with EBITDA growth for CJSC Power Grids of Armenia by RUB 52 mln mainly related to the growth of electricity transmission tariffs outrunning the growth of electricity purchasing tariffs and the capacity fee. EBITDA growth of JSC Razdan Energy Company by RUB 116 mln is attributable to electricity generation growth and growth of electricity delivery tariffs outrunning gas purchasing price growth.

Table 40. Financial performance for the year ended December 31, 2013/2014

Indicator	UOM	Electricity and heat generation			Power Grids		
		2013	2014	2014 /2013	2013	2014	2014 /2013
Revenue*	RUB mln	1,714	2,948	+72%	10,388	14,731	+42%
Share of Inter RAO Group revenue	%	0.3	0.4	+0.1 p.p.	1.6	2.0	+0.4 p.p.
Operating expenses, including:							
• Purchased electricity and capacity	RUB mln	(56)	(48)	-14%	(7,556)	(10,409)	+38%

Indicator	UOM	Electricity and heat generation			Power Grids		
		2013	2014	2014 /2013	2013	2014	2014 /2013
• Electricity transmission	RUB mln	–	–	-	(308)	(629)	+104%
• Fuel	RUB mln	(1,345)	(2,418)	+80%	–	–	-
EBITDA	RUB mln	141	257	+82%	184	712	+287%
EBITDA margin	%	8	9	+1 p.p.	2	5	+3 p.p.
Share of Inter RAO Group EBITDA	%	0.4	0.4	0 p.p.	0.5	1.2	+0.7 p.p.
*including inter-segment turnover							
• Revenue	RUB mln	1,714	2,944		56	48	
• Purchased electricity and capacity expenses	RUB mln	(56)	(48)		(1,714)	(2,944)	

Development prospects

The key area of Segment development is improving the performance of the generation assets and sales performance of the company in the electricity market of the Republic of Armenia. In December 2014, Boris Kovalchuk, Chairman of the Management Board of JSC Inter RAO, had a meeting with Serzh Sargsyan, President of the Republic of Armenia. During negotiations they discussed the matter of normalising the operations of CJSC PGA. The meeting outcomes included agreements on setting up a joint Russian and Armenian working group to draft an agreement on cooperation in the electricity generation sector.

5.9 Moldova

Segment description

The Moldova Segment includes Moldavskaya TPP in the South-East of the Pridnestrovian Moldavian Republic. Moldavskaya TPP is the most important generation hub of the Moldova energy system, which satisfies electricity demand of the Pridnestrovian Moldavian Republic. Inter RAO Group owns 100% of TPP shares.

Moldavskaya TPP is a thermal power plant with 12 energy units with total installed capacity of 2,520 MW (electricity) and 166 Gcal per hour (heat). The company owns extra-high voltage (400 kV) power transmission lines which are 11.6 km long.

Segment market position

The electricity sector is the key industry of the Transdniestria accounting for 36.4% of industrial production of the Republic in 2014. The installed capacity of Moldavskaya TPP is 97% of the installed capacity of Transdniestria.

Electricity is sold in the wholesale and retail market. Electricity is sold and purchased in the domestic market at government-controlled tariffs. PMR generates excessive energy. Moldavskaya TPP supplies electricity to the Republic of Moldova satisfying about 65–70% of the demand in the Republic.

Operating performance

The installed capacity of CJSC Moldavskaya TPP in the reporting period remained unchanged at 2,520 MW. 27.9% growth in electricity generation by CJSC Moldavskaya TPP was driven by an increase in the electricity delivery for export and main consumers in the domestic market to Moldavia Metallurgy Plant. Per unit consumption of fuel equivalent for electricity delivery decreased by 4.9% due to an increase in the average electrical load and optimisation of equipment utilisation. The fuel mix changed in the reporting period. Coal consumption was reduced from 23.7% to 0.2% year on year. The main type of fuel used in 2014 was natural gas, which made up 99.7% of the power plant fuel balance.

Eight repairs were performed at CJSC Moldavskaya TPP in 2014, with seven units subjected to current repairs (units 4, 5, 7, 8, 9, 10, and 11) and one unit overhauled (unit 12). The repair plan was fully completed. The actual availability ratio of the equipment of Moldavskaya TPP in the reporting period was 76.4%.

Table 41. Operations information for the year ended December 31, 2013/2014

Indicator	UOM	2013	2014	2014/2013
Installed capacity	MW	2,520	2,520	0%
Fuel balance mix:				
• Gas	%	76.1	99.7	+23.6 p.p.
• Coal	%	23.7	0.2	-23.5 p.p.
• Fuel oil	%	0.2	0.1	-0.1 p.p.
Electricity generation in the country	mln kWh	3,586	4,387	+22.3%
Electricity generation by the Segment	mln kWh	3,044	3,893	+27.9%
Share of electricity generation by the Segment in Pridnestrovie	%	84.9	88.7	+3.8 p.p.
Fuel efficiency equivalent for electricity generation	goe kWh	366.3	348.4	-4.9%
Installed capacity utilisation rate	%	13.8	17.6	+3.8 p.p.
Thermal energy delivery	k Gcal	1,625	1,555	-4.3%
Thermal energy sales by the Segment	k Gcal	98	91	-7.2%
Share of thermal energy delivery by the Segment in the country	%	6	6	0 p.p.

Financial performance

An increase in revenue by RUB 2,274 mln was driven by the growth of electricity delivery. Savings related to electricity transmission were mainly attributable to the lack of electricity supplies to Romania. The share of fuel in the cost mix exceeds 70%. The growth of fuel purchasing costs was 32% (+70% for gas and -99% for coal) due to an increase in electricity delivery. As a result there were changes in the mix of burnt fuel with a gas increase.

The growth of Segment EBITDA by RUB 1,158 mln was driven by an increase in the sales margin through the delivery of more electricity to consumers and the reduction of fuel prices as a result of fuel mix changes in 2014.

Table 42. Financial performance for the year ended December 31, 2013/2014

Indicator	UOM	2013	2014	2014/2013
Revenue	RUB mln	4,655	6,929	+49%
Share of Inter RAO Group revenue	%	1	1	0 p.p.
Operating expenses, including:				
• Electricity transmission	RUB mln	(47)	(45)	-4%
• Fuel	RUB mln	(3,087)	(4,074)	+32%
EBITDA	RUB mln	534	1,692	+217%
EBITDA margin	%	11	24	+13 p.p.
EBITDA share of Inter RAO Group	%	1	3	+2 p.p.

Development prospects

The Group's strategy is aimed at solving the following long-term objectives of Moldavskaya TPP development:

- improving power plant performance;
- reconstructing and upgrading equipment;
- maintaining and expanding sales markets.

The strategic location of the power plant and existing power transmission lines foster electricity exports to Ukraine.

In case investment projects as part of synchronisation of energy units 11 and 12 of Moldavskaya TPP with ENTSO-E zone (Antennae project) are implemented, the company will have the possibility to export electricity to Romania and Balkan countries. The power supplied under the project will be at least 400 MW.

5.10 Turkey

Segment description

The Turkey Segment of Inter RAO Group includes Trakya Elektrik Uretim Ve Ticaret a.s. which manages Trakya Elektrik thermal power plant under a concession agreement (Build-Operate-Transfer). The power plant is located in a fast-growing region of Turkey – Marmara Ereğlisi, 100 km westwards Istanbul. The installed capacity is 478 MW. The equipment includes: two Siemens V 94.2 turbines (154 MW each) and Siemens steam turbine (170 MW). The share of JSC Inter RAO of in the power plant's authorised capital is 100%.

Segment market position

The total generation of electricity of all types in Turkish power plants in 2014 increased by 4.3% year on year, reaching 250.4 GWh. The installed capacity of Turkish power plants in the reporting period increased by 8.6%, reaching 69.5 GW by 2014.

EUAS government-owned company remains the major electricity generating company, accounting for 32% of the market. Independent energy generating companies account for about 55% of energy generation. However, this Segment of the market is not consolidated and is represented by over 800 small and medium-sized power plants.

The share of Trakya Elektrik in generated electricity in the reporting period was 1.3% of the country's total generation volume.

The company signed a contract for gas purchase with BOTAS, the Turkish oil and gas and gas transport company, and a contract for electricity supply with TETAS, a Turkish state-owned company which sells the entire energy volumes generated by Trakya Elektrik. Contractual obligations are secured by the guarantees of the Turkish government.

Table 43. Main contracts of Trakya Elektrik Uretim Ve Ticaret a.s. c

Partners	Contract	Period	Advantages
BOTAS	Purchase of natural gas	Extended till 2019	<ul style="list-style-type: none"> Guaranteed volume of fuel purchase and energy sales. Fixed tariffs for electricity supplies per contract year.
TETAS	Electricity supply	2019 with an extension potential till 2046.	<ul style="list-style-type: none"> Sale of the entire volume of generated electricity.

Operating performance

Trakya Elektrik A.S. power plant generated 3,084 mln kWh of electricity, which was 20.7% below the volumes generated in 2013. The reduction of generation volumes in 2014 was driven by the overhaul of the power plant as well as the commissionings of new energy generation facilities in the country.

The fuel balance of Trakya Elektrik did not change significantly in the reporting period. The main type of fuel used is natural gas (96.5%), while another type is diesel fuel. In 2014 the average price of gas in US dollars decreased by 3.6% versus the 2013 level, however the price change did not significantly impact the economic performance of the power plant, as under current contracts the fuel component is included in the tariff of generated electricity. Changes in per unit fuel consumption were driven by the power plant mode in 2014.

The repair plan of the company is a part of the long-term agreements with the consortium Siemens Sanayi ve Ticaret A.Ş. and Siemens Aktiengesellschaft (Siemens). In the reporting year the power plant performed overhaul of its core and auxiliary equipment. The GTU upgrade involved the replacement of blades 1 and 2 of the stage, gas distribution parts, internal turbine bodies, mixers, and burners. The total work scope is aimed at improving the power plant's operational efficiency. The actual availability ratio of the equipment of Trakya Elektrik A.S. in the reporting period was 85.8%.

Table 44. Operations information for the year ended December 31, 2013/2014, Turkey

Indicator	UOM	2013	2014	2014/2013
Installed capacity	MW	478	478	0%
Fuel balance mix:				
• Gas	%	95.3	96.5	+1.2 p.p.
• Fuel oil	%	4.7	3.5	-1.2 p.p.
Electricity generation in the country	mln kWh	240,154	250,381	+4.3%
Electricity generation by the Segment	mln kWh	3,889	3,084	-20.7%
Share of electricity generation by the Segment in the country	%	1.6	1.3	-0.3 p.p.
Fuel efficiency equivalent for electricity generation	goe kWh	201.5	278.6	+38.2%
Installed capacity utilisation rate	%	92.9	73.6	-19.2 p.p.

Financial performance

Despite a reduction in electricity generation in 2014, growth in key financial performance indicators of the Segment was observed. There was an increase in revenue and EBITDA by RUB 404 mln and RUB 205 mln accordingly, driven by a lower RUB/USD FX rate.

Table 45. Financial performance for the year ended December 31, 2013/2014

Indicator	UOM	2013	2014	2014/2013
Revenue	RUB mln	14,304	14,708	+3%
Share of Inter RAO Group revenue	%	2	2	-
Operating expenses, including:	RUB mln			
• Fuel	RUB mln	(12,600)	(12,796)	+2%
EBITDA	RUB mln	664	869	+31%
EBITDA margin	%	5	6	+1 p.p.
EBITDA share of Inter RAO Group		2	2	0 p.p.

Development prospects

In accordance with the strategy of Inter RAO Group, the Turkish market is a priority market in view of the Group's international development. The acquisition of Trakya Elektrik Uretim Ve Ticaret a.s. power plant is considered to be the first step in this direction, to be followed by further expansion of the Group's presence in the energy market of Turkey. The following factors make this market attractive: the average annual increase in electricity consumption in 2002–2007 was 7.5%, with a slight slowdown in 2008–2014 to 5%. However the annual average increase in electricity demand in 2015–2023 is expected to be above the indicators of developed economies.

The country is experiencing liberalisation and privatisation in the energy generation and sales sectors, which creates additional opportunities for expansion in the market.

The market potential also depends on the implementation of a number of major infrastructure projects in the near future in the region, including construction of the first start-up stages of the Turkish Stream.

The key priorities for development of Trakya Elektrik Uretim Ve Ticaret a.s. in 2015 include:

- restructuring of the assets which are part of Trakya Elektrik;
- improvement of operations and financial performance;
- implementation of measures aimed to extend the concession agreement with the Ministry of Energy and Natural Resources of Turkey.

5.11 Kazakhstan

Segment description

The Kazakhstan Segment includes Ekibastuzskaya TPP-2 Open Joint Stock Company thermal power plant (hereinafter, Ekibastuzskaya TPP-2), a Russian and Kazakh joint venture. JSC Inter RAO and JSC Samruk-Energo⁵⁶ hold equal shares (50%) in the power plant authorised capital.

⁵⁶ JSC Samruk-Energo is a government-owned holding which owns and manages energy and coal companies in the Republic of Kazakhstan.

The installed capacity of the power plant is 1,000 MW (two energy units of 500 MW each). The first energy unit was started up in December 1990 and the second energy unit was started up in December 1993. Their installed heat capacity is 513.5 Gcal.

Segment market position

Energy consumption in the Republic of Kazakhstan (RK) increased by 2.25% year on year in 2014, while electricity generation grew by 2.1%.

RK UES functions synchronously with UES of Russia and the united energy system of Central Asia. Kazakhstan UES consists of three energy geographical zones: northern, southern, and western. The main electricity sources are thermal, gas turbine, and hydraulic power plants.

The main competitors of Ekibastuzskaya TPP-2 in the northern energy zone are two major energy generating companies, which are Aksuskaya TPP (JSC EEC) with installed capacity of 2,450 MW and TOO Bulat Nurzhanov Ekibastuzskaya TPP-1 with installed capacity of 4,000 MW.

Operating performance

Electricity generation by Ekibastuzskaya TPP-2 decreased by 24.3% in 2014 and amounted to 4,755 mln kWh due to utilisation of suppliers with a smaller tariff. Thermal energy delivery grew by 20.9%, driven by low annual average temperatures and actual consumer demand.

The main type of fuel at Ekibastuzskaya TPP-2 is hard coal with a calorific value of 4,000 kcal per kg from Bogatyr and Severny. Residual oil is used during commissioning of the first and second energy units. Per unit consumption of fuel equivalent: to generate electricity made 376.2 goe/kWh which was a 0.9% reduction (streamlined equipment mode); to generate thermal energy made 210.8 kg FE per Gcal which was a 4% increase due to operation of the energy units with a lower load.

In 2014 the first and second energy units were exposed to current repair, and general plant equipment, buildings, and structures at TPP were repaired. The actual availability ratio of the equipment of Ekibastuzskaya TPP-2 in the reporting period was 85%.

Table 46. Company's operations performance in the reporting period

Indicator	UOM	2013	2014	2014/2013
Installed capacity	MW	1,000	1,000	0%
Fuel balance mix:				
• Coal	%	99.8	99.7	-0.1 p.p.
• Fuel oil	%	0.2	0.3	+0.1 p.p.
Electricity generation in the country	mln kWh	91,973	93,935	+2.1%
Electricity generation by the Segment	mln kWh	6,280	4,755	-24.3%
Share of electricity generation by the Segment in the country	%	6.8	5.1	-1.7 p.p.
Fuel efficiency equivalent for electricity generation	goe kWh	379.7	376.2	-0.9%
Installed capacity utilisation rate	%	71.7	54.3	-17.4 p.p.
Heat output in the country	k Gcal	93,900	97,600	+3.9%
Heat output by the Segment	k Gcal	36	44	+20.9%
Share of thermal energy delivery by the Segment in the country	%	0.04	0.04	0 p.p.
Fuel efficiency equivalent for heat output	kg FE per Gcal	202.7	210.8	+4.0%

Financial performance

The Segment revenue increased by RUB 30 mln (38%) thanks to an increase in the price of sold electricity. The key driver for Segment EBITDA is a change in the profit/loss of joint ventures. The reduction of expenses related to the participatory share of Ekibastuzskaya TPP-2 amounted to RUB 789 mln (42%) due to a reduction of the company's profit caused by different factors such as:

- reduction of electricity sales volumes due to the reduction of electricity demand in the market;
- growth of the tariff for electricity sales from KZT 7.3 to KZT 8 per kWh (+9.6%);
- 8.8% growth of the average tariff for purchase of coal taking into account transportation;
- FX gains on the RUB loan due to the reduction of RUB/KZT FX rate.

Table 47. Financial performance for the year ended December 31, 2013/2014

Indicator	UOM	2013	2014	2014/2013
Revenue	RUB mln	79	109	+38%
Share of Inter RAO Group revenue	%	0	0	0 p.p.
Operating expenses, including:				
• Purchased electricity and capacity		(45)	(64)	+42%
• Electricity transmission	RUB mln	(29)	(40)	+38%
Share of profit/loss of joint ventures	RUB mln	1,890	1,101	-42%
EBITDA	RUB mln	1,898	1,108	-42%
EBITDA margin	%	2,403	1,017	-1,386 p.p.
EBITDA share of Inter RAO Group	%	5	2	-3 p.p.

Development prospects

Segment development is aimed at increasing the presence on the thermal energy market in the Republic of Kazakhstan, and ensuring reliability and efficiency of production assets. Currently, Ekibastuzskaya TPP-2 is implementing a large investment project for expansion and reconstruction of Ekibastuzskaya TPP-2 involving installation of energy unit 3. Currently the company has completed priority civil construction work, and adjusted design and cost estimate documentation due to the changes in the parameters of the core equipment. The supply of the core equipment is in progress and construction and installation has been started. The commissioning of new capacity will improve energy efficiency of electricity generation of the TPP and build the potential for expansion in the energy market.

6 Corporate governance

6.1 Corporate governance system

Inter RAO Group strives to continually improve the system of corporate governance in accordance with the best Russian and international standards and practices. In 2014, the 2013-2014 Corporate Development Action Plan⁵⁷, approved by the Board of Directors as part of the obligations under the Loan Agreement with the EBRD, was successfully implemented.

In compliance with the Plan that reinforce the changes in corporate governance in the Group new regulatory documents were adopted, i.e., Regulations on Evaluation of the Board of Directors Performance, the Board of Directors Succession Plan and the Compliance Policy.

Table 48. Corporate governance documents that JSC Inter RAO approved for the first time in 2014.

Regulations on Evaluation of the Company's Board of Directors Performance⁵⁸

Sets forth goals, procedures and frequency for the evaluation of the Board of Directors' performance, as well as guidelines for further development of the Board of Directors' performance.

Succession Plan of the Board of Directors of JSC Inter RAO⁵⁹

The Plan was developed for the period from 2014 to 2016, inclusive. It was prepared to assist in forming the Board of Directors in such a way that would comply with the requirements of Company's internal documents and the Rules of the CJSC MICEX Stock Exchange for listing and admission of securities to placement and trading. It is aimed at providing succession and continuity with the Board of Directors' performance, maintaining balance of directors' independence, qualifications, and experience, as well as taking into account the renewal and rotation of independent directors.

Compliance Policy of JSC Inter RAO⁶⁰

Regulates compliance control of the Group's activities with the requirements of the legislation of the Russian Federation, as well as the rules and standards upheld by the Group. It covers all employees of the Group's companies and is subject to compulsory implementation.

In accordance with the Corporate Development Action Plan, some amendments were made in a number of internal documents of the Company, including: the Charter, Regulations on Preparation and Holding of the General Shareholders Meeting, Regulations on Dividend Policy, and Regulations on the Revision Commission.

Table 49. Amendments and addenda to JSC Inter RAO documents in 2014

Document title and details	Amendments and addenda adopted in 2014
CHARTER⁶¹	The value of the authorised capital of the Company was changed due to retirement of JSC Inter RAO shares.

⁵⁷ Agreed on March 28, 2013, by the Board of Directors of JSC Inter RAO in-person meeting.

⁵⁸ Approved on February 21, 2014, by the Resolution of the Board of Directors (The Minutes of February 24, 2014, No.108).

⁵⁹ Approved on May 23, 2014, by the Resolution of the Board of Directors (The Minutes of May 26, 2014, No.115).

⁶⁰ Approved on March 31, 2014, by the Resolution of the Board of Directors (The Minutes of April 3, 2014, No.111).

⁶¹ The valid edition of the Charter was approved on May 25, 2014, by the General Shareholders' Meeting of JSC Inter RAO (Minutes No. 14 dated May 25, 2014).

Document title and details	Amendments and addenda adopted in 2014
REGULATIONS ON PREPARING PROCEDURES AND FORMS OF THE JSC Inter RAO GENERAL SHAREHOLDERS MEETING⁶²	<p>Ivanovskiye CPP branch was eliminated from the list of the Company's subdivisions.</p> <p>Brought in compliance with the amendments to the legislation of the Russian Federation: the term to notify shareholders about decisions made and results of the vote if they were not announced at the Meeting was shortened from 10 to 4 days; the procedure for publishing a Meeting Notification and materials for the Meeting was changed (they are published online only).</p> <p>In compliance with the order of the Federal Financial Markets Service of Russia⁶³, the rights of persons to be present at the meeting if their bulletins were received at least two days before the date of the Meeting were specified; it was specified that registration of persons that had the right to participate in the General Shareholders Meeting would end when the Chairman announced at the General Shareholders Meeting that the discussion of the last item on the agenda that had a quorum was concluded.</p>
REGULATIONS ON THE DIVIDEND POLICY OF JSC Inter RAO⁶⁴	<p>For the purpose of improving the dividend policy of JSC Inter RAO and bringing it into compliance with the best corporate governance practices, the Regulations on Dividend Policy at the company establish the principles of dividend calculation based on IFRS net profit.</p>
REGULATIONS ON THE REVISION COMMISSION OF JSC Inter RAO⁶⁵	<p>Procedures for candidate nomination to the Revision Commission were established.</p> <p>The regulations on the Revision Commission of the Company were unified. The procedure for remuneration for members of the Revision Commission was formalised.</p>



A copy of the Charter and other internal documents are available on the Company's website: <http://www.interrao.ru/investors/uprav/docs/>

One of the major events in the sphere of corporate governance in 2014 was the resolution of the Board of Directors of JSC Inter RAO⁶⁶ to declare the Corporate Governance Code (hereinafter - the

⁶² A new edition of Regulations on Preparation Procedure and Forms of JSC Inter RAO General Shareholders' Meeting was approved on May 25, 2014, by the General Shareholders' Meeting of JSC Inter RAO (Minutes No. 14 dated May 25, 2014).

⁶³ The order of the Federal Financial Markets Service of Russia No. 12-6/pz-n *On approval of additional requirements for the preparation procedure, calling, and holding of the General Shareholders' Meeting* dated February 2, 2012, that came into effect on February 28, 2013, with regard to amendments and supplements introduced by the order of the Federal Financial Markets Service of Russia No. 13-65/pz-n of July 30, 2013, that came into effect on September 30, 2013.

⁶⁴ A new edition of the Regulations on dividend policy of JSC Inter RAO was approved on June 30, 2014, by the resolution of the Board of Directors of the Company (Minutes No. 118 dated July 03, 2014).

⁶⁵ A new edition of the Regulations on Revision Commission of JSC Inter RAO was approved on May 25, 2014 by the General Shareholders' Meeting of JSC Inter RAO (Minutes No. 14 dated May 25, 2014).

Code) as the document that establishes standards of corporate governance, approved on March 21, 2014, by the Board of Directors of the Bank of Russia⁶⁷. The Company made commitments to bring its activities in compliance with the recommendations of the Code.

In addition, JSC Inter RAO securities were included in the Level 1 section of the List of Securities that are admitted to trading on the CJSC MICEX Stock Exchange, which makes it the Group's responsibility to correct non-compliance with CJSC MICEX Stock Exchange requirements in the sphere of corporate governance. Bringing regulations and practices of the Group in compliance with the requirements of the trading authority and the Code has become a corporate governance improvement priority for JSC Inter RAO for the next few years.

As part of this priority, in 2014, the Board of Directors approved a Correction Action Plan for compliance with corporate governance requirements, which is the condition for placement of securities in the Level 1 section of the List of Securities that are admitted to trading on the CJSC MICEX Stock Exchange⁶⁸. The Plan, scheduled to be executed in 2015-2016, includes adaptation activities, such as:

- **Increasing the number of independent directors on the Board of Directors of JSC Inter RAO.** By 2016, the proportion of independent directors will account for at least 1/3 of the total number of the members of the Board of Directors, to which end the Human Resources and Remuneration Committee develops and presents recommendations to the General Shareholders Meeting on the election of independent members to the Board of Directors.
- **Introduction of the Corporate Secretary.** The position of the Corporate Secretary is scheduled to be established in 2015 to facilitate compliance of JSC Inter RAO corporate bodies and officials with the rules and procedures that guarantee shareholders rights and interests.

The Action Plan for Implementation recommendations of the Recommendations of the Corporate Governance Code, recommended for use by the Central Bank of the Russian Federation, was developed separately. The Plan provides for elimination of the majority of discrepancies with the Code during the year 2015.

6.2 Corporate governance model

JSC Inter RAO applies a corporate governance model (hereinafter - the Model) that meets the requirements of the legislation of the Russian Federation and the requirements for issuers of securities whose shares were included in the Level 1 section of the List of securities that are admitted to trading on the CJSC MICEX Stock Exchange. The Company's corporate governance model provides an efficient system of corporate governance, safeguarding of shareholder interests and a high standard of information disclosure. The Model also provides for creation and maintenance of an efficient risk management and internal control system, allows for detailed delineation of authority, determining responsibility for each management body of the company and presence of the mechanism for evaluation of the execution of functions and responsibilities that are assigned to it.

In accordance with the Charter of JSC Inter RAO, the management bodies of the Company are as follows:

⁶⁶ The Resolution of the Board of Directors of November 24, 2014 (Minutes No. 128 dated November 26 2014).

⁶⁷ Bank of Russia Letter No. 06-52/2463 of April 10, 2014.

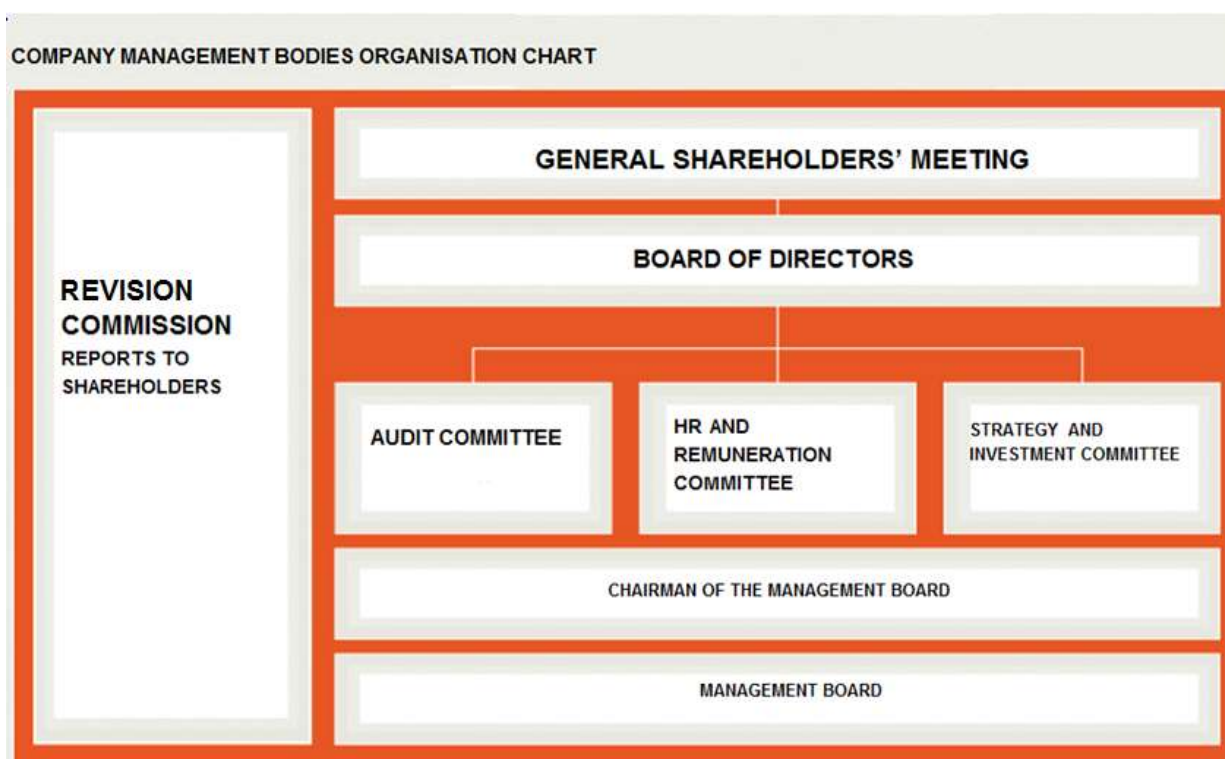
⁶⁸ Approved by the Board of Directors (Minutes No. 125 dated November 05, 2014).

- General Meeting of Shareholders;
- Board of Directors;
- Management Board;
- Chairman of the Management Board.

Board of Directors' Committees that are formed by the decision of the Board of Directors develop recommendations, evaluate efficiency of the corporate governance procedures and perform other functions designed to maintain high standards of the Board of Directors performance. All Committees report to the Board of Directors of the Company.

Operational activities of the Company are managed by the sole executive body, and the Chairman of the Management Board and the collegial executive body by the Management Board. The Chairman of the Management Board and the Management Board report to the General Shareholders Meeting and the Board of Directors of the Company.

The Revision Commission is elected by the General Shareholders Meeting and executes control over financial and business activities of the Company. The Revision Commission is entitled to request an extraordinary General Shareholders Meeting in the event of serious violations.



6.3 General Shareholders Meeting

The General Shareholders Meeting is the supreme management body of the Company in accordance with the Charter of JSC Inter RAO and the Federal Law *On Joint Stock Companies*.

The competence of the General Shareholders Meeting, the terms, preparation procedure, and forms of meeting are defined by the Federal Law *On Joint Stock Companies*, the Company's Char-

ter, and the Regulations on Procedure for Preparation and Holding of the General Shareholders Meeting of JSC Inter RAO⁶⁹.

The competence of the General Shareholders Meeting has remained unamended since the year 2014. The shareholder rights to take part in the Company management were observed in full.

Table 50. Information on the General Shareholders Meetings in 2014

Type of Meeting (Annual/ Extraordinary)	Annual
Date	May 25, 2014
Form	Meeting (joint attendance)
Location	6 Startovaya St., Saint Petersburg, Crown Plaza Hotel, Alexandrovsky Hall
Date and Number of the Minutes	Minutes No. 14 dated May 25, 2014

On the General Shareholders Meeting of the Company that was held on May 25, 2014 the following issues were considered:

- approval of the Annual report of the Company;
- approval of the annual financial statements of the Company, including annual income statement (profit and loss accounts);
- distribution of profit (including the payment (declaration) of the dividends) and loss of JSC Inter RAO upon the results of 2013 fiscal year;
- payment of remuneration to the members of the Board of Directors, non-government officials in the amount defined by the internal documents of the Company;
- payment of additional remuneration to the members of the Revision Commission of the Company;
- election of the members of the Board of Directors of the Company;
- election of the members of the Revision Commission of the Company;
- approval of the auditor of the Company;
- approval of the Company's Charter in a revised version;
- approval of the Regulations on the Procedure of Preparation and Holding of the General Shareholders Meeting of JSC Inter RAO in a revised version;
- approval of the Regulations on the Revision Commission of JSC Inter RAO in a revised version;
- determination of the quantity, denomination and category (type) of the authorised shares and rights that these shares grant;
- reduction of authorised capital of JSC Inter RAO;
- consolidation of shares of JSC Inter RAO;
- defining the price (money value) of services that JSC Inter RAO purchases by the agreement of liability insurance of directors, officials and companies between JSC Inter RAO and JSC SOGAZ;
- approval of related-party transactions.

Relations with Shareholders

⁶⁹ Approved on May 25, 2014 by the annual General Shareholders' Meeting of JSC Inter RAO (Minutes No. 14 dated May 25, 2014).

JSC Inter RAO Shareholders: **354,892 shareholders**⁷⁰

JSC Inter RAO Registrar: **JSC Register R.O.S.T.**

Professional stock market player within Inter RAO Group:

LLC Inter RAO Invest⁷¹

JSC Inter RAO is one of the largest issuers in Russia by number of shareholders. The Company pays a lot of attention to relations with minority shareholders. Minority Shareholder Involvement Programmes that take into account applications and surveys are developed and implemented on an annual basis.

The 2014 Inter RAO Minority Shareholder Involvement Programme provided for completion of the following tasks:

- implementation of a mechanism for acquiring shares from minority shareholders by LLC Inter RAO Invest;
- better financial and legal awareness of shareholders and individuals in terms of exercising of their rights;
- expansion of the transfer agent network of the Company's Registrar.

All the activities scheduled for 2014 as part of the Programme were fulfilled:

- development and signing of the transfer agent agreement between JSC Register R.O.S.T., LLC Inter RAO Invest and individual employees of Inter RAO Group companies;
- updating of booklets containing company profile information and a protocol for liaising with the Company registrar and their distribution among shareholders;
- providing broker services for share acquisition to individual shareholders;
- preparation of the advice meeting with individual shareholders before the General Shareholders Meeting of (Moscow);
- publication of a page for minority shareholders in the corporate newspaper and the Energy Beyond Borders corporate magazine;
- development and providing to shareholders of personal account service on the Registrar website;
- updating of the Shareholder Information section of the website; creation and functioning of the section Frequently Asked Questions for Shareholder, creation of a mechanism for surveys and votes;
- preparation of meetings with employees, representatives of public organisations, pensioners, labour union members;
- distribution by post of a JSC Inter RAO Shareholder Information Card, Registered Person Questionnaire and other information materials to shareholders and clients of power supply companies;
- arranging information stands on JSC Inter RAO shareholder responsibilities and rights in subsidiaries and affiliates at visitor stations.

JSC Inter RAO became one of the first companies in the Russian Federation to implement the most advanced tool for shareholder communication, a shareholder personal account that became available to users in June 2014.

⁷⁰ Total number of persons with non-zero balance in their accounts registered in the JSC Inter RAO shareholders register as at December 31, 2014.

⁷¹ LLC INTER RAO Invest is a subsidiary of JSC Inter RAO that has a professional stock market player licence.

Any communication device that has a connection to the Internet gives the shareholder an opportunity to access personal account:

- records of registered securities in their accounts and market value of the traded on the exchange securities;
- records of distribution and payment of dividends: for the chosen record on distribution it is possible to view all payment transactions and banking details that were used to transfer money;
- shareholder calendar containing records on all issuer's corporate events, General Meetings, buybacks, issues, etc.

The shareholder personal account has a high level of data protection based on modern standards and information security protocols. This service is available to JSC Inter RAO shareholders free of charge.

Besides, in 2014, the JSC Inter RAO Shareholder Information Card that contains answers to the Company shareholder's most frequently asked questions was updated, reviewed, supplemented and published. The Information Card contains information about the management system, equity capital structure of the Company, the Registrar, its regional branches and transfer agents, and shareholders rights and responsibilities, as well as detailed instructions on basic trading of shares. The Information Card is distributed free of charge at meetings and General Shareholders Meetings held by the Company.

Table 51. External and Internal Channels of Communication with Shareholders

Communication Channel	Available Information
Shareholder Information Section of the JSC Inter RAO official website http://www.interrao.ru/investors/info/	
Contacts subsection http://www.interrao.ru/investors/contacts/	Corporate Relations Department of the Corporate and Property Relations Unit contact phone numbers and email Consultations for shareholders, forwarding requests to operating divisions of the Company.
Frequently Asked Questions subsection http://www.interrao.ru/company/FAQ/	Up-to-date answers to questions about JSC Inter RAO, dividends, shares, corporate governance and other issues.
JSC Inter RAO Registrar Information section http://www.interrao.ru/investors/restrinfo/	The Registrar's valid licence information The Registrar, JSC Register R.O.S.T., its branches and transfer agents contact details
The Registrar's call centre for JSC Inter RAO shareholders: Tel. 8-800-700-03-70 (toll free in Russia) E-Mail: InterRAO@rrost.ru	Up-to-date information and advice to shareholders
Corporate Publications	
Minor shareholders section in the newspaper and the Energy Beyond Borders magazine	Outcomes of conducted meetings with shareholders Answers to frequently asked questions Other information of interest to shareholders

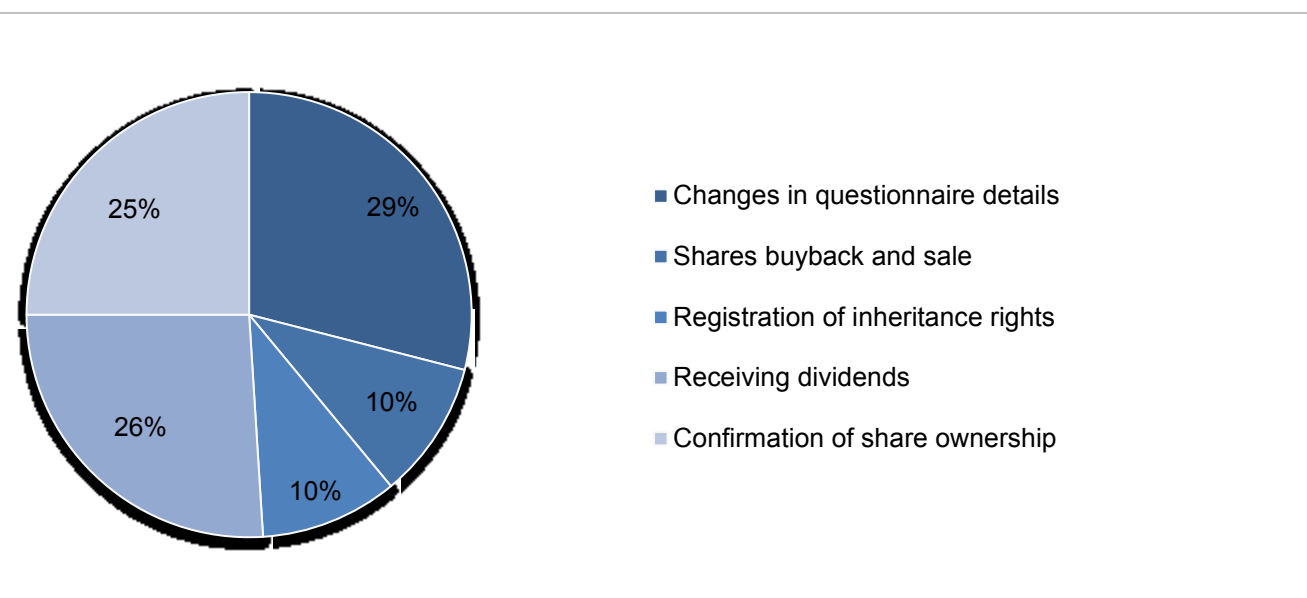
In 2014 JSC Inter RAO developed and concluded an agreement with LLC Inter RAO Invest⁷² for consulting services to JSC Inter RAO shareholders by employees of the Group. The employees of Inter RAO Group conducted counselling meetings with shareholders of the Company - individuals where they provided advice on the following matters:

- rights and responsibilities of company shareholders;
- stock market performance and the Registrar of the company activities;
- possibility to sell the company shares.

Also, individual shareholders of the Company could make changes to the registered person questionnaire form in the Company securities register. A total of 158 persons used this service.

Counselling meetings were held in 17 regions of presence of Inter RAO Group companies during May – June 2014.

Fig. 18 The main issues that interested shareholders in 2014 were: changes in questionnaire details, receiving dividends, confirmation of share ownership (over 80% in total)



The main focus in relations with shareholders in 2015 was defined as further optimisation of the interaction patterns between the shareholder and the Registrar, in particular, the possibility to extend functionality of the Personal account online service.

The Company developed a 2015 Inter RAO Minority Shareholder Involvement Programme with the following goals:

- implementation of the mechanism of share acquisition from minority shareholders by LLC Inter RAO Invest that minimises transaction costs (in case of interest on the part of shareholders);
- better financial and legal awareness of individual shareholders in terms of realisation of their rights as shareholders of the Company by means of, among other:
 - launching additional services for minority shareholders at the Company Registrar's website;

⁷² Agreement No. 14-0425 dated April 28, 2014, made on the basis of Transfer Agent Agreement No. TA/2013/4 of LLC INTER RAO Invest with the Registrar of the Company JSC Register R.O.S.T. dated July 23, 2013.

- updating information brochures (cards) for shareholders and distribution of these materials at meetings and General Shareholder Meetings;
- preparing information campaign for shareholders of the Company by Inter RAO Group companies.

The efficiency of events held will be evaluated, additional opportunities for cooperation with shareholders will be determined and include evaluation of the required resources, and ideas for the 2016 Programme will be developed.

6.4 Board of Directors

The Board of Directors is a collegial body provides overall governance of the Company's operations. The procedure for the Board of Directors activity is regulated by legislation of the Russian Federation and in-house regulations of the Company, including an annually approved Board of Directors' Work Plan⁷³.

The scope of the Board of Directors include consideration of issues such as:

- determination of key areas of the Company;
- consideration and approval of the strategy;
- consideration and approval of the risk management policy;
- approval of the remuneration system for the Board members;
- approval of non-standard transactions;
- decision-making on important corporate actions;
- determination of the standpoints on key matters of the subsidiary and affiliate companies.

The procedure for nomination of candidates to the Board of Directors is regulated by the Federal Law *On Joint Stock Companies*. Once candidates are nominated, the Human Resources and Remuneration Committee of the Board of Directors performs assessment to make sure they meet established criteria. The number of members of the Board of Directors of JSC Inter RAO is determined by article 14.1. of the Company's Articles of Association to be 11 members. The members of the Company's Board of Directors are elected on an annual basis at the General Shareholders' Meeting by cumulative voting.

As part of plans aimed at improving the corporate governance system in JSC Inter RAO, the position of the Senior Independent Director in the event at least three independent directors are elected to the Board and a procedure for self-evaluation by the Board of Directors of JSC Inter RAO has been approved⁷⁴.

Self-evaluation of Board of Directors members' performance⁷⁵ was performed for the first time in 2014 in the form of a remote survey by the Association of Independent Directors of Russia. The results of the self-assessment point to high performance of the Board of Directors and reporting Committees with the average rating based on 126 questions in 13 sections being 4.1 out of 5.

⁷³ Work Plan for 2014–2015 was approved by the Resolution of the Board of Directors of June 06, 2014 (Minutes No. 117 dated June 09, 2014).

⁷⁴ Regulations on Evaluation of the Performance of the Company's Board of Directors is approved by the Resolution of the Board of Directors as of February 21, 2014 (Minutes No. 108 dated February 24, 2014).

⁷⁵ Based on the Resolution of the Board of Directors of February 21, 2014 (Minutes No. 108 dated February 24, 2014).

Table 52. Results of self-evaluation of Board of Directors members of JSC Inter RAO for 2014

Section of questions within the remote survey of Board of Directors performance	Number of questions	Average rating
Key questions pertaining to Board of Directors activity: interaction and balance of authority of the shareholders, Board of Directors, and Group management, role and performance of the Board of Directors.	12	4.5
Strategic planning: understanding of the strategy, monitoring of strategy implementation, and use of KPIs	9	4.1
Risk management: management of the system for identification and assessment of key risks	9	4.1
Management of the Company's performance: development, approval, and assessment of the plans for Groups development, use of KPIs	10	4.2
Board of Directors members: Board of Directors members, selection and nomination, succession and development programmes for Board of Directors members	11	3.8
Efficiency of Board of Directors meetings: procedures and streamlining of Board of Directors activity, interaction with management	8	4.4
Board of Directors Chairman: performance of the Board of Directors Chairman	10	4.4
Independent directors: role of independent directors in the process and decision-making by the Board of Directors	11	3.9
Non-executive directors: role in Board of Directors, contribution in succession system development	6	4
Corporate Secretary: provision of Board of Directors recommendations, coordination of communication between Board of Directors members, shareholders, and management, compliance with statutory requirements, and in-house procedures of the Board of Directors	7	4.3
Audit Committee: Regulations on the Committee, competency of Committee members, performance of the Committee, interaction with the Board of Directors, and reporting	17	4.1
Strategy and Investments Committee: Regulations on the Committee, competency of Committee members, performance of the Committee, interaction with the Board of Directors, and reporting	8	4.3
Human Resources and Remuneration Committee: Regulations on the Committee, competency of Committee members, performance of the Committee, interaction with the Board of Directors, and reporting	11	3.7

Assessment results highlighted both Board of Directors strengths and areas that require improvement. The performance of the Board of Directors Chairman was awarded the highest rating. In particular, efficient organisation of agenda discussion and decision-making at Board of Directors meetings was emphasised. The focus was on the following aspects: Board of Directors members' commitment to corporate values; high standards of care and transparency established in JSC Inter RAO.

As part of the corporate governance improvement plan, the Board of Directors expects to focus on improvement of the system for nomination of candidates as a result of the approval of the Corporate Governance Code and compliance with the Company's requirements as an issuer of shares quoted in MICEX First Level Quotation List. Moreover, they pointed out to the need to improve the Corporate Secretary office and enhance the performance of the succession pool for key top managers.

Assessment results were considered at the Board of Directors Meeting on June 30, 2014⁷⁶. Based on the outcomes of the Meeting, the Human Resources and Remuneration Committee of the Board of Directors of JSC Inter RAO was instructed to develop recommendations on improvement of Board of Directors activity in the future. The Committee provided, without limitation, the following recommendations:

- include in the agenda of the annual Board of Directors meeting management reports on the status of implementation of earlier Board of Directors resolutions;
- include in the Board of Directors activity plan the review and discussion of potential programmes and seminars on corporate management and activity of the Board of Directors and approve the relevant activity plan;
- when preparing an annual Board of Directors Work Plan, determine the best mix combination of operational, procedural, and strategic items with strategic ones to be mainly included in the agenda of in-person meetings;
- include in the annual Board of Directors Schedule a special in-person meeting to discuss the strategic plans of JSC Inter RAO and follow up their status;
- institute a Corporate Secretary office, draft Corporate Secretary Regulations, and instruct management to submit their proposals on the candidate to the Corporate Secretary position to be considered by the Board of Directors;
- include in the Board of Directors' Activity Plan the item involving voting recommendations with regard to the election of candidates to the Board of Directors.

The recommendations provided by the Human Resources and Remuneration Committee will be taken into account to prepare a Board of Directors' Work Plan for the corporate years of 2015 and 2016.

The Resolution of May 23, 2014⁷⁷ approved the Succession Plan for Board of Directors members in JSC Inter RAO developed for the period from 2014 through 2016. This document was drafted to form the Board of Directors in line with the Company's internal documents and MICEX Listing Rules to ensure succession and consistency of Board of Directors activity. Moreover, the general requirements for Board of Directors members in the Succession Plan are aimed to maintain a balance of independence, qualifications, and experience of directors with consistent replacement of Board of Directors members taking into account the rotation of independent directors.

Clause 4 of the Board of Directors' Succession Plan of JSC Inter RAO also documents a Training and Development Programme for Board of Directors members to be implemented from June 2014. This Programme includes e-learning courses for Board of Directors members in different aspects of governance, including a business ethics course presented to the Board of Directors in 2014. The

⁷⁶ Minutes of July 03, 2014, No. 118.

⁷⁷ Minutes of May 26, 2014, No. 115.

Training and Development Programme documents induction onboarding programmes for new Board of Directors members implemented in JSC Inter RAO since 2012.

In 2014 the Board of Directors of JSC Inter RAO⁷⁸ continued to test the status of Board's members to meet the independence criteria established by the Regulations on the Board of Directors of JSC Inter RAO⁷⁹ and MICEX Listing Rules⁸⁰. Based on the Resolution of the Board of Directors in line with the recommendations of the Human Resources and Remuneration Committee, Ronald James Pollett and Dmitry Shugaev were recognised as independent directors.



The Regulations on the Board of Directors of JSC Inter RAO are available on the official website of JSC Inter RAO: http://www.interrao.ru/upload/docs/Polozenie_SD.pdf

The MICEX Listing Rules are available on the official website page: <http://fs.moex.com/files/257>

⁷⁸ Minutes of May 25, 2014, No. 116.

⁷⁹ The independence criteria pursuant to the Regulations on the Board of Directors of JSC Inter RAO were approved by the General Shareholders' Meeting on June 25, 2013.

⁸⁰ The independence criteria pursuant to the new MICEX Listing Rules were approved by the Board of Directors of CJSC MICEX SE of December 31, 2013.

Members of the Board of Directors



Igor SECHIN

First elected to the Company's Board of Directors on October 23, 2008. Member of the Board of Directors until June 2, 2011. Re-elected on June 25, 2013.

Year of birth: 1960

President, Chairman of the Management Board, Deputy Chairman of JSC Oil Company Rosneft.

Has extensive experience in management positions.

2000 to 2004 was Deputy Chief of Staff of the Presidential Executive Office; 2004 to 2008 was Deputy Chief of Staff of the Presidential Executive Office/Aide to the President of the Russian Federation.

2008 to 2012 – Deputy Chairman of the Government of the Russian Federation (Prime Minister). May 2012 to date – President and Chairman of the Management Board of JSC Oil Company Rosneft. Headed the Board of Directors of JSC Oil Company Rosneft from 2004 to 2011. In November 2012 was re-elected to the Board of Directors of JSC Oil Company Rosneft, since 2013 has also been Deputy Chairman of the Board of Directors of JSC Oil Company Rosneft.

Since 2009 to date – Chairman and member of the Board of Directors of National Oil Consortium LLC.

Since 2012 chairs the Board of Director of OJSC Rosneftegaz.

Currently is a Chairman of the Board of Directors of National Oil Consortium LLC, RN-CIR LLC, JSC FECSR, CJSC SPIMEX and a Chairman of the Supervisory Board of LLC PCC CSKA.

Education, skills and professional experience:

- *University education*

Graduated from the Leningrad State University in 1984. Ph.D. in Economics.

- *Specialisation in the electricity sector, strategic management*

Igor Sechin is a renowned expert in the electricity sector. In June 2012 by the Decree of the President of the Russian Federation Igor Sechin was appointed Executive Secretary of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security.

- *Experience in the Boards of Directors or top positions in other joint stock companies which securities are listed in the quotation lists of organised trading platforms (stock exchanges), including international companies*

2008 to 2011 chaired the Board of Directors of JSC Inter RAO; 2004 to 2011 chaired the Board of Directors of JSC Oil Company Rosneft. Currently chairs the Board of Directors of JSC Inters RAO and OJSC Rosneftegaz. Igor Sechin is a member of the Board of Directors of SARAS S.p.A., Pirelli & C. S.p.A. (Italy).

