

Analysis of critical risks. Risks and opportunities [GRI 102–15]

Inter RAO prepares a critical risk map each year. The document reflects the results of the critical risk assessment, including a graphical display, a list of critical risks, and the disclosure of information on them. Critical risks are regarded as risks that

pose a threat of deviations from the Group’s goals and require priority control and management in order to maintain an acceptable level of risk.

Map of critical risks that impact EBITDA and operating cash flow



Critical risks (impact on EBITDA and operating cash flow)

1. Adoption by the regulator of adverse tariff balance decisions (in terms of electricity sales) and shortfall in approved GRR
2. Change in sales volumes of electric power (foreign assets)
3. Growth in overdue receivables on the wholesale electricity and capacity market
4. Growth in overdue receivables on the retail electricity and capacity market
5. Change in electricity prices on the day-ahead market
6. Change in sales volumes of electric power and capacity (net output)
7. Adoption by the regulator of adverse tariff balance decisions (thermal power)
8. Reduced availability of equipment for work (accidents in the electric power industry)

New risks

9. Change in foreign exchange rates
10. Changes in the rules of the wholesale electricity and capacity market and/or the introduction of restrictive measures by the government

- Risks impacting EBITDA and operating cash flow targets
- Risks excluded from critical risk list in 2019
- Risks included in critical risk list in 2019
- ↓↑ Decrease/increase in risk assessment based on 2019 results

Risks that materialized in 2019

Risk	Comments
Manifestation of fraudulent and/or corruption actions	Two court convictions were handed down for fraud and corruption offenses in criminal cases previously initiated by the Group's companies against former Inter RAO employees
Risk of violation of antimonopoly laws	The Inter RAO Group paid roughly RUB 15 mln in fines to the Moscow Office of the Federal Antimonopoly Service in 2019 for various violations
Changes in foreign exchange rates	The risk impacts the Group's business plan due to deviations in the actual prevailing foreign exchange rates in which the Group's income and expenses are denominated versus the forecast rates adopted when preparing the Group's business plan

Opportunities that materialized in 2019

Risk	Comments
Change in electricity prices on the day-ahead market	The increase in day-ahead market prices in 2019 had a positive impact on the Group's business plan
Risks not included in the list of critical risks for 2019 for which opportunities led to an increase in EBITDA or operating cash flow in 2019	
Price risk (foreign economic activities)	The risk's positive impact on the Group's business plan is due to favorable pricing environment on the Nord Pool Spot exchange