Evaluation based on independence criteria

Igor Sechin is not an independent director as he represents the interests of a Company major shareholder (OJSC Rosneftegaz).

Non-executive director.

Does not hold JSC Inter RAO shares.



Boris KOVALCHUK

First elected to the Company's Board of Directors on June 25, 2009

Year of birth: 1977

Chairman of the Management Board of JSC Inter RAO.

From 2009 Boris Kovalchuk was acting Chairman of the Management Board and since 2010 has chaired the Management Board of JSC Inter RAO also being a member of the Company's Board of Directors.

Office Assistant to First Deputy Chairman of the Russian Government and Director of the Department of National Priority Projects of the Russian Government in 2006-2009.

In 2009, he was Deputy Director General for Development of the State Atomic Energy Corporation Rosatom.

Since 2010 he has been a member of the Management Board of the Russian National Association of Employers Russian Union of Industrialists and Entrepreneurs and the Russian National Public Organisation Russian Union of Industrialists and Entrepreneurs.

Education, skills and professional experience:

- *University education*
In 1999, graduated from the St. Petersburg State University with a degree in Law.
- *Specialisation in the electricity sector*
Holds the honorary title of Honoured Power Engineer. Boris Kovalchuk chairs the Board of Directors of CJSC Kambaratinskaya HPP-1. He is a member of the Board of Directors of OJSC FGC UES.
- *Specialisation in law*
Was a legal advisor in Granit Research Centre Federal State Unitary Enterprise (FSUE) in 1999-2006.
- *Experience in the Boards of Directors or top positions in other joint stock companies which securities are listed in the quotation lists of organised trading platforms (stock exchanges), including international companies*

Boris Kovalchuk is a member of the Board of Directors of the following large publicly traded energy companies: OJSC FGC UES and JSC Inter RAO. Earlier he took the position of the Chairman of the Board of Directors of JSC Tambov Energy Supply Company and was member of the Board of Directors of the following large publicly traded energy companies: JSC Saratovenergo, JSC RusGydro, JSC OGC-1, JSC OGC-3, JSC Mosenergosbyt, and JSC Irkutskenergo.

Evaluation based on independence criteria

Boris Kovalchuk is not an independent director as he is the Chairman of the Company's Management Board and the representative of the Russian Federation in the Board of Directors.

Executive director.

Does not hold JSC Inter RAO shares.



Vyacheslav KRAVCHENKO

First elected to the Company's Board of Directors on October 23, 2008

Year of birth: 1967

Deputy Minister of Energy of the Russian Federation.

Chairman of the Strategy and Investments Committee of the Board of Directors of JSC Inter RAO.

Vyacheslav Kravchenko is a renowned expert in the electricity sector. He is an experienced expert in the public and private energy sectors. From 1993 to 1998 held various positions in JSC Russian Energy Company. From 1998 to 2001 was Head of the Control and Legal Department of the Russian Federal Energy Commission. In 2001–2004 headed the Natural Monopoly Restructuring Department of the Russian Ministry of Economic Development. From 2004 to 2008 worked with the Russian Ministry of Industry and Energy. His most recent position was Director of the Electric Power Industry Department. From 2008 to 2010 he was General Director of RN-Energo LLC. Vyacheslav Kravchenko was General Director of JSC United Power Supply Company from 2010 to 2012. From 2012 to 2013 he was Chairman of the Management Board of NP Market Council and Chairman of the Management Board of JSC Trading System Administrator. Since 2013, Vyacheslav Kravchenko has been Deputy Energy Minister of Russia.

Education, skills and professional experience:

- *University education*
Graduated from the Moscow State University in 1995 with a degree in Law.
- *Specialisation in the electricity sector*
Vyacheslav Kravchenko is a member of the Board of Directors of large publicly traded energy companies and holds positions in the management bodies of energy infrastructure organisations: JSC System Operator of the Unified Energy System and CJSC Financial Settlements Centre.
- *Specialisation in law*
From 1998 to 2001 Vyacheslav Kravchenko was Head of the Control and Legal Department of the Russian Federal Energy Commission.
- *Experience in the Boards of Directors or top positions in other joint stock companies which securities are listed in the quotation lists of organised trading platforms (stock exchanges), including international companies*
Vyacheslav Kravchenko is a member of the Board of Directors of the following large publicly traded energy companies: JSC Russian Grids, JSC FGC UES, JSC RusGydro, JSC MESK, and JSC Inter RAO.

He was a member of the Board of Directors of JSC Tambov Power Supply Company, JSC Saratovenergo, JSC Mosenergosbyt, JSC Inter-regional Distribution Grid Company of the Centre and Volga Region, and JSC Interregional Distribution Grid Company of the Centre Region.

Evaluation based on independence criteria

Vyacheslav Kravchenko is not an independent director being the representative of the Russian Federation.

Non-executive director.

Does not hold JSC Inter RAO shares.



Dmitry SHUGAEV

First elected to the Company's Board of Directors on June 24, 2011

Year of birth: 1965

Deputy CEO of Russian Technologies State Corporation.

Chairman of the Human Resources and Remuneration Committee and Audit Committee of the Board of Directors of JSC Inter RAO.

Has extensive management experience both in public service and in commercial organisations. From 1997 to 2001 served as Executive Director of

CJSC Legal Profile.

From 2001 to 2008 – a consultant to the Deputy CEO; Assistant to the First Deputy CEO; and Head of the CEO Office of Rosoboronexport Federal State Unitary Enterprise.

From 2008 to 2009 – Head of the CEO Office in Russian Technologies State Corporation.

Dmitry Shugaev chairs the Board of Directors of Marketing and Investment Projects LLC, is a member of the Board of Directors of OJSC Russian Corporation of Rocket and Space Instrumentation and Information Systems and other companies.

Awarded the Order For Merit to the Fatherland, 2nd Class.

Education, skills and professional experience:

- *University education*

In 1987 he graduated from the Moscow State Institute of International Relations of the Soviet Union Ministry of Foreign Affairs with a major in International Journalism. Ph.D. in Economics.

- *Experience in the Boards of Directors or top positions in other joint stock companies which securities are listed in the quotation lists of organised trading platforms (stock exchanges), including international companies*

Dmitry Shugaev has been member of the Board of Directors of JSC Inter RAO since 2011.

Evaluation based on independence criteria

Independent Director. Dmitry Shugaev is a member of the Management Board of State Corporation, i.e. an organisation controlled by the Russian Federation which indirectly owns more than 50% of the company's shares. However, taking into consideration the previous experience of Dmitry Shugaev's work and the results of his voting at the Company's Board of Directors' meetings, there are no grounds to believe that his position on the items that fall under authority of the Company's Board of Directors is not independent or that he acts in the interests of a shareholder (shareholder group) or any specific stakeholders. Moreover, he was not nominated to the Board of Directors by the government and does not vote on the

regulations of the Russian Federation. Dmitry Shugaev was recognised to be an independent director by the Resolution of May 25, 2014⁸¹.

Does not hold JSC Inter RAO shares.



Vladimir DMITRIEV

First elected to the Company's Board of Directors on March 28, 2008. Was member of the Board of Directors till October 23, 2008. Re-elected to the Board of Directors on June, 2010

Year of birth: 1953

Chairman of the Bank for Development and Foreign Economic Affairs (Vnesheconombank) State Corporation.

From 1975 to 1979 worked as an engineer in the State Committee for Foreign Economic Relations of the Council of Ministers of the Soviet Union. He held the position of Attaché and Third Secretary of the Ministry of Foreign Affairs of the Soviet Union from 1979 till 1986. From 1986 to 1987 – a researcher at the Institute of World Economy and International Relations of the Soviet Union Academy of Science. From 1987 to 1992 – Second and First Secretary of the Soviet Embassy of the Ministry of Foreign Affairs of the Soviet Union. From 1992 to 1993 – First Secretary of the Russian Embassy of the Ministry of Foreign Affairs of Russia. From 1993 to 1997 – Deputy Head, Head of Department in the Ministry of Finance of the Russian Federation.

In 1997 he was appointed First Deputy Chairman of Vnesheconombank of the Soviet Union. From 2002 to 2004 Vladimir Dmitriev was Deputy President and Chairman of the Management Board of OJSC Vneshtorgbank and from 2004 to 2007 was Chairman of Vnesheconombank of the Soviet Union. Since June 2007 has been Chairman of State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank).

Since January 2011 has held the chair in the Financial University under the Government of the Russian Federation (part-time).

Education, skills and professional experience:

- *University education*

In 1975 Vladimir Dmitriev graduated from the Moscow Financial Institute with a degree in International Economic Relations. In 2004 Associate Member of the Russian Academy of Natural Sciences. In 2007 was certified by the State Commission for Academic Degrees and Titles of Ministry of Education and Science of Russian Federation.

- *Specialisation in finance and investment*

Doctor of Economics. A recognised expert in the field of economics and management which is evidenced by his successful implementation of anti-crisis measures both in the Government and in the Central Bank in 2008-2009. He was awarded the *Order of Alexander Nevsky*, *Order For Merit to the Fatherland, 4th IV Class*, and *the Order of Honour* for his contribution to the development of Russia's financial and banking system and many years of diligent work. Other awards include the badge of the Association of Russian Banks *For Services to the Banking Community*. He has other awards in addition to the Presidential and

⁸¹ Minutes of May 25, 2014 No. 116.

Government ones. Vladimir Dmitriev holds other awards and Presidential Citations and the Citations of the Government of the Russian Federation.

- *Experience in the Boards of Directors or top positions in other joint stock companies which securities are listed in the quotation lists of organised trading platforms (stock exchanges), including international companies*

He has been a member of the JSC Inter RAO Board of Directors since 2010. He is a member of the Board of Directors of the following leading publicly traded companies: KAMAZ, United Aircraft Corporation, and NOVATEK:

Evaluation based on independence criteria

Vladimir Dmitriev is not an independent director since he is the Chairman of Vnesheconombank State Corporation which is controlled by the Russian Federation and receives remuneration from this corporation which was a major shareholder and contractor of JSC Inter RAO.

Non-executive director.

Does not hold JSC Inter RAO shares.



Alexander LOKSHIN

First elected to the Company's Board of Directors on June 25, 2010.

Year of birth: 1957

Management Board member, First Deputy Director General for Operations Management of the State Atomic Energy Corporation Rosatom.

Member of the Human Resources and Remuneration Committee of the Board of Directors of JSC Inter RAO.

Aleksandr Lokshin has been working in the nuclear power sector since 1980.

In 1980, he was appointed to the position of an Engineer at Smolensk Nuclear Power Plant where he held various positions until he was transferred to Concern Rosenergoatom Concern in 1996. His last position at Smolensk Nuclear Power Plant was the Shift Supervisor of the First Stage Power Plant. From 1996 to 2008, he held various positions at Concern Rosenergoatom, including Director of Smolensk Nuclear Power Plant, Concern Rosenergoatom Branch, and First Deputy General Director and Acting General Director of Concern Rosenergoatom. In 2008, he joined State Atomic Energy Corporation Rosatom.

Education, skills and professional experience:

- *University education*

In 1980, he graduated from Kalinin Leningrad Polytechnic Institute (currently St. Petersburg State Polytechnical University) with a degree in Thermal Physics. Was member of the Presidential programme at the Academy of National Economy under the Government of the Russian Federation.

- *Specialisation in the electricity sector*

He is a recognised expert in the nuclear power sector. Honorary Power Engineer of the Russian Federation.

From 1996 to 1998 – Deputy Head of General Directorate, Deputy Head of the Department of Commerce/Head of the Information and Analytical Department at Concern Rosenergoatom (Moscow).

From 1998 to 2001 – First Deputy Director for Marketing, Economics and Commerce at Concern Rosenergoatom.

- From 2001 to 2006 – Acting Director, Director, and Deputy General Director of Concern Rosenergoatom/Director of Smolensk Nuclear Power Plant, Concern Rosenergoatom Branch. From 2006 to 2008 – First Deputy General Director and Acting General Director of FSUE Concern Rosenergoatom. From June 2008 to January 2010 – Deputy General Director of State Atomic Energy Corporation Rosatom. Since February 2010 – Deputy General Director/Director of the Nuclear Park Directorate of State Atomic Energy Corporation Rosatom. From April 2011 to November 2012 – First Deputy General Director/Director of the Nuclear Park Directorate. Since November 2012 h– First Deputy General Director for Operations Management.
- *Experience in the Boards of Directors or top positions in other joint stock companies which securities are listed in the quotation lists of organised trading platforms (stock exchanges), including international companies*

Aleksandr Lokshin is a member of the Board of Directors of JSC Inter RAO.

Evaluation based on independence criteria

Aleksandr Lokshin is not an independent director since he is a member of the Executive Body of State Atomic Energy Corporation Rosatom, which affiliates were a major shareholder of the Company, and received remuneration from this corporation.

Non-executive director.

Does not hold JSC Inter RAO shares.



Oleg BUDARGIN

First elected to the Company's Board of Directors on August 31, 2011.

Year of birth: 1960

Chief Executive Officer and Chairman of the Management Board of JSC Russian Grids.

From 1984 to 2000 he worked at Norilsk Nickel Metallurgy Plant where he rose from a Foreman to the Deputy General Director for Human Resources.

When he was Head of the Norilsk City and afterwards the Governor of the Taimyr (Dolgan-Nenets) Autonomous District (2000-2007) the income of public sector employees almost tripled, trade turnover doubled, and the quality of municipal medical services was considerably improved. After the merger of the Taimyr District with the Evenk Autonomous District and the Krasnoyarsk Territory to make one constituent entity of the Russian Federation in 2007, Oleg Budargin was appointed Assistant to the Presidential Plenipotentiary Envoy in the Siberian Federal District and held that position until his transfer to JSC FGC UES in 2009. Since 2013 he has been CEO of OJSC Russian Grids.

Education, skills and professional experience:

- *University education*

In 1982 Oleg Budargin graduated cum laude from the Norilsk Industrial Institute with a degree in Industrial and Civil Construction qualified as a Construction Engineer.

- *Specialisation in the electricity sector, strategic management*

He is a member of the Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security and Chairman of the Supervisory Board of Association of Solar Energy Enterprises Non-Profit Partnership.

In 2012, by Presidential Decree No. 859 dated June 15, 2012 he was awarded the honorary title of *Honorary Power Engineer of the Russian Federation*. His other awards include the *Order of Honour, Order For Merit to the Fatherland, 2nd Class*, and a number of others.

- *Specialisation in finance*

Ph.D. in Economics. In 2005 Oleg Budargin was awarded the Presidential Citation for his achievements in the socio-economic development in the Taimyr (Dolgan-Nenets) Autonomous District.

- *Experience in the Boards of Directors or top positions in other joint stock companies which securities are listed in the quotation lists of organised trading platforms (stock exchanges), including international companies*

Chairs the Board of Directors of JSC MOESK and is a member of the Board of Directors of JSC FGC UES and JSC Russian Grids.

Evaluation based on independence criteria

Oleg Budargin is not an independent director since he is a member of the Board of Directors of a major shareholder of the Company.

Non-executive director.

Does not hold JSC Inter RAO shares.



Ronald James POLLETT

First elected to the Company's Board of Directors on June 25, 2013.

Year of birth: 1969

GE's Vice President, President and Chief Executive Officer of GE Russia/CIS.

Member of the Audit Committee and Human Resources and Remuneration Committee of the Board of Directors of JSC Inter RAO.

Ronald Pollett started his career in 1991 as a Financial Analyst in the Investment and Banking Division of Kidder, Peabody & Co in New York.

In 1993, he joined General Domestic Appliances (GDA), a joint venture between GE and GEC in Great Britain as Director for the JV in the CIS based in Donetsk (Ukraine).

From 1994 to 1997, in addition to his duties at GDA, Ronald Pollett headed the GE division in Ukraine and was responsible for the establishment and expansion of the company's operations in the region.

In 1996 he was transferred to the position of the Director for Business Development in GE Lighting Europe. His responsibilities included implementation of strategic tasks and integrated support of the company's operations in Eastern Europe.

In September 1998, Ronald Pollett was appointed Head of GE Representative Office in Russia, Belarus and Ukraine and in 2001 was appointed Head of GE in Russia and the CIS. Currently, Ronald Pollett is responsible for GE commercial development in Russia.

Education, skills and professional experience:

- *University education*

In 1991, Ronald Pollett graduated cum laude from Colgate University (New York) with a degree in Sovietology.

- *Specialisation in finance*

Ronald Pollett is a member of the International Advisory Council of IBLF and since 2001 has been a member of the Board of Directors of the American Chamber of Commerce in Russia. In January 2012, he was elected Chairman of the Council for the sixth time running.

- *Experience in the Boards of Directors or top positions in other joint stock companies which securities are listed in the quotation lists of organised trading platforms (stock exchanges), including international companies*

President and CEO of General Electric in Russia and CIS which is a member of General Electric Company Group which shares are traded at NYSE.

Evaluation based on independence criteria

Ronald Pollett is an Independent Director as the Company acknowledges that the business relations between the Group and General Electric do not fall within the scope of the materiality criteria. Moreover, there are no grounds to believe that his position on the matters within the scope of authority of the Board of Directors is not independent or that he acts in the interests of a shareholder (shareholder group) or any specific stakeholders.

Does not hold JSC Inter RAO shares.



Denis FEDOROV

First elected to the Company's Board of Directors on June 24, 2011

Year of birth: 1978

Head of the Directorate for Power Sector Development and Thermal Generation, Gas and Liquid Hydrocarbons Marketing and Processing Department of Gazprom.

Member of the Audit Committee of the Board of Directors of JSC Inter RAO.

In 2003, Denis Fedorov was recognised as the Young Russian Scientist of the Year in Physics and Mathematics. He is the author of 15 published research papers and two monographs.

Education, skills and professional experience:

- *University education*

In 2001 Denis Fedorov graduated from Bauman Moscow State Technical University qualified as an Economist Manager. In 2003 he graduated from the Moscow Power Engineering

Institute (Technical University) after his post-graduate studies in two majors: Economics and Industrial Heat Power Engineering. Ph.D. in Economics.

- *Specialisation in finance*
From 2003 to 2006 he headed the Department of Investment Technologies and Process Projects in EuroSibEnergo-Engineering and Investment Department of Corporation Gazenergoprom.
- *Specialisation in the electricity sector*
From 2001 to 2003 worked in RAO United Energy Systems of Russia and then in CJSC SPIC Turbocon. From 2006 to 2008 – CEO of OJSC Mezhtregionenergosbyt. CEO of Gazprom Energoholding LLC, CEO and member of the Board of Directors of OJSC Centrenergoholding; member of the Boards of Directors of CJSC Gazprom Armenia and JSC MESK. Denis Fedorov is a member of the Supervisory Board of Council of Energy Producers Non-Profit Partnership and Centre for Innovative and Energy Technologies Non-Profit Partnership. Chairs the Boards of Directors of the following energy companies: JSC Tyumen Power Supply Company, JSC OGC-2, and CJSC MRES.
- *Experience in the Boards of Directors or top positions in other joint stock companies which securities are listed in the quotation lists of organised trading platforms (stock exchanges), including international companies*

Denis Fedorov is a member of the Board of Directors of the following publicly traded energy companies: JSC Inter RAO, JSC FGC UES, JSC Mosenergo, and TGK-1.

Evaluation based on independence criteria

Denis Fedorov is not an Independent Director since he holds positions in the management bodies of the Company's competitors.

Non-executive director.

Does not hold JSC Inter RAO shares.



Andrey MUROV

First elected to the Company's Board of Directors on May 25, 2014.

Year of birth: 1970

Chairman of the Management Board of JSC FGC UES.

Andrey Murov was awarded a medal of the *For Merit to the Fatherland Order*, 2nd Class, and the *Order of Honour*. He has certificates and merits and citations from the Governor and Administration of St. Petersburg. An honorary employee of the transport of Russia.

Education, skills and professional experience:

- *University education*
In 1993, he graduated from the Law Department of the St. Petersburg State University with a degree in Legal Science. In 1998 had a professional retraining course of Financial Management at the Interindustry Institute of Professional Development and Retraining for Managers.

In 2009 graduated from the St. Petersburg State University of Civil Aviation with a major in Organisation of Logistics and Transport Management (Aircraft).

- *Specialisation in the electricity sector*

From January 2012 to June 2012 Andrey Murov was Deputy General Director of OJSC Holding MRSK. From July 2012 to June 2013 was Executive Director of OJSC Holding MRSK.

In July 2012 took the positions of the First Deputy Chairman of the Management Board of JSC FGC UES. On September 11, 2012 was elected a member of the Management Board of JSC FGC UES based on the Resolution of the Board of Directors of JSC FGC UES. On November 11, 2013 was elected Chairman of the Management Board of JSC FGC UES.

- *Specialisation in law*

From 1993 to 1996 he worked in the St. Petersburg City Bar Association.

- *Specialisation in finance*

Andrey Murov has a Doctor's degree in Economics.

- *Experience in the Boards of Directors or top positions in other joint stock companies which securities are listed in the quotation lists of organised trading platforms (stock exchanges), including international companies*

Andrey Murov was Director of JSC Holding MRSK, was member of the Board of Directors of JSC Kubanenergo, JSC MRSK Centre, JSC MOESK, JSC Lenenergo, JSC MRSK Volga, and JSC MRSK Urals.

Currently Andrey Murov is a member of the Board of Directors of JSC Inter RAO, JSC FGC UES, and JSC Russian Grids.

Evaluation based on independence criteria

Andrey Murov is not an independent director as he is the sole executive body of one of the Company's major shareholders (JSC FGC UES).

Non-executive director.

Does not hold JSC Inter RAO shares.



Andrey BUGROV

First elected to the Company's Board of Directors on May 25, 2014.

Year of birth: 1952

Member of the Management Board, Deputy Chairman of the Board of Directors, and Deputy General Director of MMC Norilsk Nickel. Vice President of CJSC INTERROS Holding Company.

Education, skills and professional experience:

- *University education*

In 1974 he graduated from the Moscow State Institute of International Relations of the Ministry of Foreign Affairs of Russia with a major in International Economic Relations.

- *Specialisation in finance and investment*

Ph.D. in Economics.

In 1977 – 1991 worked in at the Ministry of Foreign Affairs of the Soviet Union.

In 1991–1993 – European Bank for Reconstruction and Development, Advisor to the president.

1993–2002 – Executive Director representing the Russian Federation in the World Bank Group: International Bank for Reconstruction and Development, International Finance Corporation, and Multilateral Investment Guarantee Agency.

In 2002–2013 – Managing Director, Deputy General Director of CJSC INTERROS Holding Company.

2006 to date – member of the Management Board of the Russian Union of Industrialists and Entrepreneurs.

- *Specialisation in the electricity sector*

From 2007 to 2009 Andrey Bugrov was a member of the Board of Managers of *International Sustainable Energy Development Centre* Autonomous Non-Profit Company and from 2013 to 2014 was member of the Board of Directors of JSC RusGydro.

- *Experience in the Boards of Directors or top positions in other joint stock companies which securities are listed in the quotation lists of organised trading platforms (stock exchanges), including international companies*

From 2002 to 2009 Andrey Bugrov was member of the Board of Directors of ROSBANK Joint Stock Commercial Bank (Joint Stock Company).

From 2013 to 2014 was member of the Board of Directors of JSC RusGydro. Currently Andrey Bugrov is Deputy Chairman of the Board of Directors, member of the Management Board, and Deputy General Director of MMC Norilsk Nickel.

Evaluation based on independence criteria

Andrey Bugrov is not an independent director since as at the date of evaluation he was a member of the collegial executive body of a major shareholder.

Non-executive director.

Does not hold JSC Inter RAO shares.

In 2014 the members of the Board of Directors concluded no transactions with the shares of JSC Inter RAO.

Changes in the Board of Directors in 2014

The Annual General Shareholders' Meeting of JSC Inter RAO was held on May 25, 2014 where new members were elected to the Board of Directors. The following members were not re-elected to the Board of Directors:

1. Vladimir Potanin;
2. Kirill Seleznyov.

The following new members were elected to the Board of Directors:

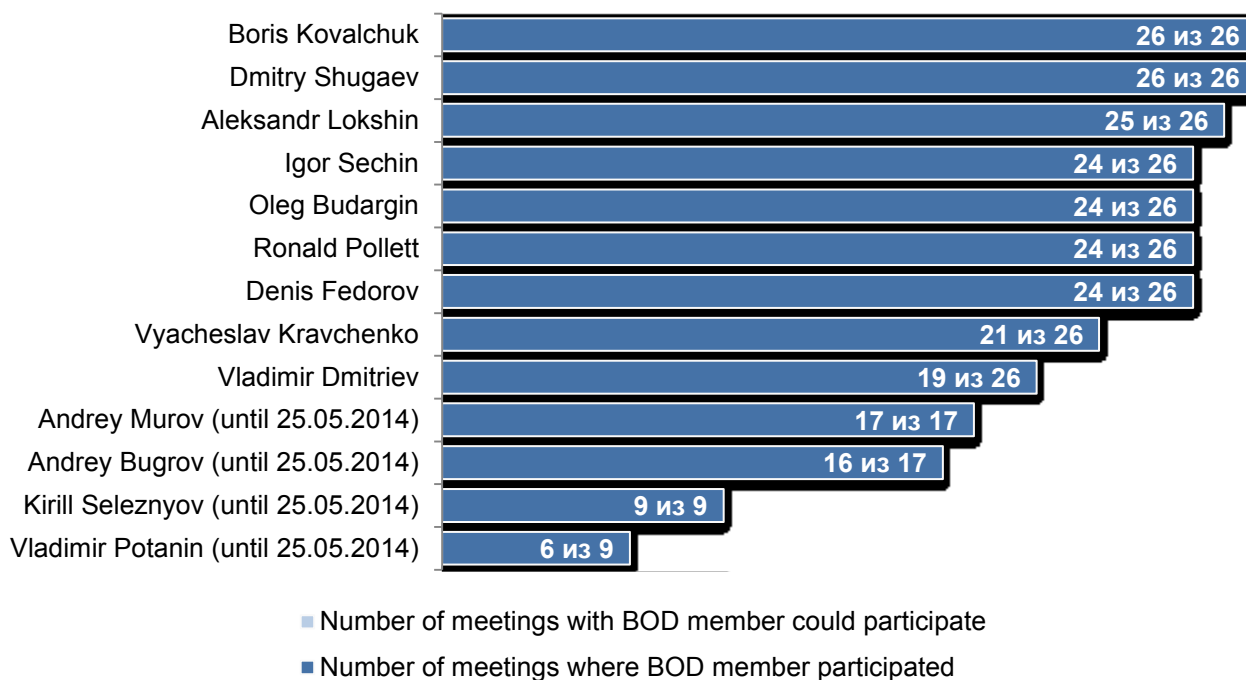
1. Andrey Bugrov;

2. Andrey Murov.

Board of directors Performance report

In 2014, 26 Board of Directors' meetings were held: four of them were held in presentio and 22 in absentia.

Fig. 19 On average, Board of Directors (BOD) members took part in more than 90% meetings held in 2014.



144 agenda items, including 15 directive ones, were considered at these meetings.

Fig. 20 A focus at the Board of Directors meetings was on the strategy, corporate governance, approval of transactions, and regulation of the Company's business





Minutes of the Board of Directors' meetings are available at the Company's website at: <http://www.interrao.ru/investors/uprav/org/minutes/2013.php>

Information on compliance with the Corporate Governance Code

Due to the adoption of the Corporate Governance Code of the Bank of Russia (hereinafter, the Code) as a document that establishes standards for corporate governance of the Group, the Board of Directors of JSC Inter RAO declares its commitment to the principles set forth by the Code and their compliance. Having considered the Report on compliance with the Corporate Governance Code⁸², the Board of Directors of JSC Inter RAO also recognises that they comply (fully or partially) with most provisions of the Code.

The evaluation of compliance with the corporate governance principles documented in the Corporate Governance Code was performed in accordance with the recommended form of the Report on Compliance with the principles and recommendations of the Corporate Governance Code to be included in the Annual Report of a joint stock company which shares may be traded and approved by MICEX⁸³. Any non-compliance⁸⁴ with the Code can be explained by the following factors:

- non-applicability of a number of provisions of the Code by the Company (e.g. no preferred shares);
- inadequate specification in the Code of some requirements (e.g. the item involving implementation of the recommendation related to the "description of personal responsibilities of directors and the chairman of the Board of Directors" can be considered once the recommendations to the description have been specified);
- high financial costs of implementation of requirements which economic benefits for the shareholders will have an expressed negative effect (e.g. engagement of an independent appraiser to determine the price for all related party transactions, including transactions with minor amounts below the fee for the services of an independent appraiser).

The Board of Directors focuses on alignment of the corporate governance regulations and practices of the Company with the Corporate Governance Code. Based on the Resolution of the Board of Directors of February 02, 2015⁸⁵, the Chairman of the Management Board of JSC Inter RAO was instructed to develop and submitted for approval to the Board a Road Map describing implementation of the Corporate Governance Code in the Company. There are plans to implement the Road Map in April 2015. This Road Plan was prepared based on the methodology recommended by the Federal Agency for State Property Management (Rosimushchestvo).

The Company plans to correct most discrepancies during 2015 by changing the principles of work of management bodies, introducing new positions and corporate procedures, amending the existing and adopting new regulations:

⁸² You can read the information on the compliance with the Corporate Governance Code in section 12.5 of the Information on Compliance with the Corporate Governance Code.

⁸³ MICEX Information Letter No. 31-14/236 dated March 13, 2015 re Disclosure in the annual report of a joint stock company of information on compliance by the company of the recommendations of the Corporate Governance Code.

⁸⁴ The detailed explanation of key reasons, factors, and circumstances that drove non-compliance or partial compliance with a principle or key criterion and the description of alternative corporate governance systems and tools is provided in section 12.5, Information on compliance with the Corporate Governance Code, of the Report on compliance with the Corporate Governance Code.

⁸⁵ Resolution of the Board of Directors of February 02, 2015 (Minutes of February 05, 2015, No. 133).

- New revision of the Regulations on the General Shareholders' Meeting;
- New revision of the Company's Charter;
- New revision of the Regulations on the Board of Directors;
- New revision of the Succession Plan;
- New revision of the Regulations on the Audit Committee;
- New revision of the Regulations on the Human Resources and Remuneration Committee;
- New revision of the Company's Information Policy;
- New revision of the Regulations on the Internal Audit Subdivision;
- Regulations on the Corporate Secretary.



More detailed information on compliance with the requirements of the Corporate Governance Code is available on the Company's official website: www.interrao.ru and on the Company's webpage at Interfax information disclosure website

Remuneration to the members of the Board of Directors:

The remuneration to the members of the Board of Directors of JSC Inter RAO for their participation in the Board of Directors in 2014 totalled RUB 26,403,437.5.

The amount is exclusive of remuneration to the Chairman of the Management Board as in accordance with the Regulation on Disclosure of Information by Securities Issuers⁸⁶ this remuneration is included in the total remuneration paid to the Management Board members for 2014.

Table 53. Payout of remuneration to the members of the Board of Directors in 2014

Full name of the member of the Board of Directors	Amount, RUB
Dmitry Shugaev	3,712,500
Denis Fedorov	3,437,500
Ronald James Pollet	3,025,000
Igor Sechin	2,967,250
Aleksandr Lokshin	2,919,125
Oleg Budargin	2,750,000
Kirill Seleznyov	2,750,000
Vladimir Dmitriev	2,378,750
Vladimir Potanin	1,815,000
Vyacheslav Kravchenko	648,312.5

In accordance with the Regulations on payout of remunerations and compensations to the members of the Board of Directors of JSC Inter RAO⁸⁷, no additional remuneration shall be paid out to the Board of Directors members for achievement of performance targets.

The Regulations determine a basic annual remuneration and the formula for calculation of the amount of actual payouts which are reduced if the Board of Directors members miss Board of Directors meetings (in presentio or in absentia) and increased in case Board of Directors members combine jobs in Board of Directors Committees. No remuneration shall be paid out if the Board of Directors members participate in less than 50% of held (from the time a member is elected and until its powers are terminated) meetings (in absentia and as joint attendance). No additional payouts

⁸⁶ Approved by Order of the Federal Financial Markets Service of Russia No. 11-46/pz-n of October 04, 2011.

⁸⁷ Approved by the Annual General Shareholders' Meeting on June 25, 2012 (Minutes No. 12 of June 27, 2012).

are stipulated for Board of Directors members in case of their early termination of authority due to transfer of control over the Company or other circumstances.

The Regulations also provides for the payout to the Board of Directors members of JSC Inter RAO of compensations in the amount of actual expenses including travelling expenses from/to Board of Directors and Committee meeting venues, accommodation and other expenses related to the Company's operations.

The methodology for estimation of the remuneration and compensations payable to Board of Directors members is fully in line with the principles set out in the section of *System of remuneration to Board of Directors members, executive bodies, and other key managers of the Company* of the Corporate Governance Code approved on March 21, 2014 by the Board of Directors of the Bank of Russia⁸⁸.

Board of Directors' Committees

Table 54. Members and functions of Board of Directors' Committees

Name of the Committee	Functions of the Committee
Strategy and Investments Committee	<p>Development and provision of recommendations to the Board of Directors on the following matters:</p> <ul style="list-style-type: none"> • defining priority areas, strategic goals, and fundamentals of the Company's strategic development; • improving investment attractiveness of the Company; • improving investment activities and making justified investment decisions.
Human Resources and Remuneration Committee	<ul style="list-style-type: none"> • development of principles and criteria for determining the amount of remuneration payable to the members of the Board of Directors, Management Board and the person discharging the functions of the Sole Executive Body; • development of proposals for determining the material terms and conditions of the contracts signed with the members of the Board of Directors, Management Board and the person discharging the functions of the Company's Sole Executive Body; • defining criteria for selecting candidates to the Board of Directors, Management Board, and Sole Executive Body as well as preliminary assessment of the said candidates; • approval of the target (adjusted values) of the Company's key performance indicators and implementation reports.
Audit Committee	<ul style="list-style-type: none"> • assessment of candidates to Company auditors; • assessment of the Auditor's Report; • assessment of internal control procedure effectiveness and preparation of improvement proposals; • development and provision of recommendations (reports) to the Board of Directors on the Company's audit and reporting activities.

⁸⁸ Letter of the Bank of Russia of April 10, 2014, No. 06-52/2463.

Strategy and Investments Committee

The activities of the Strategy and Investments Committee of the Company's Board of Directors are governed by the Regulations on the Strategy and Investments Committee of the Board of Directors of JSC Inter RAO⁸⁹.

There were two compositions of the Strategy and Investments Committee of the Board of Directors in 2014:

- from January 01, 2014 through May 25, 2014⁹⁰;
- from June 06, 2014 through December 31, 2014⁹¹.

Table 55. Members of the Strategy and Investments Committee as at December 31, 2014.

Full name of the Committee member	Position
1. Vyacheslav Kravchenko (Committee Chairman)	Deputy Minister of Energy of the Russian Federation
2. Elena Bezdezhnykh	Deputy General Director/Manager of Corporate, Property, and Legal Unit of MMC Norilsk Nickel
3. Anatoly Gavrilenko	General Director of CJSC Leader
4. Larisa Kalanda	Vice President of JSC OC Rosneft
5. Ilnar Mirsiyapov	Member of the Management Board, Head of Strategy and Investments Unit of JSC Inter RAO
6. Alexey Molsky	Deputy Chairman of the Management Board of JSC FGC UES.
7. Nataliya Khanzhenkova	Managing Director of European Bank for Reconstruction and Development in Russia
8. Charlotte Philipps	Managing Director of XENON Capital Partners

The following Committee changes were made based on the Resolution of the Board of Directors of June 06, 2014:

- the powers of Andrey Kazachenkov, First Deputy Chairman of the Management Board, member of JSC FGC UES Management Board were terminated;
- the powers of Dmitry Shugaev, Deputy General Director of State Corporation for Promotion of Development, Production and Export of Hi-Tech Industrial Products Rostec were terminated.

In 2014, the Strategy and Investments Committee held 13 meetings in absentia and two meetings in presentio. During the meetings, the Committee passed resolutions on the agenda items within the scope of its authority, including preliminary review of the following items:

- approval of the Strategy of JSC Inter RAO for a period until 2020;
- approval of the Programme for improvement of the market capitalisation of JSC Inter RAO for 2014;
- approval of the Dividend Policy Regulations of JSC Inter RAO;
- approval of the Report on implementation of JSC Inter RAO Business Plan for 2013;
- strategic priorities of JSC Inter RAO for 2014;

⁸⁹ Approved by the Board of Directors of JSC Inter RAO of May 16, 2013 (Minutes of May 16, 2013, No. 92).

⁹⁰ Formed based on the Resolution of the Board of Directors of June 25, 2013 revised on October 31, 2013.

⁹¹ Formed based on the Resolution of the Board of Directors of June 06, 2014 (Minutes of June 09, 2014, No. 117).

- consideration of the Report on implementation of the strategic priorities of JSC Inter RAO for 2013;
- approval of JSC Inter RAO Business Plan for 2015 and approval of the list and values of key performance indicators and control indicators for the Company for 2015;
- items involving participation of the Company in other organisations.

Additionally to the consideration of the items falling within the scope of authority of the Board of Directors, the Strategy and Investments Committee in 2014 also considered the items related to issued instructions. Therefore, the Committee initiated submission of a consolidated Inter RAO Group Business Plan and status reports to the Board of Directors and Committee.

Remuneration to the members of the Strategy and Investments Committee is paid out once a year after the annual meeting based on the Board of Directors Resolution. Pursuant to the Regulations on the Strategy and Investments Committee of JSC Inter RAO, there is a number of limits pertaining to the remuneration to Committee members, namely:

- membership in the Board of Directors;
- legislative ban;
- an employment contract with the Company.

Given the above limit, remuneration was accrued as follows:

- Elena Bezdenezhnykh – RUB 565,500;
- Anatoly Gavrilenko – RUB 435,000;
- Andrey Kazachenkov – RUB 565,500;
- Charlotte Philipps – RUB 565,500.

Nataliya Khanzhenkova, member of the Strategy and Investments Committee, refused to receive her remuneration.

In accordance with the application of Elena Bezdenezhnykh, member of the Strategy and Investments Committee, transferred to Norilsk City Fund Yubeleiny Non-Profit Organisation.

The remuneration to the members of the Strategy and Investments Committee who are concurrently members of the Board of Directors of the Company was paid out in accordance with the Regulations on payout of remunerations and compensations to the members of the Board of Directors of the Company with multipliers applied.

Human Resources and Remuneration Committee

The activities of the Human Resources and Remuneration Committee of the Company's Board of Directors are regulated by the Regulations on the Human Resources and Remuneration Committee of the Board of Directors of JSC Inter RAO⁹².

The key function of the Human Resources and Remuneration Committee is involvement in JSC Inter RAO management of highly qualified specialists and development of incentives to ensure their success.

The number of Committee members is determined by the Resolution of the Company's Board of Directors as at least three and no more than seven people. Committee members are elected by the Company's Board of Directors from the number of the candidates nominated by Company's Board

⁹² Approved by the Resolution of the Board of Directors of JSC Inter RAO of October 10, 2013 (Minutes No. 101 dated October 14, 2013).

of Directors members. It is important to note that in accordance with stock-exchange requirements for issuers which shares are included in the A quotation list, only non-executive members of the Board of Directors can be elected to the Committee.

There were two teams of the Human Resources and Remuneration Committee of the Board of Directors in 2014:

- from January 01, 2014 through May 25, 2014⁹³;
- from June 06, 2014 through December 31, 2014⁹⁴.

Table 56. Members of the Human Resources and Remuneration Committee as at December 31, 2014.

Full name of the Committee member	Position
1. Dmitry Shugaev (Committee Chairman)	Member of the Board of Directors, Deputy General Director of State Corporation for Promotion of Development, Production and Export of Hi-Tech Industrial Products Rostec, independent director.
2. Aleksandr Lokshin	Board of Directors' member, First Deputy Director General for Operations Management of the State Corporation Rosatom.
3. Ronald James Pollett	President and Chief Executive Officer of GE in Russia and CIS, independent director

The following Committee change was made based on the Resolution of the Board of Directors of June 06, 2014:

- the authority of Denis Fedorov, member of the Board of Directors, Head of Directorate for Power Sector Development and Power Marketing of OAO Gazprom, General Director of OJSC Centrenergoholding, and General Director of Gazprom Energoholding LLC.

In 2014, the Human Resources and Remuneration Committee held 13 meetings in absentia. The most important resolutions of the Committee in 2014 were:

- preliminary evaluation of candidates to the Board of Directors of JSC Inter RAI to meet the independence criteria;
- results of the annual self-assessment of the Board of Directors of JSC Inter RAO;
- financial incentives, approval of KPIs, and status reports;
- election and termination of authority of Management Board members.

In 2014 the remuneration to the members of the Human Resources and Remuneration Committee was paid out in accordance with the Regulations on payout of remunerations and compensations to the members of the Board of Directors of the Company with multipliers applied.

Audit Committee

The activities of the Audit Committee of the Company's Board of Directors are regulated by the Regulations on the Audit Committee of the Board of Directors of JSC Inter RAO⁹⁵.

⁹³ Formed based on the Resolution of the Board of Directors of June 25, 2013 (Minutes No. 96 dated June 25, 2013).

⁹⁴ Formed based on the Resolution of the Board of Directors of June 06, 2014 (Minutes No. 117 dated June 09, 2014).

⁹⁵ Approved by the Resolution of the Board of Directors of JSC Inter RAO of September 17, 2013 (Minutes No. 100 dated September 19, 2013).

The Audit Committee can include from three to seven members. Committee members are determined by the Resolution of the Board of Directors. In accordance with stock-exchange requirements for issuers which shares are included into the A quotation list, only non-executive members of the Board of Directors can be elected to the Committee.

There were two teams of the Human Resources and Remuneration Committee of the Board of Directors in 2014:

- from January 01, 2014 through May 25, 2014⁹⁶;
- from June 06, 2014 through December 31, 2014⁹⁷.

Table 57. Members of the Audit Committee as at December 31, 2014.

	Full name of the Committee member	Position
1.	Dmitry Shugaev (Committee Chairman)	Deputy CEO of Russian Technologies State Corporation, independent director.
2.	Denis Fedorov	Member of the Board of Directors, Head of Directorate for Power Sector Development and Power Marketing of OAO Gazprom, General Director of Gazprom Energoholding Limited Liability Company.
3.	Ronald James Pollett	President and Chief Executive Officer of GE in Russia and CIS, independent director

The following Audit Committee change was made based on the Resolution of the Board of Directors of June 06, 2014:

- Dmitry Shugaev, Deputy CEO of Russian Technologies State Corporation, was elected the Chairman of the Committee.

In 2014 the Audit Committee had 11 meetings in absentia and one meeting in presentio which passed resolutions on the items falling under authority the Committee, including preliminary consideration of the following items:

- JSC Inter RAO Report on relations with the Company's auditor and auditor's compliance with the independence requirements;
- recommendations to the Board of Directors on the items involving approval of the Annual Report and annual statutory financial statements of the Company for 2013;
- Report on assessment of risk management performance in the Company in 2013;
- IFRS consolidated financial statements for 2013 and results of the audit of the IFRS consolidated financial statements for 2013.

In 2014 the remuneration to the members of the Audit Committee was paid out in accordance with the Regulations on payout of remunerations and compensations to the members of the Board of Directors of the Company with multipliers applied.

6.5 Management Board

As a collegial executive body, the Management Board of JSC Inter RAO is in charge of day-to-day management of the Group's activities and implementation of the Group's goals, strategies, and policy.

⁹⁶ Formed based on the Resolution of the Board of Directors of June 25, 2013 (Minutes of June 25, 2013, No. 96).

⁹⁷ Formed based on the Resolution of the Board of Directors of June 06, 2014 (Minutes of June 09, 2014, No. 117).

The Chairman of the Management Board oversees the Company's day-to-day activities in accordance with the Charter, resolutions of the General Shareholders Meeting, the Board of Directors and the Management Board adopted within their respective jurisdiction.

The Chairman of the Management Board ensures achievement of the Group's goals by coordinating the work of the Deputy Chairmen of the Management Board, members of the Management Board and heads of subordinated business units.

The Management Board is subordinate to the General Shareholders Meeting and the Board of Directors. The Board of Directors elects members of the Management Board for a period of five years and determines their number as advised by the Chairman of the Management Board.

Activities of the Management Board are regulated by the Company's Charter and Regulations on the Management Board⁹⁸.

Members of Management Board



Boris KOVALCHUK

Chairman of the Management Board of JSC Inter RAO

Oversees the Company's day-to-day activities in accordance with the Articles of Association, resolutions of the General Meeting of the Company's Shareholders, the Board of Directors and the Management Board adopted within their respective jurisdiction.

Ensures achievement of the Group's goals by coordinating the work of members of the Management Board and heads of subordinated business units.

Year of birth: 1977

In 1999, Boris Kovalchuk graduated from the Faculty of Law of the Saint-Petersburg State University.

From 2006 to 2009, he served as Office Assistant to the First Deputy Chairman of the Russian Government, Director of the Department of Priority National Projects of the Russian Government. In 2009, he was Deputy Director General for Development of State Atomic Energy Corporation Rosatom. In 2009, he was appointed Acting Chairman of the Management Board of JSC Inter RAO. Since 2010, he has held the position of Chairman of the Management Board of JSC Inter RAO and a Member of the Board of Directors.

Boris Kovalchuk holds the title of Honoured Power Engineer, and was awarded the Order of Honour.

He is a member of the Management Board of the Russian Union of Industrialists and Entrepreneurs national public organisation.

Does not hold JSC Inter RAO shares.

⁹⁸ Approved by the Management Board of RAO United Energy Systems on March 28, 2008 (Minutes No. 1845pr/3 dated March 28, 2008).



Alexander BORIS

Member of the Management Board of JSC Inter RAO

Coordinates activities in the field of public relations, human resources, provision and implementation of information technology, and oversees the Company's social and charity activities.

Year of birth: 1959

In 1985, Alexander Boris graduated from the Leningrad Institute of Refrigeration Technologies with a degree in Refrigeration and Compressor Machines and Units as a Mechanical Engineer. In 2005, he graduated from the North-West Academy of Public Administration with a degree in State and Municipal Administration.

From 2004 to 2006, he held management positions in the Federal Tax Service. From 2006 to 2009, he worked in the Office of the Government of the Russian Federation. From 2009 to 2010, he served as Director of the Development Centre of State Atomic Energy Corporation Rosatom.

Since 2010, he has been a Member of the Management Board of JSC Inter RAO.

Alexander Boris was awarded the Order of Honour and the Order for Merit to the Fatherland II Class.

He holds the rank of Active State Advisor.

Does not hold JSC Inter RAO shares.



Ilnar MIRSIYAPOV

Member of the Management Board, Head of Strategy and Investments Unit of JSC Inter RAO

Year of birth: 1982

In 2005, Ilnar Mirsiyapov graduated from the Moscow State Institute of International Relations with a degree in Management with Knowledge of Foreign Languages. In 2007, he graduated from the Almeteyev State Oil Institute as an Engineer with a degree in Development and Operation of Oil and Gas Fields. In 2012, he graduated from the Kutafin Moscow State Law Academy with a degree in Jurisprudence. He received a PhD in Economics and Social Science.

From 2006 to 2009, he held management positions in State Atomic Energy Corporation Rosatom. In 2009, he joined JSC Inter RAO.

He was awarded the Certificate of Merit by JSC Inter RAO for his significant contribution in implementing the project on the consolidation of power assets.

Does not hold JSC Inter RAO shares.



Valery MURGULETS

Member of the Management Board, Head of Innovations, Investments and Cost Unit of JSC Inter RAO

Year of birth: 1977

In 1999, Valery Murgulets graduated from the Saint-Petersburg State University. In 2006, he graduated from the Stockholm School of Economics.

From 2007 to 2010, he served as Head of the Financial Department of LLC Konstantinovsky Congress Centre. In 2010, he was employed by JSC Inter RAO as Head of the Investment Programme Department. Since 2012, he has been a member of the Management Board, head of the Innovations, Investments and Costs Unit of JSC Inter RAO.

Does not hold JSC Inter RAO shares.



Pavel OKLEY

Member of the Management Board, Head of the Operations Unit of JSC Inter RAO

Year of birth: 1970

In 1992, Pavel Okley graduated from the Omsk Institute of Railway Engineers with a degree in Railway Automation, Telemetry and Communication as a Railway Electrical Engineer. He received a PhD in Economics.

From 2005 to 2008, he held management positions in JSC FGS UES. From 2008 to 2010, he served as Deputy Director General of JSC Holding MRSK. In 2010, he was appointed the Head of the Operations Unit, member of the Management Board of JSC Inter RAO.

Pavel Okley was awarded the Certificate of Merit by JSC RAO UES of Russia, the title of Honoured Worker of Unified Energy System of Russia, the Certificate of Merit of the Ministry of Energy of the Russian Federation, and a Badge of Honour for Impeccable Work in the Distribution Network Sector. He received a note of gratitude from the President of the Russian Federation.

Does not hold JSC Inter RAO shares.



Dmitry PALUNIN

Member of the Management Board, CFO of JSC Inter RAO

Year of birth: 1969

In 1992, Dmitry Palunin graduated from the Moscow State Aviation Institute (Technical University) with a degree in Radio Engineering as a Radio Engineer. In 2008, he graduated from The Russian Presidential Academy of National Economy and Public Administration as Master of Business Administration.

From 1986 to 1993, he worked as an engineer in the Research and Development Centre of the Federal Agency of Government Communications and Information under the

President of the Russian Federation. From 1994 to 2002, he worked in the banking sector. Since 2002, he has held management positions at JSC Inter RAO in the Financial Accounting Directorate, Department of Economy and Finance, Financial and Economic Centre.

Share in the Company's authorised capital: **0.0019%**.



Alexander PAKHOMOV

Member of the Management Board, Head of the Legal Affairs Unit of JSC Inter RAO

Year of birth: 1973

In 1995, Alexander Pakhomov graduated from the Military University of the Ministry of Defence of the Russian Federation. In 1999, he graduated from the Russian Academy of Public Administration under the President of the Russian Federation with a degree in Jurisprudence.

In 2003, he started his career at JSC Inter RAO. From 2003 to 2011, he held various positions, including Head of Legal Department, Director of Tax Planning Directorate, Deputy Director of the Tax Reporting and Accounting Department, Director of Legal Affairs at JSC Inter RAO. Since 2011, he has been a member of the Management Board of JSC Inter RAO and Head of the Legal Affairs Unit.

Share in the Company's authorised capital: **0.0025%**.



Karina TSURCAN

Member of the Management Board, Head of the Trading Unit of JSC Inter RAO

Year of birth: 1974

In 1999, Karina Tsurcan graduated from the International Independent University of Moldavia with a degree in Economic Law. In 2004, she received an MBA from the University Consortium of Spain (IUP).

Since 2005, she has worked at JSC Inter RAO.

In 2012, she was appointed to the Management Board of JSC Inter RAO by the resolution of the Board of Directors.

She received a note of gratitude from the Ministry of the Russian Federation.

Karina Tsurcan was awarded the Certificate of Merit of the Ministry of Energy of the Russian Federation.

Share in the Company's authorised capital: **0.0019%**.



Yury SHAROV

Member of the Management Board, Head of Engineering Unit of JSC Inter RAO

Year of birth: 1959

In 1986, Yuri Sharov graduated from the Moscow Power Engineering Institute (Technical University) with a degree in Power System Cybernetics as an Electrical Engineer. In 1998, he graduated from the Plekhanov Russian Academy of Economics with a degree in Finance and Credit. He received a PhD in Science, and is a professor. He is Head of Electric Power Systems Department of the National Research University Moscow Power Engineering Institute, Federal State Budgetary Educational Institution of Higher Professional Education.

He was awarded the title of Honoured Power Engineer of the Russian Federation and the Order of Honour. He also received a note of gratitude from the President of the Russian Federation.

Does not hold JSC Inter RAO shares.

In 2014, the members of the Management Board did not perform any transactions with JSC Inter RAO shares.

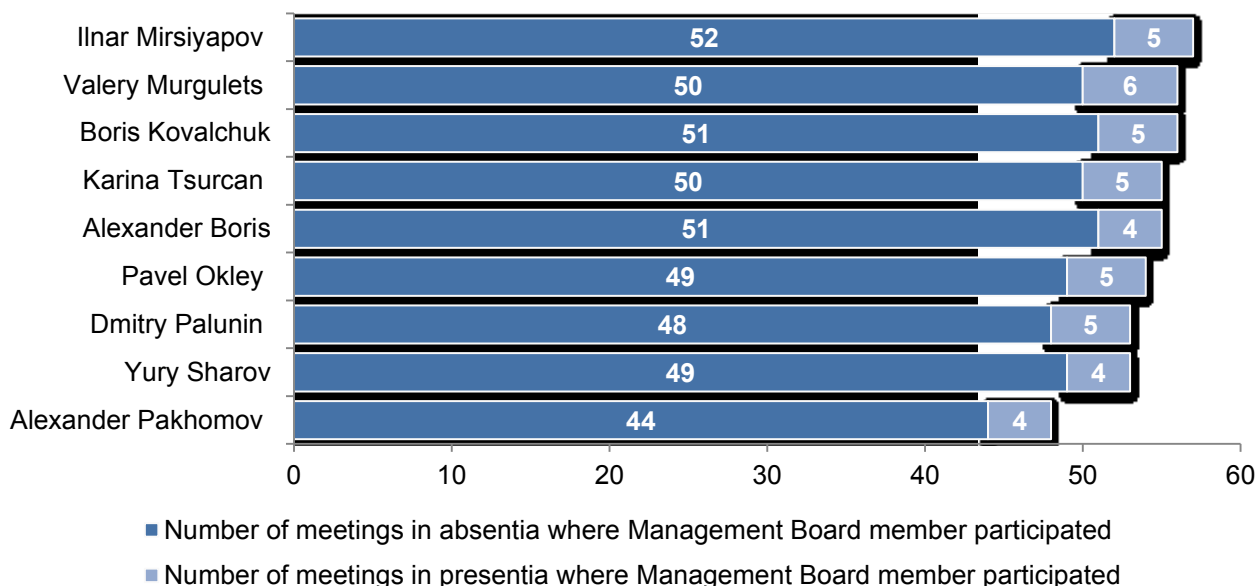
Changes to the Management Board composition made in 2014

No changes were made to the Management Board composition in 2014.

Management Board performance report

In 2014, the Management Board held 61 meetings, including 6 in presentio and 55 in absentia.

Fig. 21 Members of the Management Board attended an average of nearly 90% of the meetings held in 2014.



Remuneration to members of Management Board

The incentive system for members of the Management Board of JSC Inter RAO is aimed at ensuring their financial interest in achieving strategic goals and enhancing economic efficiency of the management. The process of determining and remunerating members of the Management Board is established in the Regulations on Financial Incentives for the Chairman of the Management Board and members of the Management Board of JSC Inter RAO⁹⁹.

Compensation of actual expenditures of the Chairman of the Management Board and members of the Management Board relating to their employment duties is regulated by the Company's transport, travel and other policies.

The system of financial incentives for members of the Management Board of JSC Inter RAO in 2014 covers salary and bonus payments based on the Company's achievement of annual key performance indicators (KPIs). Bonuses are paid to members of the Company's Management Board upon reaching the pre-set KPIs for the current year. A list of annual KPIs, as well as their target values, are determined on the basis of the approved business plan and are approved by the Board of Directors.

In 2014, KPIs included the following areas of activity:

- financial independence and sustainability;

⁹⁹Approved by Resolution of the JSC Inter RAO Board of Directors on November 1, 2013 (Minutes of November 05, 2013, No. 103). with the changes approved by Resolution of the JSC INTER RAO Board of Directors on December 09, 2014 (Minutes of December 12, 2014, № 129).

- business profitability and cost management;
- fulfilment of investment obligations.

In 2014, the Company paid remunerations to the members of the Management Board, including the Chairman of the Management Board, at a total of RUB 526, 699, 319.64 (considering salaries, bonuses and benefits), which is 0.23% less than last year.

Table 58. Remuneration to the members of the Management Board paid in 2014, according to the type of payment

Type of Payment	Amount of Payment, RUB
Remuneration for participation in work of a management body	0
Salaries	189,203,201.64
Bonuses	334,444,618.00
Commissions	0
Benefits	0
Compensation of expenditures	3,011,500.00
Other types of remunerations	40,000.00
Total	526,699,319.64

Remuneration and compensations to the members of the Management Board in 2014 were paid in accordance with the Regulations on Payment of the Remuneration and Compensations to the Chairman of the Management Board and members of the Management Board of JSC Inter RAO, on the basis of resolutions of the Company's Board of Directors¹⁰⁰ and in accordance with employment contracts.

6.6 Corporate control

The corporate control system at JSC Inter RAO is aimed to regular control of the Company's financial and business activities, subdivisions, officials, management bodies and business units of the executive office for compliance with legislation of the Russian Federation, as well as the Articles of Association and in-house regulations of the Company. Internal control is conducted by the Revision Commission and Internal Audit, Controlling and Risk Management Unit. External control and independent appraisal of information on the Company's financial position are conducted by an auditor.

Internal Control

The internal control system (ICS) of JSC Inter RAO is aimed at ensuring accuracy of financial reporting, reliability of its preparation system, efficient operation, compliance with the existing legal and regulatory acts, the safeguarding of assets, as well as preventing fraud and other illegal activities. To achieve these purposes JSC Inter RAO developed documents that regulate ICS by considering the requirements of international standards in the area of internal control, corporate governance and internal audit, actively working on description and documentation of business processes and internal control procedures, assessing the ICS performance. Internal control bodies, Audit Committee and Internal Audit, Controlling and Risk Management Unit are responsible for control over efficient functioning of ICS.

¹⁰⁰ Resolution of JSC Inter RAO Board of Directors dated May 23, 2014 (Minutes of May 26, 2014, No. 115).

Revision Commission

The General Shareholders Meeting annually elects the Revision Commission consisting of five members to monitor financial and business activities of JSC Inter RAO. The procedure of electing members of the Revision Commission is regulated by Article 85 of the Federal Law on Joint Stock Companies. The activities of the Revision Commission are regulated by the Company's Charter and the Regulation on the Revision Commission¹⁰¹.

The Regulation on the Revision Commission establishes the procedure of the payment of remunerations to Members of the Revision Commission and excludes payment of an additional remuneration for each conducted audit of financial and business activities of JSC Inter RAO.

The volume of remunerations amounted to RUB 120,000 for members of the Revision Commission and RUB 180,000 for the Chairman.

The activities of the Revision Commission are subordinate to the General Shareholders Meeting.

In 2014, two Revision Commissions functioned:

- from January 1, 2014 until May 25, 2014¹⁰²;
- from May 25, 2014 until December 31, 2014¹⁰³.

Table 59. Revision Commission of JSC Inter RAO until May 25, 2014

Full Name of the Member of the Revision Commission	Position
Nikolay Varlamov Date of birth: 1974 Education: Higher, Finance Academy under the Russian Government, Lomonosov Moscow State University	Deputy Director General for Control and Revision Activities of JSC Russian Grids
Anna Drokova Date of birth: 1985 Education: Higher, State University of Management. Master's degree in Jurisprudence, Russian State University of Trade and Economics	Head of Department of Fuel and Power Industry Organisations of Directorate of Property Relations and Privatisation of Large Organisations of Federal Agency for State Property Management
Elena Kabizskina Date of birth: 1964 Education: Higher, Far Eastern Technical Fisheries Institute	Head of Methodological Support Directorate of the Internal Audit Department of JSC Moscow United Power Grid Company
Ekaterina Kheimitz Date of birth: 1976 Education: Higher, Norilsk Industrial University	Deputy Head of Directorate, Head of Asset Integrity Control Division of the Control and Audit Unit of the Internal Control Department, JSC MMC Norilsk Nickel
Yury Scherbakov Date of birth: 1977 Education: Higher, Finance Academy under the Government of the Russian Federation	Head of the Treasury Department of the Financial and Economic Center, JSC Inter RAO

¹⁰¹ Approved by Resolution of the annual General Shareholders' Meeting of JSC Inter RAO dated May 25, 2014 (Minutes of May 25, 2014, No. 14).

¹⁰² Established by Resolution of the annual General Shareholders' Meeting of JSC Inter RAO dated June 25, 2014 (Minutes of June 26, 2014, No. 13).

¹⁰³ Established by Resolution of the annual General Shareholders' Meeting of JSC Inter RAO dated May 25, 2014 (Minutes of May 25, 2014, No. 14).

Table 60. Revision Commission of JSC Inter RAO starting from May 25, 2014

Full Name of the Member of the Revision Commission	Position
Izumrud Alimuradova Date of birth: 1971 Education: Dagestan State University	Head of Internal Control and Risk Management, JSC FGC UES
Svetlana Rai Date of birth: 1963 Education: Gubkin Russian State University of Oil and Gas	Head of Internal Audit and Control, JSC Oil Company Rosneft
Ekaterina Kheimits Date of birth: 1976 Education: Higher, Norilsk Industrial University	Deputy Head of Directorate, Head of Asset Integrity Control Division of the Control and Audit Unit of the Internal Control Department, JSC MMC Norilsk Nickel
Dmitry Shishkin Date of birth: 1967 Education: Dzerzhinsky USSR Higher School of KGB	Internal Control Director, JSC FGC UES
Yury Shcherbakov Date of birth: 1977 Education: Higher, Finance Academy under the Government of the Russian Federation	Head of the Treasury Department of the Financial and Economic Center, JSC Inter RAO

In 2014, the Revision Commission held five meetings. The Revision Commission reviewed 16 issues, including those relating to the results of the Commission's work (one issue), as well as issues regarding the Commission's activity (fifteen issues). Favourable decisions were adopted on all the raised issues.

In 2014, JSC Inter RAO paid remuneration (salaries, bonuses, benefits, remuneration) to the members of the Revision Commission that had carried out the audit of the Company's financial and business activities for 2013 at a total of RUB 5,984,714.56.

Internal Audit, Controlling and Risk Management unit

The Internal Audit, Controlling and Risk Management Unit was established at JSC Inter RAO to fulfil internal control functions. The Unit is functionally subordinate to the Audit Committee of the Board of Directors and administratively subordinate to the Chairman of the Management Board¹⁰⁴.

The goals and objectives of the Internal Audit, Controlling and Risk Management Unit are specified in the Regulations on the Internal Audit, Controlling and Risk Management Unit¹⁰⁵. The main goal of the Unit is to permanently provide active cooperation for achieving strategic goals of Inter RAO Group and for raising the effectiveness of the Group's activities in the field of risk management, internal control and corporate governance.

¹⁰⁴ Approved by Resolution of JSC Inter RAO Board of Directors dated May 31, 2013 (Minutes No.93), endorsed by the JSC Inter RAO Audit Committee dated April 25, 2013 (Minutes No.28).

¹⁰⁵ Approved by Resolution of JSC Inter RAO Board of Directors dated May 31, 2013 (Minutes No.93), endorsed by the JSC Inter RAO Audit Committee dated April 25, 2013 (Minutes No.28).

Table 61. Structure of the Inter RAO Group internal audit system

JSC Inter RAO	Distribution Assets and Trading Audit Department Operational Controlling and Audit Activity Support Department
LLC Inter RAO – Management of Electric Power Plants	Technical Activity Audit Management Financial and Operational Audit Management Procurement Activity Audit Department
LLC Inter RAO Engineering	Inter Audit Management
JSC Mosenergosbyt (Moscow Power Supply Company)	Inter Audit Management

The Group's internal audit departments perform their work in conformity with Work Plans and Schedules approved by Audit Committees. In 2014, work plans and schedules were completed in due time and in full, a total of 47 revision reports made, 36 audits conducted, and as a result 60 orders issued.

In 2014, The Internal Audit, Controlling and Risk Management Unit completed the measures to increase quality and efficiency of the internal audit system in conformity with Corporate Development Action Plan¹⁰⁶, including defining the scope of the Audit Committee's jurisdiction with making relevant amendments to Regulations on the Committee, as well as arranging the system of approving reports on the Internal Audit, Controlling and Risk Management Unit performance by the Committee.

After the external consultant PricewaterhouseCoopers had monitored the completion of the abovementioned measures, it noted improvements in the internal audit system, assigned 7 points out of 10, which is 1 point higher than last year.

Information security

An internal outsourcing company JSC Inter RAO – Information Technology is in charge of the Group's information security. Beyond this, the Group developed Regulations on Information Policy¹⁰⁷ that aim to define organisational, legal and technical aspects of information security.

The Group's information security risks may be related to the following facts:

- usage of publicly available Internet sources;
- possible target attacks at information resources;
- other types of threats defined by the regulator, Federal Service for Technical and Export Control (FSTEC).

In order to minimise these risks the Group conducts organisational and technical measures, and monitors the activities of informational systems' users on a regular basis. One of the Group's strategies for improving information security is to enhance the protection of automated process control systems of generating facilities. To enhance the security level of such systems the Group separates

¹⁰⁶ Approved by Resolution of JSC Inter RAO Board of Directors dated March 28, 2013 (Minutes of March 28, 2014, No. 90).

¹⁰⁷ Approved by Resolution of JSC Inter RAO Board of Directors dated September 27, 2011 (Minutes of September 30, 2011, No. 48).

channels of technological data transmission from the corporate network and the Internet. Beyond this, the Group works on providing protected channels of data exchange with the future global information system of the fuel and power supply complex of the Ministry of Energy in the context of preparations to implement provisions of the Federal Law 382-FZ on the State Information System of the Fuel and Power Supply Complex.

Compliance control

In 2013, JSC Inter RAO established the Compliance Control Department of the Security and Regulations Unit in order to build a system of internal control over the compliance of the Group's activities with the legislative requirements, as well as the regulations and standards applied in the Group's activities, and to minimise compliance risks. The Department's functions are given below:

- control over effectiveness of financial expenditure: contracts, capital expenditure, investments, charity;
- checks and investigations based on information on the Economic Security Service;
- control over work of the Economic Security Service of the Group's companies;
- development of compliance procedures, management and coordination of activities of the Economic Security Service.

Fraud and corruption prevention as a process of minimising compliance risks relating to committing fraud and corruption acts, including financial crimes using the Group's assets and resources, is also to be mentioned among the key processes of the compliance system. In 2013, the Compliance Control Department of the Security and Regulations Unit developed the JSC Inter RAO Fraud and Corruption Prevention Policy¹⁰⁸, which is the basic document defining the Group's main goals, objectives, principles and activities to prevent fraud and corruption. Every Group's employee is required to know the Policy's principles and requirements and to comply strictly with them. The fact that the employee has been acquainted with the Policy is confirmed with a relevant note in the automated document management system.

The Group's Fraud and Corruption Prevention System has the following functions:

- to predict in a timely manner and to minimise risks of employees' involvement into fraud or/and corruption acts;
- to prevent, detect and fight all forms and acts of fraud and corruption;
- to eliminate consequences and/or attempts at committing fraud and corruption acts.

Inter RAO Group's Principles to Prevent Fraud and Corruption

- Principle of zero tolerance of fraud and corruption in any form while carrying out operational, investment and other types of activity.
- Principle of management's mission – members of management bodies and the Group's managers shall form uncompromising ethical standards against fraud and corruption.
- Principle of minimising risk of business relations with counter-parties involved in fraud – this principle is implemented by checking that the Group's counter-parties have their own anti-

¹⁰⁸ Approved by Resolution of JSC Inter RAO Board of Directors dated January 31, 2014 (Minutes of February 03, 2014, № 107).

corruption procedures or policies and their readiness to fulfil their requirements and include the respective articles in the contracts.

- Principle of due diligence – the Group checks the counter-parties and bidders prior to making a decision on starting or continuing business relations
- Principle of inevitability of punishment – the Group investigates all reasonably justified reports on breach of procedures to prevent fraud and corruption and holds the guilty parties liable
- Principle of consistency and continuity - the Group's activity aimed at preventing fraud and corruption through the development and implementation of a system of procedures to prevent fraud and corruption
- Monitoring and control – the Group monitors the implementation of adequate procedures to prevent fraud and corruption, checks that they are observed and regularly improves them



More detailed information on the Policy is available on the Company's website at: <http://www.interrao.ru/upload/docs/Politika.pdf>

In 2012, JSC Inter RAO arranged a hotline to fight corruption. The hotline is aimed at increasing the Group's business transparency, protecting interests of shareholders and providing efficient feedback from communities and consumers. Any Group's employee or a person concerned can contact the hotline to report the following acts:

- planned or committed corrupt activities, fraud or theft;
- procurement procedures violations;
- misuse or abuse of authorities;
- other actions which may cause damage to our property or business reputation.

All the messages are reviewed by the Internal Audit, Controlling and Risk Management Unit. The regulations on working with the hotline require receiving messages (including anonymous ones), conducting audits, preparing reports and providing persons concerned with these reports. An independent audit is conducted on above-mentioned issues.

Table 62. Statistics of messages relating to corruption in 2013-2014

Indicator	2013	2014
Total amount of messages received through the hotline	344	289
Share of messages relating to corruption in the total amount of messages received through the Group's hotline	6.4%	6%
Amount of messages relating to corruption received through the hotline:	22	18
Generating assets	19	10
Distribution activity	2	7
Foreign assets	1	1

External control

The General Shareholders Meeting annually approves the Company's Auditor to audit and approve the financial statement. The criteria and the procedure of electing the Auditor, as well as rotations of the audit's managers are regulated by JSC Inter RAO External Auditor Rotation Policy¹⁰⁹. The Company's Auditor examines the Company's financial and business activities in accordance with legislation of the Russian Federation and based on the contract signed with the Company.



More detailed information on the Policy is available on the Company's website at:
http://www.interrao.ru/upload/docs/Politika_rotacii_020813.pdf

The Annual General Shareholders Meeting of JSC Inter RAO held on May 25, 2014¹¹⁰, adopted the resolution proposed by the Board of Directors of JSC Inter RAO to approve Ernst & Young as the Auditor for 2014.

The interaction of the internal and external auditors during an independent (external) audit is performed in compliance with the norms and principles set in Regulations (Standard) No. 29 on Considering the Work of Internal Auditing¹¹¹ and in accordance with international audit standard ISA 610 Considering the Work of Internal Auditing – JFAC.

Prior to auditing financial statements, the External Auditor shall discuss the plan and scope of the audit with the Head of the Internal Audit, Controlling and Risk Management Unit. The External Auditors have access to the results of the internal audits and have an unrestricted right to communicate with the internal auditors.

The External Auditors shall inform the Head of the Internal Audit, Controlling and Risk Management Unit on the results of the audit, following the audit of the Company's financial and business activity and shall provide information to the Audit Committee of the Board of Directors.

6.7 Information disclosure and external communications

JSC Inter RAO is committed to the principle of the transparency of its activity and ensures timely disclosure of accurate information on all material facts, including its financial standing, performing results, ownership and management structure, social and environmental indicators. When disclosing information, JSC Inter RAO is bound to meet the requirements of legislation of the Russian Federation and best international corporate governance practices.

The main principles of disclosure of information on the Company's activities, order and time periods of its disclosure and presentation, as well as the list of items of information and documents to be disclosed, are defined in the Information Policy¹¹². The communication strategy defines the principles and areas of cooperation between the Group and the External Auditor, including cooperation in the field of information disclosure.

In addition to the mandatory disclosure of information in accordance with federal laws and other regulations, as well as the trading requirements in securities market, the Group also strives to disclose additional information to ensure maximum transparency of its activities.

¹⁰⁹ Approved by Resolution of the JSC Inter RAO Board of Directors dated July 25, 2013 (Minutes of July 29, 2013, No. 97).

¹¹⁰ Minutes of May 25, 2014, No. 14.

¹¹¹ Approved by Resolution of the government of the Russian Federation No.523 dated August 25, 2006.

¹¹² Approved by JSC Inter RAO Board of Directors dated September 27, 2011 (Minutes of September 30, 2011, No. 48).



More detailed information on the Policy is available on the Company's website at:
http://www.interrao.ru/upload/docs/Polozenie_ob_informacionnoy_politike.doc

To disclose information on its activities Inter RAO Group employs the following channels of communication:

- mass media publications;
- publications on the corporate site www.interrao.ru (in Russian and in English);
- publications in brochures, leaflets, other print or electronic media;
- open access to information (documents) for shareholders and sending of copies of the documents upon their request in cases provided for by the legislation;
- press conferences, Internet conferences, briefings, conference calls, meetings with stakeholders providing relevant commentaries, other public events for representatives of the investment community.

Table 63. Information disclosure of material facts by JSC Inter RAO in 2014, per month

Month	Material fact	Press release
January	6	1
February	16	1
March	13	3
April	19	3
May	19	2
June	8	2
July	19	1
August	9	1
September	11	4
October	18	2
November	20	3
December	30	4
Total	188	27

Inter RAO Group is aimed at permanently maintaining a dialogue with stakeholders. The list of Inter RAO Group stakeholders is defined in the Corporate Ethics Code of JSC Inter RAO¹¹³ and in the Group's Communication Strategy. To define this list, economic, social and environmental impact of the Group's activities on various categories of stakeholders, as well as their impact on Inter RAO Group activities, is taken into consideration.

¹¹³ Approved by Resolution of the JSC Inter RAO Board of Directors dated October 18, 2011 (Minutes of October 21, 2011, No.50).

Inter RAO Group Stakeholders:

- Group management and control bodies
- Employees and employees' representatives
- Shareholders (including minorities)
- Investors and analysts
- Government (including government agencies in the countries of operation)
- Communities (including consumers)
- Business partners and industry community
- Competitors
- Mass media

The Group developed a uniform cooperation approach with each group of stakeholders in a relevant and regular manner on the basis of individual methods and forms considering their interests and needs.

Table 64. Channels and key issues of communication with stakeholders

Communication Channels	Key Cooperation Issues in 2014
Internal Stakeholders	
Management and control bodies	
<ul style="list-style-type: none"> • Sessions and meetings to exercise authority to act for the benefit of the Group and its shareholders 	<ul style="list-style-type: none"> • Financial and operational performance results • Key efficiency results • Strategy and development directions • Approval of interested-party transactions and large transactions • Business plans, investment programmes
Employees and their representatives	
<ul style="list-style-type: none"> • Meetings of labour groups • Messages of the Chairman of the JSC Inter RAO Management Board to the Group's employees through the corporate mass media and video messages • Regular individual meetings of Human Resources and Organisational Development Unit with JSC Inter RAO employees • Satisfaction assessment • Corporate publications • Internet portal 	<ul style="list-style-type: none"> • Career opportunities in the Group's companies • Rights and obligations of employees of the Group's companies • Workplace conditions • Occupational health and industrial safety • Social security and benefits • Issues of work satisfaction, incentive system and social and psychological climate

Communication Channels	Key Cooperation Issues in 2014
<ul style="list-style-type: none"> • Meetings with representatives of trade unions 	
External Stakeholders	
Shareholders	
<ul style="list-style-type: none"> • General Shareholders Meeting, meetings with minority shareholders • JSC Inter RAO hotline for shareholders • R.O.S.T. Registrar hotline • Shareholder handbook • Official correspondence • Interfax Publications • Corporate publications 	<ul style="list-style-type: none"> • Financial and operational performance results Key efficiency results • Dividend payment • Election of members to governance bodies • Structure changes: purchase / winding-up of companies • Approval of the Group's auditor • Approval of interested-party transactions and major transactions • Approval of quarterly and annual business plans
Investors and analysts	
<ul style="list-style-type: none"> • Meetings and presentations for investors and analysts • Investor Days, Analyst Days • Meetings with investors on road shows and conferences • Conference calls • Webcasts • On-site visits • Official correspondence, telephone discussions • Websites of the Group's companies • Specialised materials for investment community (for example, Analyst Handbook) • 	<ul style="list-style-type: none"> • Group financial and operating results • Group development strategy • Disclosure of material facts and changes • Major events implemented or initiated by the Group • Industry regulation • Improving operating efficiency
Government (including government agencies in the countries of operation)	
<ul style="list-style-type: none"> • Participation in work groups, panels and committees to develop laws and regulations, as well as strategy for the power industry • Participation in intergovernmental commissions 	<ul style="list-style-type: none"> • -Implementation of the state strategy goals • Implementation of instructions and decrees of the state bodies • Participation in strategic national and international projects

Communication Channels	Key Cooperation Issues in 2014
<ul style="list-style-type: none"> • Submission of state reporting 	<ul style="list-style-type: none"> • Rational use of natural resources • Ensuring energy supply security • Disclosure of information to participants of the wholesale and retail electricity and capacity markets • Social and economic development in the regions • Job creation
Communities (including consumers)	
<ul style="list-style-type: none"> • Public hearings • Conferences • Charity projects, regional, social and economic development projects • Sites and web-pages of the social media of the Group's companies • Hotlines for consumers 	<ul style="list-style-type: none"> • Ensuring energy supply security • Supply chain and procurement • Ensuring reliable and uninterrupted power supply, and energy supply security • Environmental impact • Social and economic development in the regions • Improvements in the quality of production and service • Price policy
Business partners and industrial community	
<ul style="list-style-type: none"> • Contractual relations and cooperation agreements • Participation in the Russian Union of Industrialists and Entrepreneurs • Project activities • Procurement procedures • Participation in trading in the wholesale and retail electricity and capacity markets • Industry magazine "Energiya bez granits" (Power without limits) 	<ul style="list-style-type: none"> • Fulfilment of obligations • Increasing transparency of procurement procedures • Prospective areas of cooperation • Developing trading rules on the wholesale and retail electricity and capacity markets • Support for commercial and process infrastructure operation
Competitors	
<ul style="list-style-type: none"> • Contractual obligations • Participation in developing rules for wholesale and retail electricity and capacity markets • 	<ul style="list-style-type: none"> • Open, honest and fair competition • Observance of financial discipline and the obligations assumed • Settlement of disputes related to consumer servicing by the Group's companies

Communication Channels	Key Cooperation Issues in 2014
Mass Media	
<ul style="list-style-type: none"> • Press conferences • Press tours • Press lunches • Group website • Corporate mass media 	<ul style="list-style-type: none"> • Group financial and operating results • Group development strategy • Disclosure of material facts and changes • Major events implemented or initiated by the Group • Industry regulation • Improving operational efficiency • Charity

Table 65. Communication with stakeholders in figures

Area of communication	2013	2014
Management and control bodies		
- General meetings of the Board of Directors	~400	~400
- Sessions of the Management Board	~70	~60
Shareholders		
- General Shareholders Meetings	~80	~70
Investors and analysts		
- Conferences	~10	~10
- Road shows	2	3
- On-site visits	~10 000	~10 000
- Webcasts	~10	~10
Mass media		
- Press conferences	~150	~150
- Press tours	~50	~75
- Press lunches	1	1
- Press breakfasts	~10	~10

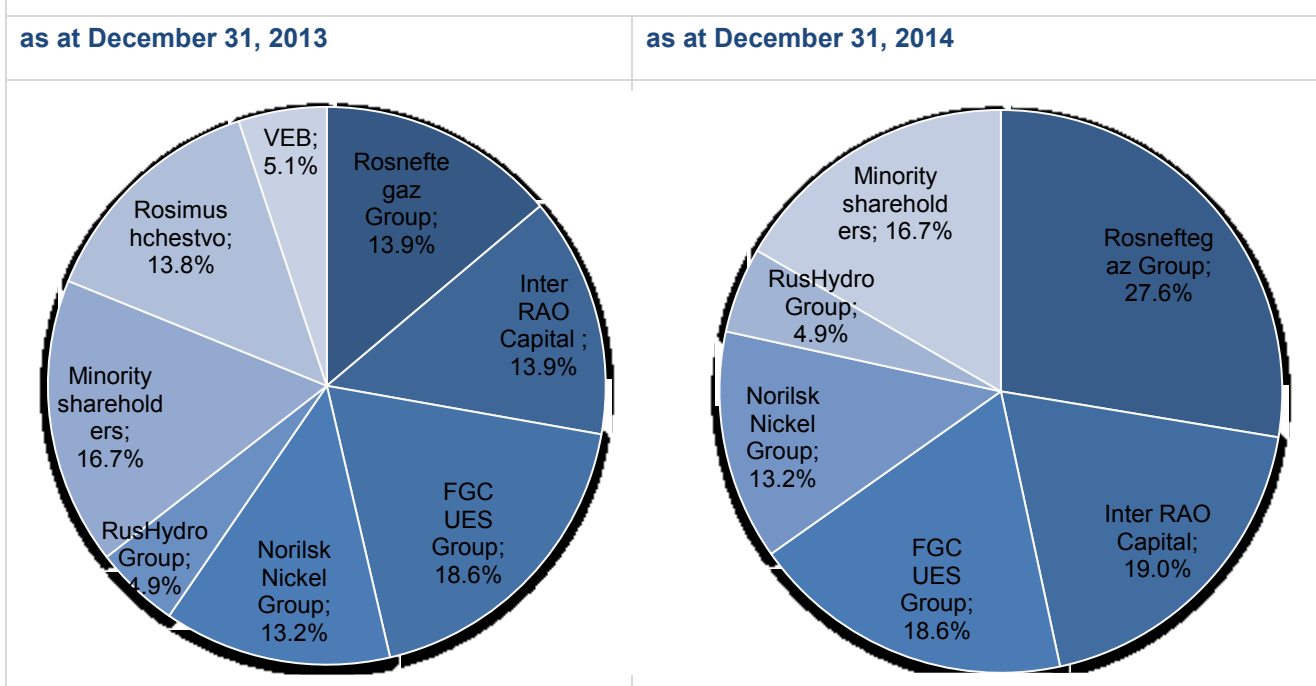
7 Company on the capital markets

The authorised capital of JSC Inter RAO amounts to RUB 293,339,674,800 and is divided into 104,400,000,000 common registered shares, each share having a par value of RUB 2.809767. As at December 31, 2014, JSC Inter RAO issued no preferred shares.

Changes in shareholding during the year

In accordance with the Decree of the Russian Government¹¹⁴ 1,436,971,195,053 shares held by the Russian Federation (13.764.1% minus nine shares of the authorised capital) were sold to JSC Rosneftegaz. Following this transaction, the share of Rosneftegaz Group in the authorised capital of JSC Inter RAO, as reported by the Company, is 27.63% (2,884,402,003,202 shares). In October 2014, CJSC Inter RAO Capital purchased the Company's shares from the State Corporation Vnesheconombank.

Fig. 22 The key changes to the structure of the authorised capital of JSC Inter RAO are as follows: purchase by JSC Rosneftegaz of shares held by the Russian Federation, as well as acquisition by CJSC Inter RAO Capital of its shares from the State Corporation Vnesheconombank



Changes in the authorised capital during the year

Based on the resolution passed at the Annual General Shareholders' Meeting of JSC Inter RAO¹¹⁵ regarding the reduction of the Company's authorised capital, corresponding amendments to the Charter of JSC Inter RAO were registered by Interdistrict Inspectorate of the Federal Tax Service of Russia No. 46 for Moscow on July 17, 2014. The amendments reflect a reduction in the authorised capital of the Company from RUB 293,339,702,832.57 to RUB 293,339,674,800 by cancelling 997,683 shares with a par value of RUB 0.02809767 each, being in the Company's balance sheet (treasury shares).

¹¹⁴ Resolution of the Government of the Russian Federation of January 16, 2014, №22-p.

¹¹⁵ Minutes No.14 dated May 25, 2014.

Following the resolution of the Annual General Shareholders' Meeting of JSC Inter RAO¹¹⁶ concerning consolidation of the Company's shares, uncertified registered ordinary shares of JSC Inter RAO¹¹⁷ with a par value of RUB 0.02809767 each were converted into uncertified registered ordinary shares of JSC Inter RAO¹¹⁸ with a par value of RUB 2.809767 each on December 26, 2014.

On January 19, 2015 newly issued shares were included by the Moscow Stock Exchange in MICEX Level 1 Quotation List which is the highest stock exchange list level. Share trading started on January 20, 2015.



For up-to-date information on the structure of the authorised capital of JSC Inter RAO, please refer to the website: <http://www.interrao.ru/en/company/capital/>

Table 66. Shareholders recorded in the register of shareholders of JSC Inter RAO with at least 5% of voting shares of the Company as at January 01, 2014 (excluding nominee shareholders)

Item No	Full name or company	Location	Number of shares	
			Total, sh.	% of the authorised capital
1	OJSC Rosneftgaz	26/1 Sofiyskaya Nab., Moscow 115035	1,315,651,504,837	12.6020
2	The Russian Federation represented by the Federal Agency for State Property Management	9 Nikolsky Per., Moscow 109012	1,436,971,195,062	13.7641
3	Non-Banking Credit Organisation Closed Joint-Stock Company National Settlement Depository (nominee shareholder)	12 Spartakovskaya St., Moscow 105066	3,123,115,314,718	29.9149
4	LLC Depository and Corporate Technologies (nominee shareholder)	4 Bldg. 1 Stromynka St., Moscow 107014	4,352,939,099,014	41.6948
	TOTAL per list: (accounts: 4)		10,228,677,113,631	97.9758

Table 67. Shareholders recorded in the register of shareholders of JSC Inter RAO with at least 5% of voting shares of the Company as at December 31, 2014 (excluding nominee shareholders)

Item No	Full name or company	Location	Number of shares	
			Total, sh.	% of the authorised capital
1	OJSC Rosneftgaz	26/1 Sofiyskaya Nab., Moscow 115035	27,526,226,998.90	26.3661

¹¹⁶ Minutes No.14 dated May 25, 2014.

¹¹⁷ State registration issue number 1-03-33498-E dated October 29, 2009

¹¹⁸ State registration issue number 1-04-33498-E dated December 23, 2014

2	CJSC Inter RAO Capital	27 Pirogovskaya B St., Moscow 119435	5,530,606,427.78	5.2975
3	Non-Banking Credit Organisation Closed Joint-Stock Company National Settlement Depository (nominee shareholder)	12 Spartakovskaya St., Moscow 105066	29,795,805,767.62	28.5400
4	LLC Depository and Corporate Technologies (nominee shareholder)	4 Bldg. 1 Stromynka St.	39,688,662,974.99	38.0160
TOTAL per list: (accounts: 4)			102,541,302,169.29	98.2196

Table 68. State registration dates and state registration share issue numbers

State registration issue date	State registration issue number	Placement report date	Date of cancellation of an additional issue individual number (code)
December 23, 2014	1-04-33498-E	December 31, 2014	—

Depository receipts

Since November 28, 2011 shares of JSC Inter RAO as global depository receipts (GDR) have been admitted to trading on the London Stock Exchange (LSE) in the IOB segment (International Order Book). The effective date of change in the ratio of the number of shares represented by global depository receipts issued for the Company's shares varies from 1DR:10,000 ORDs to 1DR:100 ORDs – December 29, 2014.

The effective date of commencement of trading in foreign securities (each GDR represents ownership of one hundred (100) uncertified registered ordinary shares of JSC Inter RAO) – January 20, 2015.

Table 69. Shares on the Moscow Stock Exchange (First Level A Quotation List)

Market Sector	Ticker	ISIN	Date of Listing
Main Market	IRAO ¹¹⁹	RU000A0JPNM1	July 17, 2008
Classic	IRAO	RU000A0JPNM1	July 17, 2008

Table 70. Ordinary shares of JSC Inter RAO included in the index calculation bases as follows:

Index	Ticker	Weight of Inter RAO securities in the index, %	Update Date
MSCI Emerging Markets Small Cap Index	MXEM	—	December 31, 2014
FTSE Emerging Index	—	—	December 31, 2014
MICEX Index	MICEXIN-	0.21	December 31, 2014

¹¹⁹ Ticker IUES from December 01, 2009 to November 18, 2011.

(composite index)	DEXCF		
MICEX Power Index (industry index)	MICEXPWR	11.78	December 31, 2014

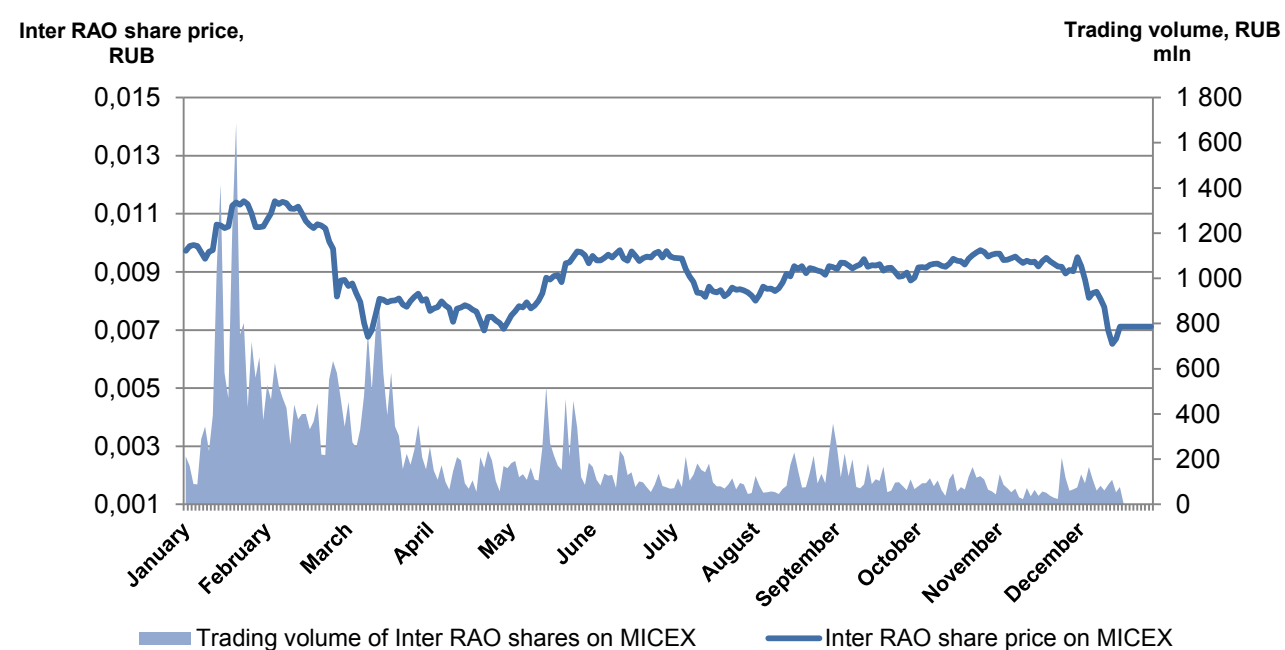
In 2014, more than 20 analysts from leading Russian and international banks provided analytical coverage of JSC Inter RAO. To obtain current analysts' recommendations, please use the Consensus Forecast tool available in the Shareholder and Investor page on the Company's website. Historical stock prices and information on stock price changes is also available online on the Company's website.



For up-to-date information on the financial situation of the Company and changes in stock prices of JSC Inter RAO, please refer to the website:

<http://www.interrao.ru/en/investors/calendar/>

Fig. 23 Dynamics of stock prices of JSC Inter RAO on MICEX in 2014



Report on payment of declared and accrued dividends

Dividends are declared and paid by JSC Inter RAO in accordance with the Federal Law *On Joint Stock Companies* and the Dividend Policy Regulations¹²⁰.

The Dividend Policy of JSC Inter RAO is aimed to benefit its shareholders through setting an optimal ratio of the capitalised net profit and net profit allocated to dividends. According to the Regulations, the Dividend Policy is designed to meet the following challenges:

- optimising net profit distribution;
- increasing investment appeal;

¹²⁰ Approved by the Board of Directors on June 30, 2014 (Minutes No. 118 dated July 03, 2014).

- observing the rights and legitimate interests of shareholders.

Dividends are paid out from the consolidated after-tax profit (net profit) of the Company, which is based on yearly performance in accordance with the consolidated IFRS financial statements. The Dividend Policy Regulations set a target dividend payout ratio at 25% of the Company's consolidated profit. When determining the net profit share to be used for dividend payout, the following factors shall be taken into account:

- necessity to raise funds;
- net profit forecast for the next fiscal year;
- necessity to finance the investment activities of JSC Inter RAO;
- availability and streamlining of sources to finance the investment activities of JSC Inter RAO.

The dividend amount can be less than 25% of the consolidated net profit provided that the Board of Directors undertakes to inform the Company's General Shareholders' Meeting of the reasons for such reduction.

In accordance with paragraph 3 of Article 42 of the Federal Law *On Joint Stock Companies*, the resolution on dividend payout (declaration), including resolutions on dividend amount and form of payment for shares of each category (class), is adopted by the General Shareholders' Meeting of JSC Inter RAO based on the recommendation of the Board of Directors.

Table 71. Dividend payout volume of previous years

Dividend payout period	2010	2011	2012	2013
Date of BOD recommendations on dividend amount	May 16, 2011	May 16, 2012	May 16, 2013	April 07, 2014
Record date	May 17, 2011	—	—	—
Date of BOD resolution	June 24, 2011	June 25, 2012	June 25, 2013	May 25, 2014
Dividend per share, RUB.	0.00001544	—	—	—
Total dividends declared, RUB k	150,015	—	—	—
Total dividends paid ¹²¹	148,819	—	—	—
RAS dividend amount/net profit, %	5.55	—	—	—
Dividend amount/base as per Dividend Policy, %	11.93	—	—	—

In accordance with paragraph 2 to Article 42 of the Federal Law *On Joint Stock Companies* and the Dividend Policy Regulations of JSC Inter RAO (paragraphs 3.1 and 3.2)¹²² approved by the Board of Directors of JSC Inter RAO:

- dividends are paid out from the Company's after-tax profit (net profit), which is determined on the basis of the Company's RAS financial statements;
- amounts for dividend payout shall not exceed the Company's net profit ratio, which is determined on the basis of the Company's RAS financial statements.

¹²¹ The information is given as at the dividend due date according to Article 42 of the Federal Law *On Joint Stock Companies*.

¹²² Extract from Minutes of May 03, 2011, No. 41.

With a reference to the foregoing, as well as to the loss incurred by JSC Inter RAO in the fiscal year of 2013, the Annual General Shareholders' Meeting held on May 25, 2014 adopted the resolution not to pay out dividends on the ordinary shares of JSC Inter RAO for 2013¹²³.

¹²³ Minutes No. 14 dated May 25, 2014

8 Corporate social responsibility

8.1 Approach to sustainable development

Inter RAO Group regards adherence to sustainability principles and consideration of shareholders' interests as prerequisites for business growth and strategic success. The Group's mission is to promote sustainable economic development in the regions where it operates, including through consistent implementation of activities in all areas of social responsibility:

- Fair business practices;
- Environmental protection;
- Responsible labour practices;
- Respect for human rights;
- Participation in community life and community development;
- Consumer protection and consumer relations¹²⁴.

Fundamental principles of Inter RAO Group's sustainable development policy

- Improving economic efficiency in the interests of shareholders
- Ensuring quality, reliability and operations safety
- Creating a business development strategy by meeting the needs of local communities
- Promoting sustainable economic and social performance in the regions of operation
- Promoting the development and expansion of efficient, environmentally friendly and resource-saving technologies
- Protecting employee's life, health, labour activity, and career longevity
- Observing human rights and avoiding any forms of discrimination
- Developing social partnerships
- Fighting corruption
- Promoting sustainable development principles in the business community
- Relations with internal and external stakeholders based on a balance of interests and mutual benefits

¹²⁴ The main aspects of social responsibility in accordance with GOST P ISO 26000 Guidance on Social Responsibility.

8.2 HR management

HR policy and personnel appraisal report

The employees of Inter RAO Group are the Group's main asset and guarantee of its sustainable development; therefore, the Group focuses on education and professional development of its personnel, attracting and retaining highly skilled professionals, and training young staff.

The Group seeks to create conditions to improve work efficiency and employee engagement in the implementation of strategic objectives, as well as to ensure transparency and openness of HR management principles and approaches.

In 2014, the Group's HR development policy was based on the following tasks:

- Improvement of organisational structure efficiency;
- Talent management;
- Improvement of the social benefits system efficiency.

The introduction and implementation of new pilot projects in the field of HR management, as well as further implementation of the pilot programmes of 2013, were key to the Group's objectives.

Programmes implemented by Inter RAO Group in this area are aimed at:

- Harmonisation of approaches to management system;
- Development of a remuneration target model that reflects professional, qualification and other factors;
- Analysis of performance indicators and identification of factors for performance improvement;
- Creation of a unified corporate culture;
- Evaluation of the current job satisfaction level;
- Interaction with trade unions;
- Development of social protection programmes for employees.

The headcount of Inter RAO Group slightly changed compared to 2013 due to the change in the Group's structure and was 62,299¹²⁵ as of December 31, 2014.

¹²⁵ In accordance with the GRI Guidelines, when calculating HR and social indicators, the statements should include S&A and associated companies (Ekibastuzskaya TPP-2 Plant Joint Stock Company, LLC Inter RAO UES Power Efficiency Centre, CJSC Nizhnevartovskaya TPP, JSC INTER RAO LED Systems, RT-ET LLC, LLC Quartz – New Technologies) which have a significant impact in terms of HR management. The 2013 and 2014 data on social and HR indicators are aligned with the perimeter of this report and may differ from those disclosed in other reports of Inter RAO Group for the previous reporting periods, and from the data in accordance with the perimeter of the consolidated financial statements of the Group.

Fig. 24 Structure of the personnel working in the Russian and foreign companies of the Group did not undergo considerable changes compared to 2013

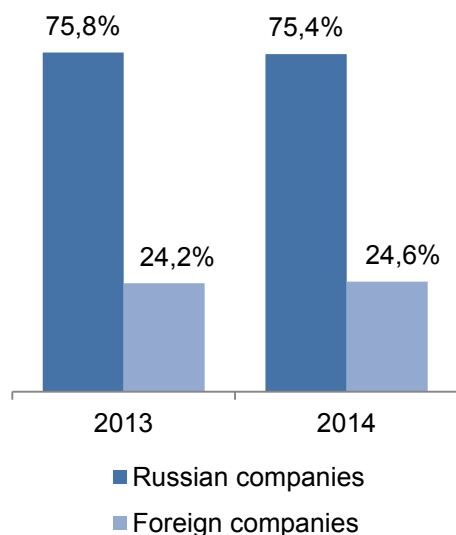


Fig. 25 Employees of the Generation, Supply and Grids Segments account for nearly 85% of the Group's personnel

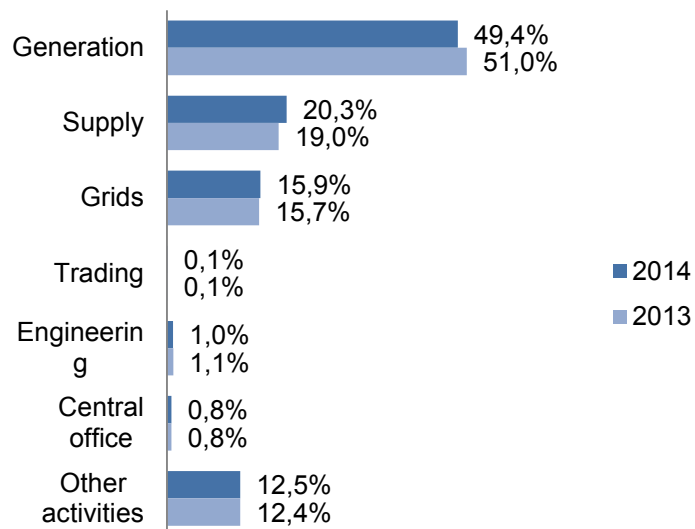


Fig. 26 The average age of the Group's employees was 41.7 years. Employees aged under 50 account for 70% of the Group's employees

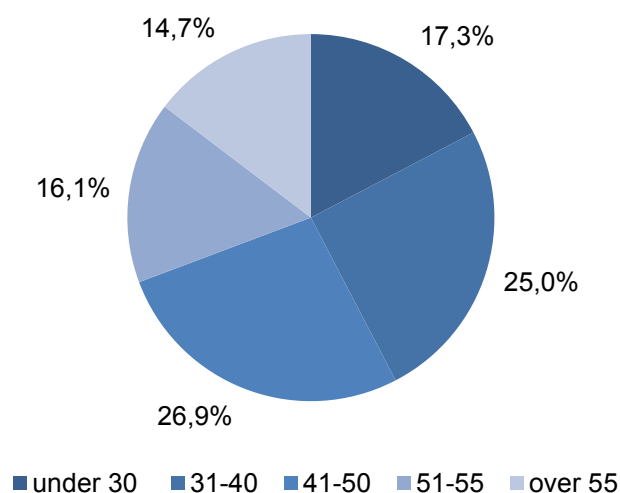


Fig. 27 The Group's average personnel turnover rate remained the same as in 2013 and was 13.3%

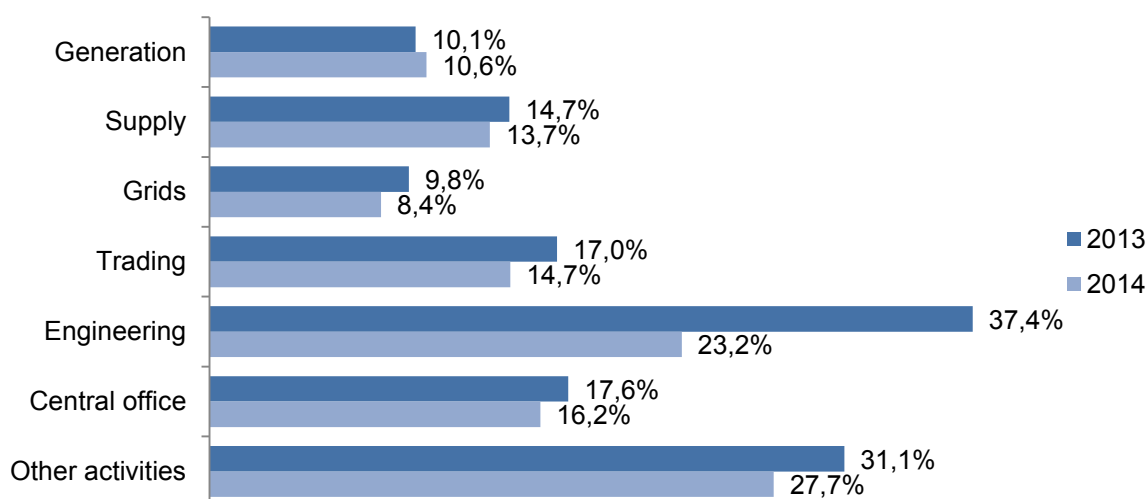
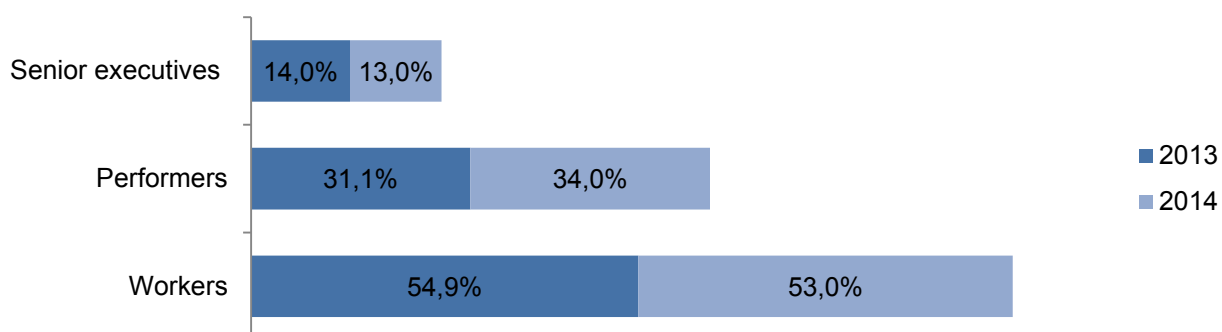


Fig. 28 As a result of the measures of organisational structure improvement and increase of the span of control, the percentage of managers in the Group's personnel structure decreased by 1 p.p., while the percentage of performers increased by 3.9 p.p.



During the reporting period, one of the key HR policies of Inter RAO Group was to improve the organisational structure of the divisions of JSC Inter RAO and its key S&A. In 2014, an important objective of this policy was to optimise the personnel for the purpose of more efficient use of human resources capacity. Opportunities for optimising the Group's personnel are created by improving business processes and standard operating procedures and by applying the best practices of work organisation, in particular by reducing inefficient jobs with low workload and combining professions.

In 2015, the key tasks of rationing the number of employees of the Group are:

- Optimisation of the headcount when decommissioning units;
- Outsourcing of maintenance personnel.

Fig. 29 In 2014, the staffing level of the Group amounted to 95.2% which together with personnel downsizing and revenue growth, demonstrates good progress in achieving the objective to optimise the administrative structure and improve performance efficiency



Improving productivity

To increase productivity, Inter RAO Group elaborates and implements investment programmes aimed at developing and modernizing production processes and applies best management practices.

In 2014, as part of its objective to increase productivity, Inter RAO Group's key initiatives included the creation of Corporate Standard for rationing the number of staff at combined cycle gas turbine and steam turbine units, as well as the project to raise the span of control.

From January to December 2014, Corporate Standard for rationing the number of staff was elaborated, based on Kaliningradskaya TPP-2, establishing the procedure for calculating the optimal number and qualification structure of personnel of combined-cycle power plants (CCPP). Corporate Standard for CCPP labour organisation established the rules for calculating the optimal number of personnel and qualification structure for CCPP business processes.

As part of the project, the composition of CCPP business processes was defined, labour costs for performing those processes were analysed, a standard headcount was examined, the CCPP Target Organisational Structure was elaborated, and a Plan for the transition of Kaliningradskaya TPP-2 to a new labour organisation system was drawn up. In the future, similar Corporate Standard for rationing the number of staff will also be developed for steam power plants – branches of JSC Inter RAO – Electricity Generation Group.

In order to build an efficient organisational structure and optimise the number of management levels, Inter RAO Group's management embarked on a project to increase the span of control within the Group's companies in 2014. As a result of the project's implementation, the span of control in selected companies was increased to 1:17.

From July 2013 to November 2014, Inter RAO – Engineering, LLC implemented a project to reduce the staff of the executive office and to introduce a new remuneration system, including the grading

of posts. The project resulted in a 10% reduction in personnel and a transition to a remuneration system that allows it to optimise annual payroll by 15%.

Given the changes in business processes and the portfolio of projects implemented by LLC Inter RAO – Engineering, in 2015 the company will continue working on transitioning to the target management and payroll system.

Activities on the exchange of experience related to the creation and functioning of unit-free management system of power plants

In 2014, in the course of the project aimed at increasing the span of control, heads of the technical unit of LLC Inter RAO – Management of Electric Power Plants collected and consolidated data on implementation methods, characteristics and functioning of the unit-free production management systems of the best power plants operating inside and outside the Russian Federation. To collect information, off-site meetings and discussions with senior executives of JSC Enel Russia, Yugo-Zapadnaya CHPP, and Trakya TPP were held. The materials resulting from the project will be used to implement a unit-free production management system at power plants of the Group in 2015 for the purpose of improving the efficiency of all production processes and organisational structure.

In addition, in 2014, Inter RAO Group introduced the position of HR business partner, an HR management expert who is directly involved in business planning and Inter RAO Group's HR strategy implementation. The main objective of an HR business partner is to assist the heads of the Group's companies in dealing with HR issues, provide feedback to personnel and develop organisational solutions to enable employees to realise their potential as efficiently as possible. This position is designed to significantly reduce the time required to resolve issues arising during production activities of the Group's companies.

Personnel training, development and assessment

A prerequisite for the company's sustainable development and competitiveness is the continuous improvement of the personnel's professional and managerial competencies. Inter RAO Group solves this problem through high-quality, innovative and systematic training of its employees.

Training is essential for the Group's current needs, namely:

- Removing inconsistencies between the employees' qualifications and competence and specified requirements;
- Reducing the number of accidents caused by personnel by 20% compared to 2014;
- Ensuring that there are no violations of the rules and regulations of the wholesale electricity market;
- Developing cooperation and collaboration with universities.

Primary types of training for Inter RAO Group's employees are:

- Preparation for taking up a new position or job;
- Internship, backup;
- Knowledge assessment;

- Emergency response drills aimed at improving the interaction of the Group's employees in the event of large-scale accidents and power failures;
- Briefings (introductory, primary workplace, repeated, unscheduled, target);
- Special training (training of highly qualified professionals for the project, operational and research activities to ensure the technical and economic efficiency of energy systems);
- Basic fire safety training;
- First aid training.

Training and development areas meet the Group's objectives and are divided into basic needs in accordance with applicable law, the needs for strategic development and training needs under individual projects. Examples of training and development areas within Group companies include training of competent employees for the effective use of modern production and processing systems, ACCA DipIFR certification of financial and accounting professionals, training in the basics of energy management for employees, training in best management practices for senior executives, etc. In 2014 29.6% of personnel completed mandatory training.

Table 72. The Group's average increase in the number of employees who completed mandatory training was 11.8%.

Percentage of employees who completed mandatory training, broken down by Group segment (%)	2013	2014	Variance, 2013/2014, %
Energy generation	37.9	33.4	-4.5
Supply	9.1	9.2	+0.1
Grids	13.2	13.3	+0.1
Engineering	13.0	31.5	+18.5
Other activities	21.8	69.8	+48

An increase in the number of employees who completed mandatory training was mainly driven by the Kostroma, Omsk and Ufa branches joining QURTZ Group, LLC, in December 2013. As a result, 3,630 people were employed and had to have mandatory training in accordance with the requirements of the State Labour Inspection Service, the State Fire Control Service and the Federal Service for Ecological, Technological and Nuclear Supervision.

In order to develop the Group's management candidate pool and create a database of successors to key management positions an evaluation by the 360 degree method was conducted from July to December 2014. In total, 5,313 managers from the Group's 30 companies were assessed. The assessment was based on 10 management competencies:

- Making decisions and initiating actions;
- Leadership;
- Teamwork;
- Relations and contacts;
- Applying professional knowledge and technologies;
- Organisation and planning;
- Adaptation and response to changes;
- Overcoming pressure and failures;

- Achieving professional goals and objectives;
- Creating strategies and concepts.

As a result of the assessment, more than 600 best managers were identified and individual development plans were drawn up for the employees included in the candidate pool. The results of the assessment were used to draft a development programme for the candidate pool in 2015 based on the Cascade innovative approach. The Cascade Talent Development Programme is training provided by managers to improve productivity using their unique manufacturing experience combined with best global practices.

In order to expand access to training programmes, a project was launched in 2013 to build a united personnel development centre, and as a result the Training Centre in Dobryanka, Perm Territory, was transformed into the Corporate Training Centre, a private educational institution for additional vocational training. Starting from 2014, the branches of JSC Inter RAO – Electricity Generation Group and LLC Inter RAO – Management of Electric Power Plants gradually began to send employees to the Centre for training. The Corporate Training Centre initiated a consolidation process of training plans across the Group's companies for the purpose of training more employees and reducing training costs per unit.

The Centre also helped to implement remote learning technologies and conduct webinars. Moreover, in order to implement individual development plans for the candidate pool, an e-library of business publications and remote learning courses were set up at the Centre.

Many of the Group's companies are actively involved in collaboration with industrial branch institutes and carry out programmes aimed at implementing new learning technologies.

Table 73. New training technologies of the Group's companies

Group companies	Implementation and development of modern technologies
JSC Inter RAO – Electricity Generation Group	<ul style="list-style-type: none"> • United Personnel Development Centre at the Computer Training Centre, a private educational institution of additional professional education
LLC Inter RAO – Management of Electric Power Plants	<ul style="list-style-type: none"> • Remote learning • E-library • Webinars
JSC TGC-11	<ul style="list-style-type: none"> • Full-scale simulator for CCPP • All-speed computer simulators • Remote learning
LLC BGC	<ul style="list-style-type: none"> • Simulator training • Olymp: OKS training monitoring system, Moodle • Webinars
LLC BashRTS	<ul style="list-style-type: none"> • Online conferences • Olymp: OKS training monitoring system • Webinars
LLC Bashenergotrans	<ul style="list-style-type: none"> • Computer methods of psycho-physiological selection of drivers
JSC Mosenergosbyt	<ul style="list-style-type: none"> • Remote learning system based on WebTutor Software of LLC Websoft Development • E-courses

- Webinars

Personnel development can also be carried out through annual competitions among operating crews where the personnel checks and strengthens the knowledge of scientific and technical documentation and practices equipment-related emergency response skills and firefighting skills.

The 5th Corporate Open Competitions among integrated operations crews at the Corporate Training Centre in Dobryanka, Perm Territory

In April and May 2014, the 5th Corporate Open Competitions between integrated operations crews were held at the Corporate Training Centre in Dobryanka, Perm Territory, for the purpose of assessing competence levels and further training of operation personnel, as well as for the purpose of ensuring high quality and safety when operating the equipment at Inter RAO Group companies.

Competition winners were awarded a two-week trip to the Republic of Cuba. The trip took place under the auspices of the Programme of Development of Mutual Relations between the Russian Federation and the Republic of Cuba.

Inter RAO Group management is eager to involve young professionals in production. The Group's key policies regarding young professionals are to increase its attractiveness among university students and pupils of secondary vocational schools and to develop mutually beneficial cooperation with industry-specific schools. The focus is also on further training and professional development of young professionals as well as development of industrial initiatives. To this end, the Group's companies have a mentoring system and special training programmes.

JSC Inter RAO – Electricity Generation Group Youth Council

In order to attract and retain young professionals at the Electricity Generation business division, in January 2014 the branches of JSC Inter RAO – Electricity Generation Group built a team of leading energy efficiency and innovation engineers which contained 70% of young professionals. The Youth Council aims to improve operational efficiency and foster innovation at the enterprises, as well as to implement an energy management system.

The Youth Council members of LLC Inter RAO – Management of Electric Power Plants have elaborated a Regulation on the Implementation of Energy Efficiency Ideas and Innovations which is now at the approval stage. Moreover, projects from young professionals in the business division were requested, reviewed and submitted to the Russian National Competition for the best youth development project for fuel and energy complex enterprises and organisations “New Idea” under the auspices of the Ministry of Energy of the Russian Federation.

Remuneration and motivation

In order to encourage employees to achieve the Group's objectives the following KPIs were established in 2014:

- Economic and financial KPIs relating to the availability of funds required for effective operations and business development. These KPIs take into account the requirements of the Government of the Russian Federation for reducing costs and the cost of electricity generation;
- Investment Programme KPIs reflecting investment programme assessment in terms of funding and use of capital investment followed by the commissioning of generation capacities;
- Production KPIs reflecting the overall performance of the Group's management to ensure continuous power supply and generation and to carry out the repairs ;
- Strategy Implementation Plan KPIs reflecting the assessment of the implementation of the Group's strategic objectives.

The KPI system mainly aims to transform Inter RAO Group's strategy into specific operational indicators, assess their achievement in the long and mid-term and provide a basis for management decisions. The approved Target Roadmap will ensure implementation of Inter RAO Group's strategy and establish a correlation between the managers' financial incentives and the achievement of strategic targets.

A new remuneration and incentive system was introduced in 2014 to manage Group employee performance.

In June 2013, the Remuneration System Improvement project was launched by Inter RAO Group's companies. As part of the project, 32 companies, including some subsidiaries and affiliates in Moscow, supply companies and companies in Tajikistan and Georgia adopted a new remuneration system in 2014. The full transfer of all the Group companies to the new remuneration system is planned for July 01, 2015.

A standardised grading system was developed during the course of the project. Additionally, the salary market in the regions of operation was analysed, almost all job descriptions for unique positions were developed and approved and the relevant corporate standards for the calculation of salaries and relevant local regulations were approved.

The Group adheres to the principles of equality, justice, and non-discrimination and has no unjustified restrictions when paying salaries.

The performance management system includes an annual assessment of personnel performance and career development based on KPIs and core competencies. 40.8% of Group employees had their performance assessed in 2014.

Besides encouraging employees through remuneration, additional intangible incentives are used, including corporate awards. More than 900 employees of the Group received corporate awards from JSC Inter RAO in 2014. The number of Group employees awarded with state and departmental awards, such as Honoured Energy Worker, Certificate of Appreciation and Gratitude of the Ministry of Energy of Russia or relevant ministries of other countries where the Group operates, increased by 2.6% compared to 2013 and totalled 670. This resulted from a multilateral training system for Group employees, as well as the development of a non-financial incentive system. The number of employees awarded with other awards in the field of electric power was 4,808.

Social partnership and personnel satisfaction

All Group companies partner with employees in close cooperation with trade unions under collective bargaining agreements.

Based on the results of cooperation with trade unions, in 2014 Inter RAO Group implemented measures to prepare and conclude collective bargaining agreements for 2015-2017. Collective bargaining agreements are concluded on a common basis and contain procedures for providing benefits, guarantees and compensations and specify their amounts. All employer commitments which are stipulated in Inter RAO Group's collective bargaining agreements in 2014 are carried out in full.

63% of Group employees are members of the primary trade union.

80% of Group employees are covered by collective bargaining agreements.

Employee satisfaction is key to successful operation of Inter RAO Group. The satisfaction survey is means of identifying areas for improvement in the incentive system. The results of the satisfaction survey conducted in Inter RAO Group's companies in 2014 were as follows:

- 66% of employees are satisfied with the content and conditions of their job; more than half of personnel (58%) do not plan to change their job in the near future;
- Over 70% are satisfied with the remuneration system;
- Over 90% of respondents highly appreciate the work of their team;
- 68% of employees have a positive opinion of the business situation in Inter RAO Group which characterises the level of personnel involvement, sharing of the company's goals and values, and satisfaction with the results;
- Over 57% of employees do not expect a deterioration of the business situation in Inter RAO Group in the near future which demonstrates personnel involvement, loyalty, and common vision of the company's development prospects.

The total number of Inter RAO Group's employees who filled in personnel satisfaction survey questionnaires was 79.21% of the average headcount of the companies participating in the survey. The survey was conducted anonymously, indicating professional and age groups.

Fig. 30 The majority of the personnel surveyed belongs to the category 'workers'

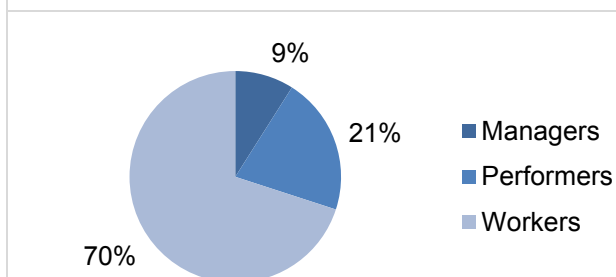
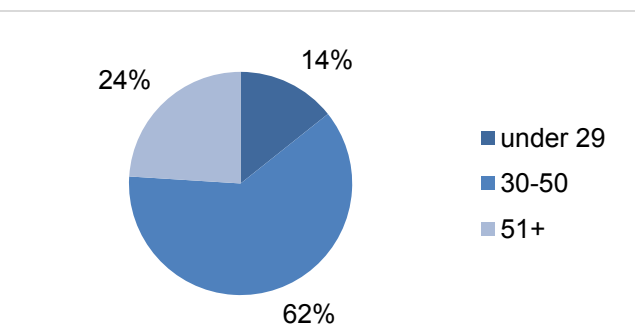


Fig. 31 The majority of the personnel surveyed was aged 30–50



As part of the project to identify the basic benefits package for Inter RAO Group employees implemented in 2013-2014, a basic list of benefits, guarantees and compensations was compiled. The basic benefits package includes voluntary health insurance, additional leave for employees ex-

posed to harmful and dangerous working conditions, flexible working hours for certain categories of employees, medical rehabilitation and preventive treatment, sports and recreational activities, and one-time financial aid before paid annual leave, etc. The basic benefits package also includes benefits, guarantees and compensations for former employees (including non-working pensioners) such as financial aid and lump sum payments due to festive dates, corporate pension programmes and health insurance for employees during the first year after retirement. Inter RAO Group's collective bargaining agreements for 2014 were drafted and concluded based on the approved basic benefits package.

In order to maintain the highest standards of employee efficiency and career longevity, Inter RAO Group focuses on the development of decent conditions to maintain personnel health and productivity. The Group provides employees with high-quality medical assistance under voluntary health insurance programmes and implements preventive measures to reduce the risks of seasonal diseases and mitigate the risks related to workplace exposures. The Group also provides conditions for sports.

Sports events of Inter RAO Group in 2014

Group employees actively participated in the First Winter Olympics of Inter RAO Group held in Volgorechensk, Kostroma Region, with the organisational support of the Kostromskaya TPP branch of JSC Inter RAO – Electricity Generation Group in February 2014.

In April 2014, the management and employees of the Iriklinskaya TPP branch of JSC Inter RAO – Electricity Generation Group initiated and held the Second Open Table Tennis Tournament dedicated to the memory of V. Khudyakov, the deceased director of Kharanorskaya TPP.

In June 4-6, 2014, the Third Summer Olympics of Inter RAO Group were successfully held in Ufa with the organisational support of LLC BGC. The Olympics programme comprised seven summer sports: athletics, table tennis, chess, volleyball, weightlifting, darts, and tug of war. In total, 474 athletes from 23 companies of the Group took part in the competitions.

8.3 Occupational health and safety

Improvement in occupational health and safety performance

One of the key priorities of Inter RAO Group is its employees' occupational health and safety and process safety management. Constant improvement in this area is highly dependent on adoption of the world's best practices and standards by the Group's subsidiaries and affiliates.

Inter RAO Group long-term objectives in occupational health and safety through 2020 include reduction of its occupational injury rate to 0.02 per year and accident-free operation at hazardous industrial facilities.

Regulations on the occupational health, industrial, fire and environmental safety management system of Inter RAO Group were amended in 2014¹²⁶. Implementation of the management system was key to the Group's S&A achieving significant results in 2014. In particular, a key performance indicator of zero serious group accidents was attained. Positive change was observed with regard to reduction of occupational accidents.

Fig. 32 There were no group accidents at the Group's facilities in 2014

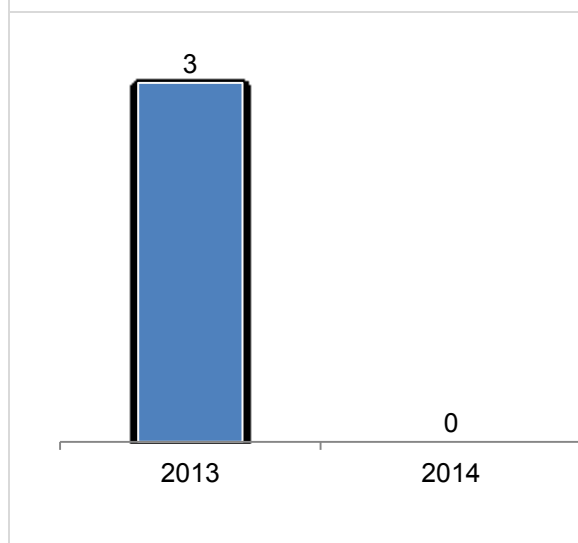
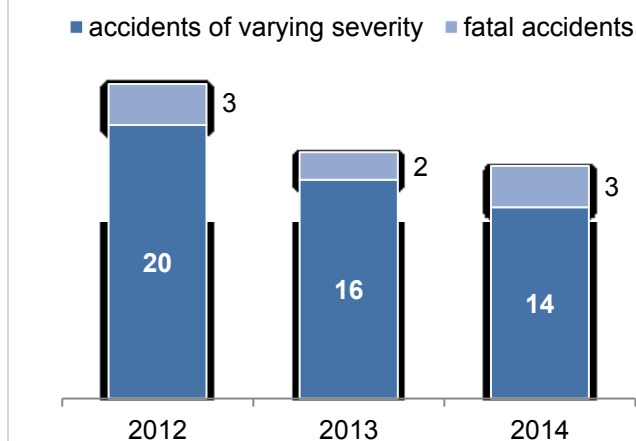


Fig. 33 Implementation of integrated preventive actions gives the possibility to reduce the number of occupational accidents among employees in 2014



There were three fatal accidents at the Group's facilities in 2014:

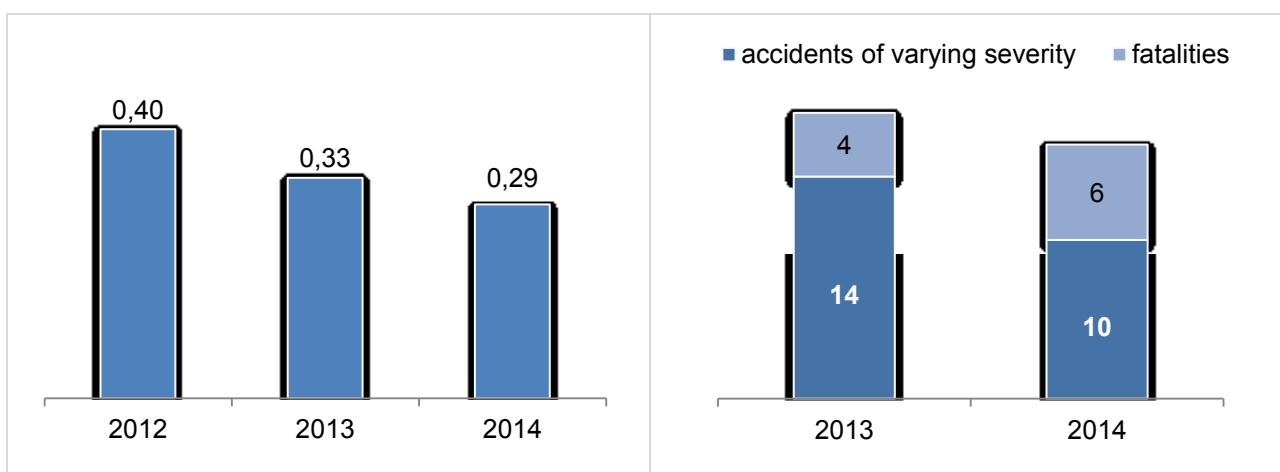
- two fatalities at power grid of a foreign S&A, where inadequate professional training is provided to personnel (at present, the issue is being addressed jointly with human resources and a programme development department);
- one fatality caused by a violation of in-house labour regulations at Cherepetskaya TPP.

Systemic reduction of operational injuries observed since 2013 is also the result of the Group's policy to create better workplace conditions.

Fig. 34 The occupational injury rate among employees declined by 12% in 2014

Fig. 35 The number of accidents among contractors' employees reduced as the result of controlling contractor compliance with the Occupational Health and Safety requirements

¹²⁶ In accordance with Order No. IRAO/477 dated September 29, 2014.



Occupational injury reviews in 2014 revealed that the majority of injuries resulted from employee negligence: about 30% of cases relate to road traffic accidents and about 20% to falls. The Group's specialists organise a regular internal compliance audit with the occupational health and safety requirements in order to minimise the number of injuries of that type. A number of corrective and preventative actions, including streamlining of personnel training, have also been taken¹²⁷.

Inter RAO Group is actively engaged in eliminating injuries among contractors: injury rates among contractor employees were reduced in 2014 owing to extension of occupational health and safety regulations that conform to the Group's regulations on contractors¹²⁸.

The penalties imposed on contractors for nonconformity with the Group's occupational health and safety requirements have become one of the additional efficient tools that ensure real adherence to the requirements.

Safety improvement

A special workplace condition evaluation study was resumed in 2014 as stipulated by Federal Law No. 426-FZ. Following this evaluation at the Group's S&A, most workplaces were assigned Class 2 (admissible), 3.1 and 3.2 (dangerous). A number of special workplace condition evaluation studies were expected to be conducted in 2015–2018.

The Methodology on providing employees with personal protective equipment at Inter RAO Group was reviewed in 2014. Amendments pertained to the PPE supply at the Group's S&A. Apart from that, special PPE requirements were amended taking into account product differentiation.

The Group constantly increases investment in occupational health and safety in order to maintain a high occupational safety level. The amount of investment increased by 2.2% in 2014 YOY and totalled RUB 21.45k per employee. 2015 target investments in Inter RAO Group are around RUB 685 mln.

Facilities industrial safety conformity evaluation

Annually, as part of JSC Inter RAO Group S&A's check for serviceability in autumn and winter, the company performs integrated power facilities evaluation that includes industrial safety control.

¹²⁷ More detailed information is provided in the Occupational Health and Safety Training sub-section.

¹²⁸ Meaning contractors' employees that are engaged in partial reconstruction, technical maintenance and equipment repair at the Group's operating facilities. Occupational health and safety compliance control at construction sites is executed by contractors.

Committees appointed by the Ministry of Energy of the Russian Federation and based on the Resolution of JSC Inter RAO conduct the aforementioned serviceability checks at the Group's power facilities in autumn and winter according to a schedule. All JSC Inter RAO S&As received passports certifying readiness to operate in the autumn and winter period.

In accordance with the Corporate Technical Audit Plan, a number of internal checks of the Group's S&As were conducted in 2014 (JSC Inter RAO – Electricity Generation Group, CJSC Power Grids of Armenia, LLC BGC, JSC TGC-11, LLC Mtkvari Energy). Those checks aim at evaluating a safe level of maintenance and technical condition of the industrial facilities and the elaboration of guidelines for preventing occupational accidents at the Group's facilities. Activities related to defect elimination are approved by orders issued by facility technical management and shall be conducted as soon as reasonably possible.

Emergency reduction

Recording and classification of equipment emergency shut-downs at the Group's generating assets in Russia is conducted by the System Operator in the Electricity Generation Sector Emergency Database Automated Information Management System. Corrective and preventive actions developed for each emergency shutdown are implemented in accordance within the established and approved time limits.

An insignificant increase in emergency shut-downs at the Group's S&A generating facilities was observed in 2014. All emergencies were recorded in the Electricity Generation Sector Emergency Database and investigated. Subsequent actions are conducted within the established and approved time limits.

It should be noted that the increase in equipment emergency shut downs is related to the launch of new equipment¹²⁹. However the total number of equipment emergency shut downs at the Group's S&A generating facilities in 2014 was reduced YOY.

Table 74. The number of emergency shutdowns at the Group's generating assets in Russia increased due to the launch of new equipment.

Company	2013	2014
JSC Inter RAO – Electricity Generation Group	340	346
JSC TGC-11	111	148
LLC Bashkir Generation Company	131	119
Generating assets in Russia of Inter RAO Group	582	613

Occupational health and safety training

Occupational health and safety training is the key tool in reducing personnel injuries and emergency equipment shut-downs. The Group's occupational health and safety specialists revised current training programmes in 2014. The focus is on occupational activity aspects in all the regions where Inter RAO Group operates.

¹²⁹ Generating Unit No.3 at Nizhnevartovskaya TPP and Generating Unit No. 1 of Yuzhnouralskaya TPP-2 were commissioned. In Q4 2013, Dzhubginskaya TPP and Generating Unit No. 4 of Gusinoozyorskaya TPP were commissioned in 2014.

Activities of private non-commercial educational institution OJSC Bashkirenergo's training facility

The activities of private non-commercial educational institution (PNCEI) Bashkirenergo's training facility aim at professional training and advancement of the employees of the Group, its contractors and its fuel and energy complexes.



PNCEI Bashkirenergo's training facility implements best practices and training programmes for employees, including:

- Simulator TPP with transverse connection for boiler-and-turbine unit operating personnel;
- The ASOP-Nastavnik Automatic Personnel Training System for pre-examination training and examination;
- The Olymp OKS Training and Control System for pre-examination training and examination;
- The Computer-based Energy Encyclopaedia Training Unit powered by TWT Shell.

Training provided by the Group includes accident prevention and firefighting drills for power plant operations personnel. This training is organised in accordance with the approved schedule and Regulations on Human Resources Management of Power Facilities of the Russian Federation:

- accident prevention – no less than one training per quarter;
- firefighting drill – no less than one drill per semester.

In 2014, a special focus was placed on the simulator training of TPP operations personnel. In particular, a working group was formed in order to create training systems at LLC Inter RAO-Management of Electric Power Plants, JSC TGK-11, and LLC BGC, and a Methodology on Operations Personnel Training was approved. Moreover, there was developed and approved an advanced programme for simulator installation at the Group's subdivision. Until 2020, 14 generating unit simulator start-ups were planned using steam turbines of various types (T, PT, R), and for generating units using CCPP units.

Computer-based training is provided in two stages. At the first stage, the focus is on the basics of operation, key technological schemes and requirements for regulatory technical documentation. At the second stage, the focus is on theoretical and practical training in operation, actions in emergency situations on integrated all-mode simulators with various interfaces and control systems.

Promoting a culture of safety

Inter RAO Group holds a number of traditional corporate professional skill competitions in order to ensure a high level of theoretical training and improvement in occupational health and safety. In 2014, there were three major events:

- The fifth Inter RAO Group corporate competition for power plants with CCPP units (Kalinin-gradskaya TPP-2 as the winner);
- The fifth Inter RAO Group open corporate competition for operating personnel of power plants with STP units (Irikliinskaya TPP as the winner);
- The first Inter RAO Group corporate professional skills competition for personnel of TPP with a transverse connection.

Apart from in-house activities, Inter RAO Group specialists are actively engaged in national contests and professional skills competitions in the sphere of safe energy facility maintenance and occupational safety.

Personnel professional skills competition results

The First JSC Inter RAO Group Corporate Professional Skills Competition for Operating TPP Personnel with a Transverse Connection

In 2014, the First Corporate Professional Skills Competition for TPP Personnel with a Transverse Connection took place at PNCEI Bashkirenergo's training facility.

Awards were distributed as follows:

The team of the Tomsk Division of JSC TGK-11 TPP-3 took 1st place, 2nd prize was given to the team of the Omsk Division of JSC TGK-11 TPP-5, and 3rd prize was given to LLC BGC TPP-4.

National competition for TPP operating personnel 2014

A team from Inter RAO – Electricity Generation Group Irikliinskaya's TPP Division took part in the competition. Judges commented on the high level of the Group's operations personnel qualifications. The team from Irikliinskaya TPP came in 4th and scored 3175.17 points out of 3340.

The First Best Occupational Safety Specialist at a Power Facility 2014 National Professional Skill Competition.

The competition took place in December, 2014 at Moscow at Corporate Energy University (CEU) with the support of the Ministry of Energy, the Ministry of Labour and Social Protection, associations of employers, the National Energy Trade Union Public Association. Forty-seven competitors representing power facilities from every Russian region participated in the competition.

The competition results for Inter RAO Group subdivisions are as follows:

- Inter RAO – Electricity Generation Group Yuzhnouralskaya TPP – 10th place;
- Omsk division of JSC TGK-11 TPP-4 took 15th place;
- LLC Bashkir Generating Company Ufinskaya CHPP-4 – the 21st place;
- LLC Quartz Group - 23rd place;
- Inter RAO – Electricity Generation Group Perm TPP – 30th place.



International competition for 0.4-10 kW distribution network maintenance and operations teams from CIS member states' national energy systems.

The competition summoned power facilities teams from seven countries: Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Russia, and Georgia. The Teams competed in technological operations with distribution network elements and units, knowledge of safety rules and regulations, firefighting skills and electrical shock first aid.

The team from JSC Inter RAO S&A - JSC Telasi (Georgia) took 5th place in the final team total.

8.4 Contribution to the development of the regions of the Group's operation

Reliability and continuity of power supplies

The greatest challenge in 2014 for Inter RAO Group was the smooth operation of Sochinskaya TPP and Dzhubginskaya TPP during the XXII Olympic Winter Games and XI Paralympic Winter Games 2014 in Sochi. During the sporting events, equipment functioned without failure despite the fact that the power plants were exposed to an increased operational burden for almost two months. As a result of the reconstruction of the energy system in the region hosting the 2014 Winter Olympics, a significant portion of energy is now produced by the newest high-performance equipment with natural gas used as a primary and more environmentally-friendly fuel. Dzhubginskaya TPP has become a part of the material heritage of the 2014 Winter Olympics and one of the largest power generation facilities built as part of their preparation.

Inter RAO Group considers it very important to upgrade on a regular basis its energy infrastructure and to commission new generating capacities in the regions where it operates. As part of its task of ensuring smooth and reliable power supplies in 2014, the following projects were implemented:

- **The launch of the first and second phase of Yuzhnouralskaya TPP-2.** New combined cycle power plant (CCPP) units with a capacity of 408 and 416.6 MW were built from the ground up and would partially replace the outdated equipment at the operating station. It is expected that the new plant will significantly improve the ecological situation in Yuzhno-Uralsk and will significantly increase the reliability of power supplies for consumers in the Chelyabinsk Region.
- **The launch of the No. 8 Unit at Cherepetskaya TPP.** Cherepetskaya TPP is strategically important for ensuring the reliable operation of the power system in central Russia. The construction of a power unit with a total installed capacity of 225 MW aims to improve energy supplies to consumers not only in the Tula Region, but also in Moscow, Kaluga, Orel, Smolensk, Bryansk and other nearby regions. Modern technological equipment will minimise the negative impact on the environment by reducing emissions, water consumption and level of noise. In addition, the start of the new power unit will allow Cherepetskaya TPP in the future to decommission outdated equipment and to switch to production of clean energy, which will be of critical competitive advantage to the station on the electricity and capacity markets.
- **The launch of the No. 3 Unit at Nizhnevartovskaya TPP.** The new unit with installed capacity of 413 MW is equipped with unique combined-cycle equipment that will allow it to reduce the specific fuel consumption for electricity and increase the level of environmental and energy security during industrial activity.
- **Installation of a new power transformer on the 35/6 kV Saburtalo-1 substation.** JSC Telasi has completed the installation of a new power transformer on the 35/6 kV Saburtalo-1 substation which supplies power for about 23,200 consumers in the Saburtalo district of Tbilisi. During the reconstruction, the old power transformer was replaced with a more powerful and modern unit, characterised by higher durability, reliability and resistance to overloads. It was the first time in the last ten years that the company installed such a powerful transformer, which is extremely important for the further development and expansion of the network of one of the central and fastest growing areas of the capital of Georgia. As a result this

work will significantly improve the reliability and quality of supply of the population and vital installations, such as water supply, underground, broadcast facilities, hospitals and industrial plants.

Authority and public relations

Inter RAO Group is working closely with the authorities of the regions where its companies are presented. Group companies signed more than 30 short-term and long-term cooperation agreements. The main areas of cooperation are:

- activities aimed at sustainable socio-economic development of the regions where the Company operates and increasing their investment attractiveness;
- support and implementation of measures aimed at preventing the growth of a deficit of heat and electricity and increasing the reliability of electricity and heat supply for consumers;
- implementation of measures on saving energy and increasing energy efficiency of enterprises, public institutions and enterprises of housing and communal services;
- socio-economic interaction in order to optimise the combination of economic, labour and social interests of the parties to ensure sustained growth of production and economic activity, and maintaining social stability of the regions of presence;
- issues of determining tariffs and reduction of receivables;
- increasing tax revenues to the budget system of the regions;
- organising and conducting practical lessons on saving energy for students and seniors and workshops on energy conservation at companies' sites.

Also in 2014, in order to effectively implement the Development Strategy and Communication Strategy of the Company, the Concept for Cooperation with Public Organisations has been developed. The strategic goal of this concept is the formation of an effective two-way channel of communication, minimise reputational risks and increase awareness and value of brand of Inter RAO.

In order to stabilise the payment discipline of population, Inter RAO Group is working closely with the executive authorities of the regions of its operation to reduce receivables. This is an efficient measure that helps to increase operations efficiency of Group companies, which also leads to an increase in tax revenues for regional budgets.

Also the Group's activities in the regions where it operates contribute to the development of local suppliers of goods, works, services and material and the technical development in the regions, as well as the creation of jobs at the Group's facilities and in the supply chain.

Charity projects

The charity activities of the Group are conducted in accordance with the fundamental principles of the Charity Concept of Inter RAO Group – targeting, effectiveness, objectivity and efficiency¹³⁰, and in accordance with the recommendations of the Government of the Russian Federation and the Ministry of Energy to reduce costs.

¹³⁰ Approved by the Board of JSC INTER RAO, Minutes No. 475 dated December 19, 2013

Improvement of monitoring mechanisms for the implementation of charitable projects at the stage of their selection has improved efficiency and transparency with the costs incurred. In addition to legal and accounting reporting documents, videos and photographs, the representatives of the Group's companies help exercise personal control over the implementation of projects, travel to the venues, interaction with the recipients of charity, collecting information from third parties and monitoring of the information field and the media.

The main key areas of charity and sponsorship of Inter RAO Group include:

- support of vulnerable social groups;
- support of educational institutions and healthcare facilities, mass and youth sports;
- support programmes for industry veterans, combat veterans and the disabled;
- assistance to artists, cultural activities, financing of objects of historical and cultural value;
- support of environmental organisations and environmental reserves.

In 2014, 306 charity projects totalling mn. RUB 258.1 were implemented. During the implementation of projects the main principle of targeting – allocation of funds and other forms of support for specific purposes of individuals or legal entities has been saved. In 2014, Group companies reduced the total amount of support, focusing on provision of targeted assistance to socially vulnerable populations, including veterans, orphaned children and the disabled, etc.

Network projects were actively pursued by all Group subsidiaries and affiliates, adapted to the specific needs of the regions.

Fig. 36 A priority for the charitable activity of Inter RAO Group's companies in 2014 is sport, culture and arts

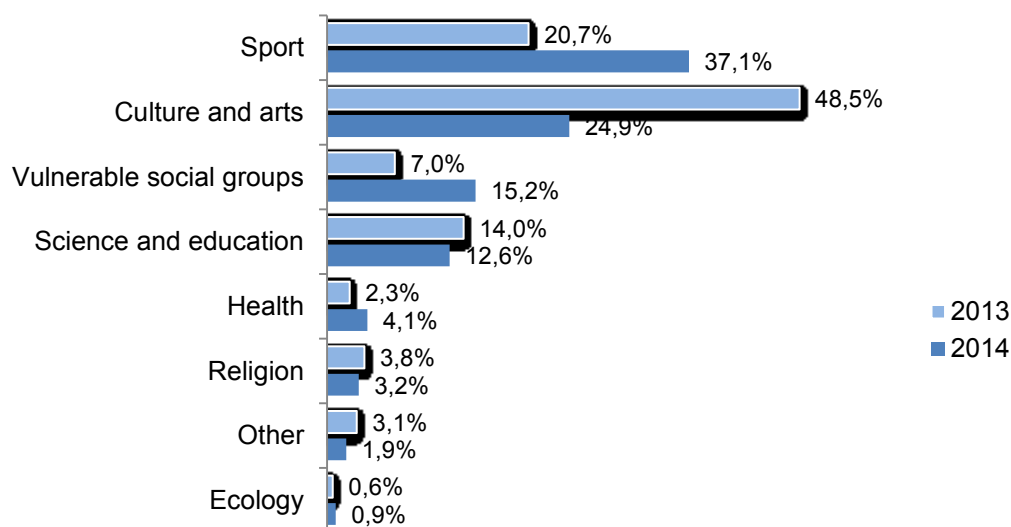
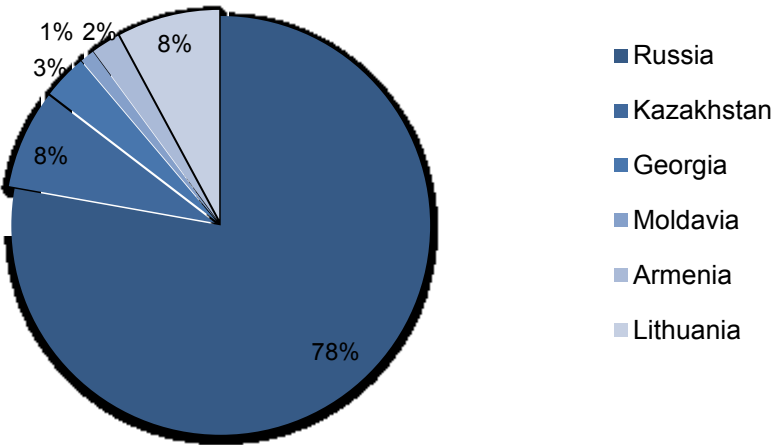


Fig. 37 Owing to the geography of Inter RAO Group’s assets, most charitable programmes are implemented in the Russian Federation



Russian Federation

Type of Activity	Goal
Support of vulnerable social groups	Helping people with disabilities, children's homes and boarding schools, children and elderly people in need of high-tech and expensive medical care and the creation of favourable living conditions and social climate

“The Brightest New Year Tree” network project

A good tradition for Inter RAO Group's employees is holding the charity event known as the “Brightest New Year Tree” for orphans and children in difficult life situations. This year the employees of the Group held a children's entertainment programme and activities in more than 30 regions.

“Ray of Hope” network project

The Group companies continue to assist people with disabilities. In the reporting period the “Ray of Hope” project was implemented by Gusinoozyorskaya TPP, Ivanovskiye CPP, Kaliningradskaya TPP, Kashirskaya TPP, Kostromskaya TPP, Nizhnevartovskaya TPP and Yuzhnouralskaya TPP. Group employees helped specialised agencies for people with disabilities to repair their premises and to purchase the necessary rehabilitation equipment.

“Energy of Creation” pilot project

This project at Severo-Zapandnaya NPP aims to support children from disadvantaged families. For this purpose a children's circus camp was organised where everyone had the opportunity to learn about different types of circus arts from the best international teachers, specially invited for the occasion. As a result of intense training the children prepared a performance that was demonstrated in a festive ceremony in St. Petersburg.

“Child of the Universe” festival

In 2014, LLC Inter RAO – Engineering supported the Child of the Universe Charity Fund, which runs an eponymous festival. The main purpose of the festival was to attract public attention to the problems of children with autism, Down syndrome, mental illness, severe impaired movement and self-care, as well as the creation of a common social space in which such children can comfortably live, grow, learn, and communicate freely with society. During the festival, a presentation of creative collectives of children with disabilities and a round table dedicated to the social integration of such children took place.

Type of Activity	Goal
Support of the educational institutions and healthcare facilities, mass and youth sports	Support of social infrastructure, educational institutions, promotion of healthy lifestyle among children and youth

“Power Engineering as a Career Choice” network project

Inter RAO Group focuses on the promotion of power engineering jobs among young people. To this end, Group companies regularly carry out various creative competitions, quizzes, lectures and classes for children, help educational institutions with the purchase of office equipment, computers and equipping laboratories with modern equipment. In 2014, the project was held by JSC Tambov Power Supply Company, Gusinoozyorskaya TPP, Ivanovskiye CPP, Kostromskaya TPP, Nizhnepartovskaya TPP, Kharanorskaya TPP and Yuzhnouralskaya TPP.

“City of Sports” pilot project

In 2014, Bashkir Generation Company, LLC sponsored a project by the Russian charity fund City of Sports that involved providing students of a boarding school with sports equipment and shoes. In the course of this campaign, company employees held an entertainment and educational event for children that included sports competitions and master classes.

“Light of Communication” network project

JSC PSK (the St. Petersburg Power Supply Company) supported swimmer Alexander Golintovsky, double bronze medallist of the 2012 Paralympic Games in London and four-time winner of the championship of Spain in swimming among people with disabilities. The company provided financial assistance to the talented athlete, who has had disabled vision since childhood, in the purchase of medicines, equipment, sports nutrition and sports equipment rentals.

Construction of a Sports and Recreation Complex in Transbaikalia

In 2014, Kharanorskaya TPP built a unique fitness centre for power engineers called Sport +. The project was developed by Kharanorskaya TPP design bureau and engineered using new technology, an air-supported structure built in Transbaikalia for the first time. The structure is a dome over a sports field, with its outer and inner sides varnished. This technology provides reliable protection and unobstructed removal of snow in the winter, and, as well, the shell of the dome does not change in temperatures from -50 to +70°C and is not affected by fire. The new fitness centre will

host competitions of various levels, including regional, which will contribute to the development of sport throughout the region.

Type of Activity	Goal
Support programmes for industry veterans, combat veterans and the disabled	Helping veterans and the disabled through the purchase of medicines and medical equipment, organising events for important dates. Main activities and projects within this area are planned for 2015 - the year of the 70 years anniversary of the Victory in the Great Patriotic War

“Energy of Memory and the Welfare” network project

In 2014 JSC Altayenergosbyt (Altay Power Supply Company), JSC Tambov Power Supply Company, Kashirskaya TPP, Kostromskaya TPP, Nizhnevartovskaya TPP, Pechorskaya TPP, Kharanorskaya TPP and other companies of the Group provided comprehensive assistance to municipal authorities in the organisation of festive events dedicated to the Defenders of the Fatherland Day and Victory Day for the Elderly and provided targeted social assistance to the needy veterans and pensioners.

Type of Activity	Goal
Assistance to artists, cultural activities, financing of objects of historical and cultural value	Preservation and revival of cultural heritage in the regions where the Group operates, the restoration of monuments, cultural education

“From Heart to Heart” network project

In 2014, the cooperation of the Group’s companies with the “From Heart to Heart” charitable Foundation continued. The main goal of the project is to support and promote creativity in young talents in the regions where the Group operates, as well as involving the regional population in the world of classical music. In the reporting period, the geography of the project expanded to four regions, where more than 20 concerts were held. Active support for the campaign this year has had a partner in the Vladimir Spivakov International Charitable Fund.

“Our Heritage” network project

In 2014, Nizhnevartovskaya TPP, Permskaya TPP, Kharanorskaya TPP, Cherepetskaya TPP and Yuzhnouralskaya TPP assisted local creative groups in the production of theatrical costumes, acquiring the necessary requisites, equipment and musical instruments and the organisation of festive events.

As a part of the project, Verkhnetagilskaya TPP has provided charitable assistance to the History Museum of Verkhniy Tagil for the purchase of equipment. The equipment will significantly improve the work of the museum, the main hearth of the historical and cultural life of the city district. In turn, Kaliningradskaya TPP-2 helped the The Curonian Spit National Park deliver a significant bridge construction project over a coastal dune.

Type of Activity	Goal
Support of environmental organisations and environmental reserves	Support projects for the conservation of ecosystems, rare and endangered species of flora and fauna of the regions of Group's presence, environmental education

“Bird Haven” project

The Omsk Branch of JSC TKG-11 continues to implement a project aimed at the improvement of the unique nature in the centre of the industrial metropolis, “Bird Haven” nature park. Company employees together with the orphanages took part in the landscaping of the park. As part of the project, awareness-raising and entertainment activities are also conducted. They are aimed at raising awareness and environmental literacy of its members. In 2016, for the 300th anniversary of Omsk, this space will be taken by the nature park.

The Amur Leopard Conservation project

The project is implemented together with the Autonomous Non-Profit Organisation “Eurasian Amur Leopard Conservation Centre” and is aimed at restoring populations of the rare subspecies of the cat in the Russian Far East – the Amur leopard.

From October 31 to November 6, 2014 the first Festival aimed to attract public attention to the issues of preservation of natural and cultural heritage of Russia was organised in Moscow by the Russian Geographical Society. The festival presented the results of work on the conservation of the Amur leopards including organisation of presentation stands, “The Rarest Cats in the World” exhibition and “The Amur leopard. The Struggle for Taiga Throne” film exhibition, as well as a variety of training, thematic and interactive activities were provided. By a vote of the guests of the festival, the name Typhoon was chosen for the leopard of the Russian Geographical Society.

Georgia

For eight years, Telasi has been a proud sponsor of the International Music Festival “From Easter to Ascension” aimed at promoting the support of young Georgian artists and the advancement of the spiritual and cultural level of society. In 2014, the festival programme included world-famous musical masterpieces and works of prominent Georgian composers. The festival was attended by international celebrities and Georgian musicians successfully performing in the country and abroad.

Telasi also focuses on the development and support of youth. Within this framework, financial support is provided for the Lazarus Charitable Foundation of the Patriarchate of Georgia and aimed primarily at creating craft workshops. In specialised institutions, children from socially-vulnerable families are provided an opportunity to learn different crafts. In 2014, three such workshops opened for future craftsmen to learn crafts such as carpet weaving, work with felt and to study decorative arts.

Armenia

In 2014, CJSC Power Grids of Armenia provided support to the Luys Scientific and Education Foundation to fund the training of Armenian students in the best foreign educational institutions. The company also provided assistance to vulnerable social groups in the population in the form of full or partial exemption from payment of electricity.

Moldavia

CJSC Moldavskaya TPP in 2014 continued to assist secondary school students in Dnestrovsk and assisted in the purchase of furniture, office equipment, teaching materials and sports equipment for a number of preschool educational institutions in Dnestrovsk and other cities in the region.

Kazakhstan

JSC Ekibastuzskaya TPP-2 is actively involved in charitable activities, annually implementing various programmes to support disadvantaged and vulnerable groups in the population. In 2014, the company held the Good Hands Charity Event for orphans and the disabled, timed for the Day of Child Protection. In the framework of the campaign, the power engineers collected children's books, toys and clothes, which were transferred to children with disabilities.

JSC Ekibastuzskaya TPP-2 also sponsored one of the most important holidays in Kazakhstan - Nowruz. With the financial support of the company, various sport competitions and performances by musical ensembles were held, as well as stands with the local foodstuffs.

Volunteer Projects

The number of volunteer projects implemented by employees of Inter RAO Group continues to increase, indicating the awareness among employees about social problems and the formation of their responsible attitude toward people who find themselves in difficult life situations.

According to tradition, in 2014 the Moscow office of JSC Inter RAO held Donor Day. Similar events were also held in other Group companies.

Major volunteer projects in 2014 were aimed at assisting vulnerable groups of the population and the inhabitants of the Far East and Altai regions affected by the floods.

“Atlas of Warmth and Kindness” project

The employees of JSC Eastern Energy Company held a charity event for visually-impaired children in the Amur Region, bringing as a gift more than 170 sets of unique Illustrations of Perception Atlases.

Presented books included Scandinavian and Russian fairy tales, developmental tasks and games. Children can use these books not only to see but also to feel the book: three-dimensional structures help to stimulate vision, and tactile elements develop the sense of touch and fine hand movements.

Volunteer Events by the JSC Tambov Power Supply Company

The company's employees assisted a kindergarten for deaf children (only one in the Tambov region) to acquire a Delfa-142.1 Speech Therapy Simulator for children with a hearing impairment. Work in an interactive environment will help to turn the process of correcting hearing and speech disorders into a game.

In addition, the volunteers of the company held a “Thank You for Trees” Campaign. In 2013-2014, young power engineers transferred more than 600 kg of used office paper and cardboard for recycling, which is equivalent to saving about 12 trees.

“The Good Deeds” Project

The employees of Kostromskaya TPP took under patronage a specialised group of children with disabilities from “Semitsvetik” Kindergarten No. 1 of Volgorechensk. In 2014, company employees, together with kindergarten teachers, made preparations to set up a new playground. Small-sized

game equipment made specifically for children with disabilities were purchased by municipal authorities under the Accessible Environment Federal Programme. Also, the festive presentation of a new pedestrian area for children was organised. The playground was built with modern outdoor play equipment.

8.5 Environmental policy

The Group's Environmental Policy, which defines major directions for reducing impact on the environment, is one of the key elements for optimising the S&A performance within a concept of continuous growth of controlled asset costs.

In 2014, the Targeted 2020 Environmental Programme (hereinafter referred to as the Programme), with the possibility of extension until 2030¹³¹, was developed in order to meet the Group's objectives and accept those responsibilities related to environmental protection and performance management. The Programme was developed jointly by the industry's R&D institutions (All-Russian Research Thermal Engineering Institute, Krzhizhanovskiy Energy Institute, ZAO APBE) and approved by JSC Inter RAO Science and Technology Council. From 2014 to 2020, the Company plans to spend around RUB 17.6 bn on the Programme.

Key aspects of the Group's Targeted 2020 Environmental Programme with the possibility of extension until 2030

- The Regulations' requirements were applied to the Group's generating and transmission companies' performance and analysed with consideration of local environmental law and state initiatives, international liabilities in the Group's regions of operation, corporate strategic liabilities (including the Group's Technical Policy and liabilities to the European Bank for Reconstruction and Development);
- The list of environmentally-significant aspects and financial, environmental and reputational risks for each S&A of the Group was developed ;
- Environmental targets were set (see the values below);
- Ways to achieve environmental targets were set, a plan of environmental protection measures was developed, responsibilities for measuring implementation were defined and resources required were assessed.

Fig. 38 Average annual fresh water consumption for production needs will decrease by 7.5% to 110 cubic meters per kWh by 2020¹³²

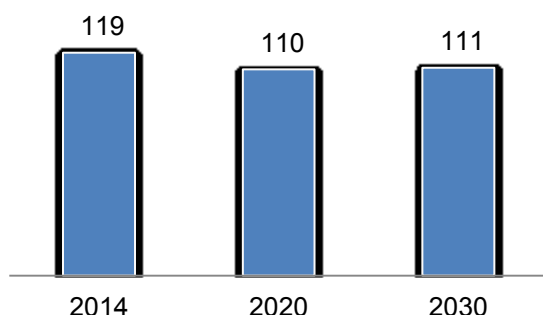
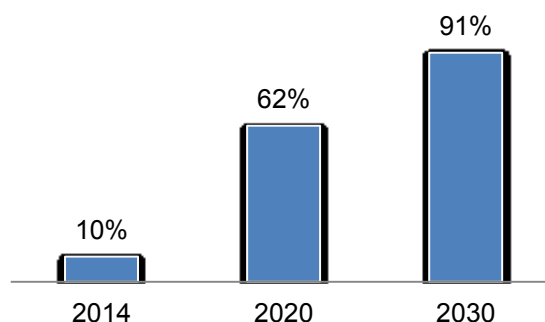


Fig. 39 Share of coal-fired boilers over 300MW with specific solid particle emissions no more than 100 mg/nm³ will increase to 62% by 2020 and to 91% by 2030



¹³¹ Order On approval of Targeted 2020 Environmental Programme with the possibility of extension until 2030 № IRAO/604 from November 27, 2014.

¹³² For subsidiaries and affiliates operating thermal power plants.

Fig. 40 Share of insufficiently treated water and water without treatment will continuously be reduced and amount to 39% by 2020 and 5% by 2030

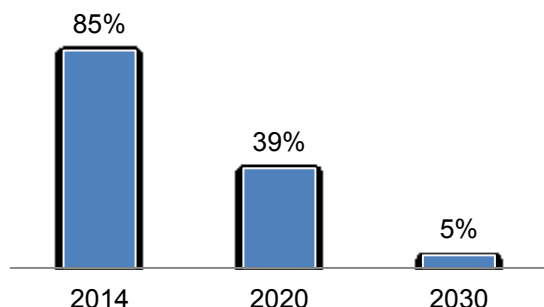
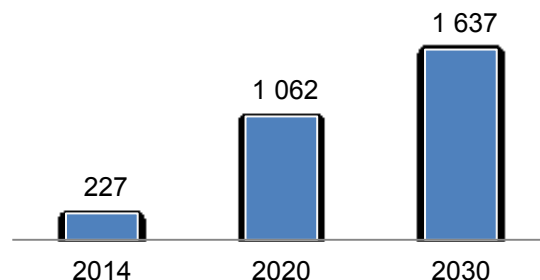


Fig. 41 Volume of useful ash and slag materials will amount to 1,062k tons by 2020, 1,637k tons – by 2030



The Group's environmental protection measures for major environmental impact are financed within the budget of the Programme, which ensured successful implementation of several environmental projects in 2014.

Large investment projects completed in 2014 within the Targeted Environmental Programme:

- Renovation of the 1st section of the ash disposal area at the Omskaya CHPP-4 (TGK-11) to increase its capacity by 6.3 mln tonnes;
- Construction of a stockyard for ash and slag waste and a pneumatic ash handling system at Power Generating Units No. 8 and 9 of the Chereptskaya TPP (Inter RAO – Electricity Generation);
- Renovation of the electric filter of the coal-fired boiler unit at Power Unit No. 8 at the Omskaya CHPP-5 (TGK-11) to improve filtration efficiency;
- Replacement of the electric filter UG-2-4-74 with EGVM-1 at Boiler Unit No. 8 at the Omskaya CHPP-4 with stack gas cleaning efficiency improvement from 95.4% to 97.3%;
- Reclamation of mines used for renovation of the ash disposal area at the Omskaya CHPP-4 (total 14 hectares of disturbed soils);
- Renovation of the ash disposal area at the Omskaya CHPP-4 and consolidation of the Irtysh Riverbanks near the 1st and 2nd sections of the ash disposal area;
- Deployment of an automated stack gas pollutant emissions monitoring system at the Uren-goyskaya TPP.

In 2014, within the framework of activities for reducing environmental risks, the Group's subsidiaries and affiliates continued development of an ISO-14001-compliant environmental management system. During the year, the ISO 14001 environmental management system certification process was completed in four subsidiaries and affiliates of the Group (TGK-11, BGC, Moldavskaya TPP, Eki-bastuzskaya TPP-2). Besides, in the reporting period, the environmental management system was audited and certified by the managing company – Inter RAO. Until 2016, the Group is planning to deploy and certify environmental management systems in all production subsidiaries and affiliates.

Fig. 42 By the end of 2016, an ISO 14001 certified environmental management system will be deployed in all subsidiaries and affiliates of the Group

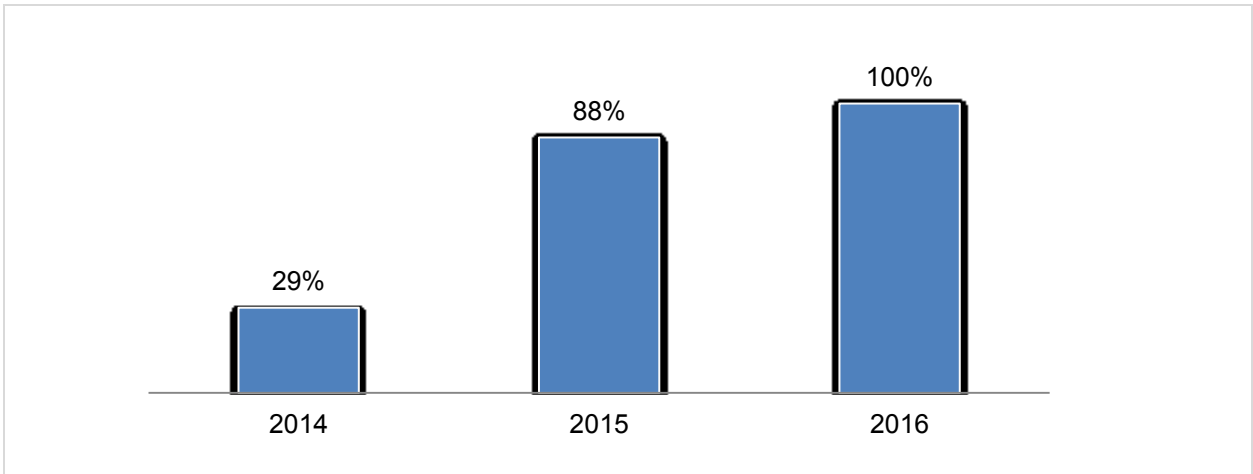


Fig. 43 In 2014, environmental protection costs increased by 23% to RUB 2.98 bn

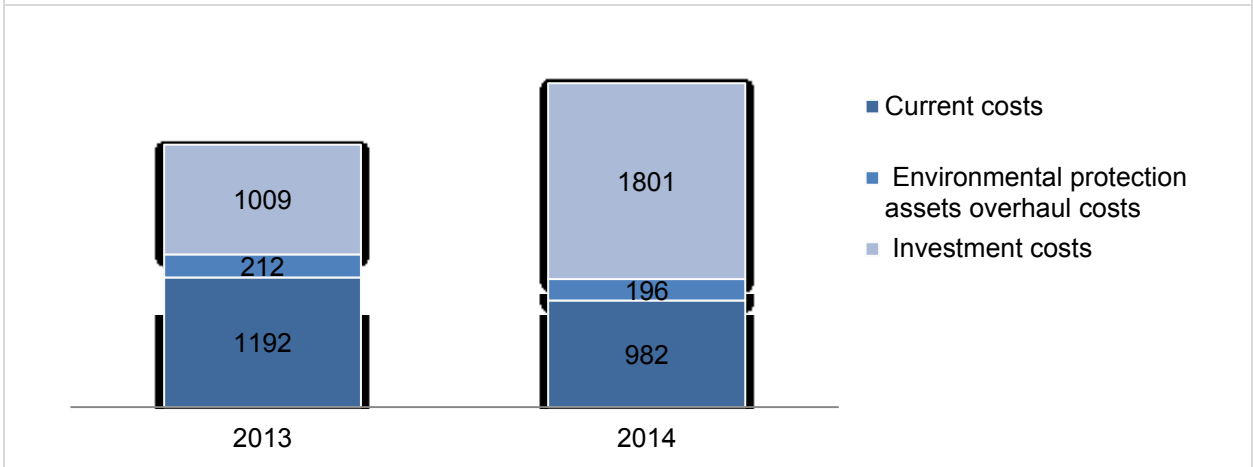
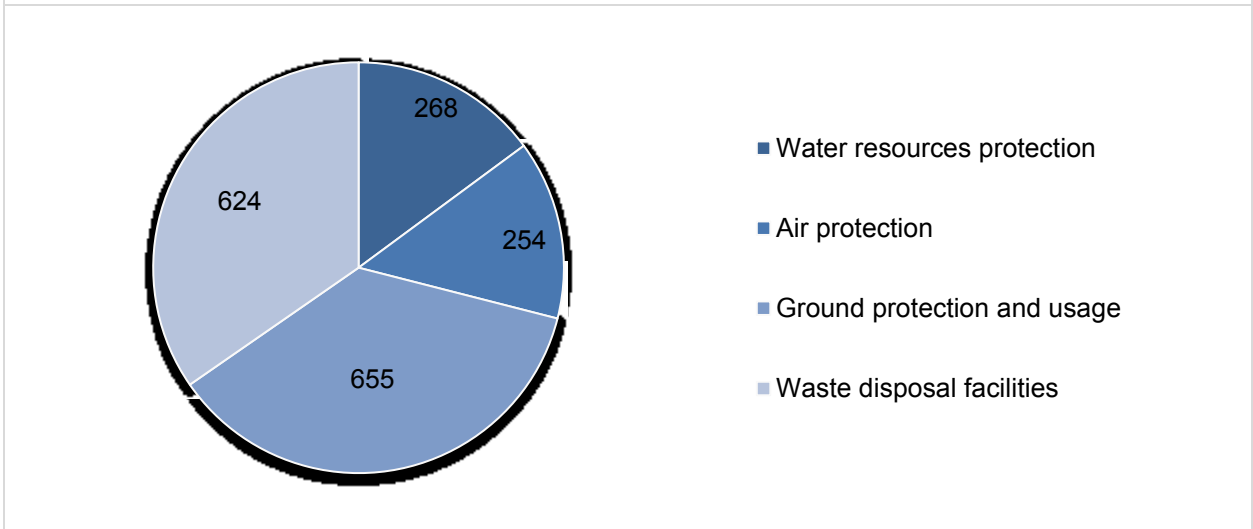


Fig. 44 In 2014, the major volume of investments for environmental protection, i.e. RUB approx. 1.2 bn was allocated to water resources, air, and ground protection, bn



Key activities to help the Group's environmental impact

Generally, key directions of the Group's activities implemented to minimise the environmental impact are as follows:

- Reduction of emissions;
- Increase of the reused and recycled water consumption rate;
- Increase of ash and slag waste useful usage;
- Improvement of waste disposal environmental safety;
- Reduction of the impact on flora and fauna.

Air protection

Group operations strictly comply with applicable Russian environmental laws in the field of air protection. Advanced technologies for stack gas cleaning, environmental production monitoring and control and environmental protection measures are implemented at the Group's facilities to ensure compliance with pollutant emissions standards and norms.

In 2014, the volume of pollutant emissions was reduced. The largest reduction was achieved for solid substance emissions (by 13%) and sulphur oxide emissions (by 10.1%).

Table 75. In view of the implementation of the Group's Targeted Environmental Programme, the volume of pollutant emissions reduced by 9.5%

Index (thousand tons)	2013	2014		Change
Gross pollutant emissions	537.7	486.7	↓	-9.5%
gaseous and liquid effluent	383.1	352.1	↓	-8.1%
Including CO	13.1	14.0	↑	+7.2%
NO _x	169.6	161.8	↓	-4.6%
SO _x	195.6	175.9	↓	-10.1%
Solid substances	154.7	134.6	↓	-13.0%

Fig. 45 Total pollutant emissions reduced by 9.5%¹³³ (in thousands of tonnes)

■ Gaseous and liquid effluent ■ Solid substances

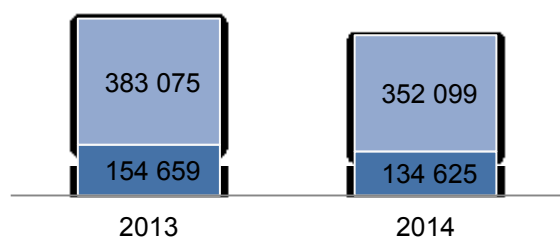
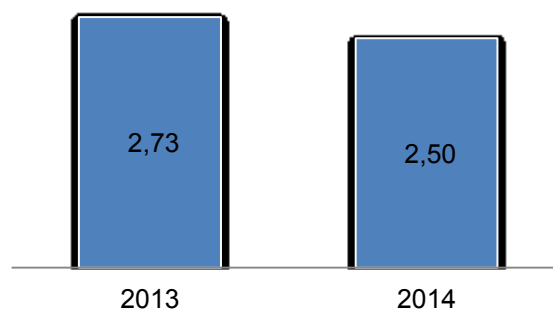


Fig. 46 Specific pollutant emissions per unit of electricity and heat generated reduced by 8.5% (in kg/kWh)



¹³³ Gaseous substances include carbonic oxide (CO) nitrogen oxide (NO_x), sulphur oxide (SO_x) and other substances.

The reduction of pollutant emissions is mainly due to the replacement of run-down generating facilities with low energy and environmental efficiency with new capacities which meet the latest environmental protection requirements. In 2014, new capacities for a total of 1.5 GW were commissioned, including 1.2 GW of CPP technology-based capacities. Furthermore, an up-to-date coal-fired generating unit was commissioned at the Cherepetskaya TPP which is equipped with both conventional systems for stack gas cleaning from an ash and sulphur collecting plant. This generating equipment will ensure replacement of coal-fired generating units that have passed their service life at the Verkhnetagilskaya, Cherepetskaya and Yuzhnouralskaya TPPs.

Commissioning of Generating Unit No. 8, 225 MW, at the Zhimerin's Cherepetskaya TPP – a branch of Inter RAO-Electricity Generation

In 2014, construction of coal-fired Generating Unit No. 8, 225 MW, at the Cherepetskaya TPP was completed. The power-generating unit consists of a K-225-12,8-4P steam turbine and an Еп-630-13,8-565/570KT power boiler.

Coal-firing in the boiler unit has several steps, which ensures the reduction of nitrogen oxide emissions. Boiler gas ducts are equipped with the first Russian integrated system for dry sulphur removal from stack gas with electrostatic filters. These solutions will ensure the reduction of nitrogen oxide, solid substance and sulphur emissions.

The construction of another similar power generating unit is in progress.



In addition to replacement of generation capacities, a reduction in the volume of pollutant emissions was due to renovation, retrofit and adjustment of dust collecting equipment for the existing boiler units:

- Replacement of the UG-2-4-74 electric filter with the EGVM-1 filter at Boiler Unit No. 8 at the Omskaya CHPP-4, which increased stack gas cleaning efficiency from 95.4% to 97.3%; electric filter repairs in Boiler Units No. 4, 5, 7, 8, 9, 11 and 12;
- Renovation of Electric Filter No. 8 at the Omskaya CHPP-5, overall repairs with improvement of the electric filter efficiency up to specifications in boiler units No. 1, 2, 5 and 9;
- Commissioning of an automated stack gas pollutant emissions monitoring system at the Urengoyanskaya TPP;
- Adjustment of the electric filter operation modes at Power Generating Units No. 1, 2, 3, 5, and 6 at the Gusinozerskaya TPP.

In 2014, total air protection expenses (investment and current costs) of the Group amounted to RUB 445 mln.

In the near future, the company plans to continue replacing energy and environmentally-inefficient generating equipment at the Verkhnetagilskaya, Cherepetskaya and Yuzhnouralskaya TPPs¹³⁴. In 2015, a long-term programme of electric filter replacement in boiler units of the Omskaya CHPP-4 and CHPP-5 with bag filters will continue, which will increase dust collecting efficiency to 99.9%. Furthermore, the activities are to reduce nitrogen oxide generation in gas-fired furnaces of the boiler units at the Group's generating facilities.

Greenhouse gas emissions

In 2014, the gross volume of greenhouse gas emissions decreased by 2.6% to 95.3 mln tonnes of CO₂-eq.

Fig. 47 Gross volume of the greenhouse gas emissions decreased by 2.5% (mln tonnes CO₂-eq)

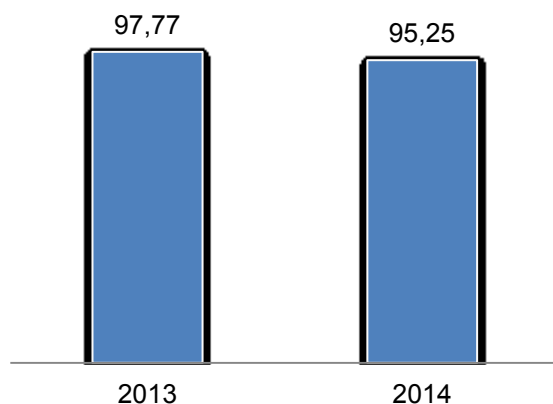
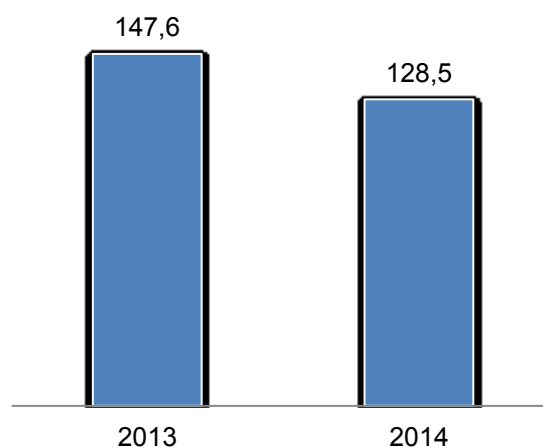


Fig. 48 Specific carbon intensity proceeds of the Group decreased by 13% (kg CO₂-eq/RUB k)



In 2014, specific greenhouse gas emissions resulting from heat and electricity generation have shown positive reduction dynamics.

This reduction is mainly due to:

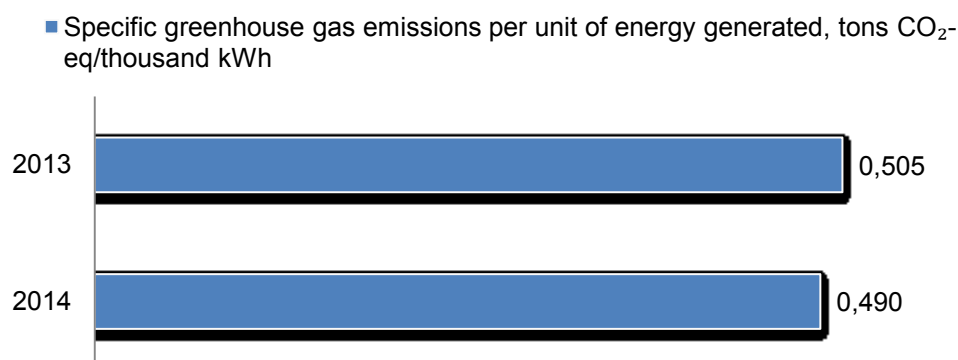
- Reduction of total efficiency of the fuel usage resulting from increase of new CPP generation share, and implementation of the energy efficiency improvement programmes¹³⁵;
- Increase of the natural gas shares¹³⁶ and reduction of solid fuel share in total fuel balance of the Group's TPPs.

¹³⁴ On January 01, 2015 turbogenerators TG-2.3 of Verkhnetagilskaya TPP (2x88 MW) and TG-2.3 of Yuzhnouralskaya TPP (2x50 MW) were decommissioned. Overall across the Group decommissioning of 796 MW of inefficient generating equipment and boilers BKZ-320-140 st. №№ 5,10 of Omsk CHPP-4 is planned for 2015.

¹³⁵ Unit consumption of fuel equivalent at thermal power plants of the Group reduced from 321 (in 2013) to 318 (in 2014) g.f.e/kWh of electricity delivered.

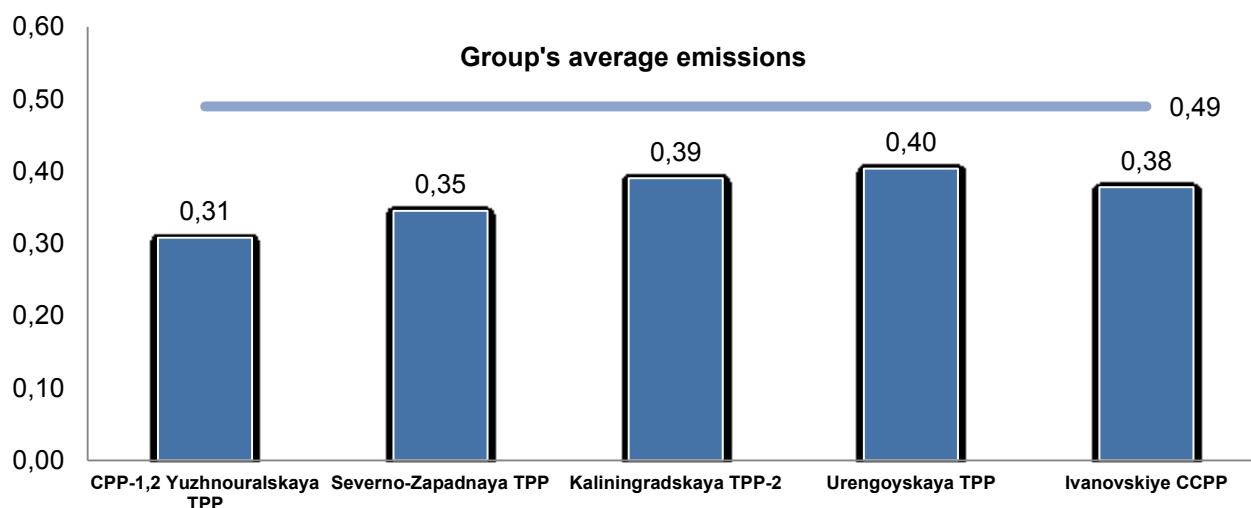
¹³⁶ Natural gas share in the Group's fuel balance with consideration of the lowest thermal capacity increased from 76.1% (in 2013) to 78.4% (in 2014).

Fig. 49 The volume of specific greenhouse gas emissions resulting from electricity and heat generation reduced by 3% (in tonnes of CO₂-eq/thousand kWh)



The Group operates generating facilities with high-efficiency CPPs that produce reduced greenhouse gas emissions. In the future, the company is planning to increase CPP-based electricity generation.

Fig. 50 Thermal power plants of the Group with installed CPPs have lower greenhouse gas emissions (in tonnes of CO₂-eq/thousand kWh)



Water disposal

In 2014, the volume and structure of water consumption slightly changed compared to 2013: total water withdrawal reduced by 0.8%, volume of water withdrawn from natural reservoirs increased by 0.3%, the percentage of reused and recycled water remained at 62%, waste water not meeting the standards reduced from 0.27% to 0.26%.

Among the key environmental protection measures in water withdrawal and disposal provided for in 2014 are:

- Completion of construction work and commissioning of new oily waste water treatment facilities at the Verkhnetagilskaya TPP;
- Continued construction of facilities for surface and production waste water collection and treatment at the industrial site of the Cherepetskaya TPP;
- Shore protection activities for water diffusing discharge of the Nizhnevartovskaya TPP;

- Modernisation and repairs of the ash and slag recycling system at the Kharanorskaya TPP;
- Start of construction of treatment facilities at the Omskaya CHPP-5 with total capacity of 6,000 cubic meters per day;
- Pre-engineering study and development of measures to improve water usage at the Omskaya CHPP-3 (with the results to be used in designing treatment facilities);
- Implementation of the waste water return in the operation cycle of the Ufimskaya CHPP-1 (volume of water intake reduced by 24.5 thousand cubic meters per annum).

Table 76. Total volume of water withdrawal reduced by 0.8%

Index (mln cubic metres)	2013	2014		Change
Total water withdrawal, including:	17,719	17,583	↓	-0.8%
of surface water bodies	6,628	6,647	↑	+0.3%
of third-party suppliers	76	85	↑	+12.1%
of underground water bodies	4.3	3.6	↓	-15.7%
of recycling water systems	10,757	10,520	↓	-2.2%
of reused water systems	253	327	↑	+28.8%
Share of reused and recycled water in total volume of water consumption, %	62%	62%		0%

Table 77. Total waste water discharge increased by 1.2%, and not-requiring treatment water share increased by 0.5%






Index (mln cubic metres)	2013	2014		Change
Total waste water discharged	6,245	6,323	↑	+1.2%
Discharged to third parties	8.84	11.4	↑	+30.3%
Discharged to surface water bodies, including:	6,237	6,312	↑	+1.2%
Not requiring treatment	6,006	6,109	↑	+1.7%
Sufficiently treated	213	186	↓	-12.9%
Insufficiently treated	8.2	8.1	↓	-2.2%
Without treatment	8.6	8.6	↓	-0.3%
Percentage of water meeting quality standards in total water discharge, %	96.2%	96.6%	↑	+0.5%

Production waste disposal

In 2014, the volume of waste generated was below the 2013 level by 573,500 tonnes (-10.5%), mainly due to reductions in coal incinerated. Ash and slag waste accounts for around 99% of total waste. By the end of 2014, about 250,000,000 tonnes of ash and slag waste were accumulated at the Group TPP's ash and slag disposal areas.

Table 78. Gross volume of waste belonging to different classes of hazard reduced by 10.5%

Index (tons)	2013	2014		Change
Waste generated:	5,462,086	4,888,587	↓	-10.5%

Index (tons)	2013	2014		Change
I class of hazard	27	25		-7.4%
II class of hazard	16	28		+70.0%
III class of hazard	1,170	1,211		+3.6%
IV class of hazard	14,764	15,040		+3.0%
V class of hazard	5,446,108	4,865,534		-10.5%

The volume of ash and slag waste disposal was at the 2013 level total of 205,300 tonnes (4.2% of the total generated volume). The ash and slag waste was mostly disposed by the following TPPs:

- Kashiskaya TPP – 92,600 tonnes (97% of total ash and slag waste generated in 2014);
- Omskaya CHPP-4 - 77,800 tonnes;
- Moldavskaya TPP – 15,000 tonnes;
- Verkhnetagilskaya TPP – 13,400 tonnes;
- Cherepetskaya TPP – 5,800 tonnes.

Table 79. The volume of ash and slag waste generation reduced by 10.2%

Index (t)	2013	2014		Change
Waste generated	5,462,086	4,888,587		-10.5%
Including ash and slag waste	5,388,001	4,837,102		-10.2%
Waste reused by Group enterprises	950	1,757		+84.9%
Including ash and slag waste	227	624		+174.9%
Waste decontaminated	1,607	1,252		-22.1%
Including ash and slag waste	-	-		
Waste sent to external organisations for useful application, decontamination and disposal	241,691	240,689		-0.4%
Including ash and slag waste	204,824	205,317		+0.2%
Waste disposed at own facilities	5,149,072	4,586,759		-10.9%
Including ash and slag waste	5,182,949	4,575,236		-11.7%

In 2014, the most significant water treatment activities were aimed at improving the industrial and environmental safety of ash and slag disposal areas and other waste disposal facilities:

- Renovation of Ash Disposal Area No. 4 at the Cherepetskaya TPP;
- Renovation of Section 1 of Ash Disposal Area No. 1 at the Gusinoozerskaya TPP;
- Cleaning of the slag collectors at the Nizhnevartovskaya TPP;
- Activities aimed at suppressing dust at the ash and slag disposal area at the Kharanorskaya TPP;
- Renovation of the ash disposal area at the Omskaya CHPP-4.

Biodiversity

Biological diversity is mainly influenced by a CPP's hydrotechnical facilities – there is a high risk of mass death of hydrobionts at water intakes. To minimise this risk, a number of activities are being

implemented to equip the water intakes with structures to protect fish and control their operation. In 2014, the following activities were implemented:

- Inspection of the fish-protecting structure at the Kashirskaya TPP to check its operating efficiency;
- Fish-farming study to evaluate the impact of ash and slag disposal areas on the biological profile of the Gusinozerskaya TPP on of the Teli river and Gusinoe lake;
- Start of construction of structures to protect fish at onshore Pumping Stations No. 1 and 2 of the Cherepetskaya TPP;
- Designing a unipolar electric fish protector at the open intake channel of the Ekibastuzskaya TPP-2.

The Group is traditionally paying special attention to compensation of damage to fish reserves of water reservoirs used by power generating facilities.

In 2014, biomelioration was performed at water reservoirs subject to the Group's energy generating facilities impact to compensate for the damage:

- Sterlet farming and delivery to the Kama water reservoir, a total of 400,000 fish (the Permskaya TPP);
- Grass carp stocks in the Verkhnetagil'skoye water reservoir at the Tagil river;
- Stock the Cherepetskoye water reservoir at the Cherepet river (Oka river affluent);
- Stock the Yuzhnouralskoye water reservoir at the Uvelka river (Tobol river basin);
- Stock the Gusinoe lake;
- Stock the cooling reservoir of the Kharanorskaya TPP;
- Herbivorous fish stocks the Karmanovskoye water reservoir at the Buy river (the Kama river basin).

Increase of fish reserves in water reservoirs of the Kharanorskaya TPP and Yuzhnouralskaya TPP

In 2014, the Kharanorskaya TPP purchased about one tonne of bighead juveniles to fight water blooming and over 900 kg of baby carp to compensate for the damage to fish reserves of the region. Carp juveniles were released into the waters of the Onon river near the Yasnogorsk village in the presence of the representatives of the Zabaykalskiy Territorial Division for Fishing Control, Supervision and Species Protection.



In 2014, employees of the Yuzhnouralskaya TPP continued operations for stocking the Yuzhnour-

alskoye water reservoir started in September 2013. In early October 2014, over 1,700,000 bream juveniles were released into the Yuzhnouralskoye water reservoir (which is equal to the water balance increase by over 5,000 tonnes of fish). This project was performed in collaboration with the Kopeyskoye fish-farming enterprise under control of the Nizhneobskoye Territorial Division of the Federal Fishing Agency.



Innovations to reduce environmental impact

The Group's employees are working on certain prospective actions to improve environmental friendliness. These actions are part of Inter RAO's Innovative Development Programme and are now in the R&D stage. These measures primarily target the improvement of energy efficiency and energy generation net cost reduction along with significant reduction of environmental impact.

Perspective projects of the Group to reduce the environmental impact

Construction of a pilot localised energy generation unit with improved steam parameters

This project covers construction of power generating units with ultra-critical steam parameters and advanced energy efficiency parameters.

The following actual projects of the Group were selected for a R&D study of construction of the pilot energy generating unit with advanced efficiency parameters:

- Modernisation or replacement of the 300 MW coal-based generating unit at the Kashirskaya TPP;
- Modernisation or replacement of the 300 MW gas-based generating unit at the Kostromskaya TPP.

Inter RAO's Solid Fuel TPPs Transit to dry ash and slag disposal

The project provides for the reduction of the negative impact of ash and slag disposal areas on air and water reservoirs and an increase in the proportion of useful ash and slag materials (in accordance with the objectives set by the Group's Targeted Environmental Programme). By now, the feasibility study of solid fuel TPPs – the Kashirskaya TPP and the Verkhnetagilskaya TPP transit to dry ash and slag disposal was completed, and applied technology R&D work has been performed

Community relations

The Group is proactively informing interested parties on the existing environmental situation and status of environmental performance at production facilities of its subsidiaries and affiliates. Public

hearings, public events and press tours are arranged, mass media are notified of the undergoing investment activities and commissioning of new equipment aimed at reduction of waste generation and waste water discharge, as well as water treatment improvement.

Interaction of the Omsk branch of TGK-11 with interested parties on the existing environmental situation in the region

In February 2014, multiple claims were received from the Omsk community about snow polluted with ash from TPP's boiler units. Total penalties paid by TGK-11 in 2014 for the violation of the environmental law totalled around 2,800,000 roubles.

TGK-11's management established a committee for inspecting TPP equipment and carried out a number of actions to work with the parties involved:

- Notifying the Government of the Omsk Region, the Prosecutor's Office and the Ministry of Natural Resources and Ecology of the Omsk Region on the implementation of environmental protection measures and the results of the ash collector's audit tests;
- Briefings and press tours, interviews for local mass media and news agencies, presentations delivered during the municipal youth environmental forum.

Inter RAO Group's companies were covered by the study of Interfax-ERA environmental energy rating agency¹³⁷

In December 2014, Interfax published the Russian business environmental efficiency ratings. 4,500 businesses from Russia and Kazakhstan were ranked, including 807 energy companies (381 energy generating companies and 426 network and heating grid companies) according to their environmental efficiency in 2005-2013. This study has shown that the Urengoyskaya TPP, a branch of INTER RAO – Electricity Generation, has the most environmentally efficient production among all rated facilities.

¹³⁷ Based on the rating provided by Interfax Independent Russian Information Agency at <http://interfax-era.ru/reitingi-predpriyatii/fundamentalnaya-effektivnost/100-luchshich-ecologicheskaya>

8.6 Asset security

Ensuring asset security is one of the strategic elements of the Group's security system. Objectives and key performance indicators are set annually for staff of the Security Unit to ensure continuous improvement of the Group's performance. Major objectives of the Group's operations to ensure asset security are as follows:

- No unauthorised access to sites;
- Electricity generation facility readiness for scheduled and unscheduled inspections by supervisory bodies;
- Adoption of Methodological Recommendations for Inter RAO subsidiaries and associates / second-tier subsidiaries, electricity generating facilities for defining terrorist threat levels.

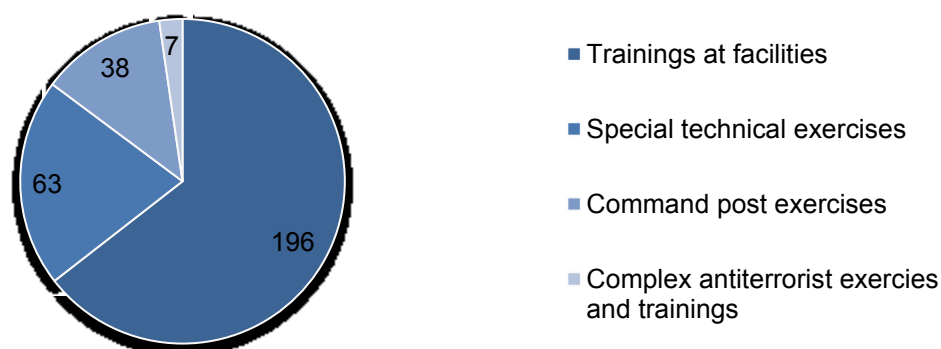
In 2014, the set targets were fully achieved.

Emergency prevention and anti-terrorist security measures

Group personnel actions in case of emergency are regulated by Inter RAO's Action Plan for Natural and Technical Emergency Prevention and Response. By the end of 2014, the KAIUS-SECURITY Automated Information and Control System was successfully deployed and commissioned at all sites at Inter RAO – Electricity Generation, TGK-11 and two of BGC's facilities. This system is used to analyse the enterprise's antiterrorist security efficiency, find the best solutions for ensuring security in case of attack on the secured premises, predict emergencies and develop solutions for emergency localisation and response.

In 2014, the Group's Security Unit developed the Methodological Recommendations for Inter RAO's subsidiaries and associates / second-tier subsidiaries in accordance with a decree from the Russian President ¹³⁸. This Methodology was fully approved and tested at the Kostromskaya TPP.

Fig. 51 Special attention is given to anti-terrorism drills and exercises, as well as emergency prevention and response exercises



In order to improve security control and staff readiness for quick responses to emergency situations, the Group annually conducts a large number of staff inspections, exercises, training and coaching sessions. These events are used to work on efficiency with antiterrorist protection

¹³⁸ Decree of the President of the Russian Federation no. 851 of June 14, 2012 *On the Procedure for Declaring Terrorism Threat Alerts Envisaging the Implementation of Additional Measures for Safeguarding the Security of the Person, Society and State.*

measures at facilities, interaction with security, defense and other relevant authorities on terrorism prevention measures. In 2014, 3,100 employees and 237 units of equipment were involved in exercises

Command post exercise in the TGK-11's Omsk Branch (July 2014)

Command post exercises were arranged at TPP-3 of TGK-11's Omsk Branch to optimise emergency prevention and response measures and anti-terrorist security measures at the facility. Realistic conditions were achieved for training purposes.

According to the concept, the trainees were eliminating consequences of a terrorist act at the energy facility. At the same time, a fuel oil facility explosion and fire required response actions using in-house resources and were practised in collaboration with the Main Division of the Ministry of Emergency Situations of Russia in the Omsk Region, the Western-Siberian Medical Center FMBA of Russia, and Dnepr, LLC.



In the reporting period, for the purpose of optimising the employee's actions in emergency situations, terrorist prevention measures and exercises were simulated and addressed, including:

- 469 exercises with involvement of guards from the regional branches of the SUP In-house Security Service of the Ministry of Energy of Russia;
- 76 commissioned inspections of the terrorist prevention system, security and technical protection systems at secured facilities;
- 2,518 inspections of security guard performance, including 676 night inspections.

Security group management at the facilities participated in a number of meetings with regional anti-terrorist committees and the TEC facility security committees and reported on the current terrorist protection levels of facilities.

Security engineering devices

In accordance with the approved investment programmes, modernisation of security engineering and technical devices continued at the facilities of the Gusinoozyorskaya TPP, Kostromskaya TPP, Yuzhnouralskaya TPP and Kharanorskaya TPP. These activities are performed as part of the Company's investment strategy for modernising the Group's security devices by 2017.

Interaction with authorities

In 2014, in collaboration with the Anti-terrorist Committee of Russia, divisions of the Ministry of Energy, security divisions of the Federal Security Service and the Ministry of Internal Affairs, the company organised a number of events, including:

- Measures for ensuring uninterrupted operation of Olympic sites and facilities during the XXII Olympic Winter Games and XI Paralympic Winter Games in 2014 (Sochinskaya and Dzhubginskaya TPP);
- A special tactical exercise for terrorist and sabotage prevention (Molniya-2014 exercises at the Kaliningraskaya TPP-2 and the Ivanovskiye CPP);
- A command post exercise for Verkhnetagilskaya TPP under security by the internal army of the Ministry of Internal Affairs of Russia during a special period.

9 Risk management

Inter RAO Group is a diversified energy holding company. The Group's business activity is affected by multi-factorial risks. The Group considers risk management to be a fundamental element of strategic development and a guarantee of high operating efficiency.

The Group has a corporate risk management system (hereinafter referred to as "CRMS") corresponding to modern corporate governance practices. The CRMS makes it possible to ensure the reasonableness and appropriateness of the risks taken, as well as the integrity and transparency of reporting on risk management. The Group is seeking to integrate risk management into all key business processes, as well as to focus on the interaction of CRMS with the systems of internal audit and internal control.

Inter RAO Group ensures on a regular basis that all elements of the CRMS are in compliance with the principles of corporate governance recommended for use by the Bank of Russia in the Code of Corporate Governance¹³⁹. The Group has a number of documents regulating all components of CRMS - from risk identification to information disclosure and exercising control on risks identified¹⁴⁰. The Group also has a portfolio of techniques specifying separate elements of the CRMS. To ensure unification of the processes of identification, analysis and management of risks, as well as of reporting at the Group level, the CRMS methodology has been communicated into all major subsidiaries and affiliates.

CRMS determines the single principle of allocation of responsibility depending on the management level. The Board of Directors is responsible for the creation, operation and evaluation of the efficiency of the risk management system. The Board of Directors approves the Map of Critical Risks, the Critical Risk Management Action Plan, and the Report on the CRMS Functioning. Provision of essential information about risks, the analysis of such information, and making key decisions is performed in the course of the examination of issues by the members of the Planning and Budget Committee of JSC Inter RAO.

Management of the functional groups of risks is the responsibility of the top managers of the Group being the owners of the risks. Responsibility for the risk management system operation in major subsidiaries and affiliates is rested on the management of such subsidiaries and affiliates. The managers of subsidiaries and affiliates bear personal responsibility for the performance of risk management related activities, not exceeding risk limits, as well as for the presentation of the re-

¹³⁹ Approved by the Board of Directors of the Bank of Russia on 21.03.2014 (letter of the Bank of Russia No. 06-52/2463 dated April 10, 2014).

¹⁴⁰ Including the Provision on Risk Management approved by the Board of Directors on 29.10.2010 (Minutes of November 1, 2010 No. 33).

sults of the risk management business process for peer review of the Planning and Budget Committee.

The Board of Risk Management, as a part of a special Unit for Internal Audit, Controlling and Risk Management, is responsible for coordination of the system activity on the identification, assessment and analysis of risks, the elaboration, implementation and recurrent updating of the methodology, report formation, and information disclosure, as well as for ensuring communication with the Board of Directors.

To improve the efficiency and effectiveness of the risk management process the Group has developed and is implementing key performance indicators (KPI) for the functional direction of the CRMS. Setting target and threshold KPI provides for the required level of motivation to achieve the planned results of the risk management process.

The main areas of work to improve the CRMS in 2014 were:

- developing individual risk models for each critical risk with the use of special software making it possible to create complex risk models and carry out the consolidation of risks at the Group level;
- performance of systematic and progressive work to improve existing techniques and approaches to the assessment of risk events;
- training staff responsible for the modelling and assessment of the Group's risks.

Key results in the year 2014 in this area:

- preparation and approval by the Board of Directors of the Report on the CRMS Functioning of the Inter RAO Group in 2013¹⁴¹;
- elaboration and approval of targets for management of the risks of the Inter RAO Group for 2015;
- development and approval by the Board of Directors of the Map of Critical Risks of the Group for the year 2015¹⁴²;
- development and approval by the Board of Directors of Critical Risk Management Action Plan for 2015¹⁴².

As part of our work on setting targets for the year 2015 the typical risks of key functional and business areas have been identified and agreed upon at the level of the executive body. To unify the approach to the identification, evaluation and consolidation of risks this list has been communicated to the level of subsidiaries and affiliates and applied in the formation of the Critical Risk Maps for the year 2015.

The risk management priority areas for the year 2015 include:

- improving the approach to determining the probability of risk events and damage which such events may cause as far as non-modelled critical risks of Inter RAO Group are concerned;

¹⁴¹ Approved by the Board of Directors on 24.04.2014 (Minutes of April 28, 2014 No. 113).

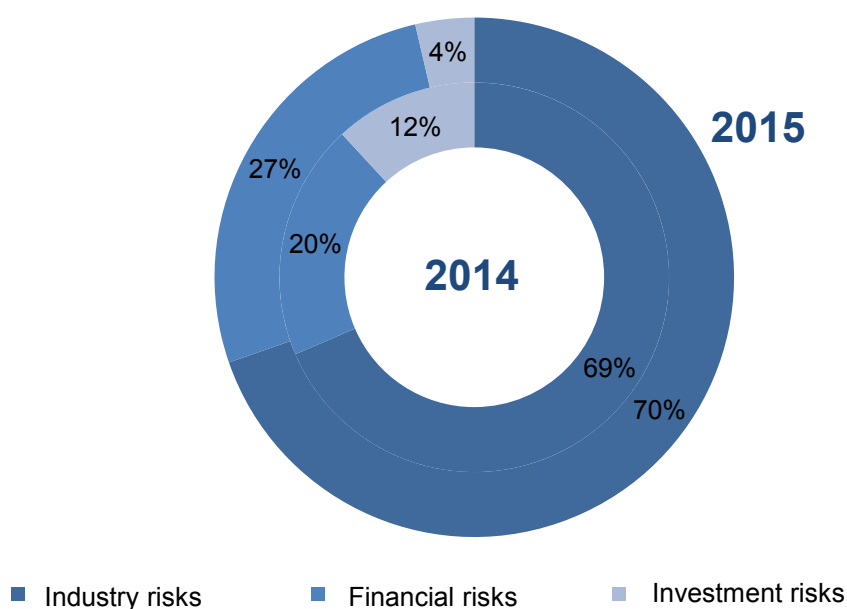
¹⁴² Approved by the Board of Directors on 29.12.2014 (Minutes of December 30, 2014, No. 132).

- standardising the approaches to calculating the actual damage which may be caused by materialised critical risks for Inter RAO Group in the context of the key segments of the Group;
- increasing the level of competence and skills of the participants of the system at the level of subsidiaries and affiliates and the Group.

The Map of Critical Risks of Inter RAO Group is formed annually within the framework of the CRMS annual cycle. When forming the Group risk maps for the year 2015 detailed risk models were formed with respect to all critical risks. The risk models provide for objective risk assessment, accounting for the previous period's statistics and the specificity of the assets and operations of the Group for the coming year. The Group has approved the following key indicators of risk impact assessment: net income, EBITDA and the company's marginal profit.

Quantitative assessments of the Group's critical risks are made by means of consolidating risk assessments at the level of subsidiaries and affiliates. The risks of the "Sales in the Russian Federation" and "Generation in Russia" segments are aggregated separately taking into account the probability of their materialisation in each subsidiary or affiliate of the segment.

Fig. 52 Inter RAO Group's critical risks consolidated by group in 2014–2015



Inter RAO Group allocates 6 groups of risks that have a significant impact on its activities.

Fig. 53 Risks of Inter Group



Industry risks

Owing to the specific nature of its activity as a diversified energy holding company the Inter RAO Group is exposed to industry-specific risks inherent in different segments of the electric power industry both in Russia and abroad.

Table 80. Risks of the Generation segment

Principal risks	Description
Risks associated with operation of the markets of electrical energy and power	Adverse change in the balance of supply and demand taking into account of introduction of new facilities and infrastructure constraints may lead to a reduction in the volume of generation, and reduce the profitability of electricity sales on the wholesale market.
Risks of technological limitations of trading activity	Change in the situation with the scheme and regime in the EU, restrictions on the issuance of power during the period of performance of unplanned grid repairs and forced outage for a period of restrictions on gas supply may lead to lower marginal profit of the Group's generating assets.
Disturbance risks	Equipment failures at new construction sites, high yield and change in the operation of electrical generating units associated with the expansion of the adjustment range of loads and a decrease in the duration of work in the basic part of the schedule may result in equipment damage.

Fuel supply risks	Rise in the price of the fuel component being the main item in the cost of the electricity production may lead to decrease in the marginal profit.
Risks of industrial injuries	Violation of safety standards, negligence in the operations and exposure to harmful factors of production may lead to accidents/ cases of professional diseases of the staff.
Risks associated with environmental damage	Fuel combustion causes emission into the atmosphere of pollutants and greenhouse gases. The use of solid fuel, i.e. coal, may lead to occurrence of significant amounts of ash and slag waste.

As part of managing the above risks, the Group is taking the following actions:

- participating in working groups at the Ministry of Energy and making proposals concerning generation issues at the Expert Council of the Federal Antimonopoly Service and the Supervisory Board of Non-profit Partnership Market Council;
- forecasting of changes in the situation with the scheme and regime, optimisation of the structure of included equipment in the situation of change in scheme and regime and interaction with JSC SO UES (JSC System Operator of Unified Energy System);
- elaboration of special plans of organisational and technical measures based on analysis of accident risks with account of the specific indicators and characteristics of each branch aimed at providing effective repair and maintenance of main and auxiliary equipment in order to reduce accident risks, improve reliability and efficiency, and exercise control over performance of measures prescribed by disturbance investigation reports;
- planning programmes of repair, reconstruction and maintenance based on analysis of accident risks;
- optimisation of fuel balance, use of long-term fuel supply contracts, reservation of volumes of fuel consumed and rolling stock required in due time;
- minimisation of hazardous and harmful factors of production, compliant with the mandatory requirements of industrial and fire safety and labour protection requirements, as well as with internal local regulations on safety.

Table 81. Risks of the Trading sector

Principal risks	Description
Risk of changes in the pricing environment	Adverse change in the prices at energy markets, including changes in the prices of electricity and/or power in the spot segments of the electricity market, changes in electricity prices under foreign trade contracts as well as in the services of infrastructural organisations may lead to the reduction of the marginal profit.

Risks of technological limitations on foreign trade related activities	Changes in the situation with the scheme and regime in the EU and the adjoining power system with the constraints of the network transfer capacity may lead to a decrease in the export and import supplies of electricity and marginal profit.
Risks associated with the operation of the markets of electrical energy and power	Strengthening of price competition and availability of technological limitations on power transmission may lead to reduced volumes of electricity exports.

As part of managing of the above risks the Group is taking the following actions:

- participation in the inter-agency working groups including Non-profit Partnership Market Council, JSC SO UES, JSC FGC UES (JSC Federal Grid Company of Unified Energy System) and the representatives of the market community and formation together with the members of the above groups of proposals to introduce changes in the regulatory framework, model and rules of the electricity market in the light of the specific features of foreign economic activity;
- participation in the international working groups of CIS EPC (CIS Electric Power Council), BRELL (Belarus-Russia-Estonia-Latvia-Lithuania) Power Systems technical Committee, COTC (Commission on the Operational and Technological Coordination of Joint Operation of Power Systems of the CIS and Baltic States), EurAsEC (the Eurasian Economic Community) and EEC (the Eurasian Economic Commission) in order to harmonise the rules of the electricity market with the rules of the electricity markets of foreign power systems, as well as to establish unified technical standards and rules regulating the parallel operation of the power systems of IPS/UPS;
- trading portfolio management at the domestic and foreign markets in order to ensure the profitability of trading activity at the target level;
- concluding direct contracts with foreign partners to sell electricity at a fixed price.

Table 82. Sales Segment risks

Principal risks	Description
The risk of adverse decisions as regards tariff rates and balances	The adoption of adverse tariff decisions may result in reduced revenue derived from sales at regulated prices to the amount preventing from obtaining the sales premium provided for by the tariff rate.
The risk that the consumer may turn to any other power supply company in order to enter the electricity market / entry of major customers to the electricity market	The fact that competitive power supply companies appear at the market and that the existing companies reduce their prices may lead to loss of customers.

As part of managing of the above risks the Group is taking the following actions:

- during the review of tariff applications and approval of required gross revenue all supporting materials and calculations aimed at recording all projected expenses and lost income of the previous periods are provided immediately;
- the tariff and balance decisions which are not compliant with the sectoral legislation are challenged;
- the constant monitoring of the customers "at risk" is being performed and, subject to the emergence of competitive power supply companies, counter-proposals from independent power supply companies of the Groups are being formed;
- substantial attention is given to improvement of the quality of customer servicing, thus, for example, remote and interactive communication channels, as well as the client services, are in the process of development.

Country and regional risks

In addition to the Russian Federation, the Group operates in the Baltic countries, Northern Europe, Central and Eastern Europe, the countries of the Black Sea, Central Asia and the Far East.

In respect of business activity abroad the Group accounts for the political, macroeconomic and social risks in the countries of its business activity, as well as the risks related to the geographical features of the countries where the Group operates. However, special attention is paid to the dialogue of the Russian Federation with the Western countries as regards the prospects of the development of foreign policy situation.

As part of managing of the above risks the Group is taking the following actions:

- market analysis, including analysis of the regulating legal framework;
- participation in the programmes of state support implemented by the Russian Federation, in the work of the intergovernmental commissions and in the elaboration of intergovernmental agreements;
- organisation of interaction with public authorities and large companies in the countries where the Group operates;
- promoting projects for developing interstate relations in promising areas;
- diversification and periodic inventory of the Group's investment portfolio and contracts portfolio in order to balance the Group's strategic set of opportunities and liabilities;
- development of scenarios of future conditions of work in strategic activity areas based on the global forecast of economic, political and technological factors and their dynamics.

Financial risks

Evaluation of financial risks, elaboration of financial risk management procedures, monitoring and control over financial risks is performed on a regular basis. In the reporting period the Group focused on management of the following risks:

- exchange rate risk;
- interest-rate risk;
- solvency risk;
- credit risk.

Exposure of the Group to exchange rate risk is conditioned by the nature of the Group's activity, namely by cross-border supplies of electric energy and management of foreign assets. The Group is exposed to interest-rate risk as a result of the revision of lending interest rates on borrowed funds at the time of refinancing them and due to the sensitivity of certain financial liabilities to changes in market interest rates.

The credit risk of the Group is conditioned by untimely fulfilment/non-fulfilment of the obligations by the Group's counter-parties. Significant credit risk factors include reduced solvency or bankruptcy of an energy-supplying organisation, deprivation for counter-parties of their status of the electricity market subject and of a guarantee supplier, as well as the level of payment discipline of the counter-parties being end-users.

As part of managing currency and interest rate risks the Group takes the following steps:

- evaluation of currency and interest rate risks using Value-at-Risk and Earnings-at-Risk approaches, scenario modelling and stress testing;
- management of the currency position, credit and deposit portfolio of the Group in accordance with the approved methodology;
- transaction execution on the market of derivative financial instruments in order to hedge currency and interest rate risks.

As part of managing credit risks, the Group takes the following steps:

- constant monitoring of receivables;
- arrangement of claim-related work with counter-parties that do not fulfil their payment obligations;
- elaboration and implementation of programmes of measures aimed at reducing receivables from consumers;
- estimating bank solvency on the basis of which internal ratings are assigned to banks;
- setting limits on transactions with bank counterparties and monitoring compliance with the limits concerned;
- assessment of solvency and financial stability of subsidiaries on the basis of the internal credit rating indicator providing for qualitative and quantitative assessment of business activity;
- carrying out activities aimed at maintaining and enhancing the internal credit rating of subsidiaries.

Investment risks

In the reporting period the Group's attention was focused on managing the risk of shifting the timing of energy deliveries under power supply contracts. This risk is due to both the factors of technical (i.e. delay in timing of construction and commissioning of the object) and organisational (i.e. failure to obtain the right to participate in trading on the energy market) nature, which results in lost profits and, in some cases, fines under power supply contracts (PSC). The group of these risk factors also includes financial insolvency of the general contractor, incompleteness, defects in the equipment supplied and non-compliance of contractual delivery dates by the manufacturers.

As part of managing the above risks, the Group takes the following steps:

- obtaining the right to trade in electrical energy and power on the electricity market;
- arrangement of the process of document preparation for accreditation of training documents for attestation in JSC SO UES;
- arrangement of the process of document preparation for the establishment by the Supervisory Board of NP Market Council of payment for technological connection to grids for accounting in the price of PSC;
- arrangement of the process of presenting documents on current tax rates (property and income taxes) in the regions of the objects of PSC;
- arrangement of the process for preparing the package of documents for presentation at the Supervisory Board of NP Market Council to estimate the amount of capital expenses for modernisation justified from an economic viewpoint;
- use of the competences of the Group's own engineering company LLC Inter RAO – Engineering in the execution of projects;
- organisation of project management in accordance with the best Russian and international practices.

Legal risks

The Group bases its activities in strict compliance with Russian legislative requirements and the jurisdictions of the countries where it conducts its activities. The Group identifies key risk areas as far as legal risks are concerned:

- risks associated with changes in legislation governing the Group's operations;
- risks associated with the impossibility of renewal of licences of OAO "Inter RAO";
- risks associated with changes in court practice on the Group activities related issues.

Reduction of the negative impact of this category of risks is achieved through monitoring and timely response to changes in legislation, as well as through active interaction with legislative and executive authorities and non-governmental organisations on the issues of interpretation, enforcement and improvement of legislation. To minimise legal risks key business processes of the Group are subject to mandatory legal expertise. Pre-trial settlement of disputes with contractors is widely used.

Reputation risks

Being a public company, JSC Inter RAO takes into account the reputational component of its activities and takes measures to mitigate negative impact of risks on the Group's brand. The company is focused on the interests of investors and stakeholders, and, in order to reduce the risk of forming a negative image of the Group, is committed to the principles of informing the public of the opportunities and threats to the business, as well as to the principles of credibility, transparency and timely disclosure of information in the public domain. The Group also monitors the risks of proliferation of insider information in order to prevent fraud and price manipulation on the securities market, for the purpose of which the Regulation on Insider Information has been approved.

10 Procurement

In 2014 Inter RAO Group has actively developed the system of planning and performing its procurement procedures. The focal areas in development of this system have been unification and standardisation of the procurement procedure as well as increasing effectiveness and quality in procurement activity. In 2014 the following regulatory documents were developed and updated in order to observe the current legislative requirements of the Russian Federation and to improve procurement activity of the Group:

- Regulations on the procedure of performing purchase of goods, works, services for JSC Inter RAO¹⁴³;
- Regulations on the procedure of performing regulated purchase of goods, works, services for JSC Inter RAO¹⁴⁴;
- Regulations on the procedure of accreditation for suppliers of goods, works, services¹⁴⁵;
- Regulations on the Central Procurement Committee¹⁴⁶;
- Regulations on a procurement committee¹⁴⁷;
- Regulations on the procedure of maintenance the Register of mala-fide Suppliers¹⁴⁸;
- Procurement Policy of Inter RAO Group¹⁴⁹;
- Regulations on business process on development, adjustment and execution control of the comprehensive annual procurement programmes (CAPP) of JSC Inter RAO¹⁵⁰;
- Regulations on business process of expert evaluation of procurement participants' bids¹⁵¹;
- Regulations on the business process of procurement procedures¹⁵²;
- Regulations on the business process of accreditation for suppliers of goods, works, services¹⁵³;
- Regulations on business process of the Central Procurement Committee operations¹⁵⁴;
- Methodology for development and adjustment of the comprehensive annual procurement programmes of JSC Inter RAO¹⁵⁵;
- Methodology for organisation of the secondary resources utilisation process in Inter RAO Group (for ferrous and non-ferrous scrap metal)¹⁵⁶;
- Instructions on performing a simplified purchase procedure¹⁵⁷.

¹⁴³ Approved by resolution of the Board of Directors of JSC Inter RAO dated January 31, 2014, Minutes No 107 dated February 03, 2014.

¹⁴⁴ Approved by resolution of the Board of Directors of JSC Inter RAO dated September 30, 2014, Minutes No 124 dated October 3, 2014.

¹⁴⁵ Approved by order No 407 of JSC Inter RAO dated August 14, 2014.

¹⁴⁶ Approved by resolution of the Board of Directors of JSC Inter RAO dated December 22, 2014, Minutes No 130 dated December 25, 2014.

¹⁴⁷ Approved by order No 624 of JSC Inter RAO dated December 09, 2014.

¹⁴⁸ Approved by order No 564 of JSC Inter RAO dated November 13, 2014.

¹⁴⁹ Approved by order No 370 of JSC Inter RAO dated July 25, 2014.

¹⁵⁰ Approved by order No 691 of JSC Inter RAO dated December 26, 2014.

¹⁵¹ Approved by order No 479 of JSC Inter RAO dated September 29, 2014.

¹⁵² Approved by order No 624 of JSC Inter RAO dated December 09, 2014.

¹⁵³ Approved by order No 407 of JSC Inter RAO dated August 14, 2014.

¹⁵⁴ Approved by order No 520 of JSC Inter RAO dated October 20, 2014.

¹⁵⁵ Approved by order No 691 of JSC Inter RAO dated December 26, 2014.

¹⁵⁶ Approved by order No 367 of JSC Inter RAO dated July 23, 2014.

¹⁵⁷ Approved by order No 624 of JSC Inter RAO dated December 09, 2014.



*For more detailed information on the documents regulating the procurement activities:
<http://www.interrao-zakupki.ru/purchase/managment/normative-legal-acts/>*

LLC Inter RAO - Procurement Management Center (hereinafter – PMC) is responsible for centralised supply in the Group.

The combined effect from consolidation and centralisation of procurement activities of the Group enables the PMC to reduce the cost of the purchased goods, works and services, and to increase effectiveness and transparency of procurement procedures. PMC activity helps the Company to obtain qualified suppliers and contractors for smooth performance and development of all the Group companies.



*For more detailed information on the aims and tasks of LLC Inter RAO - Procurement Management Center you may read the last updated version of Regulations on the procedure of performing regulated purchase of goods, works, services for JSC Inter RAO at:
<http://www.interrao-zakupki.ru/purchase/managment/normative-legal-acts/>*

Strategic tasks (objectives) for procurement activity development

The focal areas in procurement activity of Inter RAO Group are standardisation and unification of its procurement procedures. The objectives for the procurement activity development include improvement in accreditation system, regulatory frames, procurement planning and control, as well as expanding the capabilities and functionality of the suppliers' base. In order to improve efficiency and optimise its procurement activities the Group has developed and implemented a number of projects and activities:

Table 83. Main projects and activities by Procurement Management Center

Strategic task	Project	Results	Timeline	Status as at Dec 31, 2014	Signal
Increase of effectiveness and quality of procurement procedures of LLC Inter RAO - Procurement Management Center	Estimators and security control specialists officially became a part of Procurement Management Center expertise (before that they only participated in preparation of recommendations)	The Center employees have acquired a higher level of competency in economic security of the Group's beneficiaries; higher levels of transparency and corruption prevention are achieved	2014	Project completed, functioning on a constant basis	green
	Optimisation of organisational structure in purchasing departments	New requirements to the employees' competency; number of employees is reduced	2012–2014	Task successfully completed	green

Increase of CAPP planning system effectiveness	Introduction of a new procurement procedure – prequalification. It means making a shortlist of few bona fide suppliers for a mid-term frame agreement. In a closed session one of the suppliers is chosen to sign a three-year supply contract	Time and finances saved due to mid-term and long-term (over a year) contracts. Consolidated purchases for all the Group companies for three years were signed in the following categories of goods and services: individual protective equipment, insurance services, legal and evaluation services, metering devices (for power supply companies)	2014	Procedure successfully implemented	green
Increase of unification and standardisation levels of the procurement procedures	Project “Unification of procurement activity in subsidiaries and affiliates of Inter RAO Group”, it includes development of regulations on performing and control of procurement procedures in the Central Procurement Committee as well as regulations on expert evaluation and procedures for subsidiaries and affiliates	New in-house regulations for procurement activity in all the Group companies and subsidiaries (except for foreign) are introduced. Higher levels of procurement procedure control and effective control for set tasks execution	2013–2014	Project successfully completed	green
Development of Information Procurement Management System in Inter RAO Group	Project “Accreditation system development” proposing free and voluntary accreditation for those suppliers who wish to have their competency assessed	Optimisation of qualification stages for request consideration and reduction of time line for procurement procedures through document flow streamlining; Protection of the Group companies from mala-fide suppliers by forming a list of bona fide suppliers; compliance with new regulation on disclosure of beneficiaries ¹⁵⁸	2013–2015	In process	yellow
	Treasury Project	Reduction of manual labour, minimisation of the probability of human mistake, improvement of procurement performance of the Group	2013–2014	Projects completed, functioning on a constant basis	green
	Budget Management System		2014		
	Development of unified procurement information system		2012–2020	In process	yellow

¹⁵⁸ In the updated Regulations on the procedure of accreditation for suppliers of goods, work, services approved by order No 407 of JSC Inter RAO dated August 14, 2014).

	Implementation of the centralised regulatory and reference information system	Improvement of transparency and comparability of data used for decision-making	2013–2015	In process	yellow
	Provision of access to the suppliers' portal	Expansion of the suppliers' abilities to additionally raise funds when working with available information data of Group companies by rendering services to support participation in competitive bidding for purchasing activity	2013–2015	In process	yellow
	Digital signature project	Reduction of document flow in the Group	2014–2015	In process	yellow
	Analytical System (BI) Project	Improved quality of report generation in the Unified procurement information system	2014–2017	In process	yellow
	Control of the procurement contracts awarded after the procurement procedures	Better control to exclude potential of additional legal costs related to court proceedings initiated by suppliers winning in procurement procedures that were not awarded contracts	2017	In process	yellow
Mitigation of risk of not signing contracts after the procurement procedures	Economic security promotion project, which involves expert examination of potential suppliers' bids and of the chain of ownership of the winning bidder	Prevention of the possibility of participation of unreliable suppliers in the competitive bidding process for procurement	2012–2020	In process	yellow

Procurement performance

The key performance indicators (KPIs) of PMC is the reduction of the costs of purchased goods, work, and services versus the budget of the annual target integrated procurement programme (ATIPP) of JSC Inter RAO and its key subsidiaries (OJSC Inter RAO – Electric Power Plants, JSC TKG-11, LLC BGC, JCS MOSENERGO, LLC RN-Energo Ltd, and JSC SSC (SAINT-PETERSBURG SALE COMPANY)).

Improvement of the efficiency and control over purchasing procedures in 2014 facilitated reduction of actual costs of the annual target integrated procurement programme (ATIPP) versus planned:

- 6% – for the executive office of JSC Inter RAO;
- 6% – for energy generation assets;
- 9% – for power supply assets;
- 7% – for other assets.

During 2014 PMC held 1,404 procurement bidding processes to satisfy the needs of Inter RAO Group worth 72% of the entire purchasing volume of the Group (89% in 2013).

The largest project based on the total value of purchases in 2014 was construction of an additional energy unit at Verkhnetagilskaya TPP in the amount of RUB 11 bn which included logistics, supplies, construction and installation, and other activities.

In 2014 the main forms of procurement procedures were open invitation to bid and open competitive negotiations.

Table 84. Main forms of procurement procedures in 2014

Form of a procurement procedure (based on number of procedures)	
Open invitation to bid	52.0%
Open competitive negotiations	35.2%
Open request for quotation	3.0%
Competitive bidding	2.9%
Prequalification followed by a closed competitive bidding	2.1%
Closed competitive negotiations	2.0%
Closed invitation to bid	0.9%
Closed competitive bidding	0.7%
Open competitive bidding and negotiations	0.5%
Closed request for quotation	0.4%
Open auction	0.2%

In 2014 PMC representatives took active part in external events dedicated to the development of procurement activities, including:

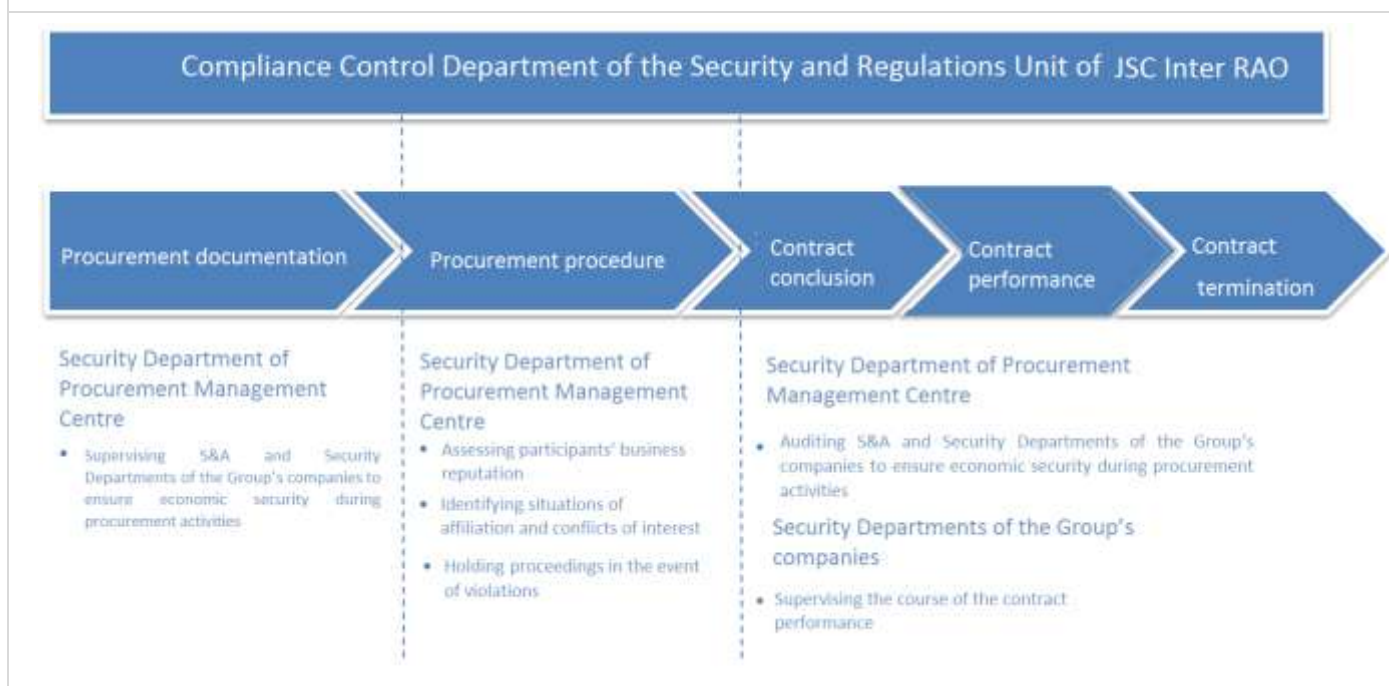
- meetings with the State Secretary/Deputy Ministry of Economic Development and Trade of the Russian Federation regarding the Road Map of Expansion of access of small and medium-sized businesses to procurement of infrastructure monopolies with a government participation interest;
- meetings of the working group of the Ministry of Economic Development and Trade of the Russian Federation regarding improvement of mechanisms for purchasing of innovative productions by companies with a government participation interest;
- meeting of members of the National Association of Procurement;
- meetings of the working group of the Strategic Initiative Agency, Expansion of access of small and medium-sized businesses to procurement of infrastructure monopolies with a government participation interest.

Preventing corruption in procurement

In accordance with the Fraud and Corruption Fighting Policy of JSC Inter RAO¹⁵⁹ procurement is considered as one areas of concern. The fraud and corruption fighting system is aimed to ensure:

- information disclosure;
- non-discrimination and absence of unjustified restriction of competition for bidders;
- honest and reasonable selection of the best offers after the comprehensive analysis of costs and benefits;
- targeted and cost-efficient spending of funds.

Fig. 54 Scheme of measures to counter fraud and corruption at various stages of contractual relationship



Assessment of economic security takes place at all procurement stages starting with competitive procedures and until contractual relations are over. In case the information of violation or misuse is confirmed, urgent measures are taken and corrective actions are implemented to eliminate identified violations. The information on these violations or misuse is reported to Group management bodies.

The centre responsible for economic security during procurement activities of the Group is the Security Department of LLC Inter RAO - Procurement Management Centre (hereinafter, SD PMC).

As part of improvement of the fraud and corruption fighting system of the Group, in 2014 the Group adopted the Regulations on the procedure for maintenance of the register of unreliable suppliers¹⁶⁰ and approved the Methodology for assessment of the contractors' business reputation.

Amendments were also made to the main document regulating mandatory information disclosure on the chain of owners of the contractor – Corporate Standard of Inter RAO Group, Provisional

¹⁵⁹ Approved based on the Resolution of the Board of Directors of January 31, 2014 (Minutes No. 107 dated February 03, 2014).

¹⁶⁰ Approved by Order of JSC Inter RAO No. 564 dated November 13, 2014.

Guidelines to the procedure for disclosure of information pertaining to the entire chain of contractor owners, including beneficiaries (also ultimate beneficiaries). This document is Appendix No. 1 to the Regulations on the procedure for regulated purchasing of goods, work, and services required for JSC Inter RAO.

Currently rules of procedure for disclosure by contractors of information on the chain of ownership and regulated purchasing of goods, work, and services are at the approval stage. Moreover, SD PMC completed the following projects:

- created the Beneficiaries portal (Contract disclosure system);
- developed, maintains and updates on a regular basis the base of declarants within Inter RAO Group;
- developed programme and methodology for joint electronic processing of details from the Beneficiaries portal and declarants' base to identify any situations of affiliation.

SD PMC objectives for 2015 include:

- verification of procurement procedures and concluded agreements to find, prevent, and preclude any cases of corruption and misuse;
- improvement of forms, methods, and ways of checking the business reputation of contractors;
- coordination of S&A activities related to control over the conformance of supplied goods or performed work to terms of reference
- identification of the affiliation of employees with contractors, timely finding and resolution of potential conflict of interest.

11 Financial performance

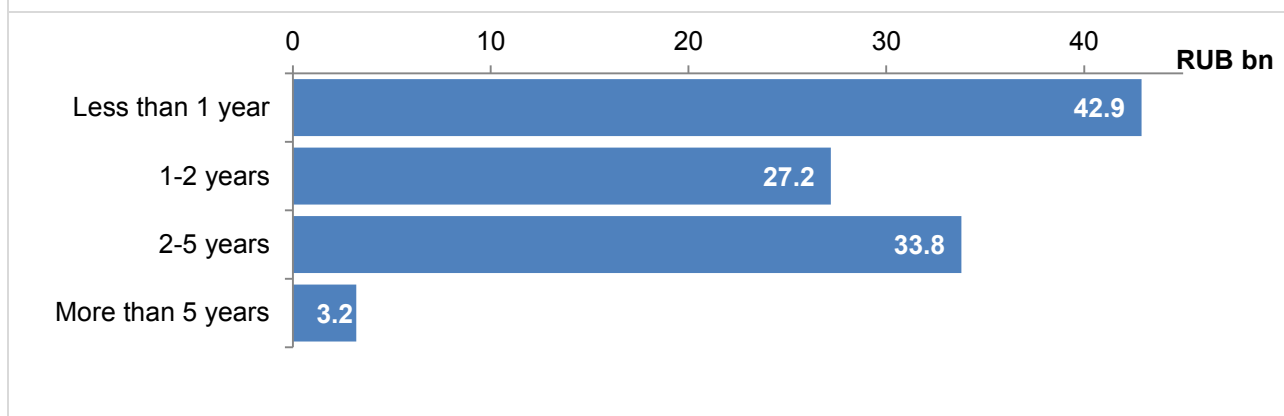
Total debt load

The Group's debt load, including the share in joint venture debt, increased by 96.6% to RUB 117.2 bn.

The Group's debt liabilities (excluding shares in joint ventures) increased by **RUB 54.3 bn**, or **102.8%**, in comparison with the beginning of 2014, the Group's net debt (including deposits with a maturity of 3-12 months) for the accounting period grew by RUB 17.3 bn to **RUB 35.5 bn**. The debt loan increase is related to taking loans for the purpose of fulfilling liabilities in October 2014 under the optional agreement with State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), implementing the investment programme of JSC Inter RAO – Electricity Generation, as well as to the revaluation of the Group's currency liabilities due to growth in the exchange rate of USD to RUB. In addition, the credit portfolio of joint ventures grew by RUB 3.3 bn, predominantly due to a drawdown of funds of JSC Ekibastuzskaya TPP-2 for the purposes of financing the investment programme (building the 3rd unit). Thus, by the end of 2014, the ratio of debt (including the share in joint ventures) to EBITDA was **2.0**, which indicates the Group's financial sustainability.

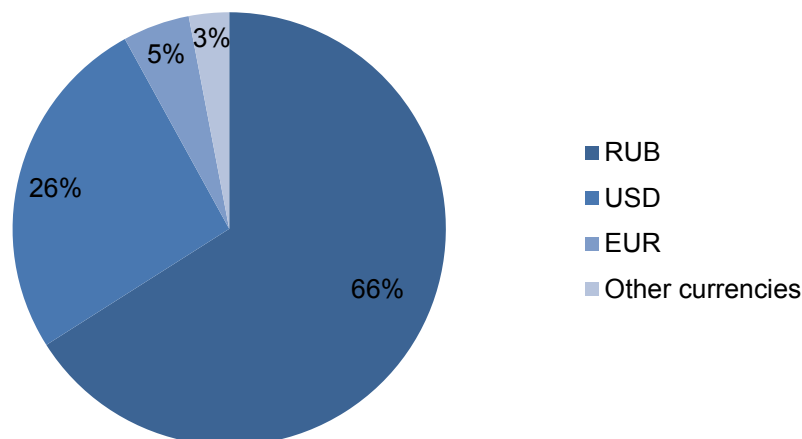
At the end of 2014, the ratio of long-term to short-term debt was 60% to 40% respectively (this ratio was 76% to 24% at the beginning of the period). The increase in the share of short-term loans was predominantly caused by the transfer of a long-term loan from JSC Mezhdregionenergostroy (including factoring in favour of LLC VTB Factoring) in the amount of RUB 15.3 bn into short-term loans in accordance with the settlement schedule, as well as borrowing additional resources for the purpose of replenishing working capital by the Group's companies.

Fig. 55 Credits and loans with maturities of less than 1 year comprise the major share of the credit portfolio (excluding shares in joint ventures).



The currency structure of the credit portfolio is balanced against the currency structure of the Group's assets and revenues.

Fig. 56 Debt liabilities in RUB represent the major share of the credit portfolio.



Key loans obtained by the Group in 2014.

November 20, 2014 The Bank of Russia registered changes to resolutions on issuing documentary bonds and to the prospectus of JSC Inter RAO Finance following amendments to the Legislation of the Russian Federation on debt capital markets and relevant information on the Issuer's activities. The issue amount of bonds is up to RUB 60 bn, while the bond maturity is up to 10 years.

December 1, 2014 Closed joint-stock company MICEX approved changes to the resolutions on issuing stock exchange bonds of JSC Inter RAO and their prospectus following amendments to the requirements of Closed joint-stock company MICEX and the Legislation of the Russian Federation on debt capital markets. The issue amount of bonds is up to RUB 100 bn, while the bond maturity is up to 10 years.

During 2014, for the purposes of financing the investment programme the Group conducted cash drawdowns under loan agreements with the European Bank for Reconstruction and Development (EBRD) (as part of the package deal on attracting long-term loans in the amount of up to RUB 12 bn for a period of up to seven years), with ING Bank (a branch of ING DiBa AG, as part of the loan agreement on attracting a long-term loan in the amount of up to RUB 48.4 bn for a period exceeding ten years), as well as with JSC Gazprombank (as part of loan agreements on attracting credit lines in an amount of up to RUB 5.6 bn and up to RUB 0.9 bn for a period of up to five years).

In addition, as part of fulfilment of the Group's liabilities under the optional agreement with State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) the Group conducted cash drawdowns under loan agreements with VTB Bank (Deutschland) (as part of a loan agreement on opening a credit line in the amount of up to RUB 35 bn for the period of up to five years), as well as with the European Bank for Reconstruction and Development (EBRD) (as part of a loan agreement on attracting a long-term loan in the amount of up to RUB 9.6 bn for a period of up to five years).

Cash flows

Table 85. Condensed cash flow statement for Inter RAO Group for 2013-2014, RUB bn

Indicators	2013	2014
Net cash inflow from operating activities	19.6	60.5
Net cash inflow from investment activities	-13.1	-29.1
Net cash expenditure on financial activities	-14.5	2.3
Net inflow of cash and cash equivalents	-8.2	35.7

The net inflow of cash and cash equivalents in the amount of RUB 35.7 bn recorded for the accounting period was caused by the following multi-directional factors:

- cash inflow from operating activities (RUB 60.5 bn), predominantly due to the rapid growth of revenue over operating expenditures and an increase in settled accounts receivable in the current period;
- cash expenditure on investment activities (RUB 29.1 bn), predominantly due to cash expenditure on financing the Group's investment programme;
- cash inflow from financial activities (RUB 2.3 bn), predominantly due to inflow from loans and credits, partly offset by scheduled and advanced settlement of loans and credits by the Group's companies.

Key indicators of the financial and economic situation

The main factors influencing the financial results of the Group's activities are:

- commission of 2.1 GW of new and upgraded generating capacity at the end of 2013 under Capacity Delivery Agreements (CDA), including Gusinoozyorskaya TPP, Yuzhnouralskaya TPP-2, Cherepetskaya TPP, Nizhnevartovskaya TPP, Omskaya CHPP-3, Omskaya CHPP-5 and the Olympic facility Dzhubginskaya TPP;
- optimisation of the working equipment composition to maximise margin profit received from electricity and capacity sales;
- optimisation of fuel costs at JSC Inter RAO – Electricity Generation and LLC Bashkir Generation Company;
- increase in prices on the Day-Ahead (Energy) Market in the first and second price zones, as well as an increase in prices for capacity sold in the Competitive Capacity Outtake (CCO);
- acquisition of a controlling interest in LLC Quartz Group and JSC Tomskenergosbyt (Tomsk Power Supply Company) in Q3 2013, as well as acquisition of the status of guaranteed power supplier in the Omsk and Tomsk Regions by the Group's companies in Q1 2014;
- increase in sales mark-ups of the Group's guaranteed power suppliers.

Table 86. Main indicators of the Group's financial and economic situation

Indicator	December 31, 2013	December 31, 2014	Change, %
-----------	-------------------	-------------------	-----------

Debt to equity ratio	0.53	0.68	28.1
Equity ratio	0.65	0.59	-8.9

The ratio of debt to equity shows the holding company's level of dependence on debt capital. At the end of the accounting period the indicator was 0.68, which indicates a low level of the Group's dependence on external investors and creditors. The indicator increased by 28.1% in comparison with the same period at the end of 2013.

The equity ratio shows the share of the company's assets covered by its own capital (provided by its own sources). At the end of the accounting period the indicator was 0.59, which indicates financial sustainability, stability and independence from external creditors. The indicator decreased by 8.9% in comparison with the same period in 2013.

The changes to these indicators were influenced by the following factors:

- growth in liabilities related to attracting credit resources for the purposes of fulfilling liabilities under the optional agreement with State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank) in October 2014, implementing the investment programme of JSC Inter RAO - Electricity Generation, as well as to the revaluation of the Group's currency liabilities due to growth in the exchange rate of USD to RUB;
- capital growth, predominantly due to an increase in undistributed profit as a result of the Group's activities in 2014 (profit of JSC Inter RAO shareholders amounted to RUB 7.8 bn);
- growth in assets, predominantly due to an increase in the amount of cash and cash equivalents, as well as deposits with maturities of 3-12 months.

Table 87. Liquidity ratios

Indicator	December 31, 2013	December 31, 2014	Change, %
Absolute liquidity ratio	0.36	0.56	55.8
Quick liquidity ratio	0.96	1.11	15.7
Current liquidity ratio	1.47	1.50	2.6

The Group's liquidity ratios calculated as the Group's assets (of various liquidity) to short-term liabilities show an increase in the Group's financial sustainability. The considerable improvement in all key liquidity indicators was caused predominantly by an increase in the amount of cash and cash equivalents (as well as deposits with maturities of 3-12 months) as a result of efficient operating activities and handling of accounts receivable.

Table 88. Profit ratio and profitability indicators

Indicator	December 31, 2013	December 31, 2014	Change, %
Working capital, RUB bn	53.9	73.8	36.8

Return on sales, %	-2.79%	2.69%	-
Net profit margin, %	-3.63%	1.32%	-
Return on assets, %	-4.69%	1.67%	-
Return on equity, %	-7.18%	2.81%	-

Working capital is calculated as the difference between current assets and current liabilities. At the end of 2014, working capital amounted to RUB 73.8 bn, which is RUB 19.9 bn (36.8%) more compared to the same indicator at the end of 2013. This growth was caused by an increase in current assets due to an increase in cash and cash equivalents following growth in operational and financial cash flow. The Group's working capital increased despite an increase in short-term liabilities caused by the reclassification of debt on credits and loans due to the oncoming deadline of their settlement.

All **profitability indicators** show a trend towards an increase at the end of 2014. Positive figures are considerably influenced by net profit in the amount of RUB 9.8 bn, against a net loss in the amount of RUB 24.0 bn by the end of 2013.

Table 89. Business activity (turnover) indicators in 2013-2014

Indicator	December 31, 2013	December 31, 2014	Change, %
Turnover of equity	0.48	0.54	12.7
Accounts receivable to accounts payable ratio	1.41	1.19	-15.8
Turnover of accounts receivable, days	146.90	149.63	1.9
Turnover of accounts payable, days	204.94	192.72	-6.0

The equity turnover ratio is calculated as the volume of sales to the annual average cost of equity. This figure increased by 12.7% in 2014 due to the increase in proceeds by RUB78.8 bn (11.9%) in the accounting period.

The ratio of accounts receivable to accounts payable decreased by 15.8% to 1.19, predominantly due to an increase in trade accounts receivable.

The indicators of **turnover of receivables and payables** are at a sufficient level, with no considerable changes compared to 2013. It's noteworthy that the ratio of turnover of accounts receivable is less than the ratio of turnover of accounts payable, which is a positive factor.

Table 90. Net assets in 2013-2014

Indicator	December 31, 2013	December 31, 2014	Change, %
Net assets, RUB bn	334.6	348.2	4.1

The indicator of net assets is a key indicator of activities for any commercial organisation. At the end of 2014, net assets amounted to RUB 348.2 bn, which is an increase by RUB 13.7 bn (4,1%) compared to the same indicator in 2013, predominantly due to an increase in undistributed profit relating to the Group's activities in the accounting period (profit of JSC Inter RAO shareholders amounted to RUB 7,8 bn).

12 Appendices

12.1 Revision Commission Opinion

To the Meeting of Shareholders
JSC Inter RAO

REVISION COMMISSION OPINION OF JOINT-STOCK COMPANY Inter RAO UES

March 20, 2015 Moscow

In accordance with the Articles of Association of JSC Inter RAO (hereinafter referred to as the "Company"), Federal Law of the Russian Federation 'Concerning Joint-Stock Companies' No 208-FZ dated December 26, 1995, by virtue of Regulations on Revision Commission of Joint-Stock Company Inter RAO UES approved by the annual General Meeting of Shareholders of JSC Inter RAO as of May 25, 2014 (Minutes No. 14 as of May 25, 2014), and pursuant to the Resolution of Revision Commission of Joint-Stock Company Inter RAO UES dated July 09, 2014 (Minutes No.2 as of July 09, 2014), in the period from February 19, 2015 to March 19, 2015, Revision Commission of the Company, composed of:

- Chairman of Revision Commission – Svetlana Petrovna Ray, Head of Internal Audit and Control Service, OJSC NK Rosneft;

and Revision Commission members:

- Dmitry Lvovich Shishkin, Member of the Management Board – Internal Control Director, JSC FGC UES;
- Izumrud Aligadzhievna Alimuradova, Head of Internal Control and Risk Management Department, JSC FGC UES;
- Ekaterina Viktorovna Heimitz, Deputy Head of Department – Head of Soundness of Assets, Auditing Office, Internal Control Department, JSC MMC Norilsk Nickel;
- Yury Aleksandrovich Shcherbakov – Head of the Treasury Department of Joint-Stock Company Inter RAO UES, performed audit of financial and economic activities of JSC Inter RAO as of year-end 2014.

Main audit objectives:

- to ensure that key financial figures of Company activities presented in the accounting statements have been true;
- to provide independent and fair assurance regarding the financial and operating efficiency of the Company;

- to ensure that, in the course of its financial and economic activities, the Company has followed the accounting procedures and met the requirements of regulatory legal acts of the Russian Federation.

To achieve the objectives, Revision Commission has checked for availability and effectiveness of control procedures as pertaining to the preparation of accounting (financial) statements, the quarterly analysis of performance against the business plan and the reasons for non-performance, the treasury operations; also, Revision Commission has familiarised with performance results of the Unit exercising internal audit function in JSC Inter RAO.

This Revision Commission Report has been prepared based on examination of the following materials:

1. Accounting (financial) statements of JSC Inter RAO for 2014 with all appendices and explanatory note;
2. Auditor's Report prepared by independent auditor (Ernst & Young LLC);
3. Annual Report of JSC Inter RAO for 2014;
4. Performance report on the business plan of JSC Inter RAO for 2014;
5. Performance report on the investment programme of JSC Inter RAO for 2014;
6. Consolidated performance report on the business plan of Inter RAO Group for 2014;
7. Consolidated performance report on the investment programme of JSC Inter RAO for 2014;
8. Performance report on the Annual comprehensive procurement programme for 2014.

As of December 31, 2014, book value of the Company's assets was RUB 353,416.58 million. As compared to the beginning of the year, book value of the Company's assets increased RUB 7,107.57 million.

As of year-end 2014, the Company's net profit was RUB 434.17 million. It should be noted that in 2013, the Company made a loss which amounted to RUB 53,688.40 million. Profit before taxation in 2014 was RUB 1,390.88 million.

Auditor of JSC Inter RAO, Ernst & Young LLC, elected by the annual General Meeting of Shareholders of the Company (Minutes No.14 dated May 25, 2014) audited the Company's accounting statements for the period from January 01 to December 31, 2014 and produced the Auditor's Report dated February 13, 2015, unnumbered.

Revision Commission has noted the following:

1. The Company's Annual Report for 2014 included not only information for the legal entity JSC Inter RAO, but also for the legal entities of Inter RAO Group.

2. The Company's Annual Report for 2014 was prepared with the use of IFRS statements of Inter RAO Group.

In accordance with the laws of the Russian Federation, the JSC Inter RAO management is responsible for the preparation of true accounting statements of JSC Inter RAO and the compliance with accounting procedures and other requirements of regulatory legal acts of the Russian Federation.

The responsibility of the Revision Commission was to check the availability and effectiveness of the control procedures as pertaining to the preparation of accounting (financial) statements, the control of financial and economic activities of the Company, to obtain reasonable assurance about the effectiveness of the internal control system.

According to Revision Commission, the data, information and documents obtained provide a reasonable basis for conclusions and opinions. General audit results and recommendations for the Company's management are set out in the Certificate of audit.

On completion of the audit, Revision Commission informs that:

- we have not noted any cases of non-compliance with the essential requirements of the regulatory legal acts of the Russian Federation and the local regulatory legal acts;
- we have not noted any material weaknesses in the accounting of the Company's financial performance, which could have led to a material misstatement of the value of assets and liabilities as of December 31, 2014 and the financial results of the Company for 2014.

Following the audit, taking into account the opinion of the external auditor of the Company, the positive assessment of effectiveness of the internal control system in the Company in the preparation of accounting (financial) statements and a substantial coverage of the business processes with internal audit measures, Revision Commission has reasonable grounds to confirm the annual accounting (financial) statements of the Company for 2014 are being true in all material respects, and to confirm the information contained in the Annual Report of JSC Inter RAO for 2014 is true as well.

Members of the Revision Commission of JSC Inter RAO:

Head of Internal Audit and Control Service, OJSC NK
Rosneft

Chairman of Revision Commission of JSC Inter RAO

S.P. Ray

Member of the Management Board – Internal Control
Director, JSC FGC UES

D. L. Shishkin

Head of Internal Control and Risk Management Department, JSC FGC UES

I. A. Alimuradova

Deputy Head of Department – Head of Soundness of Assets, Auditing Office, Internal Control Department
JSC MMC Norilsk Nickel

E V. Heimitz

Head of the Treasury Department of Joint-Stock Company Inter RAO UES

Y. A. Shcherbakov

Read and understood:

Chairman of the Management Board

B.Y. Kovalchuk

JSC Inter RAO

Chief Accountant

A.P. Vainilavichute

12.2 Consolidated financial statements according to IFRS

Translation of the original in Russian language

Independent auditors' report on the summary consolidated financial statements

To the Shareholders and Board of Directors of JSC Inter RAO

The accompanying summary consolidated financial statements, which comprise the consolidated statement of financial position as at 31 December 2014, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and note 1 for the year then ended, are derived from the audited consolidated financial statements of JSC Inter RAO and its subsidiaries for the year ended 31 December 2014. We expressed an unmodified audit opinion on these consolidated financial statements in our audit report dated 26 February 2015. The consolidated financial statements and the summary consolidated financial statements do not reflect the effect of events that occurred subsequent to the date of our audit report on the consolidated financial statements of JSC Inter RAO and its subsidiaries.

The summary consolidated financial statements do not contain a description of accounting policies and other disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited financial statements of JSC Inter RAO and its subsidiaries.

Management's responsibility for the summary financial statements

Management of JSC Inter RAO is responsible for the preparation of the summary consolidated financial statements in accordance with the principles described in note 1.

Auditors responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, *Engagements to Report on Summary Financial Statements*.

Translation of the original in Russian language

Opinion

In our opinion, the summary consolidated financial statements derived from the consolidated financial statements of JSC Inter RAO and its subsidiaries for the year ended 31 December 2014 are consistent, in all material respects, with the consolidated financial statements, based on the principles described in note 1.

Ernst & Young LLC (original version signed)

2 March 2015
Moscow, Russia

Translation from the original in Russian language

Summary consolidated financial statements
for the year ended 31 December 2014

JSC Inter RAO

Consolidated statement of financial position*(in millions of RUR)*

	31 December 2014	31 December 2013
Assets		
Non-current assets		
Property, plant and equipment	298,625	285,789
Intangible assets	12,514	9,783
Investments in associates and joint ventures	34,407	28,625
Deferred tax assets	2,236	3,389
Available-for-sale financial assets	7,260	9,149
Other non-current assets	10,094	6,100
Total non-current assets	365,136	342,835
Current assets		
Inventories	14,903	13,221
Accounts receivable and prepayments	81,703	70,198
Income tax prepaid	946	1,095
Cash and cash equivalents	75,599	39,882
Other current assets	9,154	3,055
	182,305	127,451
Assets classified as held-for-sale	38,057	42,280
Total current assets	220,362	169,731
Total assets	585,498	512,566
Equity and liabilities		
Equity		
Share capital	293,340	293,340
Treasury shares	(56,229)	(41,363)
Share premium	69,312	69,312
Hedge reserve	38	(64)
Actuarial reserve	(34)	(280)
Fair value reserve	626	642
Foreign currency translation reserve	8,422	413
Retained earnings	27,426	9,522
Total equity attributable to shareholders of the Company	342,901	331,522
Non-controlling interest	5,348	3,067
Total equity	348,249	334,589
Non-current liabilities		
Loans and borrowings	64,185	40,198
Deferred tax liabilities	15,034	13,399
Other non-current liabilities	11,448	8,569
Total non-current liabilities	90,667	62,166
Current liabilities		
Loans and borrowings	42,947	12,553
Accounts payable and accrued liabilities	96,836	98,814
Other taxes payable	5,872	4,025
Income tax payable	927	419
Total current liabilities	146,582	115,811
Total liabilities	237,249	177,977
Total equity and liabilities	585,498	512,566

Chairman of the Management Board

B.Yu. Kovalchuk

Chief Accountant

A.P. Vaynilavichute

2 March 2015

The consolidated statement of financial position is to be read in conjunction with note 1 to, and forming part of, the summary financial statements.



Translation from the original in Russian language

Summary consolidated financial statements
for the year ended 31 December 2014

JSC Inter RAO

Consolidated statement of comprehensive income

(in millions of RUR)

	<i>For the year</i>	
	<i>2014</i>	<i>2013</i>
Revenue	741,101	662,321
Other operating income	6,829	7,108
Operating expenses, net	(727,984)	(687,902)
Operating profit/(loss)	19,946	(18,473)
Finance income	5,068	4,014
Finance expenses	(12,308)	(15,891)
Share of profit of associates and joint ventures, net	4,292	3,252
Profit/(loss) before income tax	16,998	(27,098)
Income tax (expense)/benefit	(7,224)	3,068
Profit/(loss) for the period	9,774	(24,030)
Other comprehensive income		
<i>Other comprehensive income that will not be reclassified subsequently to profit or loss</i>		
Actuarial gain, net of tax	261	161
<i>Other comprehensive income/(expense) that will be reclassified subsequently to profit or loss when specific conditions are met</i>		
(Loss)/gain on available-for-sale financial assets, net of tax	(16)	3,996
Net gain/(loss) on hedge instruments, net of tax	92	(167)
Exchange gain on translation to presentation currency	8,520	2,028
Other comprehensive income, net of tax	8,857	6,018
Total comprehensive income/(loss) for the period	18,631	(18,012)
Income/(loss) attributable to:		
Shareholders of the Company	7,837	(23,067)
Non-controlling interest	1,937	(963)
	9,774	(24,030)
Total comprehensive income/(loss) attributable to:		
Shareholders of the Company	16,178	(17,308)
Non-controlling interest	2,453	(704)
	18,631	(18,012)
Basic earnings/(loss) per ordinary share for income/(loss) attributable to the shareholders of the Company	RUR 0.08830	RUR (0.26547)
Diluted earnings/(loss) per ordinary share for income/(loss) attributable to the shareholders of the Company	RUR 0.08820	RUR (0.28269)

Chairman of the Management Board

Chief Accountant

2 March 2015



B.Yu. Kovalchuk

A.P. Vaynilavichute

The consolidated statement of financial position is to be read in conjunction with note 1 to, and forming part of, the summary financial statements.

Translation from the original in Russian language

Summary consolidated financial statements
for the year ended 31 December 2014

JSC Inter RAO

Consolidated statement of cash flows*(in millions of RUR)*

	<i>For the year</i>	
	<i>2014</i>	<i>2013</i>
Operating activities		
Profit/(loss) before income tax	16,998	(27,098)
<i>Adjustments to reconcile profit/(loss) before tax to net cash flows from operating activities:</i>		
Depreciation and amortisation	21,224	23,733
Provision for impairment of accounts receivable	5,467	4,397
Other provisions charge	993	3,709
Impairment of available-for-sale financial assets and assets classified as held-for-sale	1,356	3,282
Impairment of property, plant and equipment, intangible assets and goodwill	5,194	19,704
Share of profit of associates and joint ventures	(4,292)	(3,252)
Loss/(income) from electricity derivatives, net	104	(223)
Foreign exchange loss, net	3,280	541
Interest income	(3,754)	(2,748)
Other finance income	(353)	(122)
Interest expense	5,310	4,034
Other finance expenses	1,141	903
Dividend income	(961)	(1,144)
(Income)/loss from sale of available-for-sale financial assets and assets classified as held-for-sale	(77)	2,397
Shares option plan	-	46
Put and call option agreement	2,577	10,413
Income on disposal of controlling interest	(30)	(129)
Other non-cash operations/items	(19)	(40)
Operating cash flows before working capital adjustments and income tax paid	54,158	38,403
Increase in inventories	(263)	(432)
Increase in accounts receivable and prepayments	(12,526)	(9,273)
Decrease in value added tax recoverable	1,988	357
(Increase)/decrease in other current assets	(383)	197
Increase/(decrease) in accounts payable and accrued liabilities	18,346	(6,676)
Increase/(decrease) in taxes other than income tax payable/prepaid, net	3,740	(1,020)
Other working capital adjustments	70	309
	65,130	21,865
Income tax paid	(4,678)	(2,290)
Net cash flows from operating activities	60,452	19,575

The consolidated statement of financial position is to be read in conjunction with note 1 to, and forming part of, the summary financial statements.

Translation from the original in Russian language

JSC Inter RAO

Summary consolidated financial statements
for the year ended 31 December 2014**Consolidated statement of cash flows (continued)***(in millions of RUR)*

	<i>For the year</i>	
	<i>2014</i>	<i>2013</i>
Investing activities		
Proceeds from disposal of property, plant and equipment	221	174
Purchase of property, plant and equipment and intangible assets	(35,980)	(40,982)
Purchase of controlling interest, net of cash acquired	-	(71)
Establishment of subsidiaries	-	4
Proceeds from disposal of controlling interest, net of cash disposed	31	-
Proceeds from disposal of associate	-	1,115
Proceeds from disposal of available-for-sale financial assets and assets classified as held-for-sale	4,846	19,125
Proceeds from repayment of loans issued	963	1,142
Loans issued	(870)	(801)
Bank deposits placed	(20,166)	(4,676)
Bank deposits returned and proceeds from promissory notes repayment	18,274	11,111
Purchase of bonds	(74)	(344)
Dividends received	3,274	1,230
Share increase in the associate	(50)	-
Cash flows from/(used for) other investing activities	443	(117)
Net cash flows used for investing activities	(29,088)	(13,090)
Financing activities		
Proceeds from loans and borrowings	104,922	59,085
Repayment of loans and borrowings	(66,545)	(69,338)
Repayment of finance leases	(725)	(698)
Interest paid	(3,853)	(3,083)
Dividends paid	(226)	(476)
Purchase of non-controlling interest in subsidiaries	-	(13)
Disposal of non-controlling interest in subsidiaries	100	-
Execution of the call and put option agreement	(31,374)	-
Proceeds from treasury shares sold	7	-
Net cash flows from/(used for) financing activities	2,306	(14,523)
Effect of exchange rate fluctuations on cash and cash equivalents	2,047	(129)
Net increase/(decrease) in cash and cash equivalents	35,717	(8,167)
Cash and cash equivalents at the beginning of the period	39,882	48,049
Cash and cash equivalents at the end of the period	75,599	39,882

Chairman of the Management Board

Chief Accountant

2 March 2015



B.Yu. Kovalchuk

A.P. Vaynilavichute

The consolidated statement of financial position is to be read in conjunction with note 1 to, and forming part of, the summary financial statements.

JSC Inter RAO

Consolidated statement of changes in equity

(in millions of RUR)

	Attributable to shareholders of the Company									Non-controlling interest	Total equity
	Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Fair value reserve	Hedge reserve	Actuarial reserve	Retained earnings	Total		
Balance at 1 January 2013	293,340	(41,363)	69,312	(1,369)	(3,354)	111	(424)	32,278	348,531	4,658	353,189
Total comprehensive (loss)/income for the year ended 31 December 2013	-	-	-	1,794	3,996	(175)	144	(23,067)	(17,308)	(704)	(18,012)
Dividends to shareholders	-	-	-	-	-	-	-	-	-	(486)	(486)
Acquisition of controlling interest in subsidiary	-	-	-	-	-	-	-	-	-	(34)	(34)
Acquisition of non-controlling interest in subsidiaries	-	-	-	(12)	-	-	-	265	253	(371)	(118)
Recognition of non-controlling interest in established subsidiaries	-	-	-	-	-	-	-	-	-	4	4
Shares option plan	-	-	-	-	-	-	-	46	46	-	46
Balance at 31 December 2013	293,340	(41,363)	69,312	413	642	(64)	(280)	9,522	331,522	3,067	334,589
Balance at 1 January 2014	293,340	(41,363)	69,312	413	642	(64)	(280)	9,522	331,522	3,067	334,589
Total comprehensive income/(loss) for the year ended 31 December 2014	-	-	-	8,009	(16)	102	246	7,837	16,178	2,453	18,631
Dividends to shareholders	-	-	-	-	-	-	-	-	-	(274)	(274)
Undrawn dividends returned	-	-	-	-	-	-	-	12	12	27	39
Disposal of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	25	25	75	100
Sale of treasury shares	-	6	-	-	-	-	-	-	6	-	6
Put and call option agreement	-	(14,872)	-	-	-	-	-	10,030	(4,842)	-	(4,842)
Balance at 31 December 2014	293,340	(56,229)	69,312	8,422	626	38	(34)	27,426	342,901	5,348	348,249

Chairman of the Management Board

B.Yu. Kovalchuk

Chief Accountant

A.P. Vaynilavichute

2 March 2015

The consolidated statement of changes in equity is to be read in conjunction with note 1 to, and forming part of, the summary financial statements.

Note 1

The summary consolidated financial statements comprise consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows included in the audited consolidated financial statements prepared in accordance with International Financial Reporting Standards. The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards.

12.3 Financial statements according to RAS

Independent auditor's report on the condensed financial statements

Translation of the original Russian version

To the shareholders of JSC "Inter RAO",
the Board of Directors of JSC "Inter RAO"

The accompanying condensed financial statements which comprise the statement of financial position as at 31 December 2014, statement of income for the year then ended and Appendix 1, were prepared on the basis of audited financial statements of JSC "Inter RAO" for the year ended 31 December 2014. We issued an audit report with unqualified audit opinion on these financial statements dated 13 February 2015. These financial statements and accompanying condensed financial statements of JSC "Inter RAO" do not reflect the events that occurred subsequent to the date of our audit report on these financial statements.

The condensed financial statements do not comprise all the disclosures required by the financial reporting rules effective in the Russian Federation. Thus, the review of the condensed financial statements does not replace the review of the audited financial statements of JSC "Inter RAO".

Management's responsibility for the condensed financial statements

Management of JSC "Inter RAO" is responsible for the preparation of these condensed financial statements prepared on the basis of audited financial statements based on criteria as described in Appendix 1.

Auditor's responsibility

Our responsibility is to express an opinion on these condensed financial statements based on conducting our audit procedures in accordance with Federal Standards on Auditing effective in the Russian Federation and International Standards on Auditing.

Opinion

In our opinion, the accompanying condensed financial statements derived from the consolidated financial statements of JSC "Inter RAO" for the year ended 31 December 2014 are consistent, in all material respects, with the financial statements, in accordance with the criteria established in Appendix 1.

Translation of the original Russian version

Other matters

The accompanying condensed financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Russian Federation. Accordingly, the accompanying condensed financial statements are not designed for those who are not informed about accounting principles, procedures and practices in the Russian Federation.

D.E. LOBACHEV
General Director
Ernst & Young LLC

2 March 2015

Details of the audited entity

Name: JSC "Inter RAO"
Record made in the State Register of Legal Entities on 1 November 2002; State Registration Number 1022302933630.
Address: Russia, 119435, Moscow, ul. Bolshaya Pirogovskaya, 27, bld. 2.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia, 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of self-regulatory organization of auditors Non Profit partnership "Russian Audit Chamber" ("SRO NP APR"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 10201017420.

Attachment No.1 to Order No.66n of the
RF Ministry of Finance dated July 2,
2010

BALANCE SHEET
As of 31 December 201 4 year

Entity Open Joint-Stock Company Inter RAO UES
Taxpayer's identification number _____
Type of activity resale of electricity
Legal/ownership form _____

Open Joint-Stock Company/Joint private and foreign ownership
Measurement unit: RUB mln
Location (address) 119435, Moscow, ul. Bolshaya Pirogovskaya, 27, bld. 2

OKUD Form
Date (DDMMYY)
OKPO code
TIN
OKVED code

OKOPF/OKFS code
OKEI code

Codes		
0710001		
31	12	2014
33741102		
2320109650		
51.56.4		
12247	49	
385		

	Description	Code	At 31 Desember 2014	At 31 Desember 2013	At 31 Desember 2012
	ASSETS				
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	9	147	76
	Research and development results	1120	-	-	-
	Property, plant and equipment	1150	848	1 348	3 472
	including construction in progress	1151	726	433	242
	Income-bearing investments in tangible assets	1160	9	20	85
	Financial investments	1170	281 326	276 347	334 946
	Deferred tax assets	1180	2 877	2 764	3 815
	Other non-current assets	1190	10 713	32 108	26 921
	including long-term accounts receivable	1191	10 672	31 992	26 737
	TOTAL for Section I	1100	295 782	312 734	369 315
	II. CURRENT ASSETS				
	Inventory	1210	5	7	14
	VAT on purchased assets	1220	575	668	765
	Accounts receivable	1230	23 355	11 889	59 346
	including trade accounts receivable	1231	4 353	2 366	2 806
	Financial investments (other than cash equivalents)	1240	10 484	4 228	938
	Cash and cash equivalents	1250	23 164	16 708	14 070
	Other current assets	1260	51	75	210
	TOTAL for Section II	1200	57 634	33 575	75 343
	BALANCE SHEET	1600	353 416	346 309	444 658

Description	Code	At 31 Desember 2014	At 31 Desember 2013	At 31 Desember 2012
CAPITAL AND LIABILITIES				
III. CAPITAL AND RESERVES				
Charter capital	1310	293 340	293 340	293 340
Treasury shares	1320	-	-	(1)
Revaluation of non-current assets	1340	11	103	309
Additional capital (without revaluation)	1350	195 416	195 416	195 416
Reserve capital	1360	296	296	296
Retained earnings (loss), including	1370	(158 298)	(158 824)	(105 341)
Retained earnings (loss) of prior years	1371	(158 732)	(105 136)	(90 980)
Retained earnings (loss) of current year	1372	434	(53 688)	(14 361)
TOTAL for Section III	1300	330 765	330 331	384 019
IV. LONG-TERM LIABILITIES				
Loans and borrowings	1410	-	5 335	10 952
Deferred tax liabilities	1420	47	46	53
Other long-term liabilities	1450	39	402	1 726
TOTAL for Section IV	1400	86	5 783	12 731
V. SHORT-TERM LIABILITIES				
Loans and borrowings	1510	9 178	6	3 235
Accounts payable	1520	12 471	8 601	43 778
including:				
trade accounts payable	1521	4 806	2 317	3 490
accrued payroll	1522	-	-	2
taxes and levies payable	1524	1	9	-
advances received	1525	5 901	4 633	2 097
other accounts payable	1526	1 763	1 642	38 189
Provisions	1540	916	1 588	895
Other short-term liabilities	1550	-	-	-
TOTAL for Section V	1500	22 565	10 195	47 908
BALANCE SHEET	1700	353 416	346 309	444 658

Chief Executive Officer

" 2 "

march



Chief Accountant

A. P. Vaynilavichute

Attachment No.1 to Order No.66n of the
RF Ministry of Finance dated July 2, 2010

STATEMENT OF INCOME
for the period from January 01 through December 31, 2014

Entity Open Joint-Stock Company Inter RAO UES
Taxpayer's identification number _____
Type of activity resale of electricity
Legal/ownership form _____

OKUD Form
Date (DDMMYY) 31 12 2014
OKPO code 33741102
TIN 2320109650
OKVED code 51.56.4

Codes		
0710002		
31	12	2014
33741102		
2320109650		
51.56.4		
12247	49	
385		

Open Joint-Stock Company/Joint private and foreign ownership
Measurement unit: RUB mln

OKOPF/OKFS code _____
OKEI code _____

Description	Code	January - December 2014	January - December 2013
Revenue from the sale of goods, products, works and services, net (less VAT, excise duties and similar obligatory payments), including:	2110	32 646	41 221
export of energy	2111	20 385	23 317
domestic sales of energy (capacity)	2112	9 673	14 655
sales of power generation equipment	2113	2 507	3 043
other	2114	81	206
Cost of sales of goods, products, works and services	2120	(25 338)	(34 698)
purchase of energy (power) from domestic market	2121	(19 864)	(26 119)
production of energy (power)	2122	-	(1 676)
import of energy	2123	(3 244)	(4 060)
sales of power generation equipment	2124	(2 230)	(2 711)
other	2125	-	(132)
Gross profit	2100	7 308	6 523
Selling expenses	2210	(3 110)	(3 775)
Administrative expenses	2220	(4 665)	(4 685)
Profit (loss) from operations	2200	(467)	(1 937)
Income from equity participation	2310	1 626	3 501
Interest receivable	2320	4 433	3 250
Interest payable	2330	(595)	(862)
Other income	2340	47 215	27 967
Other expenses	2350	(50 822)	(84 516)
Profit (loss) before tax	2300	1 390	(52 597)
Current profit tax	2410	(1 126)	(482)
including permanent tax liabilities (assets)	2421	999	12 737
Deferred tax liabilities change	2430	(1)	12
Deferred tax assets change	2450	175	(1 047)
Other	2460	(4)	426
Profit (loss) after tax	2400	434	(53 688)
FOR REFERENCE			
Cumulative financial result for the period	2500	434	(53 688)
Basic earnings (loss) per share (kop.)	2900	0,0042	(0,5143)
Diluted earnings (loss) per share (kop.)	2910	0,0042	(0,5143)

Chief Executive Officer

" 2 "

march



Chief Accountant

A. P. Vaynilavichute

Translation from original Russian version

JSC Inter RAO

Condensed financial statements
for the year ended 31 December 2014

Appendix 1

These condensed financial statements include the balance sheet and the statement of financial results derived from the audited financial statements, presented in thousands of Russian rubles, and are prepared in accordance with accounting principles and practices generally accepted in the Russian Federation. All amounts in these condensed financial statements are presented in millions of Russian rubles (except for earnings (loss) per share). These condensed financial statements do not include all the disclosures required by accounting principles and practices generally accepted in the Russian Federation.

12.4 GRI Content Index

Aspect	Indicator No.	Indicator	Report section	Report page
		Strategy and analysis		
	G4-1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	3. Statement for JSC Inter RAO shareholders and other stakeholders	
	G4-2	Description of key impacts, risks, and opportunities	1. Report overview 4.1 Company strategy 9. Risk management	
		Organisational profile		
	G4-3	Name of the organisation	2.1. About Inter RAO Group	
	G4-4	Primary brands, products, and services	2.1. About Inter RAO Group	
	G4-5	Location of the organisation's HQ	27 Bldg. 2 Bolshaya Pirogovskaya Street, 119435 Moscow	
	G4-6	The number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the	2.1. About Inter RAO Group	

Aspect	Indicator No.	Indicator	Report section	Report page
		Report		
	G4-7	Nature of ownership and legal form	7. Company on the capital markets	
	G4-8	Markets served	2.3. Position of Inter RAO Group on electricity market	
	G4-9	Scale of the organisation	2.1. About Inter RAO Group	
	G4-10	Total number of employees	8.2. HR management In 2012–2014, almost all Group personnel (98%) worked full-time. The Group's predominant type of employment agreement is a permanent agreement. In 2014, the percentage of permanently employed personnel decreased by 4.4 pp as compared to 2013 and amounted to 91.8%.	
	G4-11	Percentage of employees covered by collective bargaining agreements	8.2. HR management	
	G4-12	Describe the organisation's supply chain	4.2. Business model	
	G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	2.1. About Inter RAO Group	
	G4-14	Whether and how the precautionary approach or principle is addressed by the organisation	The precautionary principle is the key principle in JSC Inter RAO's Declaration of Environmental Responsibility. The Group's strategic goal is not only to achieve compliance with environmental regulations, but also to further reduce environmen-	

Aspect	Indicator No.	Indicator	Report section	Report page
			tal impact to a technically feasible and economically viable level, as well as constantly improve the environmental quality in the regions where the Group operates. An example of commitment to the precautionary principle is the Group's practice to replace asbestos-containing materials with alternative building materials.	
	G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	In the reporting period, the Group did not join any economic, environmental, and social charters, principles, or other initiatives.	
	G4-16	Membership in associations (such as industry associations) and/or national/international advocacy organisations	2.4. Associations and partnerships	
	EU1	Installed capacity, broken down by primary energy source and by regulatory regime	5.2. Group's key performance indicators	
	EU2	Net energy output broken down by primary energy source and by regulatory regime	5.2. Group's key performance indicators	
	EU3	Number of residential, industrial, institutional and commercial customer accounts	5.4. Supply in the Russian Federation 5.7. Georgia 5.8. Armenia	
	EU4	Length of above and underground transmission and distribution lines by regulatory regime	5.7. Georgia 5.8. Armenia In 2014 (2013), the total length of the Group's power transmission lines in CJSC Power Grids of Armenia was 4,593 km (4,331 km), in JSC Telasi – 31,398 km (31,737 km), in LLC BashRTS – 1,494 km (1,467 km).	

Aspect	Indicator No.	Indicator	Report section	Report page
		Identified material aspects and boundaries		
	G4-17	All entities included in the organisation's consolidated financial statements or equivalent documents	2.1. About Inter RAO Group	
	G4-18	Process for defining the report content and the Aspect Boundaries and implementation of the Reporting Principles for Defining Report Content	1. Report overview	
	G4-19	A list of all the material Aspects identified in the process for defining report content	1. Report overview	
	G4-20	Description of Aspect Boundary for each material Aspect within the organisation	1. Report overview	
	G4-21	Description of Aspect Boundary for each material Aspect outside the organisation	8.3 Occupational health and safety All aspects, except for Employment, apply only to the companies of Inter RAO Group. The Employment aspect also applies to the employees of the Group's contractors.	
	G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	Re-statements of the indicators from previous reports and reasons for such re-statements are disclosed in Report chapters.	
	G4-23	Significant changes from previ-	1. Report overview	

Aspect	Indicator No.	Indicator	Report section	Report page
		ous reporting periods in the Scope and Aspect Boundaries		
		Stakeholder Engagement		
	G4-24	A list of stakeholder groups engaged by the organisation	6.7 Information disclosure and external communications	
	G4-25	The basis for identification and selection of stakeholders with whom to engage	1. Report overview 6.7 Information disclosure and external communications	
	G4-26	the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	1. Report overview 6.7 Information disclosure and external communications	
	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	1. Report overview 6.7 Information disclosure and external communications	
		Report Profile		

Aspect	Indicator No.	Indicator	Report section	Report page
	G4-28	Reporting period (such as fiscal or calendar year) for information provided	1. Report overview	
	G4-29	Date of most recent previous report (if any)	1. Report overview	
	G4-30	Reporting cycle (such as annual, biennial)	1. Report overview	
	G4-31	Contact point for questions regarding the report or its contents	13. Contact information	
	G4-32	GRI Content Index	Appendix 12.4. GRI Content Index	
	G4-33	Policy and current practice with regard to seeking external assurance for the report	The Group has decided against using the Independent review process for the report.	
		Governance		
	G4-34	Corporate governance structure, including the committees the highest governance body and committees responsible for decision-making on economic, environmental and social impacts	6.1. Corporate Governance System and Principles 6.2. JSC Inter RAO management bodies	
	G4-38	Composition of the highest governance body and its committees	6.1. Corporate Governance System and Principles 6.2. JSC Inter RAO management bodies 6.4. Board of Directors	

Aspect	Indicator No.	Indicator	Report section	Report page
	G4-39	Whether the chairman of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement)	6.4. Board of Directors JSC Inter RAO Board Chairman is not an executive director	
	G4-40	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	6.4. Board of Directors	
	G4-41	Process for the highest governance body to ensure conflicts of interest are avoided and managed	6.4. Board of Directors 6.6. Corporate Control	
	G4-51	Remuneration policies for the highest governance body and senior executives	6.4. Board of Directors 6.5. Management Board	
		Ethics and Integrity		
	G4-56	The organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	6.1. Corporate governance system	
		Key Performance Indicators		

Aspect	Indicator No.	Indicator	Report section			Report page
		Lithuania	4,494,074	4,511,145	+0.4%	
		Poland	-	- 4,306	-	
		Transnistria	359,851	585,700	+63%	
		Russia	24,405,089	16,483,665	-33%	
		Turkey	371	60,336	+16163%	
		Estonia	792	62,596	+7803%	
		Finland	2,076,770	1,249,498	-40%	
		Other	10,848	19,216	+77%	
		Local community investments	911,694	1,003,732	+10%	
		Retained economic value	-63,810,098	-17,545,357	-72%	
	EC3	Coverage of the organisation's defined benefit plan obligations	The Group companies benefit from the Programme of non-governmental pension support. In 2014, the number of programme participants decreased by 6.8% as compared to the previous year, exceeding 2,827. The information on liabilities amount is disclosed in the Notes to JSC Inter RAO Consolidated Financial Statements for the year ended December 31, 2014: http://www.interrao.ru/upload/docs/IFRS_2014_2015_02_25_RU.pdf			
	EC4	Financial assistance from the government	Appendix 12.11. State support			
Market presence	G4-DMA	Disclosures on management approach	8.2. HR management			
	EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	8.2. HR management In the majority of Group companies, the standard wage exceeds the minimum wage in the region of operation by 13% or more.			

Aspect	Indicator No.	Indicator	Report section	Report page
	EC6	Proportion of senior management hired from the local community at significant locations of operation	The Group's main requirement for employment is the candidate's qualifications and professional experience. If the requirements of a Group company for the qualifications of candidates from the region where the company operates are not satisfied, workforce from other regions is employed. In 2014, the percentage of employees recruited locally of the total number of Group employees exceeded 84%. The percentage of senior executives recruited locally exceeds 58% (in 2013 - over 85% and 78% respectively) ¹⁶¹ .	
Indirect economic impacts	G4-DMA	Disclosures on management approach	8.2. HR management	
	EC7	Development and impact of infrastructure investments and services supported	8.4. Contribution to the development of the regions where the company operates Group companies regularly conduct studies to assess the stakeholders' perception of charity projects in the regions where the company has operations. The results of this assessment are used to improve the efficiency of investment in regional infrastructure and social projects.	
	EC8	Significant indirect economic impacts, including the extent of impacts	Group activities, especially the activities of its companies which are major companies, create a favourable environment for development of local suppliers and the physical infrastructure of the regions where the company operates, providing jobs at Group's enterprises and in the supply chains, as well as for improvement of the quality of services provided by training employees and setting high requirements to the suppliers of goods, works, and services.	
Availability and reliability	G4-DMA	Disclosures on management approach	5. Operations of Inter RAO Group Group companies regularly carry out repair work, equipment upgrades, and other activities to ensure short-term and long-term reliability, and availability of electricity	

¹⁶¹ The data for 2013 was adjusted due to elaboration of calculating methods.

Aspect	Indicator No.	Indicator	Report section	Report page
	EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime	5.3. Generation in the Russian Federation 4.4. Innovations	
Demand-side management	G4-DMA	Disclosures on management approach	5.4. Supply in the Russian Federation 5.7. Georgia 5.8. Armenia	
R&D	G4-DMA	Disclosures on management approach	4.4. Innovations	
System efficiency	G4-DMA	Disclosures on management approach	5. Operations of Inter RAO Group	
	EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime	5.2. Group's key performance results	
	EU12	Transmission and distribution losses as a percentage of total energy	5.7. Georgia 5.8. Armenia	
		Environmental Performance Indicators		
Materials	G4-DMA	Disclosures on management approach	8.5. Environmental policy	

Aspect	Indicator No.	Indicator	Report section	Report page
	EN1	Materials used by weight or volume	This indicator is not essential for the Group as a whole. The principal raw material used at the Group's production facilities is fuel.	
	EN2	Percentage of materials used that are recycled input materials	8.5. Environmental policy	
Energy	G4-DMA	Disclosures on management approach	8.5. Environmental policy	
	EN3	Energy consumption within the organisation	In the reporting year, JSC Inter RAO UES – the parent company managing a diversified energy holding company – did not purchase energy resources for use in its business operations. The cost of energy (electricity, motor fuel and other fuels) required for the Company's business operations is included in the rent of non-residential (office) buildings, transportation services, and services for the operation and maintenance of aircraft under agreements with third parties.	

Aspect	Indicator No.	Indicator	Report section	Report page
		Total fuel consumption by the Group's business assets in 2013-2014, k GJ¹⁶²		
		Type of energy	2013 2014	
		Total fuel	1,478,177,197 1,458,077,493	
		Fuel oil, including	7,018,915 6,386,498	
		Heating oil	5,800,928 5,499,043	
		Diesel fuel	1,216,844 887,162	
		Gas-turbine fuel	1,143 293	
		Gas, including	1,124,856,883 1,143,109,246	
		Natural gas	999,119,787 1,017,595,470	
		Gas of industrial enterprises	2,026,941 1,584,548	
		Associated gas	123,710,155 123,929,228	
		Coal, including	346,301,399 308,581,749	
		Hard coal	164,230,666 195,005,072	
		Brown coal	182,070,733 113576677	
Water	G4-DMA	Disclosures on management approach	8.5. Environmental policy	
	EN8	Total water withdrawal by source	8.5. Environmental policy	
	EN9	Water sources significantly affected by withdrawal of water	The main water bodies affected by the Group are the basins of the Volga, Kama and Ural Rivers.	
	EN10	Percentage and total volume of water recycled and reused	8.5. Environmental policy	
Biodiversity	G4-DMA	Disclosures on management approach	8.5 Environmental policy	

¹⁶² The values of consumed fuel indicators differ from those in the 2013 Annual Report of JSC Inter RAO due to a change in the methodology approach for calculation: In 2013 the indicator was calculated based on the total volume of fuel purchased, and in 2014 it was based on the total volume of fuel actually consumed.

Aspect	Indicator No.	Indicator	Report section	Report page
	EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The Group's entities own and rent recreational land with a total area of 23 hectares. This land is used to accommodate the therapeutic centres of the Kostromskaya, Permskaya, and Karmanovskaya TPPs. This land is not used for production operations.	
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	The Group's production sites as well as health centres do not have a significant impact on biodiversity of protected natural areas and the areas of high biodiversity value.	
	EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Some water reservoirs at the location of the Group's facilities are the habitat of sterlet pertaining to the endangered species of sturgeons listed in the Red Book of Russia and the Endangered Species List of the International Union for Conservation of Nature.	
Emissions	G4-DMA	Disclosures on management approach	8.5 Environmental policy	
	EN15	Direct greenhouse gas	8.5. Environmental policy	
	EN19	Reduction of greenhouse gas emissions	8.5. Environmental policy	
	EN21	NOX, SOX, and other significant air emissions	8.5. Environmental policy	
Effluents and Waste	G4-DMA	Disclosures on management approach	8.5. Environmental policy	

Aspect	Indicator No.	Indicator	Report section	Report page
	EN22	Total water discharge by quality and destination	8.5. Environmental policy	
	EN23	Total weight of waste by type and disposal method	8.5. Environmental policy	
	EN24	Total number and volume of significant spills	In 2014 the Group did not record any significant oil spills.	
	EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff	The Group does not make discharges and does not have surface runoff in protected water bodies.	
Compliance	G4-DMA	Disclosures on management approach	8.5. Environmental policy	
	EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	In 2014, fines for non-compliance with environmental laws were imposed on JSC TGK-11. The fines approximated RUB 2.8 mln	
Overall	G4-DMA	Disclosures on management approach	8.5. Environmental policy	
	EN31	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	8.5. Environmental policy	

Aspect	Indicator No.	Indicator	Report section	Report page
		Labour practices and decent work		
Employment	G4-DMA	Disclosures on management approach	8.2. HR management	
	G4-DMA	Programs and processes to ensure the availability of a skilled workforce	8.2. HR management The Group applies social policies aimed at attracting and retaining highly skilled workforce. The tools of social programmes include: - professional training for employees and employee skill improvement at universities; - development of employees included in the management bench strength; - creation of individual development plans based on the performance evaluation; - young professionals support and training; - mentoring for new employees; - industrial practice for students.	
	G4-DMA	Disclosures on management approach	8.3 Occupational health and safety	
	LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	8.2. HR management	
	LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	8.2. HR management Social benefits, guarantees, compensation, and their amounts are specified under collective bargaining agreements.	

Aspect	Indicator No.	Indicator	Report section	Report page												
	EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region	<div>8.2. HR management</div> <table><tr><th>Employee categories</th><th>Number of employees waiting to retire in 5 years</th><th>Number of employees waiting to retire in 10 years</th></tr><tr><td>Senior executives</td><td>13%</td><td>18%</td></tr><tr><td>Performers</td><td>33%</td><td>28%</td></tr><tr><td>Workers</td><td>53%</td><td>55%</td></tr></table>	Employee categories	Number of employees waiting to retire in 5 years	Number of employees waiting to retire in 10 years	Senior executives	13%	18%	Performers	33%	28%	Workers	53%	55%	
	Employee categories	Number of employees waiting to retire in 5 years	Number of employees waiting to retire in 10 years													
Senior executives	13%	18%														
Performers	33%	28%														
Workers	53%	55%														
	EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	The Group is not involved in training contractor employees in occupational health and safety. In accordance with the Russian law, responsibility for such training lies with the employer. Contractor staff must have the necessary qualifications in occupational health and safety education, since it is a compulsory condition for signing a contract. As a result, all contractor employees admitted to work at the Group’s facilities have necessary occupational health and safety education.													
Occupational health and safety	G4-DMA	Disclosures on management approach	8.3 Occupational health and safety													
	LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programmes	Health and safety committees represent the interests of Group employees. All in all, 516 employees of the Group are involved in the activities of such committees. In terms of segments of Inter RAO Group, the percentage of employees participating in the health and safety committees has remained the same as in 2013 (4.3% – for Generation companies and 5.9% – for Supply, Trading and Engineering companies). This index reaches 20% at some enterprises that do not belong to such segments as Generation, Supply, Trading, and Engineering.													
	LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	<div>8.3 Occupational health and safety</div> <div>When assessing occupational health and safety performance, the Group primarily relies on absolute values. Analysis of occupational injury rates is based on the occupational injury frequency ratio. Long-term goals are set to reduce the occupational injury frequency ratio.</div>													

Aspect	Indica- tor No.	Indicator	Report section	Report page																
	LA7	Workers with high incidence or high risk of diseases related to their occupation	High injury rate is common to all types of work carried out at height, as well as the types of work performed using road vehicles. The most serious risk of occupational diseases is observed among the Group's employees whose work is associated with an increased noise level in the work area.																	
	LA8	Health and safety topics covered in formal agreements with trade unions	8.2. HR management All health and safety issues are covered by the Group's social programmes. These programmes are set out in the collective bargaining agreements.																	
Training and education	G4-DMA	Disclosures on management approach	8.2. HR management																	
	LA9	Average hours of training per year per employee by gender, and by employee category	Average number of training hours by employee category (per employee) in 2013–2014 <table><tr><th>Job categories</th><th>2013</th><th>2014</th><th>Variance 2014/2013</th></tr><tr><td>Senior executives</td><td>29.2</td><td>32.2</td><td>+10.0%</td></tr><tr><td>Performers</td><td>15.2</td><td>11.4</td><td>-25.0%</td></tr><tr><td>Workers</td><td>14.0</td><td>11.9</td><td>-15.0%</td></tr></table>	Job categories	2013	2014	Variance 2014/2013	Senior executives	29.2	32.2	+10.0%	Performers	15.2	11.4	-25.0%	Workers	14.0	11.9	-15.0%	
	Job categories	2013	2014	Variance 2014/2013																
	Senior executives	29.2	32.2	+10.0%																
	Performers	15.2	11.4	-25.0%																
Workers	14.0	11.9	-15.0%																	
LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	8.2. HR management A number of the Group's social programmes are aimed at maintaining professional skills and transferring honoured industry workers' expertise to young professionals.																		
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	8.2. HR management Over 2,200 people were members of the candidate pool of the Group's companies in 2014, and over 14% of them were promoted to management positions.																		

Aspect	Indica- tor No.	Indicator	Report section	Report page																								
Diversity and equal opportunity	G4- DMA	Disclosures on management approach	8.2. HR management																									
	LA12	Composition of governance bodies and breakdown of em- ployees per employee category according to gender, age group, minority group membership, and other indicators of diversity	8.2. HR management Due to the industry specific characteristics of the Group’s operations, the majority of employees are men (64.1%). On average, the percentage of men among Group managers is 75.2%. In 2014, the percentage of men among Group employees re- mained the same as in 2013, while the percentage of men working on manage- ment positions decreased by 5.7 p.p. The average age of employees in the Managing Director and Top Manager catego- ry was 41 years in 2014. <table><tr><th>The percentage of employees in the CEO / Managing Director and Other Managers category broken down by age (%)</th><th>2013</th><th>2014</th><th>2014/2013</th></tr><tr><td>under 30 (inclusive)</td><td>4.4</td><td>5.4</td><td>+1.0 p.p.</td></tr><tr><td>31-40</td><td>27.8</td><td>27.5</td><td>-0.4 p.p.</td></tr><tr><td>41-50</td><td>35.5</td><td>34.5</td><td>-0.9 p.p.</td></tr><tr><td>51-55</td><td>17.2</td><td>16.1</td><td>-1.1 p.p.</td></tr><tr><td>over 55</td><td>15.1</td><td>16.5</td><td>+1.4 p.p.</td></tr></table>	The percentage of employees in the CEO / Managing Director and Other Managers category broken down by age (%)	2013	2014	2014/2013	under 30 (inclusive)	4.4	5.4	+1.0 p.p.	31-40	27.8	27.5	-0.4 p.p.	41-50	35.5	34.5	-0.9 p.p.	51-55	17.2	16.1	-1.1 p.p.	over 55	15.1	16.5	+1.4 p.p.	
	The percentage of employees in the CEO / Managing Director and Other Managers category broken down by age (%)	2013	2014	2014/2013																								
	under 30 (inclusive)	4.4	5.4	+1.0 p.p.																								
	31-40	27.8	27.5	-0.4 p.p.																								
	41-50	35.5	34.5	-0.9 p.p.																								
	51-55	17.2	16.1	-1.1 p.p.																								
over 55	15.1	16.5	+1.4 p.p.																									
Equal Remunera- tion for Women and Men	G4- DMA	Disclosures on management approach	8.2. HR management																									
	LA13	Ratio of basic salary and remuneration of women to men by employee category, by signifi- cant locations of operation	8.2. HR management The Group does not discriminate by gender when setting salary rates. The Group's basic salaries for men and women are the same in all employee categories.																									
Practic- es Griev- ance Mecha-	G4- DMA	Disclosures on management approach	8.2. HR management																									

Aspect	Indicator No.	Indicator	Report section	Report page
	LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	In 2014, Group employees filed 32 grievances through formal labour grievance procedures. 100% of grievances were processed, with 11 grievances granted.	
		Society		
Local communities	G4-DMA	Disclosures on management approach	<p>8.4. Company contributions to regional development</p> <p>8.5. Environmental policy</p> <p>The Group developed and approved the Programmes of Charitable Activities and Cooperation with NGOs which allows to take into account the views of stakeholders and to provide a systematic approach to the planning and implementation of charitable activities and the Group's Development Strategy.</p> <p>There were no cases of relocation of local residents in the reporting period.</p>	
	SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	<p>8.4. Company contributions to regional development</p> <p>8.5. Environmental policy</p> <p>As a major taxpayer and responsible employer in the regions of operation, the Group has a significant positive impact on local communities. The Group is actively engaged with stakeholders on impact management issues, namely, addressing socially significant problems and building and upgrading facilities.</p>	
	EU22	Number of people physically or economically displaced and compensation, broken down by type of project	In the reporting period, the Group's activities did not cause impact related to relocation.	

Aspect	Indicator No.	Indicator	Report section	Report page
Anti-corruption	G4-DMA	Disclosures on management approach	6.6. Corporate control 10. Procurement	
	SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	All of the Group's subsidiaries and affiliates, where JSC Inter RAO holds a share of over 50%, were analysed.	
	SO4	Communication and training on anti-corruption policies and procedures	6.6. Corporate control 10. Procurement	
	SO5	Confirmed incidents of corruption and actions taken	All in all, ten cases of fraud and corrupt practices were identified in 2014 and the amount of damage caused to the Group totalled RUB 120 mln.	
Anti-competitive behaviour	G4-DMA	Disclosures on management approach	As part of efforts to prevent monopolistic practices, the Group regularly monitors anti-monopoly legislation, reviews internal regulations, prepares legal opinions concerning anti-monopoly risk and provides recommendations for their elimination. Acts and instructions of antitrust authorities received by the Group's companies are also analysed, and they are disputed in cases of non-compliance with the law.	
	SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	In 2014, regional branches of the Federal Anti-Monopoly Service (FAS) registered 19 violations of antimonopoly legislation by Group companies (38 cases in 2013).	

Aspect	Indica- tor No.	Indicator	Report section			Report page
		Total number of legal actions against the Group for anticompetitive behaviour				
		S&A	Number of cases		Court decisions	
			2013	2014		
		LLC Bashenergotrans	-	1	Claim considered groundless	
		JSC «TGK-11»	5	13	Nine cases were terminated due to lack of violations in the actions of TGK-11. One case is suspended until the court judgement becomes effective.	
		Inter RAO – Electric Power Plants, OJSC INTER RAO - Orel energy distribution, LLC	1 10	1 4	There were no regulations and penalties. There were no regulations and penalties.	
Compliance	G4- DMA	Disclosures on management approach	6.6. Corporate Control			
	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Appendix 12.12. Information on major litigations and fines			
Grievance mechanisms for impacts on society	G4- DMA	Disclosures on management approach	Written appeals and claims are submitted through special channels, including: post, fax, e-mail, book of comments and suggestions in the client's office, and the company's website. Application templates with the examples of filling are available on S&A websites. Customer claims, applications and complaints are addressed within the terms established by applicable legislation of the Russian Federation.			
	SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	In the reporting period, the total number of social impact claims filed through the official grievance procedures to the internal divisions (such as legal division, division of regulatory compliance requirements, procurement division, supply division, and HR division) was 9,281. The total number of claims filed in the past and the			

Aspect	Indicator No.	Indicator	Report section	Report page
			current year and processed during the reporting period was 9,893 ¹⁶³ .	
Disaster/emergency planning and response	G4-DMA	Disclosures on management approach	8.6. Asset security The Group developed and implemented JSC Inter RAO Action Plan for Natural and Technical Emergency Prevention and Response. JSC Inter RAO Action Plan for Natural and Technical Emergency Prevention and Response remained unchanged in 2014.	
		Product Responsibility		
Consumer privacy	G4-DMA	Disclosures on management approach	5.4. Supply in the Russian Federation 5.7. Georgia 5.8. Armenia	
	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No legitimate claims regarding breaches of customer privacy and losses of customer data were identified in the reporting period.	
Compliance	G4-DMA	Disclosures on management approach	9. Risk management	
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	A fine of USD 206k (RUB 13.4 mln) was imposed on Trakya TPP in Turkey by the operator of the wholesale electricity market (TETAS).	

¹⁶³ The total number of claims includes the data of Inter RAO, Inter RAO – INTER RAO - Orel energy distribution, LLC (guaranteed supplier), Trakya TPP (Turkey), Altay-energosbyt (guaranteed supplier), TGK-11, BashRTS, Bashkir Generating Company, Quartz Group, Moldavskaya TPP (Moldavia), Mosgorenergosbyt (guaranteed supplier), Telasi, LLC Inter RAO– Management of Electric Power Plants. No claims were reported by other Inter RAO Group companies.

Aspect	Indicator No.	Indicator	Report section	Report page
Access	G4-DMA	Disclosures on management approach	5. Operations of Inter RAO Group 4. Development Strategy of Inter RAO Group and its implementation 8.6. Asset security	
	EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime	5.4. Supply in the Russian Federation	
	EU28	Power outage frequency	5.7. Georgia 5.8. Armenia	
	EU29	Average power outage duration	5.7. Georgia 5.8. Armenia	
	EU30	Average plant availability factor by energy source and by regulatory regime	5.3. Generation in the Russian Federation 5.7. Georgia 5.8. Armenia 5.9. Moldavia 5.10. Turkey 5.11. Kazakhstan	

12.5 Information on compliance with the Corporate Governance Code



Information on compliance with the Corporate Governance Code is available on JSC Inter RAO official website:

http://www.interrao.ru/investors/disclosure/corporate_behavior/

12.6 Major deals and related party deals

In 2014 the Company had no major deals.



Information on related party deals concluded by the Company in 2014 is available on JSC Inter RAO official website: http://www.interrao.ru/investors/disclosure/major_deals/

12.7 Information on non-core assets disposal programme and non-core assets register

The Company acts in accordance with the Regulations on JSC Inter RAO Non-Core Assets Management, approved by JSC Inter RAO Board of Directors¹⁶⁴.

The Non-Core Assets Register¹⁶⁵ with amendments and additions¹⁶⁶ including the list of operations with non-core assets and the statement of need was approved by the Board of Directors pursuant to Regulations.

In 2014, the Non-Core Assets Register included the information on four real estate items for sale, and four items in assets, shares, and ordinary shares not subject to sale.

Information on disposal of non-core assets in 2014 is disclosed in the following table.

No.	Asset	Balance sheet line code (if applicable)	Book value (as per Non-Core Assets Register), thousand RUB	Actual sale price, thousand RUB excluding VAT	Actual sale price to book value deviation, thousand RUB	Reason for actual sale price to book value deviation
1	Social building No. 1 (edifice, total area - 277.2 sq.m., situated on the territory of Severo-Zapandnaya NPP branch)	Fixed assets	1,206.10	800.00	- 406.1	Sale at market value along with the item No.2 (unsatisfactory condition)
2	Canteen (edifice, total area - 592.1 sq.m., situated on the territory of Severo-Zapandnaya NPP branch)	Fixed assets	673.98	1,700.00	1,026.02	Sale at market value
3	Residential building (1/4 in common shared ownership interest for residential building, lit. B, total area - 582.9 sq.m., residential area - 250.0 sq.m.)	Fixed assets	2,468.17	7,500.00	5,031.83	Sale following competitive bidding (public offering sale)

¹⁶⁴ Minutes No. 74 dated July 16, 2012.

¹⁶⁵ Minutes No. 74 dated July 16, 2012.

¹⁶⁶ Minutes No. 86 dated February 04, 2013; Minutes No.101 dated October 14, 2013.

No.	Asset	Balance sheet line code (if applicable)	Book value (as per Non-Core Assets Register), thousand RUB	Actual sale price, thousand RUB excluding VAT	Actual sale price to book value deviation, thousand RUB	Reason for actual sale price to book value deviation
4	Railway track (running railway line (part of a railway track from the border to points No. 2, including point No. 2), lit. VI-1, length 201.2 m; drainage railway line (part of a railway track from points No. 2 to gates of building No. 7 unit I-10), lit. VI-4, length - 111.8 m)	-	411.02	2,105.93	1,694.91	Sale on terms of agreement with predecessor (OJSC Bashkirenergo)
5	JSC Sanatorium Lukomoriye	Financial investments	16,939.14	Not for sale		
6	JSC Kostromskaya TPP Hotel	Financial investments	20,960.00	Not for sale		
7	LLC Energetic Therapeutic Centre	Financial investments	603,874.00	Not for sale		
8	LLC Mir Agricultural Enterprise	Financial investments	9,000.00	Not for sale		

Non-core assets management (for real estate) was subject to review by the Board of Directors of JSC Inter RAO and was approved by the above mentioned body¹⁶⁷. As at December 31, 2014, there were data on four items in assets, shares, and ordinary shares in Non-Core Assets Register.

¹⁶⁷ Minutes No. 119 dated August 04, 2014.

12.8 Information on participation in other companies

No.	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Business entities in which JSC Inter RAO has a participation interest from 2-20% in the authorised capital.										
1.	Sangtudinskaya HPP-1 Open Joint Stock Company	14.87%	14.87%	RUB 161,412k	RUB 161,412k	0	No information	No information	Electricity production and supply (sale)	No changes
2.	AKKUYU NÜKLEER ANONİM ŞİRKETİ	1.15%	1.75%	RUB 1,025,707k	RUB 1,025,707k	0	No information	No information	Design, construction, ownership, operation, maintenance and de-commissioning of nuclear power plant	As at 05.02.2015, authorised capital was increased
Affiliated companies in which JSC Inter RAO has a participation interest of 20-50% in the authorised capital										
3.	Irkutsk Power Industry and Electrification Joint Stock Company	40%	40%	RUB 11,289,766 k	RUB 14,651,904 k	RUB 781,893	No information	No information	Electricity production	No changes
4.	Engineering Centre Gas Turbine Technologies Limited Liability Company	53.94%	45.27%	RUB 474,483k	RUB 340,000k	0	-	RUB 13,544k	- Gas turbines manufacturing, excluding turbojet and turboprop	No changes
5.	Tomsk Energy Supply Company Open Joint Stock Company	24.99%	24.99%	RUB 104,960k	RUB 104,960k	0	RUB 11,997 638k	RUB 981k	Electricity purchase and sale	No changes
6.	Joint Venture Energo-konnekt Limited Liability Company	50%	50%	RUB 2,631k	RUB 2,631k	0	-	BYR 417,042k	- Transborder projects on design and placement of DC lines	No changes
7.	Inter RAO LED-Systems Open Joint Stock Com-	35.17%	35.17%	RUB 600,000k	RUB 600,000k	RUB 414k	-	RUB 17,822k	Production of semiconductor elements , devices, including photo-sensitive and optoelectronic	No changes

No.	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	pany									
8.	RT – Energotrader Limited Liability Company	50%	50%	RUB 9,805k	RUB 9,805k	RUB 39,105k	RUB 6,819,699k	RUB 36,364k	Electricity and heat wholesale (without transmission or distribution). Wholesale through agents (with reward or on a contractual basis). Agents' electricity and heat wholesale activity (without production, transmission or distribution).	No changes
9.	Inter RAO UES Power Efficiency Centre Limited Liability Company	50%	50%	RUB 258,250k	RUB 258,250k	RUB 4,351k	RUB 6,843 192k	RUB 10,377k	Works/services in the sphere of energy efficiency and energy savings	No changes
10.	Interenergoeffect Limited Liability Company	50%	50%	0	RUB 1,105k	0	No information	No information	Works/services in the sphere of energy efficiency and energy savings	No changes
11.	Ekibastuzskaya TPP-2 Plant Joint Stock Company	50%	50%	RUB 603,311k	RUB 603,311k	RUB 283,954k	KZT 35,733,384k	KZT 10,257,888k	Production, transmission, and distribution of electricity and heat	No changes
12.	Promyshlennaya Energeticheskaya Companiya Closed Joint Stock Company	50%	50%	0	0	0	No information	No information	Electricity supply to defence industrial sector of the Russian Federation and other consumers	No changes
Subsidiaries in which JSC Inter RAO has a participation interest in the authorised capital ranging from 50% + 1 share to 100%										
13.	Inter RAO Capital Closed Joint Stock Company	100%	100%	RUB 13,769,840 k	RUB 13,769,840 k	0	RUB 4,882,699k	RUB 6,578,674k	- Participation in investment projects aiming at assets acquisition abroad and in the Russian Federation, including shares (interest) of foreign	Reduction of authorised capital

	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
No.		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
									and Russian companies in the sphere of power generation, or controlling interest, etc.	
14.	RAO Nordic Oy	100%	100%	RUB 43,410k	RUB 43,410k	0	EUR 135,682k	EUR - 5,741k	Electricity trade	No changes
15.	Inter RAO Holding B.V.	100%	100%	RUB 4,413,668k	RUB 4,413,668k	0	0	USD - 2,890k	Management company	No changes
16.	Inter RAO Central Asia Limited Liability Partnership	100%	100%	0	RUB 47,443k	0	KZT 571,211k	KZT 708,112k	Leasing of Special Technical School property complex of Severny section, Trudovaya and Udamaya railway stations; acquisition aimed at selling electricity; development of investment projects aimed at asset acquisition in the Republic of Kazakhstan and abroad in the sphere of energy.	No changes
17.	Eastern Energy Company Open Joint Stock Company	100%	100%	RUB 2,190,290k	RUB 2,190,290k	RUB 225,184k	RUB 7,860,070k	RUB 1,007,209k	Electricity wholesale	No changes
18.	Testing Stand of Ivanovskaya TPP Open Joint Stock Company	82.84%	82.84%	RUB 155,975k	RUB 222,447k	0	-	RUB 13,230k	- Holding presentations and delivery-acceptance trials of serial gas turbine engines GTE-110 and their modifications, the test operation of the GTE-110; production and sale of electricity (power).	No changes
19.	Kambaratinskaya HPP-1 Closed Joint Stock Company	50%	50%	RUB 28,864k	RUB 28,864k	0	-	KGS 20,497k	- Electricity production and supply (sale)	No changes

	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
No.		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
20.	Electrolych Open Joint Stock Company	100%	100%	RUB 2,065,573k	RUB 2,065,573k	0	RUB 805,551k	RUB 68,983k	- Lease of own non-residential real estate	No changes
21.	Moldavskaya TPP Closed Joint Stock Company	100%	80.9%	RUB 645,751k	RUB 457,751k	0	USD 179,894k	USD 8,698k	Electricity production and supply (sale)	As at 19.12.2014, acquisition of up to 100% Moldavskaya TPP form RAO NORDIC Oy
22.	InterRAO – WorleyParsons Limited Liability Company	51%	51%	RUB 19,384k	RUB 19,384k	RUB 12,703k	RUB 142,766k	RUB 8,719k	Activities in the sphere of architecture, industrial engineering design and construction. Construction of buildings and facilities. Installation of engineering equipment in buildings and facilities.	No changes
23.	RAO Intertech B.V.	100%	100%	RUB 891,441k	RUB 876,700k	0	-	EUR - 92k	Project activities	No changes
24.	Inter RAO– Management of Electric Power Plants Limited Liability Company	100%	100%	RUB 500k	RUB 500k	RUB 100,505k	RUB 1,536,000k	RUB 39,483k	Management of financial industrial groups and holding companies.	No changes
25.	Inter RAO – Electricity Generation Group Open Joint Stock Company	100%	100%	RUB 185,648,281k	RUB 183,775,712k	0	RUB 147,846,693k	RUB 10,258,716k	Electricity and heat production	As at 04.03.2015, amendments to the Articles of Association increase the authorised capital. The authorised capital amounts to RUB 172,491,169,361
26.	Inter RAO Finance	100%	100%	RUB	RUB	0	-	EUR - 90k	Establishment, participation in any	No changes

No.	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	B.V.			82,748k	82,748k				manner whatsoever, management, control, use and promotion of enterprises, organisations and companies; financing of enterprises and companies; consulting and other services to companies with which the company forms the Group, as well as to third parties	
27.	Altaienergosbyt Joint Stock Company	100%	100%	RUB 330,000k	RUB 330,000k	0	RUB 12,404,947k	RUB 191,048k	Purchase of electricity on the wholesale and retail energy (power) markets; realisation (sale) of electricity on the wholesale and retail electricity (power) markets to consumers (including individuals), etc.	No changes
28.	Saratovenergo Joint Stock Company	56.2254%	56.2254%	RUB 106,502k	RUB 169,606k	0	RUB 16,881,101k	RUB 3,058k	Purchase of electricity on the wholesale and retail energy (power) markets; realisation (sale) of electricity on the wholesale and retail electricity (power) markets to consumers (including individuals), etc.	No changes
29.	Tambov Energy Sales Company Joint Stock Company	59.38%	59.38%	RUB 54,754k	RUB 55,800k	0	RUB 4,819,759k	RUB 9,915k	Electricity distribution	No changes
30.	Mosenergosbyt Joint Stock Company	50.92%	50.92%	RUB 4,746,803k	RUB 4,309,521k	RUB 152,757k	RUB 254,408,884k	RUB 854,999k	Purchase of electricity on the wholesale and retail energy (power) markets; realisation (sale) of electricity on the wholesale and retail electricity (power) markets to consumers (including individuals), etc.	No changes
31.	TGK-11 Joint Stock	98.53%	98.53%	RUB	RUB	0	RUB	RUB 56,818k	Electricity and heat production	As at November 05, 2014,

	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
No.		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Company			7,907,858k	7,907,858k		27,167,471k			change in the form of incorporation
32.	St. Petersburg Power Supply Company Joint Stock Company	100%	100%	RUB 3,994,714k	RUB 3,994,714k	0	RUB 84,768,631k	RUB 307,567k	Purchase of electricity and heat on the wholesale and retail energy (power) and heat markets; realisation (sale) of electricity and heat on the wholesale and retail electricity (power) and heat markets to consumers (including individuals), etc.	No changes
33.	Hrazdan Energy Company Public Joint Stock Company	100%	100%	RUB 624,579k	RUB 624,579k	0	AMD 31,970,434k	AMD 2,164,780k	Electricity production	As at December 25, 2014, change in the share value
34.	Inter RAO – Export Limited Liability Company	100%	100%	RUB 300,000k	RUB 300,000k	RUB 17,868k	RUB 248,353k	RUB 20,345k	Main economic operations comprise wholesale of machinery and equipment	No changes
35.	RN-Energo Limited Liability Company	100%	100%	RUB 4,995,804k	RUB 4,995,804k	0	RUB 53,723,433k	RUB 1,874,754k	Electricity and heat wholesale (without transmission or distribution); installation of engineering equipment in buildings and facilities; electrical works	No changes
36.	Inter RAO – Oryol Energy Sales Company Limited Liability Company	100%	100%	RUB 60,000k	RUB 60,000k	0	RUB 6,372,471k	RUB 645k	Purchase of electricity on the wholesale and retail energy (power) markets; realisation (sale) of electricity on the wholesale and retail electricity (power) markets to consumers (including individuals), etc.	No changes
37.	Inter RAO – Engineering Limited Liability Company	100%	100%	RUB 775k	RUB 775k	0	RUB 1,931,361k	RUB 26,589k	Structural works for thermal and other power plants construction; structural works for building con-	No changes

No.	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
									struction; installation of other engineering equipment	
38.	Inter RAO – Finance Limited Liability Company	100%	100%	RUB 10,000k	RUB 10,000k	0	-	RUB - 5,235k	Securities trading and investments; property investments; other financial intermediation; consulting on financial mediation, commercial activity and management	No changes
39.	Ugolny Razrez Limited Liability Company	100%	100%	RUB 243,074k	0	0	RUB 1,798,356k	RUB 67,890k	Lignite surface mining	Property deposit in the amount of RUB 706 mln without authorised capital increase
40.	Bashkir Generating Company Limited Liability Company	100%	100%	RUB 24,038,482k	RUB 21,038,482k	RUB 8k	RUB 41,999,132k	RUB 2,694,571k	Electricity and heat production	As at August 18, 2014, Increase of authorised capital
41.	Inter RAO– Procurement Centre Limited Liability Company	100%	100%	RUB 122,038k	RUB 122,038k	RUB 6,815	RUB 525,084k	RUB 6,955k	Organisation and provision of centralised supply of material and machinery for Group's facilities	No changes
Organisations included in the holding structure										
42.	Bashkir Distribution Thermal Networks Limited Liability Company	0	0	0	0	0	RUB 11,418,113k	RUB 257,645k	Electricity and heat production	No changes
43.	Mosenergosbyt - Sergiyev Posad Limited Liability Company	0	0	0	0	0	RUB 107,464k	RUB 614k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes

No.	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
44.	Silk Road Holdings B.V.	0	0	0	0	0	-	USD 9.4k	Management company	No changes
45.	Mosenergosbyt – Zhukovsky Limited Liability Company	0	0	0	0	0	RUB 37,449k	RUB 910k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
46.	Inter RAO Information Technology Limited Liability Company	0	0	0	0	0	RUB 1,138,097k	RUB 14,190k	Software development and installation, and related consultancy	No changes
47.	Inter RAO Finance B.V.	0	0	0	0	0	USD 218k	USD 313k	Management	No changes
48.	Gardabani Holdings B.V.	0	0	0	0	0	-	USD 2,825k	Holding	No changes
49.	Power Grids of Armenia Closed Joint Stock Company	0	0	0	0	0	AMD 157,935,068k	AMD 10,676,927k	Electricity distribution	No changes
50.	Mtkvari Energy Limited Liability Company	0	0	0	0	0	GEL 99,759k	GEL 3,796k	Electricity and heat production	No changes
51.	Telasi Joint Stock Company	0	0	0	0	0	GEL 275,841k	GEL 27,984k	Electricity and heat production and supply (sale)	No changes
52.	Khrami HPP-1 Joint Stock Company	0	0	0	0	0	GEL 16,604k	GEL 5,551k	Electricity production	No changes
53.	Khrami HPP-2 Joint Stock Company	0	0	0	0	0	GEL 29,471k	GEL 5,899k	Electricity production	No changes

	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
No.		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
54.	AB Inter RAO Lietuva	0	0	0	0	0	LTL 651,695k	LTL 38,673k	Any lawful economic activity, including (but not limited to) production, transmission, distribution and sale of electricity, investments in the energy sector and implementation of other investment projects	No changes
55.	Inter RAO Trust B.V.	0	0	0	0	0	-	EUR - 53k	Holding	No changes
56.	Asia Energy B.V.	0	0	0	0	0	-	USD - 135k	Holding	No changes
57.	Silverteria Holdings Limited	0	0	0	0	0	USD 232k	USD - 490 995k	Project activities	No changes
58.	INTER RAO SERVICE Limited Liability Company	0	0	0	0	0	RUB 45,079k	RUB 10,467k	Customs agent and customs representative functions	No changes
59.	Turbine-UTEM Closed Joint Stock Company	0	0	0	0	0	PRB 5,289,560k	PRB 2,143,237k	Activities not prohibited by law	No changes
60.	Orange Wings Ltd	0	0	0	0	0	-	USD - 0.2k	Project activities	As at February, 2015, a new owner of INTER RAO Trust B.V.
61.	Interstroy Limited Liability Company	0	0	0	0	0	No information	No information	Construction of power facilities, civil engineering facilities; installation, adjustment and repair of power facilities, energy generation equipment	No changes
62.	Inter RAO Invest Limited Liability Company	0	0	0	0	0	RUB 1,145,490k	RUB 71,590k	- Broker and dealer activities on securities market; securities management activities, depository activities, investments in securities; other financial intermediation	No changes

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		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
63.	SIA Inter RAO Latvia	0	0	0	0	0	EUR 24,091k	EUR 67k	Electricity trade	No changes
64.	INTER RAO Eesti OU	0	0	0	0	0	EUR 6,378k	EUR 281k	Electricity trade	No changes
65.	NVGRES Holding Limited	0	0	0	0	0	RUB 1,208,659k	RUB 1,090,654k	Loans to related parties, including any activity that generates interest income	No changes
66.	Sanatorium Lukomoriye Joint Stock Company	0	0	0	0	0	RUB 106,760k	RUB 839k	Activities of health and recreation facilities	No changes
67.	Technological Transportation Management Open Joint Stock Company	0	0	0	0	0	RUB 117,195k	RUB 15,282k	Passenger transportation; cargo transportation; special transport and handling equipment services; vehicle repair and maintenance services	No changes
68.	Nizhnevartovskaya TPP Closed Joint Stock Company	0	0	0	0	0	RUB 16,128,359k	RUB 1,952,791k	Electricity and heat production	No changes
69.	Quartz Group Limited Liability Company	0	0	0	0	0	RUB 9,109,965k	RUB 152,654k	Activities to ensure power plant operation	CJSC Inter RAO Capital – 99.9%, LLC Inter RAO Invest – 0.1%
70.	Quartz – New Technologies Limited Liability Company	0	0	0	0	0	RUB 15,302,080k	RUB 9,452k	Investment activity and investment projects: construction, reconstruction, modernisation and introduction of new technologies in fuel and energy, oil and gas, petrochemical, and machine-building facilities and building complexes; organisation, participation and conduct of independent examinations, bids, offers trading; contract draft-	No changes

No.	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
									ing for construction, reconstruction, modernisation and introduction of new technologies at fuel and energy, oil and gas, petrochemical and machine-building facilities and building complexes	
71.	Verhniy Tagil Communal Company Limited Liability Company	0	0	0	0	0	RUB 39,999k	RUB 2,160k	Technical maintenance and operation services	No changes
72.	Mosenergosbyt – Serpukhov Joint Stock Company	0	0	0	0	0	RUB 66,894k	RUB 1,724k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
73.	Mosenergosbyt – Lukhovitsy Limited Liability Company	0	0	0	0	0	RUB 8,617k	RUB 428k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
74.	Mosenergosbyt – Chekhov Limited Liability Company	0	0	0	0	0	RUB 62,169k	RUB 4,673k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
75.	Mosenergosbyt – Shatura Limited Liability Company	0	0	0	0	0	RUB 35,206k	RUB 1,534k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
76.	Mosenergosbyt – Yegoryevsk Limited Liability Company	0	0	0	0	0	RUB 40,854k	RUB 2,152k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
77.	Mosenergosbyt –	0	0	0	0	0	RUB 61,971k	RUB 3,493k	Services related to electricity sale,	No changes

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		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Orekhovo-Zuevo Limited Liability Company								including collection of payments for goods sold and services provided, etc.	
78.	Mosenergosbyt – Electrostal Limited Liability Company	0	0	0	0	0	RUB 57,074k	RUB 964k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
79.	Mosenergosbyt – Pushkino Joint Stock Company	0	0	0	0	0	RUB 79,998k	RUB 2,263k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
80.	Mosenergosbyt – Domodedovo Limited Liability Company	0	0	0	0	0	RUB 72,247k	RUB 5,237k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
81.	Mosenergosbyt – Podolsk Joint Stock Company	0	0	0	0	0	RUB 66,412k	RUB 4,457k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
82.	Mosenergosbyt – Naro-Fominsk Limited Liability Company	0	0	0	0	0	RUB 140,647k	RUB 2,333k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
83.	Integrator IT Limited Liability Company	0	0	0	0	0	RUB 130,489k	RUB 18,086k	Secure document control and services for information encryption, maintenance and distribution of encoding (cryptographic) facilities	No changes
84.	Enegrosbyt Company of Moscow Region Open Joint	0	0	0	0	0	RUB 166,894k	RUB 143,558k	- Purchase of electricity on the wholesale and retail energy (power) markets; realisation (sale) of elec-	As at August 19, 2014, change in the Company's registered address (9

	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
No.		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Stock Company								tricity on the wholesale and retail electricity (power) markets to consumers (including individuals)	Vavilova street, 117312 Moscow)
85.	Petroelektrosbyt Closed Joint Stock Company	0	0	0	0	0	RUB 3,812,478k	RUB 19,367k	Electricity and heat purchase and sale; Payment for electricity and communal services.	On March 28, 2014, April 01, 2014 CJSC Inter RAO Capital – 0.12%, JSC PSK – 99.88%
86.	Repair and Service of Thermal and Underground Utilities of Kostromskaya TPP Joint-Stock Company	0	0	0	0	0	RUB 251,835k	RUB - 2,346k	Maintenance and repair of heat supply, water-pipe and sewage systems; heat transportation and sale	No changes
87.	Integrated Energy Repair Joint Stock Company	0	0	0	0	0	-	RUB - 478k	Repair of boiler inspection facilities; manufacture of non-standard equipment supervised by Ros-tekhnadzor; repair and adjustment of lifting facilities	No changes
88.	Thermal Service Company Joint Stock Company	0	0	0	0	0	RUB 333,850k	RUB - 3,874k	Operation and performance assurance of heat supply network; maintenance, operation and repair of hot water supply	No changes
89.	Kommunalnik Joint Stock Company	0	0	0	0	0	RUB 108,692k	RUB - 5,111k	Operation and performance assurance of heat supply network	No changes
90.	Energry-1 Joint Stock Company	0	0	0	0	0	RUB 147,937k	RUB 33,063k	Operation and performance assurance of heat supply network, heat distribution and sale	No changes
91.	Kostromskaya TPP Hotel Joint Stock Company	0	0	0	0	0	RUB 17,754k	RUB 163k	Hotel services	No changes

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		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
92.	Yuzhnouralskaya Power Supply Company Open Joint Stock Company	0	0	0	0	0	RUB 261,554k	RUB - 8,995k	Operation and performance assurance of heat supply network in the city of Yuzhnouralsk; heat supply to consumers	No changes
93.	Inter RAO Credit B.V.	0	0	0	0	0	0	EUR 377,863k	Consulting and other services to companies with which the company forms the Group and to third parties; borrowing, lending and seeking funds, including the issuance of bonds, simple promissory notes or other securities or debt instruments and concluding agreements related to the above mentioned activities; issuing guarantees, binding the company by obligations and pledging its assets to secure the obligations of enterprises and companies with which the company forms the Group, and on behalf of third parties	No changes
94.	UAB Vydmantai Wind Park	0	0	0	0	0	LTL 17,021.10k	LTL 1,230.31k	Electricity production and sale	No changes
95.	Inter Green Renewables and Trading AB	0	0	0	0	0	-	EUR - 60k	Electricity trade	As at January 19, 2015, reduction of the authorised capital to EUR 625,000
96.	Inter RAO Europe B.V.	0	0	0	0	0	-	EUR - 43k	Project activities	No changes
97.	INTER RAO TURKEY ENERJİ HOLDİNG ANONİM	0	0	0	0	0	-	TRY 24,002k	- Holding/operational activity	As at September 04, 2014, Increase of authorised capital up to TRY

No.	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	ŞİRKETİ									69,202,650
98.	IRL POLSKA spółka z ograniczoną odpowiedzialnością	0	0	0	0	0	PLN 10,856.69k	PLN 462.34k	- Electricity production, distribution, and trade	No changes
99.	Bashenergotrans Limited Liability Company	0	0	0	0	0	RUB 297,803k	RUB - 406k	Road transportation services for: passengers, cargo, oversized cargo, and dangerous goods	As at December 17, 2014, LLC BGC – 99.999%, LLC BashRTS - 0.001%
100.	Energosnabkomplekt Limited Liability Company	0	0	0	0	0	RUB 2,415k	RUB 5,529k	Trading activity of all types (including retail, wholesale, commission, itinerant trade, manufactured goods and food products trade, raw material, materials, equipment, devices and spares trade, etc.)	As at September 01, 2014, the Company is at bankruptcy stage
101.	Mir Agricultural Enterprise Limited Liability Company	0	0	0	0	0	RUB 6,259k	RUB 536k	Production, processing, and sale of agricultural products, including: domestic livestock breeding, plant cultivation, poultry breeding, fish breeding, bee breeding, and horse breeding	No changes
102.	Medical Improving Center Energetik Limited Liability Company	0	0	0	0	0	RUB 343,406k	RUB 458,495k	Health resort and preventive treatment services; medical services; facilities operation and maintenance; assets and liability management	No changes
103.	Inter Rao Trakya Enerji A.S.	0	0	0	0	0	-	TRY 319k	Management company	No changes
104.	Inter RAO TRAKYA ELTKTRİK Üretim	0	0	0	0	0	-	TRY - 34k	Management company	No changes

No.	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	ve Ticaret L.S.									
105.	SII Enerji ve Uretim L.S.	0	0	0	0	0	-	TRY 880k	CCPP operation and maintenance (Trakya Elektrik station)	No changes
106.	Trakya Elektrik Uretim ve Ticaret A.S.	0	0	0	0	0	USD 382,801k	USD 21,600k	Electricity production and sale	Group's shares amount to 100%.
107.	Mosenergosbyt – Solnechnogorsk Limited Liability Company	0	0	0	0	0	RUB 168k	RUB - 2,070k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
108.	Mosenergosbyt – Shcholkovo Joint Stock Company	0	0	0	0	0	RUB 56,680k	RUB 2,263k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
109.	Mosenergosbyt – Noginsk Limited Liability Company	0	0	0	0	0	RUB 64,955k	RUB 1,553k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
110.	Mosenergosbyt – Ramenskoye Limited Liability Company	0	0	0	0	0	RUB 83,419k	RUB 9,736k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
111.	Joint Venture Energospetserviceobsluzhivaniye Limited Liability Company	0	0	0	0	0	RUB 4,593k	PRB 178k	Thermal and hydraulic generation facilities repair, public utilities maintenance	No changes
112.	Tomskenergobal-ance Closed Joint	0	0	0	0	0	RUB 95,351k	RUB 5,655k	Activities not prohibited by law	No changes

No.	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Stock Company									
113.	Korolyov Grid Retail Company Joint Stock Company	0	0	0	0	0	RUB 1,879,529k	RUB 12,938k -		No changes
114.	Inter SMART Limited Liability Company	0	0	0	0	0	-	RUB 204k	Production of electricity and heat smart meters	As at July 24, 2014, - change of share – 25% - CEE, second participant - 25% - CJSC Promyshlennye innovacii (State Atomic Energy Corporation Rosatom), 50% - owned by the Company
115.	Promyshlennaya Energetika Joint Stock Company	0	0	0	0	0	RUB 4,438,099k	RUB 23,869k -	Services related to electricity sale	Since December 26, 2013, second shareholder LLC Impulse Investment Company - 49%, CJSC Inter RAO Capital - 51%
116.	Mosenergosbyt – Kolomna Limited Liability Company	0	0	0	0	0	RUB 50,855k	RUB 3,021k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes
117.	Moscow Regional United Information-Computing Centre Limited Liability Company	0	0	0	0	0	RUB 137,488k	RUB 46,208k -	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	On July 10, 2014, Increase of authorised capital up to RUB 199,203,187
118.	Mosenergosbyt – Troitsk Limited Liability Company	0	0	0	0	0	-	RUB - 39k	Services related to electricity sale, including collection of payments for goods sold and services provided, etc.	No changes

No.	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
119.	Svetlana-Optoelektronika Closed Joint Stock Company	0	0	0	0	0	RUB 1,029,488k	RUB 204,202k	- Development; production and commercial introduction of semiconductor and optoelectronic devices, sensors and device-based systems	No changes
120.	Svetlana-LED Open Joint Stock Company	0	0	0	0	0	RUB 483,674k	RUB 37,295k	- Light-emitting diodes production; electric lamps and lighting equipment production; electric lamps and lighting devices production.	No changes
121.	Limited Liability Company Omsk Energy Sales Company	0	0	0	0	0	RUB 582,873k	RUB 13,479k	Services related to electricity sale	As at February 13, 2014, Petroelektrosbyt Closed Joint Stock Company is the sole participant of the Company
122.	RTS Activ Open Joint Stock Company	0	0	0	0	0	-	RUB - 72k	Asset management	As at February 28, 2014, – 100% JSC TGK-11
123.	OmskRTS Joint Stock Company	0	0	0	0	0	RUB 313,696k	RUB 67,449k	Asset management	As at February 28, 2014, – 100% JSC TGK-11
124.	TomskRTS Joint Stock Company	0	0	0	0	0	RUB 278,783k	RUB 122,851k	Asset management	As at February 28, 2014, – 100% JSC TGK-11
125.	Ujutny Dom Limited Liability Company	0	0	0	0	0	-	RUB - 942k	Real estate management	As at September 22, 2014, – the Company establishment – 100% - MIC; as at February 09, 2015, –50% - LLC MIC Energetik, 50% - OJSC Bashkirenergo – 50%

No.	Full name	Share of JSC Inter RAO in the Company's authorised capital		Book value of shares, participation interest in the Company		Total dividends, RUB k (unless indicated otherwise)	Financial performance in 2014		Business activity according to the Articles of Association	Changes in participation in the Company in 2014, or share purchase and transfer agreement
		01.01.2015	01.01.2014	01.01.2015	01.01.2014		Revenue	Net revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
126.	Closed Joint Stock Company Administrator Regionalnoj Torgovoj Sistemy	0	0	0	0	0	No information	No information	Other services	As at April 01, 2014, – 10% JSC PSK
127.	United Information-Computing Centre of Leningrad Region Joint Stock Company	0	0	0	0	0	RUB 521k	RUB 634k	Programming and application of databases and information resources, generation of unified payment documents for housing and communal services payment, and technical support of the following operation	As at February 05, 2015, – 29% CJSC Inter RAO Capital
128.	KASKAD Open Joint Stock Company	0	0	0	0	0	RUB 269,468k	RUB 4,895k	Electrical connector design, production and sale	As at January 13, 2014, – 25% CJSC Inter RAO Capital
129.	Payments Implementation Centre Limited Liability Company	0	0	0	0	0	RUB 5,398,283k	RUB 110,828k	Electricity trade	As at June 10, 2014, – 100% LLC INTER RAO SERVICE
130.	Inter RAO GenCo Besloten Vennootschap	0	0	0	0	0	-	EUR - 46k	Other services	As at June 30, 2014, 50% CJSC Inter RAO Capital – EDF sale
131.	Inter RAO - Distributed Generation Limited Liability Company	0	0	0	0	0	-	RUB - 7k	Electricity production	As at October 24, 2014, 100% LLC Inter RAO Invest
132.	Inter RAO – Joint Venture Limited Liability Company	0	0	0	0	0	-	RUB - 58k	Asset management	As at October 13, 2014, 100% LLC Inter RAO Invest

12.9 Internal regulations of the Company

No	Internal regulation	Basic Provisions	Governing body approving the document
1.	Regulations on the procedure for preparing and holding of the General Shareholders' Meeting of JSC Inter RAO	The Regulations determine the procedure for preparing and holding of General Shareholders' Meeting (hereinafter - GSM) of the Company, including provisions on: <ul style="list-style-type: none"> - procedure for convening and preparing of GSM; - special aspects of convening an extraordinary GSM; - information support of holding GSM; - holding GSM as a meeting; - holding the GSM with absentee voting; - working bodies of the Company's GSM; - financial support of holding the Company's GSM. 	General Shareholders' Meeting (Minutes No. 14 dated May 25, 2014)
2.	Regulations on the Board of Directors of JSC Inter RAO (redrafted)	The Regulations determine the procedure for preparing and holding General Shareholders' Meeting of the Company, including provisions on: <ul style="list-style-type: none"> - procedure for convening and holding of General Shareholders' Meeting of the Company; - arrangement of work of the Board of Directors; - rights, duties and liability of the members of the Board of Directors of the Company; - procedure for adopting resolutions by absentee voting; - procedure for generating minutes of the meetings of the Company's BOD. 	General Shareholders' Meeting (Minutes No. 13 dated June 25, 2013)
3.	Regulations on Assessment of Performance of the Board of Directors of JSC Inter RAO	The Regulations define objectives, procedure, frequency of performance assessment of the Company's Board of Directors, as well as methods of making recommendations on further performance development of the Company's BOD.	Board of Directors (Minutes No. 108 dated February 24, 2014).
4.	Regulations on the Audit Committee of the Board of Directors of JSC Inter RAO (revised)	The Regulations define objectives, functions and competence of the Committees, procedure for constituting the Committees, rights and liability of the Committee members; control the procedure for convening and holding of Committee Meetings, as well as handle inter-agency matters.	Board of Directors (Minutes No. 100 dated September 19, 2013)
5.	Regulations on the Strategy and Investments Committee of the Board of Directors of JSC Inter RAO (revised)		Board of Directors (Minutes No. 92 dated May 16, 2013)
6.	Regulations on the Human Resources and Remuneration Committee of the Board of Directors of JSC Inter RAO (revised)		Board of Directors (Minutes No. 101 dated October 14, 2013)

No	Internal regulation	Basic Provisions	Governing body approving the document
7.	Regulations on the Management Board of JSC Inter RAO	The Provisions define the procedure for constituting the Management Board, rights, duties and liability of the members of the Management Board; establish the procedure for convening and holding of in praesentia meetings of the Management Board, procedure for adopting resolutions by absentee voting, and also establish control over execution of the Board resolutions.	The Management Board of JSC RAO United Energy Systems, having functioned as the extraordinary General Shareholders' Meeting of JSC Sochinskaya TPP on March 28, 2008 (Extract From Minutes of the Management Board No. 1845PR/3 dated March 28, 2008)
8.	Regulations on the Revision Commission of JSC Inter RAO	The Provisions define tasks facing the Revision Commission, rights and liabilities, cover organisation of the Revision Commission activities, establish audit procedures and impose requirements on the report (act) of the Revision Commission.	General Shareholders' Meeting (Minutes No. 14 dated May 25, 2014)
9.	External Auditor Rotation Policy of JSC Inter RAO	The Policy controls selection of procedures and criteria for auditors of the Company based on bidding results, auditor approval procedure by the Annual General Shareholders' Meeting of the Company, and rotation rules for audit engagement partners.	Board of Directors (Minutes No. 97 dated July 29, 2013)
10.	Regulations on Payment of Remunerations and Compensations to the Members of the Board of Directors of JSC Inter RAO (revised)	The Regulations establish the amount and manner of payment of remuneration and compensation to the Members of the Company's BOD.	General Shareholders' Meeting (Minutes No. 12 dated June 27, 2012)
a.	Corporate Ethics Code of JSC Inter RAO (supplemented)	The Code contains the standards of conduct accepted by the Company which define fundamental requirements for ethical corporate conduct.	Board of Directors (Minutes No. 50 dated October 21, 2011). Supplements are approved by the resolution of the Board of Directors of February 13, 2012 (Minutes No. 59 dated February 16, 2012)
11.	Regulations on the Information Policy of JSC Inter RAO	The Regulations define main principles of disclosure of the Company activities, procedure and periods for its disclosure and presentation, as well as the list of information and documents to be disclosed to shareholders, creditors, potential investors, media personnel and public organisations, securities industry participants, governmental authorities and other stakeholders.	Board of Directors (Minutes No. 48 dated September 30, 2011)
12.	Regulations on the Dividend Policy of JSC Inter	The Regulations define the procedure for determining	Board of Directors

No	Internal regulation	Basic Provisions	Governing body approving the document
	RAO	dividend amount, procedure for adopting resolutions on declaration (payment) of dividends, terms of payment (declaration) of dividends and restrictions to their payment (declaration).	(Minutes No. 118 dated July 03, 2014)
13.	Regulations on the Insider Information Policy of JSC Inter RAO (revised)	The Regulations control matters concerning handling and protection of insider information, establish insider liability and rules of transactions made by insiders with financial instruments of the Company and also other matters related to handling and protection of insider information.	Board of Directors (Minutes No. 104 dated December 02, 2013)
14.	Regulations on the Internal Control Policy of JSC Inter RAO	The Regulations define objectives, key principles and united approaches to organisation of the internal control of the Company, as well as roles and liability of internal control subjects.	Board of Directors (Minutes No. 41 dated May 03, 2011)
15.	Regulations on the Risk Management of JSC Inter RAO	The Regulations define major objectives, principles and approaches in the Company risk management, as well as the concept of integrated corporate risk management.	Board of Directors (Minutes No. 33 dated November 01, 2010)
16.	Regulations on the Internal Audit, Controlling and Risk Management Unit of JSC Inter RAO (as amended and supplemented)	The Regulations define goals, objectives, and functions of the Unit, reporting, rights and obligations, as well as liability of Unit personnel.	Board of Directors (Minutes No. 28 dated June 22, 2010) Amendments and supplements are approved by resolutions of the Board of Directors dated August 03, 2011 (Minutes No. 46 dated August 05, 2011), of May 31, 2013 (Minutes No. 93 dated June 03, 2013).
17.	Regulations on the Marginal Asset Management of JSC Inter RAO	The Regulations define general principles and marginal asset management procedure of the Company, and also establish principles and procedures for marginal asset sales, specific features for taking any other actions in respect of marginal assets.	Board of Directors (Minutes No. 41 dated May 03, 2011)
18.	Regulations on Insurance Protection of JSC Inter RAO	The Regulations specify requirements of the Company to the acquired insurance protection for each type of insurance, the Company's requirements to insurance companies, and provision of the Company's insurance	Board of Directors (Minutes No. 83 dated December 17, 2012)

No	Internal regulation	Basic Provisions	Governing body approving the document
		protection by stages.	
19.	Declaration of Environmental Liability of JSC Inter RAO	The Declaration defines the Company's strategic goals in environmental protection and rational nature management, as well as the Company's lines of business to achieve environmental goals.	Board of Directors (Minutes No. 64 dated April 02, 2012)
20.	Declaration of the Maximum Permissible Debt Load Level of JSC Inter RAO	The Declaration establishes the procedure for determining limits of the Company's management authority with respect to loan borrowing transactions.	Board of Directors (Minutes No. 94 dated June 24, 2013)
21.	Compliance Policy of JSC Inter RAO	The policy defines goals and objectives of the Group, Compliance principles in the Group and key processes, spreads its effect on all employees of the Group companies and it is enforceable.	Board of Directors (Minutes No. 111 dated April 03, 2014)
22.	Regulations on the procedure of performing regulated purchase of goods, works, services for JSC Inter RAO (amended and revised)	The Regulations govern procurement relations and determine the content, sequence, terms of procurement procedures and key functions of procurement subjects.	Board of Directors (Minutes No. 124 dated October 03, 2014)
23.	Fraud and Corruption Management Policy of JSC Inter RAO	The Policy is a core document, which defines main goals, objectives, principles, and the Group businesses focused on fraud and corruption management, and which is aimed at coordinating operations of members of business units and companies of the Group focused on prevention, discovery and fighting of fraud and corrupt practices in the Group, and ensuring safety of its business processes.	Board of Directors (Minutes No. 107 dated February 03, 2014)

12.10 Information on fulfilment of the orders of the President and Government of the Russian Federation aimed at improving JSC Inter RAO's business activities

No.	Type of order	Registration data	Name of order	Execution status	Details and content of the decisions adopted
1.	Order of the President of the Russian Federation	Dated April 02, 2011, No. Pr-846	To ensure the adoption by state-owned corporations and state-controlled companies of decisions to reduce the cost of acquiring goods (works, services) per unit of product, not less than by 10 percent a year for three years in real terms; to consider the results of this reduction as the key measure in assessing the performance of such organisations and their managers.	Implemented on an ongoing basis. This order was enforced in 2014.	Pursuant to Minutes of JSC Inter RAO UES Board of Directors' Meeting No.106 dated December 30, 2013, JSC Inter RAO Cost Management Programme was approved for the period 2014–2016.
2.	Order of the President of the Russian Federation	Dated May 07, 2014, No. Pr-1032	On establishment of united treasuries of parent organisations, subsidiaries and affiliates in order to centralise control over cash flow, liquidity and financial risk management in public corporations, companies with state participation, their subsidiaries and affiliates.	In progress. Fulfilment of this order will be completed in 2015 after development and approval of the united treasury structure of the Group, approval of internal documents regulating the activities of the Treasury and control over financial flows, taking into account local laws, as well as ensuring the Treasury's functioning.	Pursuant to Minutes of JSC Inter RAO UES Board of Directors' Meeting No.123 dated October 02, 2014 analysis of the Group's current system of financial flow management was carried out and its results were presented to the Ministry of Finance of Russia (letter dated October 29, 2014 No. IN/GL/601). Based on Minutes of JSC Inter RAO UES Board of Directors' Meeting No.130 dated December 25, 2014 the following documents were considered and approved: - Report with an analysis of the Group's current system of financial flow management; - Concept of the United Treasury of the Group.
	Order of the Government of the Russian Federation	Dated May 13, 2014, No. ISH-P13-3464			

3.	Order of the President of the Russian Federation	Dated July 05, 2013, No. Pr-1474	For joint stock companies, in which the share of the Russian Federation and constituent entity of the Russian Federation in the authorised capital exceeds 50% in aggregate to ensure adoption of key performance indicators (KPI) to carry out management efficiency assessment which must be taken into account for remuneration and HR-related decision-making.	Fulfilled. JSC Inter RAO enforced that order in 2014. The work in relation to this order will be carried out in 2015 and later on in order to ensure the key performance indicators (KPI) system, their target values and calculation method is in line with the actual revision of the Society Strategy.	Pursuant to Minutes of JSC Inter RAO UES Board of Directors' Meeting No. No.131 dated December 29, 2014 and taking into account the revisions by the Ministry of Energy of Russia, according to letter No. AT-14622/08 dated December 23, 2014 the following documents were approved: - Regulation on key performance indicators (KPI) of the Group's efficiency; - the list, values and weight of annual KPIs and benchmarks (BMs) for 2015; - calculation methods and implementation assessment of annual KPIs and BMs for 2015.
4.	Order of the President of the Russian Federation	Dated December 27, 2013, No. Pr-3086	On adoption of long-term development programmes (Programmes) by joint stock companies, standardisation of the procedures of auditing the implementation of programmes and the corresponding audit; amendments to the regulations on remuneration of the Company's sole executive body.	In progress. JSC Inter RAO strategy for the period until 2020. The Strategy corresponds to the requirements applied to long-term development programmes, specified by corresponding methodological recommendations on elaboration of long-term development programmes for joint stock companies and federal state unitary enterprises, prepared by Ministry of Economic Development and Trade of Russia. In 2015 a strategy implementation audit will be arranged with the assistance of an expert organisation that is a member of one of the self-regulating organisations of auditors, and subsequent adjustments to the strategic priorities of the Group will be implemented based on the audit results.	Pursuant to Minutes of JSC Inter RAO UES Board of Directors' Meeting No.122 dated September 29, 2014 and No.126 dated November 24, 2014 the following documents were approved: - Strategic development priorities of JSC Inter RAO; - Standard of audit of the Strategy / Long-term development programme of JSC Inter RAO. It was noted that Regulations on material incentives for the Chairman of the Board and members of the Board of JSC Inter RAO are related to the results of the implementation of the Group Strategy.

12.11 Government support

<i>Project</i>	<i>Project Description</i>
State subsidies in the Group's ongoing investment projects	
Construction of reverse water supply system – clarified water pumping station No. 2 with closed-loop water supply as part of TPP-5 landfill section 4B construction in Omsk	<p>State subsidy to cover investment costs (payment of interest on loans) incurred during the project for construction of the clarified water pumping station with a closed-loop water recycling system in the city of Omsk. The operation of this facility will reduce water consumption from the Om River by 15.0 mln cubic metres per year.</p> <p>The amount of subsidy is RUB 34,247k in 2013 - 2015: RUB 16,309k (actually received RUB 16,309k) in 2013; RUB 17,938k (actually received RUB 17,938k) in 2014. In 2015 another RUB 15 mln are expected to be received. Construction of the recycled water supply system was completed in late 2013.</p>
State export credits and state guarantees	
Organisation of supply and construction of Termogas Machala combined cycle TPP (Ecuador)	<p>Extension of an export credit under the Russian Federation state guarantee secured by a sovereign guarantee of the Republic of Ecuador for organisation of supply and construction of Termogas Machala gas turbine power plant and steam turbine power plant (300 MW) in Ecuador.</p> <p>The contract is worth USD 230 mln. The state guarantee of the Russian Federation in the amount of USD 320 mln was provided under the obligations of the Republic of Ecuador secured by a sovereign guarantee to ensure the Ecuadorian party's fulfilment of their obligations in so far as they relate to repayment of the loan principal and interest on the export credit. The export credit of 85% of the contract value (USD 195.5 mln) was granted by a consortium of Russian banks headed by CJSC Roseksimbank. The amount of the first portion of the loan allocated by CJSC Roseksimbank in 2013 under the state guarantee of the Russian Federation was USD 34.5 mln, and in 2014 additional USD 68 mln were provided. The received advance payment was used to complete design works and fabrication of equipment and to deliver the equipment to Ecuador. The main part of the supply of equipment and work was scheduled for 2015-2016.</p>
State subsidies to associated companies of Inter RAO Group	
Development of a commercial prototype of GTD-110M gas turbine generator using nanoscale technologies	<p>State subsidy partially covering the research and development costs under the project aimed to design a new generation of high-efficiency coal-fired generating unit for TPP with a capacity up to 100 MW with advanced technical and economic parameters and a combined electricity and heat production method.</p> <p>The subsidies allocated in 2014-2016 will total RUB 570 mln: RUB 80 mln (actually received RUB 80 mln) in 2014; RUB 162 mln in 2015; RUB 328 mln in 2016.</p> <p>The recipient of funds is LLC IC GTT (the share of JSC Inter RAO in the authorised capital is 53.9%).</p>
Development of a national commercial prototype of a fully-variable cogeneration combined cycle gas turbine (CCPP) with 20-25 MW capacity	<p>State subsidy to partially cover the research and development costs under the project to design a commercial prototype of a fully-variable combined cycle gas turbine (CCGT) unit CCGT 20/25T based on the existing locally developed equipment.</p> <p>The subsidies allocated in 2014-2015 will total RUB 200 mln: RUB 100 mln (actually received RUB 100 mln) in 2014; RUB 100 mln in 2015.</p> <p>The recipient of funds is JSC VTI (legal entity indirectly controlled by Inter RAO management).</p>

12.12 Information on major litigation

Major pending litigation as at December 31, 2014, in which JSC Inter RAO was involved as a plaintiff or defendant in 2013–2014

PLAINTIFF	DEFENDANT	Subject of claim	Claim price, RUB	Likelihood of adverse result	Current status of the claim
JSC Inter RAO	JSC Omskenergoby	Participation in bankruptcy proceedings	124,148,271	high	Next court hearing is scheduled for April 16, 2015.
JSC Inter RAO	JSC Nurenergo	Adjudging the debtor to be a bankrupt, including claims in the register of creditors' claims	145,155,719	high	The ruling to initiate bankruptcy management was cancelled by the Court of Appeal on November 28, 2014. The cassation court left the Court of Appeal's ruling unchanged. The case was submitted to the first instance court and has not yet been scheduled for hearing. JSC Inter RAO's claim for inclusion into the register, in turn, was suspended until hearing of the appeal.
JSC Inter RAO	JSC Ivnergosbyt	Participation in bankruptcy proceedings	190,734,171	medium	JSC Inter RAO's requirements have been included into the register of creditors' claims. Bankruptcy management has been introduced until May 28, 2015.
JSC Inter RAO	Interdistrict Inspectorate of the Federal Tax Service of Russian Federation for Major Taxpayers No. 4	On rendering Ruling No. 03-1-31/27 dated December 31, 2013 and Requirement No.8 dated May 15, 2014 ineffective	118,929,759	medium	Court hearing is scheduled for April 10, 2015.
JSC Inter RAO	Interdistrict Inspectorate of the Federal Tax Service of Russian Federation for Major Taxpayers No. 4	On rendering tax authority Ruling No. 03-1-31/002 dated January 17, 2014 following the results of unscheduled tax audit concerning JSC OGK-1 activities ineffective	46,888,749	medium	Court hearing is scheduled for March 23, 2015.
JSC Inter RAO	Interdistrict Inspectorate of the Federal Tax Service of Russian Federation for Major Taxpayers No. 4	On rendering tax authority Ruling No. 03-1-31/006 dated March 14, 2014 and Requirement concerning JSC OGK-3 activities ineffective	333,560,258	medium	The claim was satisfied in part based on the Decision of March 11, 2015: decision of Interdistrict Inspectorate of the Federal Tax Service of Russia for Major Taxpayers No. 4 was annulled to the extent it relates to inflated costs for tax purposes in 2010 and 2011,

					unlawful failure to transfer to the budget certain amounts of personal income tax in 2010 which resulted in illegal charging of penalty (RUB 4,734,331.75).
JSC Inter RAO	Interdistrict Inspectorate of the Federal Tax Service of Russian Federation for Major Tax-payers No. 4	On rendering Ruling No. 96 dated September 22, 2014 and Ruling No.55 dated September 22, 2014 (claw back of VAT on drive)	72,982,480	high	Court hearing is scheduled for April 28, 2015.

Significant fines and non-monetary sanctions imposed on Group companies for non-compliance with laws and regulations

Subsidiaries and Affiliates	Authority which imposed a fine/ sanction	Fines and sanctions induced
JSC Sangtudinskaya HPP-1	Major Taxpayer Inspectorate of the Tax Committee by the Government of the Republic of Tajikistan	<p>Fine in the amount of RUB 36,167,931k</p> <ul style="list-style-type: none"> a fine in the amount of 25% of underreported tax or other compulsory payments in the income statement or calculations by the taxpayer or tax agent compared to the tax amount which ought to have been specified in the income statement or calculations (Article 605 (1) of the Administrative Code of the RT); a fine in the amount of 25% of the added value tax amount specified in the invoice imposed for improper submission of fiscal invoice for value added tax and excise tax, leading to understatement of the amount of value added tax and excise tax or overstatement of the set-off amount, as well as failure to submit a fiscal invoice for value added tax and excise tax (Art. 606 (2) of the Administrative Code of the RT); penalty in the amount of 0.08 percent for each day of the tax underpayment or overpayment (Art. 93 of the Tax Code of the RT).
LLC BashRTS	Rostekhnadzor	<ul style="list-style-type: none"> suspension of the use (operation) of compressor unit; suspension of the use (operation) of cranes; suspension of the use (operation) of steam boiler
Trakya Elektrik Üretim Ve Ticaret a.s.	Tax Inspectorate	In 2014 Trakya Elektrik Üretim ve Ticaret resubmitted income tax returns for 2010, 2011, and 2012. The resubmission of the statements was related to a revision of the initial fixed assets cost and respective accumulated amortisation. The revision was made as the previous periods' inspection performed by the Tax Inspectorate had identified a number of spendings which formed the initial cost for which no source accounting documents were available and/or available documentation was not considered sufficient. As a result of resubmission of tax return Trakya Elektrik was charged an additional profit tax the company paid to the budget. In addition to the tax amount Trakya Elektrik paid a penalty of TRY 1,411,616.75 (RUB 21,898,457.28) for late payment.
Trakya Elektrik Üretim Ve Ticaret a.s.	Tax Inspectorate	After a tax return resubmission a request was received from the Tax Inspectorate to pay an additional fine of TRY 342,800 (RUB 5,957,864), as that resubmission was not recognised to be voluntary.

12.13 Glossary

Abbreviations

TSA	Trading system administrator of the electric energy (capacity) wholesale market	WECM	Wholesale Electricity and Capacity Market
BM	Balancing market	UPS	Unified Power Systems
GS	Guaranteed Supplier	CCPP	Combined cycle power plant unit
SDPP	State district power plant (in Russia - thermal power plants)	RGC	Regional Generation Company
GTU (GTPP)	Gas turbine unit (gas-turbine power plant)	RC	Regulated contracts
HPP	Hydraulic power plant	RDD	Regional dispatching directorates
S&A	Subsidiaries and affiliates	RAS	Russian accounting standards
CDA	Capacity delivery agreement	DAM	Day-ahead market
CPT	Competitive power take-off	ECPSC	Electricity and capacity purchase and sale contract
KPI	Key performance indicators	SO UPS	System Operator of Unified Power System
IDGC	Interregional distribution grid company	TS	Trading schedule
IFRS	International Financial Reporting Standards	TGK	Territorial generating company
NP	Non-profit partnership	TPP	Thermal power plant
OGK	Wholesale Generating Companies	CHPP	Combined heat and power plant
UDD	United Dispatching Directorates	FGC UES	Federal Grid Company of Unified Energy System
AWP	Autumn and winter period	FTS	Federal Tariff Service

Measurement Units

GW	gigawatt	Measurement unit of electric power	kW	kilowatt	Measurement unit of electric power
Gcal	gigacalorie	Measurement unit of heat energy	kWh	kilowatt.hour	Measurement unit of generated electric energy
Gcal/h	gigacalorie/hour	Measurement unit of heat energy	MW	megawatt	Measurement unit of electric power
Hz	Hertz	Frequency of electric current	TNF	tonne of natural fuel	Measurement unit
kV	kilovolt	A unit of voltage	TEF	tonne of equivalent fuel	Measurement unit
kVA	kilovolt-ampere	Measurement unit of full power	t/h	tonnes per hour	Measurement unit of steam-production capacity

Financial Terms

MSCI Emerging Markets Index is an index of the stock markets of developing countries, calculated and published by Morgan Stanley Capital International. The index consists of 26 indices of developing markets (Russia, Argentina, Mexico, Thailand and others) and is intended to measure equity market performance in emerging market economies.

MSCI Russia Index is the index of companies in the Russian market which is included in the group of indices that constitute the MSCI Emerging Markets. The index is calculated by analytical agency Morgan Stanley Capital International, incorporating Russian mid- and large-cap companies and is the benchmark for many international investors investing in Russian assets, as well as investors following an index investment strategy.

MICEX Index is a price-weighted market capitalisation (free-float) composite index of the Russian stock market, which includes the 30 most liquid equities of the largest and most dynamically developing Russian issuers, the economic activities of which relate to major sectors of the economy, and is listed as CJSC MICEX Stock Exchange.

MICEX Mid Cap Index is a price-weighted market capitalisation (free-float) index of the most liquid shares of Russian companies with standard capitalisation listed on the MICEX stock exchange.

MICEX Power Index is a price-weighted market capitalisation (free-float) index, which includes the most liquid stocks of Russian companies in the power industry that are listed on the MICEX Stock Exchange.

RTS Index is a price-weighted market capitalisation (free-float) index including shares of the 50 most highly capitalised Russian companies listed on the RTS stock exchange.

Treasury shares (treasury stock in the USA, treasury share in the UK) are Issuer owned shares. Treasury shares do not have voting rights, are not entitled to preferential rights, and do not participate in dividend distribution or property partition in case of the Issuer's liquidation. Treasury shares are circulating, they are issued, but not yet paid. However, they may be cancelled in accordance with the procedure established by the Articles of Association and legislation, with a corresponding reduction in the authorised capital.

13 Contact details

Full company name in the English language:

Open Joint Stock Company Inter RAO UES

Short company name in the English language:

JSC Inter RAO

State registration details

Principle State Registration Number (OGRN):

1022302933630

State registration date:

November 01, 2002

Name of the registration authority as specified in the Certificate of Record in the Unified State Register of Legal Entities:

Inspectorate of the Russian Tax Ministry, Sochi, Krasnodar Territory

Series and number of the legal entity's entry in the Uniform State Register of Legal Entities:

Series 23 No. 002387411

Legal Address

27 Bldg. 2 Bolshaya Pirogovskaya Street, 119435 Moscow, Russian Federation

Postal Address

27 Bldg. 2 Bolshaya Pirogovskaya Street, 119435 Moscow, Russian Federation

Phone: +7 (495) 664-88-40 (switchboard)

Fax: +7 (495) 664-88-41

e-mail: office@interrao.ru

www.interrao.ru

Public Relations Department:

e-mail: press@interrao.ru

Contacts for shareholders:

JSC R.O.S.T. Registrator free hot line for JSC
Inter RAO shareholder calls from across Russia: + 7 (800) 700-03-70

Shareholder hot line:
+ 7 (495) 710-89-83

Contacts for investors and analysts

Larisa Sadovnikova
e-mail: Sadovnikova_lv@interrao.ru
Phone: +7 (495) 664-88-40 (2068)

Depository

BNY Mellon
www.bnymellon.com
Roman Kumits, VP
BNY Mellon
Depository Receipts
101 Barclay Street
22-nd Floor West
New York, NY 10286
phone: +1-212-815-5984
fax: +1-212-571-3050
e-mail: roman.kumits@bnymellon.com

Mark Lewis, VP
BNY Mellon Issuer Services
One Canada Square
London E14 5AL
Phone: +44 207 163 7407
e-mail: mark.lewis@bnymellon.com

Auditor

Full company name: Ernst & Young Limited
Liability Company

Short company name: Ernst & Young LLC

Address: 77 Bldg. 1 Sadovnicheskaya Naberezhnaya, 115035 Moscow, Russian Federation

INN: 7709383532

OGRN: 1027739707203

Phone: +7 (495) 755-97-00

Fax: +7 (495) 755-97-01

e-mail: moscow@ru.ey.com

Register Holder

Full company name: Joint-Stock Company
R.O.S.T. Registrator

Licence No. 10-000-1-00264 dated December 03, 2002, unlimited duration, issued by the Securities Market Federal Commission for conducting register keeping activities.

Postal address: PO Box 9, 18 Strominka Street, 107996 Moscow, Russian Federation

Phone: +7 (495) 771-73-35

Fax: +7 (495) 771-73-34

e-mail: InterRAO@rrost.ru, rost@rrost.ru

<http://www.rrost.ru/>

JSC R.O.S.T. Registrator free hot line for calls from across Russia:

Shareholder hot line:
+7 (800) 700-03-70

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